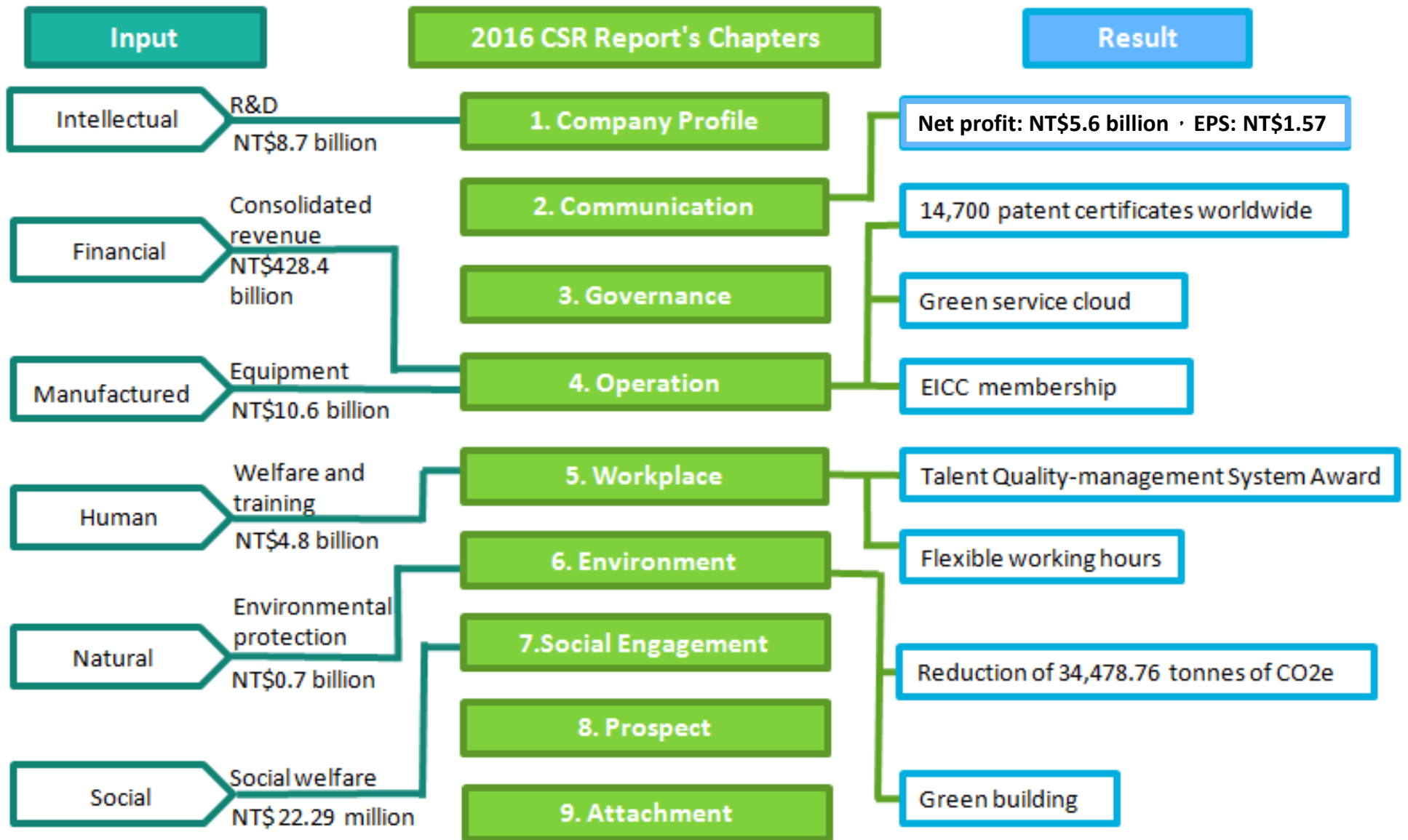


# 2016 Inventec

## *Corporate Social Responsibility Report*



# 2016 Inventec CSR Performance



# CSR Awards

Inventec won the 2016 Commonwealth Magazine "World Corporate Citizenship Award".



Inventec won the 25th "ROC Corporate Environmental Protection Award" issued by the Environmental Protection Administration, Executive Yuan.



Inventec won the "2016 Taiwan Corporate Sustainability Award - Gold Award" issued by the Taiwan Institute for Sustainable Energy.



Inventec is ranked in the top five percent of companies in the second and the third sessions of the corporate governance evaluation awarded by the Taiwan Stock Exchange.

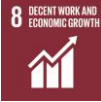
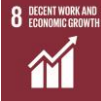



# Inventec CSR indicators and performance in 2016




We believe in "corporate governance" internally, practices "corporate citizenship" externally, and promotes relevant works and activities through the following actions:

1. Board of Directors operation,
2. Committee operation,
3. Internal control system operation,
4. International management system operation
5. EICC management system operation,
6. Four directions of "protect the environment, promote the culture, help the disadvantaged, and support the community".



To ensure we meet stakeholders' requirements, PDCA (Plan, Do, Check, Action) is used as the basis to well manage operational risks and processes. The following is our CSR indicators and performance in 2016 :

Management System	GRI G4 Aspect(s)	Goals in 2016	Progress in 2016			Goal in 2017	SDGs
ISO 9001 Quality Management System	Economic performance	100% Quality management system verification	9 facilities were granted ISO 9001 Quality Certification by 3rd party to ensure the effectiveness of the quality management system and meet customer's requirements for products certification.			Complete certification of ISO 9001:2015 quality management systems revision	
EICC Management System EICC Code of Conduct A. Labor B. Health and safety C. Environmental D. Ethics E. Management System	Supplier Environmental Assessment Supplier Assessment for Labor Practices Supplier Human Rights Assessment Supplier Assessment for Impacts on Society	1. Establish a long-term partners relationship with our suppliers through upstream and downstream Integration of supply chain and the increased percentage of local purchase.  2. The total percentage of signing either EICC or environmental statements is up to 85%, including new suppliers with signed statement, suppliers with transactions with signed EICC statement and suppliers with signed environmental statement		Personal Solution Group	Enterprise Business Group	Expect the statement signing rate to be 88% including new suppliers with signed statement, suppliers with transactions with signed EICC statement and suppliers with signed environmental statement	
			Suppliers in the Greater China region	662 suppliers accounting for 91% of total transaction amount	323 suppliers accounting for 79% of total transaction amount		
			Suppliers in the other regions	80 suppliers accounting for 9% of total transaction amount	85 suppliers accounting for 21% of total transaction amount		
			Suppliers with transactions with signed EICC statement	84%	100%		
			New suppliers with signed EICC statement	86%	100%		
			Suppliers with signed environmental statement	99%	100%		
			Won the "2016 Taiwan Corporate Sustainability Award - Gold Award" issued by the Taiwan Institute for Sustainable Energy.				
		89 suppliers received on-site audit and the audit completion rate was 100%	89 suppliers received on-site audit and the audit completion rate was 100%			Expect to have 82 suppliers receiving on-site audit and the audit completion rate to be 100%	



# Inventec CSR indicators and performance in 2016

Management System	GRI G4 Aspect(s)	Goals in 2016	Progress in 2016	Goal in 2017	SDGs
Patent Management System	Economic performance	<p>1. World Wide Patent Portfolio –Areas: 15 countries/regions –Total number of patents: more than ten thousand patents globally –Focus: Cloud Solutions, Mobile Lifestyle, Sustainable Energy and others</p> <p>2. Among Taiwan Intellectual Property Office's top 100 enterprises in terms of patent application and notice of certification.</p> <p>3. R&amp;D expenditure is up to NT\$ 9.1 billion</p>	<p>1. Inventec Group has applied for more than 20,000 patents globally, acquiring over 14,700 certificates</p> <p>2. Among Taiwan Intellectual Property Office's top 10 enterprises in terms of patent application and notice of certification</p> <p>3. R&amp;D expenditure is up to NT\$ 8.69 billion</p> <p>4. Won the "2016 Taiwan Corporate Sustainability Award – Innovative Growth Award" issued by the Taiwan Institute for Sustainable Energy.</p> <p>5. The Company won the 2016 Commonwealth Magazine "World Corporate Citizenship Award".</p>	<p>1. Establish patent application platform to ensure we are able to enhance our patent competitiveness and also speed up IT patent development.</p> <p>2. Invest NT\$ 9.2 billion in R&amp;D</p>	
ISO14001 Environmental Management System	Effluents And Waste Compliance	100% Environmental Monitoring	<p>100% Environmental Monitoring</p> <p>Won the 25th "ROC Corporate Environmental Protection Award" issued by the Environmental Protection Administration, Executive Yuan.</p>	100% Environmental Monitoring	
IECQ QC 080000 Green Product Management System	Products and Services	100% Green BOM	100% Green BOM	100% Green BOM	
		100% Green Material (XRF sample test)	100% Green Material	100% Green Material	
		WEEE recyclable rate up to 65%	The recycling rate of laptop and tablet up to 90% in 2016	Recyclable rate up to 80%	

# Inventec CSR indicators and performance in 2016

Management System	GRI G4 Aspect(s)	Goals in 2016	Progress in 2016	Goal in 2017	SDGs
ISO14064-1 GHG Management System	Emissions	1.CDP Supply Chain Score up to 96	Explanation : Due to the change of the CDP scoring, the CDP score is B-	Expect to achieve B level	
		2. 20% GHG reduction by 2030, compared to 2010	<p>In progress: In 2016, the total greenhouse gas emissions of major facilities under the Inventec Group was 158,395 tonnes of CO2e (inventory scope: 10 plants of Inventec), a decrease of 4,826 tonnes of CO2e (2.96% less) compared to the 163,221 tonnes of emissions in 2010 (inventory scope: 8 plants of Inventec).</p> <p>Won the “Energy Saving and Carbon Reduction Action Mark - Excellence Award”, issued by the Environmental Protection Administration, Executive Yuan.</p>	5% GHG reduction in 2017, compared to 2010	
ISO50001 Energy Management System	Energy	Headquarters in Shilin : Reduce 2% of electricity consumption in 2016, compared to 2014	<p>In 2016, the electricity consumption increased 31,734 kWh, 0.5% more compared to 2014. It is because the cloud data center began to operate in April ,2015 and the electricity consumption of the center accounts for around 10% of total electricity consumption in Shilin headquarters.</p> <p>Won “Energy-saving Leadership Award“ issued by Taipei City Government.</p>	In 2017, expect to decrease 182,987 kWh of electricity consumption, 3% less compared to 2014.	
		Pudong site: Reduce energy consumption on corporate level	<p>Comprehensive energy consumption : 4,994,704 KWH</p> <p>Total energy consumption per 10,000 RMB as output value: 0.0062 tonnes of standard coal</p>	Reduce energy consumption on corporate level	
		Comprehensive energy consumption : 62,000,000 KWH		Comprehensive energy consumption : 62,000,000 KWH	
		Total energy consumption per 10,000 RMB as output value: 0.0078 tonnes of standard coal		Total energy consumption per 10,000 RMB as output value: 0.0070 tonnes of standard coal	
Chongqing site: Energy saving target : Energy expenditure ≤3.5 RMB / each	<p>Energy saving achieved: Energy expenditure was 2.88 RMB / each</p>	Energy saving target : Energy expenditure ≤3.3 RMB / each			

# Inventec CSR indicators and performance in 2016

Management System	GRI G4 Aspect(s)	Goals in 2016	Progress in 2016	Goal in 2017	SDGs
OHSAS 18001 / TOSHMS Occupational Health & Safety Management System	Occupational Health and Safety	Shihlin headquarters : Promote and implement GHS chemical labelling Training for occupational health and safety	Chemical management training was 100% completed . Post-class assessment pass rate is 100% . Won the “Hazard-Free Work Record Award” issued by Occupational Safety and Health Administration , Ministry of Labor	Expect chemical management training to be 100% completed and post-class assessment pass rate to be 100% .	
		Pudong site : Complete 100% of occupational health inspection	Occupational health inspection was 100% completed .	Complete 100% of occupational health inspection	
		Chongqing site : Complete 100% of occupational hazard factors monitoring	Occupational hazard factors monitoring was 100% completed.	Occupational disease/occupational poisoning : 0	
ISO27001 Information Security Management System	Customer Privacy	Each year, implement at least 1 intrusion detection exercise and at least 1 vulnerability scan, and convene information security team meeting for review and improvement.	Implement 1 intrusion detection exercise and 1 vulnerability scan	Each year, implement at least 1 intrusion detection exercise and at least 1 vulnerability scan	

## SDGs: The 17 Sustainable Development Goals of United Nations

	1. End poverty in all its forms everywhere .		7. Ensure access to affordable, reliable, sustainable and modern energy for all.		13. Take urgent action to combat climate change and its impacts.
	2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.		8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
	3. Ensure healthy lives and promote well-being for all at all ages.		9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.		15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
	4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all .		10. Reduce inequality within and among countries.		16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
	5. Achieve gender equality and empower all women and girls.		11. Make cities and human settlements inclusive, safe, resilient and sustainable.		17. Strengthen the means of implementation and revitalize the global partnership for sustainable development
	6. Ensure availability and sustainable management of water and sanitation for all.		12. Ensure sustainable consumption and production patterns.		

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# 1 Company Profile

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# 1.1 Report Overview

## Report scope and boundaries

For worldwide synchronization, Inventec has followed the GRI Sustainability Reporting Guidelines G4 edition to prepare the report since 2014, and will follow GRI Sustainability Reporting Standards in 2017. The disclosure scope of the report includes the Inventec Group (including subsidiaries listed in the combined annual report), the supply chain, customers, the community, and other information on major aspects regarding the economy, the environment and society.

The boundaries disclosed in this year's report include 8 of Inventec's plants involved in actual product production (3 plants in Taipei and Taoyuan, 2 plants in Putong, and the Chongqing, Czech and Mexican plants), 3 of Inventec's plants involved in Appliances (the Wugu, Pudong and Nanjing plants). With regard to AIMobile and the group solar energy companies listed in the combined annual report (Inventec Solar Energy and E-ton), relevant financial information is disclosed in Inventec's annual report. The 2017 CSR report will include AIMobile.

2016 Inventec Annual Report :



## Preparation principle and program

Inventec's 2016 "Corporate Social Responsibility Report" mainly follows the "Core options" of the Sustainability Reporting Guidelines G4 published by GRI and refers to international standards such as AA1000, IR, SDGs, UN Global Compact, ISO 26000, and CSR Best Practice Principles for TWSE/TPEX-Listed Companies as the preparation principle. Aside from using the report to disclose standards, measure methods taken and as a basis for calculations, it also discloses the main concept of sustainability, relevant strategies, goals, measures and all varieties of performance achievements of Inventec through the key features of the management approach and performance indicators.

This report is arranged and prepared according to the topics in which different parties are interested including, mainly, the company profile, communication, governance, operation, workplace, environment, social engagement, and prospect, amongst others, enabling the stakeholders to learn about the commitments and efforts of Inventec in various key aspects of corporate social responsibility.

Furthermore, in response to the difficulty of obtaining topics for discussion from interested parties of subsidiaries and those in overseas regions, only a proportion of the subsidiary plants and those in the European and American area are included in the scope of the disclosure so as to meet the requirements of the report related to content integrity.

In the future, important information of subsidiaries will be included so as to more comprehensively disclose the policies of Inventec in respect to the economy, the environment and the society, and show its influence in society by implementing sustainable development, gaining more understanding and trust from the stakeholders from all walks of life who care about our activities.

## Report issuing date and period

Inventec will issue its Corporate Social Responsibility Report periodically every year.

- ◆ Current issued version: issued in June 2017, the disclosure period chiefly starts from January 1st, 2016 to December 31st, 2015. (Last issued version: June 2016)
- ◆ Next issued version: expected in June 2018.

## Third party assurance, ensuring the reliability of public information

In order to improve the transparency, integrity and reliability of disclosed information, this report has appointed a third party (SGS) to carry out a thorough investigation and a assurance operation based on the contents and data of the report according to the "Core Option" of the GRI G4 version to ensure this report conforms to the GRI G4 Core Option and AA1000 AS 2008 Type 2, High level assurance.

## Opinion feedback

Should you have any suggestions or comments, you are welcome to contact us as follows:

Environmental Management Center , Inventec Corporation

Address : No. 66, Hou-Kang St., Shih-Lin Dist., Taipei 11170 , Taiwan

TEL : +886-2-2881-0721#27088

Website :



Email :



Facebook :



# 1.2 About Inventec

## 1.2.1 Company introduction

- Company name: Inventec Corporation
- Date of establishment: June 9, 1975
- Industrial category: ICT ( Information and Communications Technology)
- Operation headquarters: located in Taipei City, Taiwan, operating points are established globally (Asia, North America, Europe, etc.)
- Chairman: Mr. Richard Lee
- President: Mr. Kuo-Chun Huang
- Total employees: 18,092 (2016/12/31)

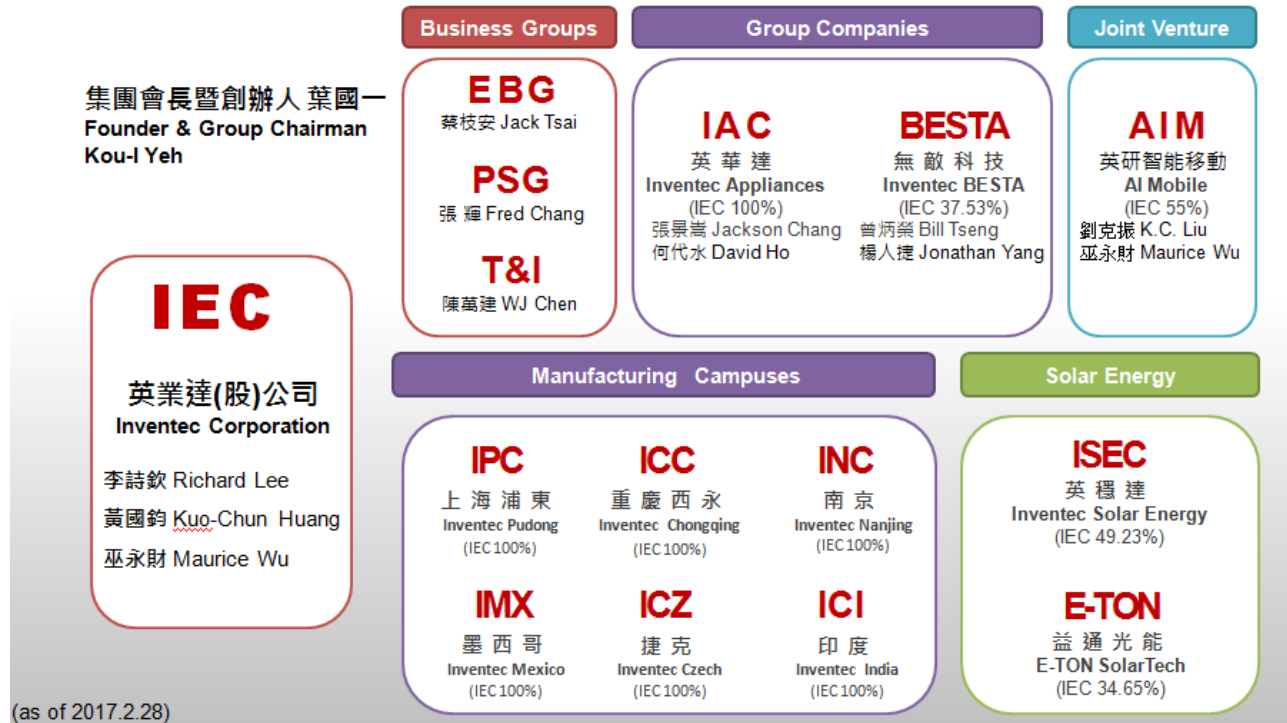
- Inventec stock code: 2356 (listed company in the Taiwan Stock Exchange)
- Revenue in 2016: approximately NTD 428.4 billion

- 2016 Inventec Annual Report :



# 1.2 About Inventec

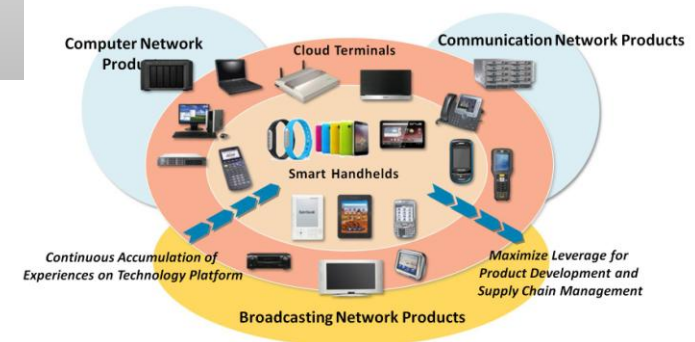
• Inventec Group of Companies



## 1.2.2 Major products

"Innovation" is the basic spirit of the Group foundation's operation philosophy. Over the years, the Group has invested considerable amounts of expenditure into product research and development. In the future, we will continue to invest large amounts of funds. We will actively cooperate with major component manufacturers, fully master the core design capability, and establish cross-domain technology application platforms by integrating software and hardware with integrative functions. In 2016, Inventec's research and development expense was NT\$8.69 billion, and the research and development expense planned to be invested in 2017 is NT\$9.2 billion.

Inventec's product portfolio includes notebook PCs, tablet PCs, desktop computers, computer peripherals, personal digital products (including portable automatic pilots, media player devices, video and image products, wearable devices), the Internet products (including Set-Top-Box with communication functions, pocket PCs, game consoles, digital sound players), mobile devices, mobile/cell phones, multimedia audio products, server, network switch, data storage equipment and so on, providing comprehensive solutions of high quality. Furthermore, Inventec is actively expanding its products in other fields such as cloud services, wireless broadband and green energy.



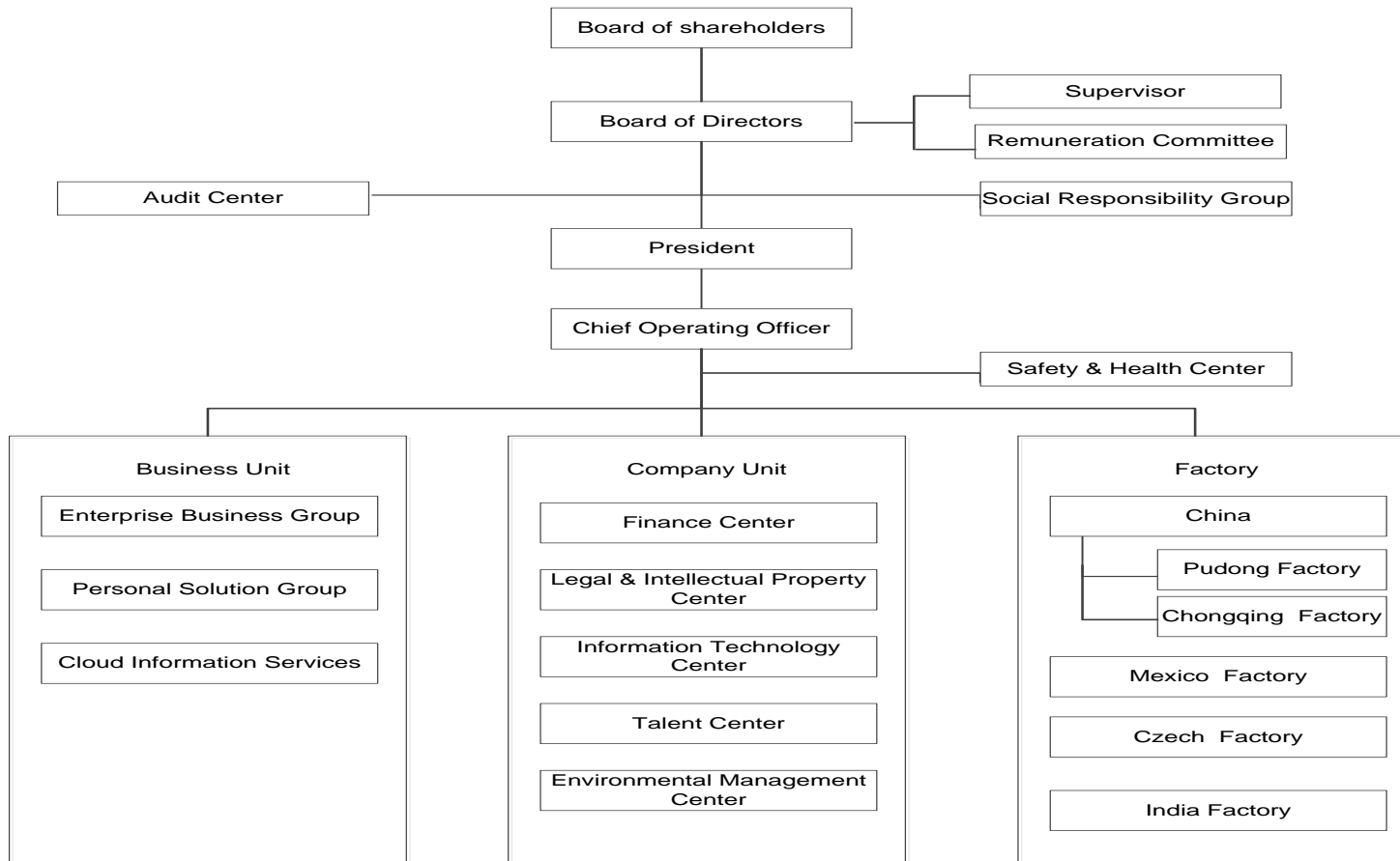
# 1.2 About Inventec

## 1.2.3 Corporate Philosophy

“Innovation, Quality, Open Mind and Execution” as proposed by Kou-I Yeh, Chairman of the Inventec Group, is the core philosophy for business operations of Inventec. For a long time, all employees of the Inventec Group adhere to the operation philosophy.



## 1.2.4 Organization Structure



# 1.2 About Inventec

## 1.2.5 Major department and business activities

Major Department	Major Business Activities
Audit Center	Overall planning businesses such as internal control system, internal audits, self-assessment, etc. of the company.
Social Responsibility Group	Plan and execute corporate social responsibility related matters.
Enterprise Business Group	Planning and management of enterprise business computer design, development, manufacturing, production, marketing, after-sales service, etc.
Personal Solution Group	Planning and management of portable computer design, development, manufacturing, production, marketing, after-sales service, etc.
Cloud Information Services	Cloud solution research and development, sales, and service. Exploitation of big data analytical ability and market application promotion. Development and sales of the Internet+ important system service. Data center setting and fully established SaaS and PaaS service promotion. IoT and industry 4.0 solution construction and sales services.
Finance Center	Overall planning of the financial, accounting, investment, and stock affairs business of the company.
Legal & Intellectual Property Center	Overall planning of application protection business related to patent rights, trademark rights, copyrights, and trade secrets of the company.
Information Technology Center	Overall planning of the establishment and operation of a network system structure, product life cycle management system, enterprise resource planning system, manufacturing execution system, quality inspection management system, supply chain management system, form management system, etc. of the company. Development and sales of enterprise solutions, enterprise system integration and consulting services, office system import and process automation services, and development and sales of green energy solutions.
Talent Center	Overall planning of the company's human resources related business.
Environmental Management Center	Overall planning of the company's related management business and the integrated planning and supervision of environment and quality.
Pudong Factory	Responsible for design and development, manufacturing, after-sales services, etc. of portable computers, wireless communication products, and corporate computers.
Chongqing Factory	Responsible for design and development, manufacturing, after-sales services, etc. of portable computers, wireless communication products, and corporate computers.
Mexico Factory	Responsible for production, testing, troubleshooting, after-sales services, etc. of corporate servers and storage systems.
Czech Factory	Responsible for production, testing, troubleshooting, after-sales services, etc. of corporate servers and storage systems.
India Factory	Responsible for production and manufacturing, testing, troubleshooting, after-sales services, etc. of mobile phones, plates, portable computers, wireless communication products, corporate computers, corporate servers, and storage systems.

## 1.2.6 Responsible department for Inventec's social responsibility

The "Social responsibility group" is the responsible department of the Inventec Chairman Room established by the Chairman of Inventec. The group's establishment fully shows Inventec's determination to promote social enterprise, with the aim of further extending the CSR philosophy and actions to the overall operations of the Inventec Group.

The "Social responsibility group" is responsible for relevant affairs of Inventec corporate social responsibility; it carries out CSR planning and promotions such as corporate governance, corporate commitment, environmental protection, and social participation, etc., through the operation and coordination of the Group Management Center conferences (GMC), and simultaneously submits a report to the Chairman of Inventec, and then a report to the Board of Directors.

Inventec embeds corporate social responsibility in the so-called "Top ten beliefs" taking "social responsibility" as its ultimate commitment. On the basis of integrity, Inventec fulfills its commitment to the stakeholders through "corporate governance" internally; Inventec carries out the role of "corporate citizenship" externally through the four directions of "protect the environment, promote the culture, help the disadvantaged, and support the community".



# 2 Communication

2.1 Top management commitment

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2.2 Sustainable Communication

P17~P19



Stakeholder



Change and Breakthrough



Communication and Response

## 2.1 Top management commitment

### To friends of Inventec who care for our corporate social responsibility

Looking back over 2016, major economic recovery of the company was slow. The growth rate was not as good as the previous year, yet in the face of the fast-changing industry environment, the Inventec Group still managed to increase its overall operating income compared to 2015 by adhering to its principles of innovative thinking, focusing on the industry and adjusting the product portfolio. Despite the fact that with the overall global economic indicators the company expected a faster growth rate than of 2015, there are still several variables such as the increase of global trade protection, and the future development of the EU. Inventec will still actively seek to increase its profits, growth, and strengthen its long-term competitiveness to face future challenges. I hereby describe the 2016 operation performance and the business plan of this year as follows:

#### Operation performance:

The individual revenue and consolidated revenue of Inventec in 2016 amounted to NT\$Three Hundred and Eight Billion Seven Hundred Million and NT\$Four Hundred and Twenty-Eight Billion Four Hundred Million respectively. The product portfolios still mainly consist of computer products as they were in 2015 (in 2015, the individual revenue was NT\$Two Hundred and Eighty-Nine Billion Three Hundred Million, and the consolidated revenue totaled NT\$Three Hundred and Ninety-Five Billion Four Hundred Million). Individual revenue increased by 6.69%, and consolidated revenue increased by 8.34%. With respect to product categories, the revenue of the notebook computer increased by 0.03% year-on-year, mainly due to the increase in shipments of commercial machines. The revenue of server products increased by 11% compared to the previous year due to an improved product portfolio, as well as the active development of new products and customer coverage. With respect to wireless devices and mobile communication products, they contributed NT\$Sixty-Three Billion Five Hundred Million to the operating income, and increase of 35% compared to the previous year due to the active shipment and expansion of production capacity. As for solar

energy products, the overall revenue contribution of solar energy of the Group is approximately NT\$Thirteen Billion Five Hundred Million, an increase of 5% year-on-year. As for profitability, the annual net profit attributable to parent company shareholders reached NT\$Five Billion Six Hundred Million. Earnings per share were NT\$1.57, an increase of NT\$Seven Hundred and Thirty Million compared to the previous year, with profits increasing by 1.32%.

#### 2017 business plan and future development strategy:

Despite the forecast of major international financial institutions that the global economy will gradually recover, we subsequently still need to pay close attention to potential variables such as the trend of the US policy on trade, the EU's political and economic situation, and economic growth in mainland China, together with the frequent fluctuation of the international exchange rate, all of which make the overall operating challenges more difficult. In the face of changes to the operation environment of the information industry, Inventec will make timely adjustments to its operating strategy, reduce the exchange-loss risk, continuously carry out research and development for innovative products, and improve product-added value to seek new momentum and expand its operational growth.

With respect to personal computer products, Inventec has accumulated knowledge of notebook computer design and professional ODM experience over the years, and in response to the changing trends in the notebook computer industry, we continue to serve customers and develop light and portable products to meet the needs of the market according to the demands of major international manufacturers, and offer advantages in research and development design and production and manufacturing, Inventec had a great performance in 2016. In the future, we will continue to stay ahead of the market in fields such as cloud computing applications and large data centers, etc., to improve future operational potential by developing artificial intelligence products and actively seeking new customers.

Furthermore, with regards to smart handheld products and wireless intelligent terminal products, stimulated by the growth in performance in 2016, we actively expanded new product lines to march towards the fields of the smart home and smart factory through spreading customer risks and combining products with the development of cloud technology and services as well continuously improved our automated processes and reduced production costs. As for the solar energy industry, we are still focusing on integrating solar cells, wafer and modules manufacturing, and improving product conversion efficiency and yield rates in response to future competition and challenges in the market.

#### Corporate governance and corporate social responsibility

Integrity has always been the highest governing philosophy of Inventec. We firmly believe that in the pursuit of enterprise growth and creating enterprise value, we can only improve our enterprise management quality and competitiveness by implementing good corporate governance structure and effective internal control system. Inventec has passed the assessment of the "Corporate Governance Best Practice Principles" and the "Corporate Social Responsibility Best Practice Principles" to strengthen the purpose of the Board of Directors, safeguard the rights and interests of shareholders and interested parties, and improve information transparency to actively implement corporate governance and social commitment. Inventec has also continuously been ranked in the top 5% corporate governance enterprises in the "Second and third session of corporate governance evaluation", indicating that Inventec's Board of Directors attach great importance to corporate governance.

With respect to social care, Inventec and the "Inventec Group Charity Foundation" rely on caring volunteers to devote their time to relevant charity activities on a long-term bases by adhering to the idea of giving back to society. The Group also continuously makes



## 2.1 Top management commitment

contributions to disadvantaged groups and emergency relief funds for major disaster. Specific actions include the donation to the Tainan City Government for the February 6th earthquake disaster, annual charity donations as year-end gifts, long-term adoption of school children from Huei Ming School, encourages colleagues to regularly raise funds to support the New Life Promotion Association, and more, with the aim of helping disadvantaged groups achieve economic independence.

With regards to environmental protection, in order to reduce the impact of company operations on the environment, Inventec Group hopes to march towards its sustainable corporate objective of "Energy saving, waste reduction and health" through its environmental sustainability management system, active promotion of the "green energy environmental protection" strategy, good management of the green-energy industry and reduce its carbon footprint.

### Future prospects

2017 is the year of leadership reform for Inventec. Following this Shareholders' Meeting, director members will be adjusted to nine seats, three of whom will be independent directors who will establish the Audit Committee with the goal of strengthening the internal supervision mechanism through the independent directors' professional competence and detached position to assist the Board of Directors in making operational decisions and help improve operational performance.

As well as the changes in the lineup of the Board of Directors as mentioned above, Inventec will still adhere to professionalism and continue to challenge ourselves. In terms of operating management, we will continuously strengthen inventory management, accelerate automated processes, improve product technology capabilities, promote "Industry 4.0" to accelerate transformation and upgrade, and achieve production intelligence and modularity in response to the demand of end customers with innovative products and service content with the aim of further expanding the Group's

operating scale and room for profit. Once again, ladies and gentlemen, we sincerely thank you for your support and encouragement to Inventec, and we wish you all the best.

Best regards,

# Inventec



Chairman: *Lee, Tzu-Chin*



President: *Huang, Kuo-Chun*

## 2.2 Sustainable Communication

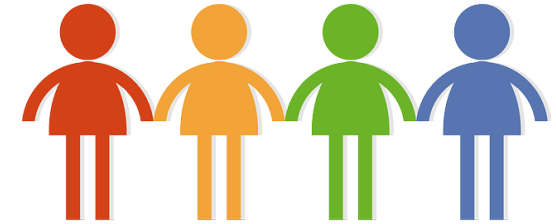
### 2.2.1 Identify the stakeholders

In order to strengthen communication with the stakeholders, Inventec has created a management process for identifying internally the stakeholders pursuant to the GRI G4 international standard and the AA1000 SES(2011) international standard, as shown in the following illustration. This is designed to effectively differentiate the stakeholders related to Inventec CSR, such as employees, customers, suppliers, shareholders/investors, government agencies, the community, media, competitors, non-governmental organizations, non-profit organizations, reporters, labor unions, etc.

### 2.2.2 Topic identification

In order to master the core topic and lead the Group towards sustainability, using the mechanisms available from each functional unit, Inventec has conducted an identification analysis on major topics such as sustainability specifications (e.g. GRI G4 concept) at home and abroad, customer requirements (e.g. EICC, CDP) and major events at home and abroad and so on, so as to ensure full understanding of the topics related to interested parties.

Through mutual communication with interested parties, Inventec has obtained important feedback as a reference point for corporate governance and corporate citizenship operations. Through all kinds of communication methods and mechanisms, Inventec has conducted exchanges of experience, and sharing and studies, analyzing the expectation of interested parties in great depth.





Management process of identifying the stakeholders

Customers	One of the main sources of company revenue	Government agencies	Standardize laws and regulations of the enterprise and offer resources support
Shareholders	One of the main sources of operating funds of the company	Community	One of the sources of internal employees of the company
Suppliers	One of the main sources for the production of products and materials of the company	Reporters	One of the sources of Corporate Performance appraisal information of the company
Employees	One of the major assets of the company	NGOs	One of the sources of Industry Information of the company

Eight Major Stakeholders of Inventec

## 2.2 Sustainable Communication

### Communication with Stakeholders

Stakeholders	Method of communicating concerns	Inventec's communication method and channel	Concerned topic
Employee	Employee caring conferences, employee symposiums, leader symposiums, employee suggestion boxes	<ol style="list-style-type: none"> <li>1. Responsible unit shall periodically communicate via committee meetings every year.</li> <li>2. Responsible unit shall periodically communicate via the Internet every year.</li> <li>3. Human resources unit shall periodically communicate by holding quarterly meetings every year.</li> <li>4. Responsible unit shall periodically post an announcement on problems and countermeasures on the bulletin board.</li> </ol>	<ul style="list-style-type: none"> <li>● Employee welfare</li> <li>● Financial performance</li> <li>● Talent recruiting</li> <li>● Employee training and talent education</li> </ul>
Customer	Standards, audit or questionnaire survey proposed by customers	Each responsible unit shall automatically respond to customer requirements and questionnaires periodically through the committee.	<ul style="list-style-type: none"> <li>● Customer satisfaction</li> <li>● Product regulations conformity</li> <li>● Customer asset safety</li> <li>● Green product management</li> <li>● Hazardous substance management</li> <li>● Product quality management</li> <li>● Supplier management</li> <li>● Greenhouse gas management</li> <li>● Human rights education</li> <li>● Customer health and safety</li> </ul>
Government agency	Corporate annual report, CSR report preparation rules	Responsible unit shall disclose information on the company website yearly according to the relevant regulations	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Air pollution emissions</li> <li>● Waste water management</li> <li>● Waste management</li> <li>● Energy management</li> <li>● Labor laws conformity or Environmental law conformity</li> </ul>
	Official documents from government department, in-plant inspection and declaration requirements	<ol style="list-style-type: none"> <li>1. Corresponding unit shall coordinate with government inspections periodically every year through fire drills and emergency response drills</li> <li>2. The responsible unit shall periodically inspect the company's conformance to environmental protection laws and regulations every year, and collect and conduct statistics on relevant environmental protection.</li> </ol>	
	Government policy propaganda and project applications	Corresponding unit shall periodically participate in government projects or activities.	
Supplier (including contractor)	Questionnaire filled in by supplier	<ol style="list-style-type: none"> <li>1. Responsible unit shall hold supplier CSR and environmental protection explanation sessions periodically every year.</li> <li>2. Responsible unit shall periodically explain workplace safety in due time every year.</li> <li>3. Responsible unit shall periodically respond through the supplier website every year.</li> </ol>	<ul style="list-style-type: none"> <li>● labor practice, human rights, complaint mechanisms</li> <li>● Environmental issues</li> <li>● Occupational health and safety management</li> </ul>
Shareholder /investor	Website, Board of Shareholders, media news etc.	Responsible unit will disclose information through the Board of Shareholders, legal seminars, shareholder service manuals, financial reports (monthly/quarterly), annual reports or company website etc. every year, please refer to 2016 annual report of Inventec for details. Inquiry website: 	<ul style="list-style-type: none"> <li>● Financial performance</li> <li>● Investment strategy</li> <li>● Risk management</li> </ul>
Community	Suggestions or questionnaire survey proposed by community	<ol style="list-style-type: none"> <li>1. Responsible unit shall participate in the proposal, respond to questionnaire surveys or participate in activities and exchanges periodically every year.</li> <li>2. The Social responsibility group shall jointly participate in the Inventec Group Charity Foundation periodically every year.</li> </ol>	<ul style="list-style-type: none"> <li>● Environmental regulations conformity</li> </ul>
Reporters	questionnaire survey proposed by Reporter	<ol style="list-style-type: none"> <li>1. Responsible unit responses to the questionnaires</li> <li>2. Responsible unit takes part in the evaluation.</li> <li>3. Responsible unit discloses the information on Inventec's website. </li> </ol>	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Financial performance</li> <li>● Water resources management</li> </ul>
Non-governmental organizations	Suggestions or questionnaire survey proposed by non-governmental organizations	<ol style="list-style-type: none"> <li>1. Responsible unit shall participate in the proposal, respond to questionnaire surveys or participate in activities and exchanges periodically every year.</li> <li>2. The Social responsibility group shall jointly participate in the Inventec Group Charity Foundation periodically every year.</li> </ol>	<ul style="list-style-type: none"> <li>● Environmental regulations conformity</li> </ul>

## 2.2 Sustainable Communication

### 2.2.3 Materiality

Inventec identified most of the material aspects through the scores of questionnaires as the survey tool conducted in the sites of Inventec and Inventec Appliances.

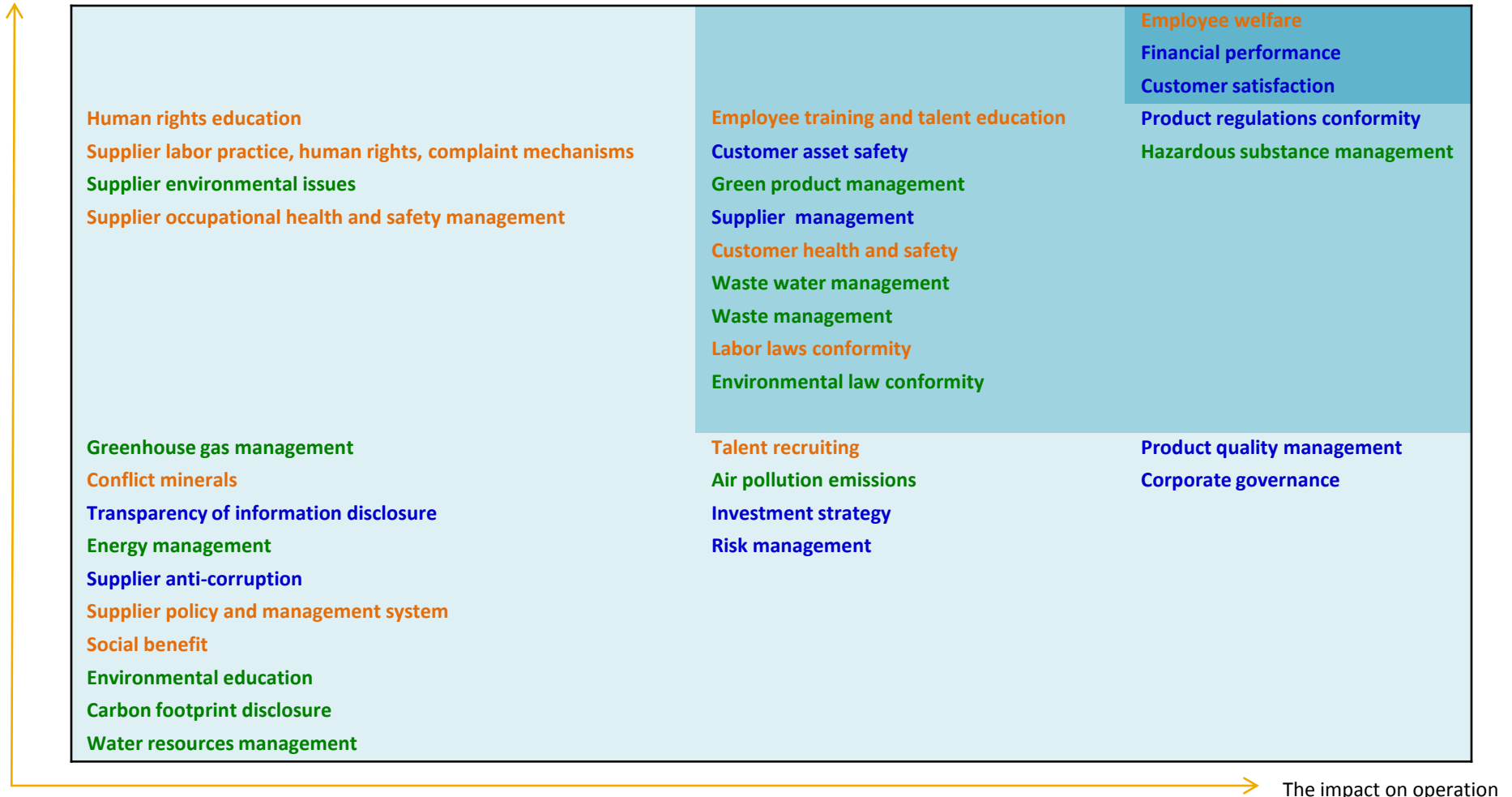
The selection of Inventec’s material aspects is primarily based on two key indicators, namely, the stakeholders’ concerns and the degree of impact on its operations.

In addition to the questionnaire results, the laws and the customers’ requirements enlarge the final selection of material aspects including greenhouse gas management, energy management, and water resources management.

The stakeholders’ concerns

Materiality Analysis

Blue: Economy/Governance, Green: Environment, Red: Society



# 3 Governance

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## 3.1 Board of Directors

### 3.1.1 Implementation of ethical corporate management

Inventec attaches importance to its reputation and takes integrity and sustainable operations as the maximum assets accumulated by company operations. Among them, the "Codes of Ethical Conduct" and "Code of Integrity Operation" are the ethical standards of conduct and specifications for integrity operation philosophy for directors, supervisors, managers, employees, appointees, or those with substantial control capability of the Company in order to prevent the occurrence of conflicts of interest and acts without good faith, as well as let interested parties of the company better understand the above company standards by which they must abide. The official business discussion of the Board of Directors of the Company takes good governance system establishment, supervision function improvement, and management mechanism strengthening as its major purposes.

Inventec has formulated the "Codes of Ethical Conduct", "Global Employee Code of Conduct Management Measures", and "Employee Complaints and External Reporting Management Specifications" to standardize the prevention of the occurrence of conflict of interest circumstances, explicitly stipulating that directors, supervisors, managers, and all employees must not accept any gift or business entertaining and prohibiting transactions or business contact between the company and relatives of colleagues in order to avoid the impact of personal improper interests on company rights and interests. Inventec has formulated a conflict of interest prevention policy in the "Code of Integrity Operations" and provides proper channel for directors, supervisors, managers, and other interested parties attending Board of Directors meetings to actively describe whether they have any potential conflict of interest with the company, which they shall evade.

The Company has formulated the "Inventec Corporation Corporate Governance Best Practice Principles" pursuant to the "Listed Company Corporate Governance Best Practice Principles"; the second amendment was passed by the Board of Directors on Feb. 21, 2017 and was

disclosed on the company website and [mops.twse.com.tw](http://mops.twse.com.tw). In order to establish good corporate governance and risk control, the Company takes creating shareholder value and integrity operations as its objective and formulates relevant corporate governance rules under the premise of complying with the basic requirements of laws and ethical standards. In order to guarantee shareholder equality, the Company has formulated the Code of Integrity Operation, Codes of Ethical Conduct, Global Employee Code of Conduct Management Measures, and Procedures for Handling Material Inside Information in order to regulate information confidentiality and prevent insider trading and conflicts of interest, which will impact the rights and interests of the Company. Furthermore, the Company provides complaint channels and procedures to strengthen the enterprise's attention to the rights and interests of interested parties. Through the internal and external company website, e-mail, and contract, the Company carries out educational propaganda on corporate governance laws and decrees, so that company directors, supervisors, managers, and employees can fully understand and abide by laws and codes of conduct related to the businesses engaged by them.

Every year, Inventec lets the Board of Directors decide to appoint an accountant and regularly examines the accountant's independence and evaluates whether there is circumstance of violating No. 10 of the Code of Ethics bulletin or the occurrence of circumstances stipulated in Article 47 of the Accounting Act. It further confirms that the accountant has no other financial interests and business relationship with the Company other than the costs of certifying and finance and taxation cases, and checks whether the accountant is a director, supervisor, manager, or shareholder of Inventec or gets payments from Inventec, confirming that the accountant is not an interested party. The appointment of an accountant and fee review can only be conducted after Inventec has confirmed its independence through the examination of the accountant independence assessment result.

The Company has established an effective accounting system and internal control system.

➤ Accounting system: In order to implement integrity operations, an effective accounting system has been established. The accounting system of the Company was formulated pursuant to relevant laws and decrees and principles, such as the Securities Exchange Act, Company Act, Business Accounting Act, Securities Issuer Financial Statement Preparation Standards and International Financial Reporting Standards recognized by the Financial Supervisory Commission, International Accounting Standards, interpretation and interpretation announcements, etc., and was designed in accordance with company regulations, aiming at meeting actual operation requirements.

➤ Internal control system: In order to implement integrity operations, an internal control system has been established. The internal control system of the Company is the management process following the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and was designed by its managers, passed by its board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved: (1). Effectiveness and efficiency of operations. (2). Reliability, timeliness, transparency, and regulatory compliance of reporting. (3). Compliance with applicable laws, regulations, and bylaws.

Components of Inventec's internal control system include: control environment, risk assessment, control activities, information and communication, and monitoring activities. The prevention (risk control) internal control system of Inventec includes: prevention (risk control) risk assessment, prevention (risk control) internal control, prevention (risk control) internal audit, and prevention (risk control) self-assessment.



## 3.1 Board of Directors

### 3.1.2 Board of Directors' operation

The direction of the Inventec Board of Directors' discussion takes the form of the establishment of a good governance system, improvement of supervision and strengthening of management. Unless otherwise provided in laws or regulations, the Board of Directors' discussion shall be handled pursuant to the "Rules for Board of Directors' Discussion", "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Corporate Social Responsibility Best Practice Principles" of the company. The corporate governance strategy is quarterly reviewed with the external accountant through the discussion of corporate governance issue. When convening the Board of Directors, the discussion department designated by the Board of Directors shall properly prepare the relevant materials for attending directors to read in advance, and inform managers to allow personnel of relevant departments to attend depending on the subjects under discussion. If necessary, accountants, lawyers or other professional staff may be invited to attend the meeting.

The Inventec Board of Directors carries out corporate governance pursuant to the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles" and exercise their powers in accordance with the law, articles of incorporation, and shareholders meetings resolution s. With the attitude of loyalty, prudence and close attention, and by taking company interests as the premise, members of the Inventec Board of Directors fulfill their responsibility entrusted upon them by investors in respect of significant matters such as evaluating the company's operating strategy, risk management, annual budget, business performance, supervising major capital expenditure and investment disposal, etc.

The Board of Directors performance assessment : By referring to the provisions of Article 37 of the Listed Company Governance Best Practice Principles, the Company formulated the Board of Directors Performance Assessment Measures to implement corporate governance with the aim of improving the purpose of the Board of Directors. The

motion was passed during the Board of Directors Meeting of September 28, 2016, and was published on the company website. Furthermore, the Board of Directors of the Company carries out an internal audit evaluation once every year, and the rating of self-assessment in 2016 was "Excellent".

Board of Directors meetings shall be convened at least once every quarter. A total of 12 meetings of the Board of Directors were held in 2016, the average attendance rate is 99%. The important resolution matters are immediately disclosed on Inventec's website for inquiries.

In order to further protect the shareholders' rights and interests and make the management accountable, Inventec sets the timetable for the Audit Committee as follows:

1) In 2016, Shareholders' Meeting amended the Articles of Association so that the number of independent directors shall be at least two and no less than one fifth of the total number of directors.

2) The reelection of the Shareholders' Meeting will be conducted in 2017, and all independent directors (no less than three independent directors) will take posts as members of the Audit Committee.

The setup of the Audit Committee further strengthens the operation of the Board of Directors. Independent directors possess professional knowledge and maintains independence. It can guarantee shareholders' rights and interests and improve company value to achieve the objective of sustainable operation.



### 3.1.3 The department dedicated to corporate governance

On February 21, 2017, the Board of Directors passed the second revision of the "Inventec Corporation Governance Best Practice Principles". Inventec assigns the responsibility of handling corporate governance and related affairs to the Financial Center under the supervision of its top executive. The main responsibilities of this post are as follows:

- 1) Handle company registration and changes to registration status.
- 2) Handle matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to relevant laws and regulations, and assist the company in adhering to relevant laws and decrees determined at the Board of Directors Meeting and the Shareholders' Meeting.
- 3) Prepare meeting minutes for the Board of Directors Meeting and the Shareholders' Meeting.
- 4) Provide directors and supervisors with the necessary materials for executing the responsibilities of the business within their positions, and the development of latest laws and regulations related to the business operations of the Company, and in doing so, encouraging the directors and supervisors to abide by relevant laws and decrees.
- 5) Affairs related to investor relations.
- 6) Other matters stipulated in the Articles of Association or the contract.

## 3.1 Board of Directors

### 3.1.4 Members of the Board of Directors and their duties

The Company adopted the system for nominating candidates in 2014 to elect the 14th session of directors and supervisors, electing seven directors (including two independent directors) and three supervisors; the term of office is three years (from June 12, 2014 to June 11, 2017) in order to strengthen the independence and diversity of the Board of Directors. The diversified policy is adopted for the appointment of the director, including basic conditions and values: gender, age, nationality and culture, etc., and professional knowledge and skills: professional background, professional skills and industrial experience, etc. If a member of the Board of Directors receives further continuous education during the term of office, the Company will buy liability insurance for the business scope executed by all directors and supervisors. The Board of Directors is responsible to the Shareholders' Meeting and exercise its function and power according to relevant laws and decrees, the Company's Articles of Association, and resolutions of Shareholders' Meetings. Members of the Board of Directors adhere to the attitude of loyalty, prudence, and fulfilling manager's responsibility, take company interests as their premise, assess company operation strategies, risk management, annual budget, and business performance, and supervise significant matters, such as major capital expenditure, investment disposal, etc. Board of Directors meetings shall be convened at least once every quarter, and important resolutions shall be published immediately on the company website for inquiry.



Members of the Board of Directors

Title	Name	Education and Experience
Chairman	Lee, Tsu-Chin	Bachelor of Economics, Tunghai University Chairman, Inventec Corporation
Director	Yeh, Kuo-I	University of San Francisco Chairman, Inventec Corporation
Director	Wen, Shih-Chih	Xihu Vocational High School of Industry and Commerce Senior Vice President, Inventec Corporation
Director	Chang, Ching-Sung	Master of Electric Engineering, National Taiwan University Chairman, Inventec Appliances Corporation
Director	Huang, Kuo-Chun	Bachelor of Electric Engineering, National Cheng-Kung University Qume Electronics, Taiwan
Independent Director	Chang, Chang-Pang	Master of Laws, National Cheng-Chi University Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance Chairman, Securities and Exchange Commission, Ministry of Finance
Independent Director	Chen, Ruey-Long	Bachelor of Economics, National Chung-Hsing University Chairman, Institute for Information Industry Minister, Ministry of Economic Affairs
Supervisor	Cheng, Hsien-Ho	Bachelor of Accounting, National Cheng-Chi University Senior Vice President, Inventec Corporation
Supervisor	Wang, Ping-Hui	Tatung High School Chairman, Snow Peak Enterprise Co., Ltd.
Supervisor	Shyh Shiunn Investment Corp.	—
	Representative, Yang, Chiung-Nan	Nan Ying Vocation High School Accountant, Taipei Veterans General Hospital



## 3.2 Committees

### 3.2.1 Remuneration Committee

The Inventec Board of Directors effectively strengthened its supervision and management in September 2011 when the company established the Remuneration Committee pursuant to the “Inventec Corporation Remuneration Committee Charter” with 3 committee members (including 2 independent directors). The Remuneration Committee is responsible to the Board of Directors; its responsibility is to assist the Board of Directors to execute and evaluate the overall remuneration and welfare policy of the company, and the remuneration of the directors, supervisors and managers. The payment of remuneration to the President and Vice President is determined by the resolution of the Board of Directors after the proposal of the Remuneration Committee for the performance evaluation and remuneration of managers, aside from references to normal industry standards. The Inventec Remuneration Committee will also consider the personal time input, responsibility upheld, achievement of personal goals, performance in holding other positions, remuneration paid by the company to personnel of the equivalent position in recent years, achievement of short-term and long-term business goals of the company, company operation performance, and relevant reasonableness of future risks etc.

A Remuneration Committee meeting is convened thrice a year. In 2016, attendance of committee members was 100%. Committee members evaluated the remuneration policy, the system and remuneration standards of the directors, supervisors and managers of the company, proposed professional and objective suggestions to the Board of Directors and prepared the minutes of the meeting and announced its findings pursuant to law.

Please refer to the company website for the Remuneration Committee Charter. Inventec's Articles of Incorporation explicitly stipulate that the remuneration of directors and supervisors shall not exceed 3% of the distributable surplus.

Please refer to the Inventec 2016 annual report for further details.



### 3.2.2 Audit Committee

The 2017 Shareholders' Meeting will reelect directors, and all independent directors will take the post as members of the Audit Committee. The establishment of the Audit Committee further strengthens the operation of the Board of Directors. Independent directors possess professional knowledge and their independence is designed to guarantee shareholder's rights and interests and improve the value of the company to achieve the objective of sustainable operation.

### 3.2.3 Management of the remuneration of directors, supervisors and professional managers

Methods of remuneration payment to directors and supervisors of the Company and the relationship between operation performance and future risk are stipulated as follows: According to the Articles of Incorporation of the Company, if the Company has annual profits, no less than 3% of them shall be allocated as employee remuneration, and no more than 3% as director and supervisor remuneration. However, when the Company experiences accumulated losses, it shall reserve the compensation amount in advance. The employee remuneration may be issued in cash or stock; the issuing object may include employees subordinated to the company that conform to certain conditions; and the conditions and methods thereof will be stipulated by the Board of Directors.

The remuneration payment depends on the participation degree and contribution value of each director and supervisor and also refers to normal industry standards; it will be decided by the Board of Directors after being reviewed by the Remuneration Committee and shall not exceed the upper limit stipulated in the Company's Articles of Incorporation. Directors of the Company carry out the duties of other company directors or supervisors stated in the consolidated statement on behalf of the Company; supervisors of the Company concurrently assume the duty of other company supervisors stated in the consolidated statement and thus receive a traffic allowance. Apart from that, they do not receive any remuneration from reinvestment business beyond the Company.

Methods of remuneration payment to the President and Vice President of the Company and the relationship between operation performance and future risk are stipulated as follows: The remuneration payment to the President and Vice President is reviewed by the Remuneration Committee and proposed to the Board of Directors for resolution before making a decision. Regarding the performance assessment and remuneration of the manager, apart from referring to normal industry standards and considering the personal time engaged, the responsibility assumed, achievement of personal targets, performance in assuming other duties, and the remuneration paid by the company to employees of the same position, the Remuneration Committee of the Company also takes the achievement of short-term and long-term business targets of the Company, related rationality of company operation performance and future risks, etc. as its basis.



## 3.3 Internal control system

### 3.3.1 Preventive (risk control) internal control system

Top-tier management of Inventec attaches great importance to and supports corporate governance, and has absolute impact on Inventec's implementation of the corporate governance and preventive (risk control) internal control system, preventive (risk control) internal audit, preventive (risk control) self-evaluation and the performance thereof.

In order to fully capitalize upon the function of the preventive (risk control) internal control system and preventive (risk control) self-evaluation, and improve the value and contribution of the preventive (risk control) internal audit, completing a "Preventive (Risk Control) Internal Audit Report" is proposed during the Inventec's Board of Directors monthly meeting, so that directors, supervisors and senior managers can understand the deficiency in the company's implementation of the preventive (risk control) internal control system and the preventive (risk control) internal audit, and give due guidance and attention to this matter. Through recognition, support, attention and guidance of the Board of Directors and senior management, the preventive (risk control) internal control system is under positive circular operation; all employees of the company are aware of and implement the preventive (risk control) internal control system. Meanwhile, together with the efforts of the audit team, continuous and effective implementation of the preventive (risk control) internal control system and the preventive (risk control) self-evaluation can be assured.

In order to continuously implement corporate governance, the internal control system, and internal audit operations, the Board of Directors has been instructed to formulate the "Internal Audit Reward and Penalty Points Regulation", which was approved in August 2006 for implementation and combines the internal control system of all units, execution effect of self-assessment, and personal annual performance appraisal. "Internal Audit Reward and Penalty Points Regulation" are not only the commitment and oath of the Board of Directors to pay attention to corporate governance and implementation of the internal control system, but also exert a rooting and deepening effect on Inventec's promotion of corporate governance and implementation of the internal control system.

The Inventec Board of Directors and senior management pay close attention to corporate governance and the implementation of the preventive (risk control) internal control system. They not only convene a Board of Directors meeting to review corporate governance and operation of the internal control system every month, but also convene a corporate governance meeting every quarter. Aside from accountants' routine examination, the Board of Directors will also invite accountants to propose suggestions for the examination section and describe new laws and regulations every quarter. The Board of Directors will coordinate with laws and regulations to adjust operations under corporate governance and the preventive (risk control) internal control system. Meanwhile, the Board of Directors support and affirmation of the Audit Center indicates that the Inventec Board of Directors and top-tier management's attention and determination in implementing corporate governance is actually put into practice.

### 3.3.2 Integration and establishment of an all-in-one preventive (risk control) internal control system

The internal control system of the Company is the management process following the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and was designed by its managers, passed by its board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved: (1). Effectiveness and efficiency of operations. (2). Reliability, timeliness, transparency, and regulatory compliance of reporting. (3). Compliance with applicable laws, regulations, and bylaws.

Through considering the company's ethical value, organizational structure, authority assignment, human resources policy, performance evaluation, reward and punishment, Inventec's preventive (risk control) internal control system is integrated into ten internal control operation circulation and management systems, and a thorough and effective preventive (risk control) internal control system has been established. The ten circulations include (1) Sales and collection; (2) Purchases and payments; (3) Production; (4) Payroll; (5) Finance; (6) Real estate, plant and equipment; (7) Investments, (8) Research and development; (9) Information; and (10) Other. Management systems include international standard systems such as the ISO 9001 quality management system, IECQ QC 080000 hazardous substance process management system, ISO 14001 environmental management system, ISO14064 greenhouse gas management system, OHSAS18001 occupational health and safety management system, TOSHMS Taiwanese occupational safety and health management system, and ISO 50001 energy management system, etc.

Moreover, for the convenience of colleague's inquiry and compliance, an inquiry system for procedural documents of the preventive (risk control) internal control system has been established. Employees can inquire about operation procedural documents of the subordinated department through the internal website of the company at any time. If required, they can inquire about procedures across the plant and also apply to the document control department. In order to implement the ground work of internal control, all new employees are to attend the educational training course on the "Implementation of Preventive (Risk Control) Internal Control System".



## 3.3 Internal control system

### 3.3.3 Execution and performance of the prevention (risk control) internal control system

The Company has consolidated all domestic and overseas plants and all subsidiaries and plants to establish all-in-one prevention (risk control) internal control system. The parent company of Inventec has issued a total of 367 prevention (risk control) internal control system procedure documents; a total of 34 subsidiaries have issued 1,464 prevention (risk control) internal control system procedure documents. As of now, a total of 1,831 procedure documents have been formulated. Meanwhile, the Audit Center along with the IT unit have established a computerized procedure document system of prevention (risk control) internal control system, which significantly reduced not only the manpower of documentation, review, countersignature, issuing, revise, reading, etc., but also the restriction of time and space. And the way of paperless meets the trend of environmental protection better.

### 3.3.4 Prevention (risk control) internal audit

Internal audit lean progress: Since June 2013, in order to improve internal audit mechanisms, in addition to detection (wrongdoing prevention) audits, the Company also actively promotes prevention (risk control) audits. The 2016 prevention (risk control) audit is subject to nine major high risk policies: cost, business (production) operation, asset preservation, credit management, International Financial Reporting Standards (IFRS), Group financial operation, legal compliance, code of ethics and environmental protection high risk indicator. The Company drafts prevention (risk control) management mechanism examination main points in the hopes of being able to find out potential operation risk as early as possible so that the operation governance team can take preventive measures in advance and continuously improve the contribution and value of internal audits to Inventec companies and Group through this.

Prevention (risk control) internal audit plan: In 2016, the internal audit plans include: company part (Shilin Plant, Taoyuan Plant), subsidiary part (EBG group, solar energy group, a total of 23 groups and 11 Inventec Appliances groups). After submitting and approving the internal audit report and tracking report, they shall be delivered to each supervisor for review before the end of the following month after completing audit items.

In addition to the "Annual Audit Plan" approved by the Board of Directors, the Audit Center also carries out prevention (risk control) internal audits on each transaction cycle control operation of all plants and subsidiaries. For significant problems and high risk businesses found in routine audits, the Audit Center will ask the Board of Directors to establish an audit project for further investigation to propose an audit report in order to expand the depth of internal audits and improve the larger comprehensive effect and contribution of internal audits.

### 3.3.5 Prevention (risk control) Self-assessment and Internal Control System Statement

The Company implements internal control self-assessment operations once a year, and then the Audit Center will review the self-assessment report of each unit and subsidiary. Together with the internal control deficiency and improvement circumstance of abnormal matters found by the Audit Center, they will be the major basis for the Chairman, President, and Board of Directors to assess the effectiveness of the "Internal Control System" and issue the "Internal Control System Statement".

In order to implement the self-supervision mechanism of the Company and respond to environmental change in a timely manner, in order to adjust the design and execution of the internal control system, in December every year, the Company arranges to go to each plant and subsidiary to carry out the "Self-assessment Training Explanation Session", ensuring that supervisors above the department level fully understand the purpose and practice of self-assessment and are able to actually execute self-assessment. A total of six training explanation sessions were held for self-assessment in 2016, and the total number of supervisors and colleagues participating in the self-assessment training explanation sessions was 248 people.

In 2016, the Company completed the parent company part by completing self-assessment on 176 units, identifying a total of 1,647 unit operation targets and 1,980 risk items affecting target achievement. Meanwhile, the Company has prepared 3,137 control points to reduce the occurrence of such risks in order to achieve those targets.

For the subsidiary part, the self-assessment work on a total of 455 departments from 33 subsidiaries was completed, identifying a total of 4,174 unit operation targets and 5,450 risk items affecting target achievement. Meanwhile, the Company has prepared 8,855 control points to reduce the occurrence of such risks in order to achieve those targets.

Inventec Corporation Statement of Internal Control System has been passed by the Board of Directors in their meeting held on Feb. 21st, 2017 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.



## 3.4 Prevention and Reporting

Inventec revised the "Inventec Corporation Code of the Integrity of Operations" in 2015. The Talent Center was deemed the dedicated (part-time) department responsible for the integrity of operations within the enterprise, and the relevant departments shall report on matters of execution to the Board of Directors every year.

Inventec formulated the "Codes of Ethical Conduct" and "Global Employee Code of Conduct Management Measures". In "Purchase Contracts", it shall explicitly stipulate that the supplier shall abide by the special guarantee clause, in which the payment of commission, proportion commission, brokerage fees, tail end fees, or other beneficial behaviors are prohibited. In case of violation, the Company is entitled to terminate the contract immediately, and the supplier shall unconditionally cooperate to ask such person that received benefits for compensation.

In order to ensure the implementation of integrity operations, all new employees of Inventec must participate in the "Implement Internal Control System" and relevant legal courses training, and an audit supervisor will report the important poor external and internal control cases, deficiency analysis, and self-prevention countermeasures in the Board of Directors meetings. Furthermore, the Company signs improper benefits banned purchase contract with its suppliers, establishes an effective accounting system and internal control system, regularly executes internal auditing and self-assessment operations, and actually checks the company's compliance in order to prevent the occurrence of acts without good faith.

Each plant of Inventec has set up an "Employee Complaint System" to guarantee a fair arbitration mechanism when employees suffer from human rights related infringements.

Inventec's standard operation procedure to accept and investigate the reported cases is as follows:

- System management and special personnel for special responsibilities: In order to solve major violations or misconduct, etc. complained about by employees, the Company has set up external and internal complaint management. When employees suffer from improper, illegal, or unreasonable events, they can submit a complaint according to the complaint system.
- Pursuant to the "Employee Complaints and External Reporting Management Specification", the Company has established investigation standard operation procedures and a confidentiality mechanism to accept reporting matters and imposes punishment by referring to trial principles.
- In the "Employee Complaints and External Reporting Management Specifications", the Company has designated a dedicated complaint acceptor and complaint and reporting hotline:

Tel.: 2881-0721 ext. 21999 /

E-mail: 21999@inventec.com,

and according to the treatment principle, the Company will protect the reporter from discriminations, threats, post transfers, and other unfavorable treatments.

The number of cases externally raised in 2016 is 0.



## 3.5 Information Disclosure

In order to improve information transparency, in addition to disclosing significant resolution matters of the Board of Directors on the company website, the Company has also set up the stakeholder zone. Inventec has set up Chinese and English websites and assigned dedicated personnel to be responsible for the collection and disclosure of company information; it has also set up a spokesman and agency spokesman system; when convening an Investor Conference, Inventec will also place the process materials on the company website for investor's to look up and input them at mops.twse.com.tw as required to achieve the purpose of full communication with investors and timeliness of public information disclosure.

In 2016 and 2017, Inventec was ranked in the top five percent of companies in the second and the third session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.

Pursuant to internal stock affairs operation procedure, the Company assigns stock affairs and relevant responsible units to be responsible for handling shareholder suggestions, doubts, disputes, litigation, etc. and implement them according to procedures; the Company otherwise appoints a professional stock affairs agency as the window for serving shareholders.

As for the corporate social responsibility report and the greenhouse gas report to be issued every year, following examination by internal top management of company and approval of the President, the responsible department will issue them externally for disclosure.



# 4 Operation

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## 4.1 Management Performance

The individual revenue and consolidated revenue of Inventec in 2016 amounted to NT\$ Three Hundred and Eight Billion Seven Hundred Million and NT\$ Four Hundred and Twenty-Eight Billion Four Hundred Million respectively. The product portfolios still mainly consist of computer products as they were in 2015 (in 2015, the individual revenue was NT\$ Two Hundred and Eighty-Nine Billion Three Hundred Million, and the consolidated revenue totaled NT\$ Three Hundred and Ninety-Five Billion Four Hundred Million). Individual revenue increased by 6.69%, and consolidated revenue increased by 8.34%.

With respect to product categories, the revenue of the notebook computer increased by 0.03% year-on-year, mainly due to the increase in shipments of commercial machines. The revenue of server products increased by 11% compared to the previous year due to an improved product portfolio, as well as the active development of new products and customer coverage. With respect to wireless devices and mobile communication products, they contributed NT\$ Sixty-Three Billion Five Hundred Million to the operating income, and increase of 35% compared to the previous year due to the active shipment and expansion of production capacity. As for solar energy products, the overall revenue contribution of solar energy of the Group is approximately NT\$ Thirteen Billion Five Hundred Million, an increase of 5% year-on-year.

As for profitability, the annual net profit attributable to parent company shareholders reached NT\$ Five Billion Six Hundred Million. Earnings per share were NT\$1.57, an increase of NT\$ Seven Hundred and Thirty Million compared to the previous year, with profits increasing by 1.32%.



## 4.2 Risk management

### 4.2.1 Operational strategy analysis and countermeasures

#### 1) Favorable factors

(1) Cloud computing is the mainstream in future development: The cloud computing industry and big data are both growing rapidly. In the future, the cloud application business opportunities are infinite. The Group has been the industry leader in the aspect of server OEM; through existing hardware technology and application software development, we can take our place in the cloud computing industry.

(2) Product advantages continue to improve and drive the growth of market demand: Since the functions of notebook computers are continuously improving, and the weight and modeling are becoming thinner and thinner, as well as the collocation of touch control and continuous development of all kinds of digital mobile video multimedia technologies, it has made the product line more extensive through innovation.

(3) Construct an all-around system product line: Based on the good foundation of an existing all-around product line, in addition to continuing to consolidate the notebook computer and server product fields, the Group is also gradually expanding to relevant fields such as peripheral software products, electronic information products, etc. with higher added value. Furthermore, in the solar energy photovoltaic industry, through vertical integration and Group resources sharing, the Group can take its place in the field of solar battery and module products.

(4) Establishment of a global logistics supply chain system: In addition to strengthening the status of global manufacturing, research and development, and the logistics center, the Group is also actively utilizing production advantages and research and development factors in the Greater China economic circle in order to construct a real time co-working platform with high efficiency and a market feedback mechanism, and together with the setup of a research and development innovation center, we will enhance technology and product design innovation capability.

Item \ Year	Financial Summary (unit: NT\$1,000)			
	2013	2014	2015	2016
Sales Revenues	461,091,703	435,599,968	395,470,221	428,466,015
Gross Profit from Operation	22,808,470	23,348,338	21,705,408	23,957,770
Basic Earnings Per Share	1.97	1.98	1.55	1.57

## 4.2 Risk management

### 2) Unfavorable factors

(1) The prices of important components have dropped rapidly, causing low price computers to quickly extend, and supply manufacturers and brand manufacturers are dominating the formulation of industry standards and mastering the distribution channels, thus compressing the profits of downstream manufacturers.

Solution: In addition to being dedicated to the development of high added value products and all-around products, we also actively improve operation efficiency in such aspects as production, marketing, logistics, etc. to reduce operation costs and improve overall operation efficiency through constructing Enterprise Resource Planning (ERP), Supply Chain Management (SCM), and six sigma improvement strategy.

(2) Since manufacturers in our country cannot sufficiently supply some important key components, and we still rely on supply from overseas manufacturers, controlling both material sources and price is not easy.

Solution: The Company has long-term cooperative and strategic ally relationships with major suppliers and has established multiple supply sources for important components to ensure sufficient component supply; we also seek all kinds of approaches to integrate the supply chain and reduce the impact.

(3) Industrial technology is rapidly changing and constantly updating the environment of shortening product life cycle and meager profits, causing fierce industry competition.

Solution: The Group will formulate a relevant operation risk management mechanism to consider various operation strategies as relevant solutions; in addition to coordinating with customers for the research and development of relevant demanded commodities, we are also dedicated to patent and intellectual property innovation in order to strengthen Group resource integration and expand emerging business investments and arrangements to respond to changes in the market.

(4) Our business is mainly export sales, so the change of exchange rate will significantly impact company revenue and profit-making.

Solution: Most of the important components of the Company are purchased and imported overseas and priced with foreign currency, and the sales are mostly priced with foreign currency, which can naturally offset the impact of change of exchange rate on revenue and cost. Furthermore, taking currency hedging measures can help us reasonably avoid exchange rate risk.

### 4.2.2 Risk management and countermeasures

#### 1) The risks of technology and industry change

Internet companies drive the rapid development of information and communication technologies. With the increasing maturity of the notebook computer market, and the server market facing the impact of cloud computing, the electronic industry will certainly face more challenges. In response to technology and industry transformation and high speed competition, as well as the achievement of the corporate mission of “Best system, software, and service company”, the Company strives to follow five major policies, namely “Rapid Innovation, Sustainable Energy, Cloud Solutions, Mobile Lifestyle, and Emerging Markets”, in order to create new prospects.

In the short term, we will accelerate assets activation, and encourage research and development through combining innovations with the Internet. In the long term, in addition to product diversity, the Company will optimize Group resources through cross-industry alliance and supply chain integration. Furthermore, throughout research and development, design, production, distribution and service, the Company will provide customers with all-around solutions to improve profit making and further maintain corporate sustainable development. Mobile technologies such as joint Internet, wireless communication transmission,

etc. shorten the space barrier, allowing for the smooth sharing of internal and external environmental resources of the company organization. Importing an enterprise resource integration system and financial consolidation system will improve the overall operation and handling efficiency of financial affairs. With regard to the photovoltaic industry, despite being affected by the US energy policy, the Company's dispersed layout in the market and customers' own strategic placement can help minimize the impact. Furthermore, the Company will accelerate the change and breakthrough of the Group this year by implementing five changes, which include: 1. Handover inheritance, promoting younger supervisors; 2. Select person based on talent, with men and women being equal; 3. Management must be innovative, and supervisors must be responsible; 4. Business losing money must be stopped; and 5. Professional leadership is required for future investments. Moreover, the so-called five breakthroughs refer to: 1. Manufacturing servitization, enterprise socialization; 2. Active investment merger, transforming into an Internet company, 3. Tangible assets activation, input start-up company; 4. Intangible assets reevaluation, consolidate core war; and 5. Extensively recruit international talents and seek strategic global alliances. Through comprehensive change and breakthrough, the Company is expected to be able to break through the awkward operation situations of a bad political and economic environment and courageously move forward. Through active and effective financial and information technology application, the Company will assist in integrating upstream of vision and strategy, medium of process and indicator, and down to management information, action plans, etc. in order to take it as the best management tool in response to the change of technology and industry.



## 4.2 Risk management

### 2) The risks of important policies and law change

The relevant units of the Company have always strictly followed important policies at home and abroad, as well as law changes, and pay close attention to any changes at all times. They also actively coordinate and adjust company financial business activities in response to such changed matters. With regard to the promotion of corporate governance by competent authorities, successive issuing and amendment of the Company Act, Securities Exchange Act, and handling criterion for all kinds of businesses, the reformation of the tax regulations environment, etc., the Company actively coordinates to handle such matters as required.

Since 2013, listed companies have comprehensively applied IFRS, the Taiwan-IFRSs translated and issued by the Domestic Accounting Research and Development Foundation are the basis for preparing the enterprise financial report. In the face of the change of accounting principles, the Company has actively carried out training on financial and accounting personnel with relevant knowledge, smoothly matching up with the accounting system. Furthermore, the Company simultaneously maintains close communication with information personnel and coordinates with the response method of the information system according to the change to the accounting system in order to reduce the impact brought by the change of accounting principles in the future.

### 3) The risks faced in goods purchase and sales

Ultra-large data centers drive the overall demand for generic-brand servers. Therefore, the design of products capable of providing an overall solution will take the lead in the market. As well as developing customers who follow the brand, the Company can offer customized development of products and win over manufacturers as it possesses rather outstanding research and development resources and capabilities, regardless of storage or transmission performance. In addition to pursuing further improvement of quality and quantity and cost control, OEM dealers should go deep into establishing diversified customer relationships in

order to avoid the awkward situation brought by excessive concentration of sales. The purchases and sales of the Company are mostly from and to suppliers or international brand manufacturers with considerable scale in the industry. In addition to seeking alternative materials and properly managing inventory levels to reduce the risk of material shortage by actively dispersing supplier sources, the Company also continuously and actively opens channels and exploits overseas markets; by reducing sales risk through product quality optimization, it is expected to harvest potential global markets and grow against trends.

### 4) The impact of interest rate, change in exchange rate, inflation on loss and profit of the Company, and risk management measures

Interest rate: as the US economy is gradually stabilizing, the Federal Reserve has increased the interest rate twice since December 2016, causing the global economy and interest rates to march towards new development. However, with the impact of Brexit, and the demands in the energy and mining industry, as well raw materials, the confidence of consumers is affected. Furthermore, due to the impact of the Taiwanese policy of one holiday and one rest, industry in Taiwan might encounter a slight shortage in investment momentum and the labor market, hence it is expected that the Central Bank will still adopt and implement a loose monetary policy in line with the international situation to reduce the impact caused by the sharp fluctuation of the domestic economy. By focusing on the impact of the changes in interest rates on capital operations, the Company will still make the best of its portfolio by giving due consideration to liquidity and safety.

Exchange rate: The economic recession of China caused RMB depreciation, which was truly a nightmare to original equipment manufacturers of Taiwan's electronics industry in 2016. Furthermore, after President Trump's assumption to office, both economic policy and the amount of interest dictated by the Federal Reserve have had an impact on fund flow and exchange rate fluctuation of the NTD, which consequently impacts the profit performance of enterprises. Under the circumstances of great uncertainty and instability of major international currencies, it is expected that the Central Bank will still adopt and implement a moderate exchange rate policy as a response in 2017. Major customers of the Company are large international entities, and despite the different trends of the RMB and the USD causing a negative effect in natural hedge funds, most currencies for purchasing and selling are still at the same rate, hence the gain or losses incurred from the exchange rate can, to some extent, still be controlled. Furthermore, the Company will make up for the deficiency of natural hedge funds through currency hedging to reduce the risks associated with exchange rate fluctuations

Inflation: inflation is closely linked to the currency policy, but compared to dual rates, inflation has no obvious significant impact on the profit or loss of the Company. As the foundation of the global economy improves with continuous economic expansion, any loose capital might be affected by inflation. However, the economic performance of each country is different, which consequently causes a difference in monetary policies. As the trend of economic data is positive and the employment market becomes stronger, there is no doubt that the US will continuously increase interest rates in the future to prevent an overheated economy. Generally speaking, the adjustment of the US monetary policy will still be a major risk affecting global economic growth and financial stability. It is expected that the Central Bank will adopt an appropriate monetary policy in 2017. It must consider the consequences of real interest rates on the domestic economy to keep the economy in a relatively stable structure. In the future, the Company will still actively carry out cost and operation expenditure control, process reengineering and asset activation to mitigate the impact of inflation on business operations.





## 4.3 Reinvestment Strategy

### 4.3.1 Five major policies

◆ **Rapid Innovation:** “Innovation” has been the basic spirit of our operation philosophy since the foundation of the Company in 1975; it is also the best media shaping enterprise differentiated value, even for our commitment to customers and partners. In addition to internal and external research and development, innovation cultivation, and accumulation of competitive energy, the activation of intellectual property assets can also effectively improve the international competitiveness and influence of the Company. The Company has been devoting itself to the acquisition of global patents. In addition to focusing on notebook computers and servers, the Company has also achieved breakthroughs in the fields of consumer electronics, mobile communication, wearable devices, wireless integration plans, and application software. Recently, it has also actively transformed into an Internet enterprise to initiate more abundant smart living tools.

◆ **Sustainable Energy:** the issue of global warming has aroused awareness of the need for environmental protection, and also further drives the increase in green consumerism on a global scale. The Group has been actively developing green products and promoting the saving of energy and reduction of its carbon footprint, propagating anti-global warming action, and emphasizing management of resources. Furthermore, the Group rigorously adheres to environmental protection regulations from research and development to production to implement an entire system of business operations that protect the environment. The Company is therefore a devoted environmental-friendly Internet enterprise and has developed into a “manufacturing servicizing” business. By implementing an energy management system into the plant, the plant has added a green value to its operations and has further established intelligentization in its processes. Furthermore, the Group will make every effort to improve relevant processes and energy consumption for its solar energy products, and is devoted to promoting renewable energy and contribute positively to society.

◆ **Cloud Solutions:** upon benefitting from the expansion of e-commerce scales and the launch of new platforms, the demand of cloud applications has sharply increased. Therefore, cloud service providers will continuously construct large scale data centers all over the world in 2017, especially in Asia and North America. In fact, nowadays the Internet and cloud are inseparable and as cloud services supplier, the Company will be dedicated to the development of its cloud computing software application service (SaaS), its platform service (PaaS) and infrastructure service (IaaS), heading toward the direction of the integration of a three-in-one software, hardware and service platform. By offering an overall solution, the Company will closely to improve the level and value of cloud service and combine it with the Internet.

◆ **Mobile Lifestyle:** with the improvement of mobile communication technology of recent years, the EU has taken the lead in proposing the 5G concept, with the construction of relevant infrastructures and service development as the main points for planning this development. Through the concept of the Internet, it can facilitate economic innovation. By furthering the evolution of high information and communication technology the reform of smart terminals and associated devices is driven. The Company mainly focuses on the development of wireless intelligent terminal products and provides multi-dimensional smart handheld devices and network application products by connecting



cloud technology with these services. In the future, the Company will plan its capacity in terms of room for innovation, good quality, excellent talent, design, manufacturing, marketing and after-sales service, hoping to become the benchmark in the global wireless communication industry. As the smartphone market is currently facing the predicament of a slowing down of the rate of growth and price-cutting competition, reducing prices and increasing product differentiation is inevitable to succeed in the market and will become key to profit-making in the future while balancing supply and demand.

◆ **Emerging Markets:** as the notebook computer and server industries are restricted by the high saturation in mature markets in Europe and America, the survival competition rules have forced domains to start relocating to emerging markets with strong growth momentum. However, with respect to the solar energy industry, growth in mainland China ranks first in the world, followed by the USA, Japan and India. Therefore, the EU has been dedicated to resuming its leadership in the industry of renewable energy, and this will, either directly or indirectly, affect the market distribution of plants in Taiwan. The strategy of the Company will observe the improvement of product efficiency and overseas marketing strategies to reduce the impact of any changes. With respect to smartphones, the EU's devotion to developing 5G technology has caused mature countries to start establishing a 5G development strategy, while emerging markets have also started to evolve in 4G markets. Despite brand manufacturers from mainland China rapidly rising worldwide, with increasing saturation in the Chinese market, the "black mainland" will arouse investment heat among east-Asian manufacturers, resulting in India and Africa emerging as an industrial cluster following the Chinese era.



## 4.3 Reinvestment Strategy

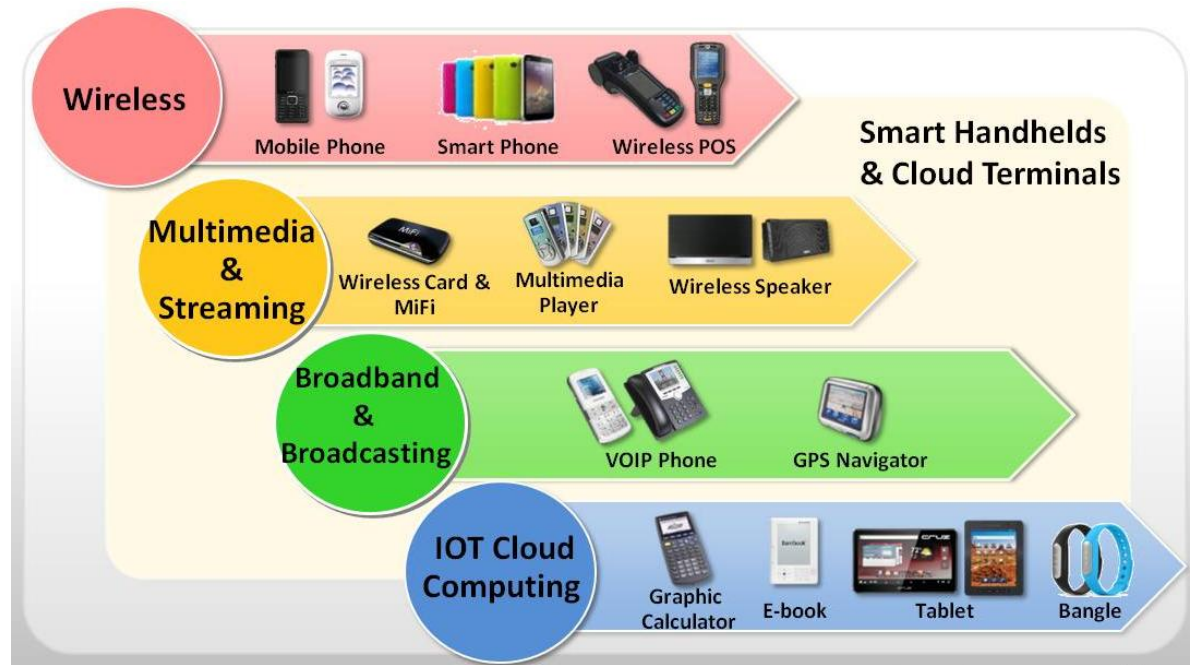
### 4.3.2 Reinvestment status

While operating in the fields of notebook computers and servers at an early stage, to gradually stepping into producing network solutions for enterprises, Inventec even got involved in solar energy and smart terminal devices at a later stage, and actively transformed itself into an Internet company. In recent years, the Group has reinvested in various areas. Inventec Appliances mainly focuses on intelligent terminal products with Internet applications, marching towards the smart family and smart factory industries. It is expected that its delivery in 2017 will solidify its contribution in this area.

BESTA is the leading brand in electronic dictionaries and translation software within Chinese communities overseas, and it will continue to focus on products related to the creation of cloud platforms. As for solar energy, due to the impact of the energy policy of the Trump administration, the demand and investment in this field will decline. Generally speaking, despite the slowing down in growth of notebook computer, due to demand recovery in the North American market, together with the shortage of key components and the launch of new machine types, it is expected to at least reach a break-even point due to the replacement of commercial notebook computers. Furthermore, with respect to servers, due to the benefits from the fermentation of artificial intelligence, the performance in 2017 will be promising due to the upgrading of terminal components and the launch of new platform.



**Inventec**

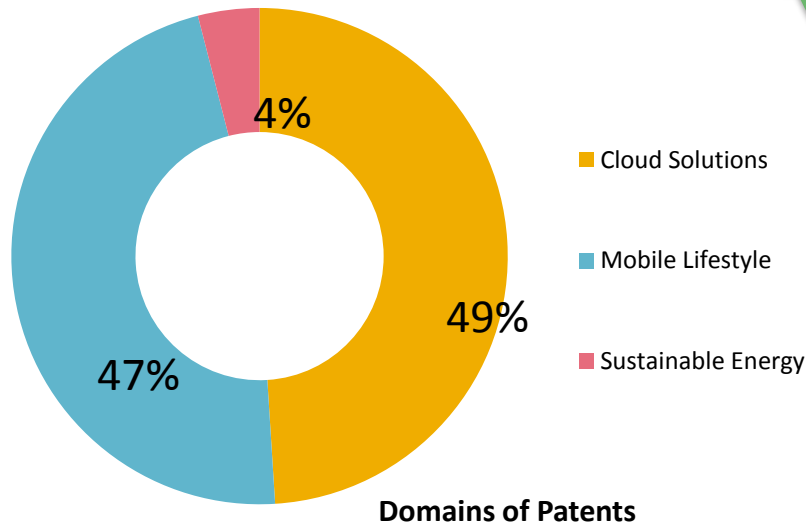


## 4.4 Patents and Innovations

### 4.4.1 Innovative patents

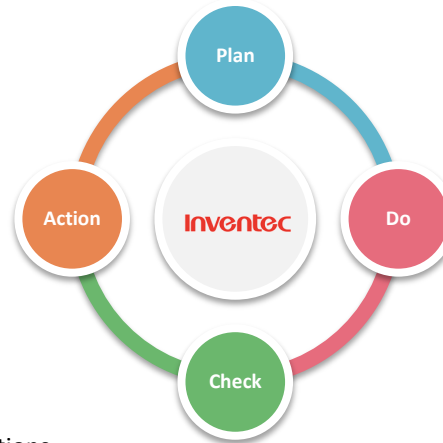
As of December, 2016, the Inventec Group acquired over 14,700 patent certificates globally and had more than 4,000 ongoing patent applications. Such achievements rely on the effective protection of intellectual property to create maximum value for the customer. In terms of the ranking of legal patent applications and quantity of certificates obtained, Inventec has been the leader of personal computers, smart mobile devices and the server ODM industry in Taiwan for years.

In order to actively create an environment of innovation, to be dedicated to establishing and cultivating diverse creative thoughts and innovative talent through internal intellectual property management, including interactive promotion mechanisms, training, examinations, internal monitoring and reward schemes, Inventec has successfully motivated colleagues to continuously develop diverse products according to the company portfolio, propose functional, technical and innovative ideas related to structure and processes and improve the value of products.



## 4.5 Management systems

In order to pursue corporate sustainable development and social responsibility, Inventec is constantly optimizing the existing comprehensive management system. It takes the circulation of PDCA (Plan, Do, Check, Action) as the basis to gradually optimize all kinds of management systems, such as ISO 9001 quality management system, ISO 14001 environmental management system, IECQ QC 080000 hazardous substance process management system, ISO 14064 greenhouse gas management system, ISO 50001 energy management system, ISO 27001 information security management systems, and the other management systems.



## 4.6 Value Chain

### 4.6.1 Customer service

Inventec provides customers with a comprehensive and thorough customer relations management service mechanism, from order receiving to the stage of product development and to the stage of mass production. After product delivery, we track the product condition to the customer end and actively care about all feedback from the customer. Through the customer complaint management system and with a complete customer complaint standard operation procedure, the Company prepares reason analysis, correction and prevention solutions in project review, and confirms effectiveness in order to give feedback on problem solving to customers and understand real customer demands to achieve the highest customer satisfaction.

Furthermore, by periodically holding customer business review meetings, the Company can discuss relevant issues, such as technology research and development, product delivery, product quality, after-sales service, quotation cost, energy saving and carbon reduction, green products, corporate social responsibility, etc., in response to the issues that concern customers. In order to solve the problems reflected by customers, the customer service and quality assurance departments have established a 24-hour customer service hot line and customer service website and provide instant services and response mechanisms through a stationed service mechanism at customer end.



## 4.6 Value Chain

### 1) Quality

Quality is an important factor of Inventec culture. Inventec believes that the combination of the company's quality system for standard operations, research and development design quality, material management quality, production process quality, personnel professionalism, morale quality and environmental management is what constitutes the quality of its products.

Inventec has established a standard laboratory for testing the content of heavy metal parts in the Shilin R&D Center, Taoyuan plant and Shanghai plant to ensure improvement of product reliability through an Ongoing Reliability Test (ORT). Monitoring the quality of green parts is conducted through rigorous quality control at various levels and continuous improvement to pursue better and improved product quality, operation quality, morale quality and environmental quality.

### 2) Cost

Inventec enlists enterprise resources for overall planning and consideration to provide customers with the best solutions and operation platforms from commodity demand to design cooperation, manufacturing requirements, inventory control and after-sales services, etc. Aside from consolidating various company resources through the system support of Enterprise Resourcing Planning (ERP), Supply Chain Management (SCM), Cost Awareness, Design, the product quotation analysis system and the Failure Modes and Effects Analysis (FMEA), Inventec also expects to control the total production cost to a high degree of competitiveness. This includes raw materials, logistics and inventory costs as by manufacturing the best product at a low cost, high quality and good profits benefit both the customer and the company.

### 3) Customer privacy and information security

It is the principle that Inventec attaches great importance to the confidentiality of customers' confidential information based on business dealings. Inventec imports ISO 27001 information security management system to ensure confidentiality, integrity, and availability of the information asset. In 2016, no complaint about violating the customers' privacy or the loss of customers' data was raised to Inventec.

### 4) Delivery

Inventec implements general e-commerce operations, from research and development of product designs to manufacturing and delivery, including internal operation procedures such as planning and management, logistics and cash flow, etc. The smooth customer operation platform and exchange of supplier management data are operated based on an electronic data system. For the operation of this data system, aside from relying on a high quality hardware system, it also relies on an e-commerce team with an abundance of professional experience. As well as importing the establishment of each system and integration of internal and external application services of the enterprise, it also improves the efficiency of the system through continuous reviews and improvements so as to capitalize upon the specific competitive advantage of Inventec.

The R&D base of Inventec has two important stations in Shilin and Taoyuan, who are respectively responsible for the research and development and manufacturing of notebook PCs, wireless communications, consumer electronics, cloud computing services, software integration services and server products; On the Chinese mainland, R&D teams are established in Shanghai and Chongqing, mutually cooperating with the R&D team in Taiwan for the development of new product designs. Overseas production bases mainly include the Pudong plant and Chongqing plant on the Chinese mainland, the Mexican plant in Central America, and the Czech plant in Eastern Europe, all of which have established

assembly and customer service centers to provide customized production and repair services. From research and development, design and production to distribution and technical support, Inventec puts customer-oriented and global operations in first place. By maximizing the power of the whole Group in global deployment, it is also the solid foundation for Inventec to provide customer comprehensive solutions from software to hardware from Taiwan to the whole world.

### 5) Customer satisfaction

Inventec provides customers with a comprehensive and thorough customer relations management service mechanism, from order receiving to the stage of product development and to the stage of mass production. After product delivery, we track the product condition to the customer end and actively care about all feedback from the customer. Through the customer complaint management system and with a complete customer complaint standard operation procedure, the Company prepares reason analysis, correction and prevention solutions in project review, and confirms effectiveness in order to give feedback on problem solving to customers.



## 4.6 Value Chain

### 4.6.2 Supply Chain Partnership

The supply chain system of Inventec is comprised of the organization in conjunction with its suppliers, manufacturers, vendors, retailers and consumers. Inventec's position in the supply chain system is the manufacturer between suppliers and vendors. Our supplier management goal is to expand the commitment and close cooperation with trading partners through analysis of the supplier chain and effective management of the flow of information and logistics and cash flow, and establish a long-term stable supply chain system throughout the overall supply chain both up the hierarchy as well as down. This means working alongside suppliers, manufacturers, vendors, retailers and consumers to create maximum service and corporate value at a minimum cost.

#### 1) Supplier evaluation group and supplier evaluation

Currently, relevant departments such as design and R&D, purchase, components engineering and supplier management, etc. jointly form the "Supplier evaluation group" of Inventec to be responsible for supplier evaluations.

In terms of new supplier evaluations, these are carried out through technical capacity development and evaluation, contractor supply capacity evaluation, purchase system audits, supplier corporate social responsibility evaluation, on-site examinations and HSF evaluations, etc. New, eligible suppliers are asked to sign environmental protection documents and labor practice guidelines to ensure compliance with such requirements and control the contents prescribed in international CSR-related laws and regulations and relevant environmental protection regulations of Inventec, now and in the future, so as to ensure that suppliers do not violate employee's freedom of association, prohibiting child labor and forced labor and ensuring rights of collective negotiation. The suppliers other than the ones designated by the customers are asked to sign the pledge for environment, labor safety, human rights, ethics, etc. In 2016, 86% of Personal Solution Group's new suppliers and 100% of Enterprise Business Group's new suppliers signed the pledge

for EICC code of conduct. The suppliers with transactions signing the pledge is planned to be constantly tracked and counted in the future.

With regard to the supplier evaluations, in compliance with EICC's supply chain management requirements, Inventec performs the on-site audits on existing suppliers with medium and high risks and asks for improvement made within a given time frame. The criteria of existing supplier audits include evaluation items such as environment, labor, health and safety, ethics, human rights and management systems. The suppliers' improvements are completed after the confirmation of the SQE engineers. The closure rates of audits conducted by the Chongqing plant and the Pudong plant were both 100% in 2016.

In 2016, the Chongqing plant team conducted the on-site audits in 46 suppliers, and the Pudong plant team conducted in 43 suppliers. The total is 89 suppliers in 2016, and the target for 2017 is 82 suppliers. The numbers of the audited suppliers' issues found by the teams of Chongqing plant and Pudong plant in 2016 are as follows: 48 for environmental management system (Enterprise Business Group: 9 / Personal Solution Group: 39), 156 for occupational safety and health management system (Enterprise Business Group: 4 / Personal Solution Group: 152), 38 for labor and ethics (Enterprise Business Group: 0 / Personal Solution Group: 38), 24 for management system (Enterprise Business Group: 19 / Personal Solution Group: 5), 5 for Hazardous Substance Process Management System (Enterprise Business Group: 5 / Personal Solution Group: 0). The total is 271 (Enterprise Business Group: 37, Personal Solution Group: 234).

#### 2) Supplier guidance management

Inventec emphasizes win-win situations with suppliers through mutual understanding and cooperation. Therefore, in respect to supplier management, we conduct diverse evaluations of the supplier according to customer requirements, laws and regulations and international trends, including supplier propaganda, promotions and audits. In terms of diversified supplier evaluations and guidance, as

well as from the perspective of quality, cost, delivery time, technical capacity and services with regard to the industry in general, with the increasing awareness of corporate social responsibility, Inventec also extends the evaluation scope to green products and corporate social responsibility, and the evaluation scope corresponds to Inventec's requirements of their suppliers, including the establishment of management systems such as ISO 9001, ISO 14001, OHSAS 18001 and EICC, etc. Through diverse evaluations and reviews, it is ensured that suppliers cooperating with Inventec are able to respond to important supply chain issues, such as environmental protection product design, manufacturing process environmental protection, restricted hazardous substances, prohibiting child labor, guaranteeing employee's rights and interests, and workplace safety, etc.

Furthermore, through supplier SER audits, Inventec ensures that suppliers do not violate employee's freedom of association, prohibit child labor and negotiate collective right. In 2016, there were no cases of violations found with suppliers. Through Inventec Supplier Portal (iSupplier), Inventec provides grievance mechanism and external communication channel for anti-corruption / social / human right / environmental issues of the supply chain.

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In 2016, the total number of complaint cases proposed by suppliers following official complaint procedure was zero.

#### 3) Inventec supplier platform (Inventec Supplier Portal, iSupplier)

In response to the requirement of the EU RoHS Recast directive (2011/65/EU) which came into effect on January 3, 2013, providing supplier operation processes and functions of higher quality, Inventec updated the Inventec Supplier Portal (Supplier for short) system to a 2.0 version on January 7, 2013.

## 4.6 Value Chain

### 4) Localized supply chain management

Inventec preferentially uses local eligible suppliers. In 2016, for the 742 suppliers with transactions among eligible suppliers of Inventec's Personal Solution Group and the 408 suppliers with transactions among eligible suppliers of Enterprise Business Group, in terms of region, the suppliers were from greater China (including Taiwan, mainland China, Hong Kong, and Macau), USA and Canada, Southeast Asia, and Japan and Korea, amongst the other regions. In terms of Personal Solution Group's transaction amounts, 91% came from 662 manufacturers in greater China, and 80 manufacturers from the other regions only accounted for 9%. As to Enterprise Business Group's transaction amounts, 79% came from 323 manufacturers in greater China, and 85 manufacturers from the other regions only accounted for 21%.

In 2016, over 99% of the suppliers with transactions signed the pledge for environmental protection and ensure that the raw materials, components, modules, packaging materials, and indirect materials for production and maintenance for Inventec comply with the present and future international environment laws and Inventec's environmental requirements.

Also, in 2016, 100% of Enterprise Business Group's suppliers with transactions signed the pledge for EICC code of conduct, and 84% of Personal Solution Group's suppliers with transactions signed the pledge for EICC code of conduct.

### 5) Contractor performance evaluation

Inventec's managerial priority attaches importance to the contractors' attention to safety and health issues and their relevant performance through evaluation.

### 6) Supply Chain Management Award

Inventec won the "2016 Taiwan Corporate Sustainability Award – Supply Chain Management Award and Innovative Growth Award" issued by the Taiwan Institute for Sustainable Energy.



#### 4.6.3 Annual Supplier CSR Training Camp

In order to continuously fulfill corporate social responsibility and in response to customers' requirements on the supply chain CSR and environmental protection, on November 19, 2015, Inventec Group (Inventec and Inventec Appliances) held the "2016 Inventec Group Supplier CSR Training Camp" in Guandu Nature Park.

With the environmental protection and low carbon activity LOGO promulgated by Taiwan EPA, the event was designed and implemented in a way to reduce the impact on the environment. Guandu Nature Park's eco-pond adopted by Inventec Group Charity Foundation echoed the event's theme emphasizing the importance of water resource.

As an EICC member, Inventec conveyed the importance of complying with EICC code of conduct to the supplies. Also, the event includes the topics such as the regulations about hazardous substance free management and conflict minerals to follow the up-to-date international laws and the brand-name customers' requirements.

A total of 106 representatives from the suppliers attended the event. The interaction with the suppliers promotes the sustainable development of Inventec Group.



## 4.6 Value Chain

### 4.6.4 Green service cloud

With the upcoming Internet era, environment protection is not just a green environmental protection, but combines the mobile Internet. Speaking of the concept of the Internet plus environmental protection, it is talking about a promotion of small application and service and accumulate a big user bases afterwards. Eventually, not only will a brand new green value chain be established, but the green information service clouding also will be set up. For Inventec, it is both opportunity and challenge.

Inventec regards "the Internet + environmental protection" as a business opportunity, and it develops green solution service platform in Sep. 2015. With the platform, clients are not only able to effectively deal with the integration of green product data, but also enhance their capability of data sharing and exchange. Eventually, the whole new supply chain and win-win-win situation can be expected. The platform is recognized by IT leading companies asking their suppliers to adopt Green Solution Service.

### 4.6.5 Smart Factory

Inventec upgrades its production capacity and optimize the production process as well as effectiveness to ensure that it is well prepared for the upcoming of Industry 4.0, and it is able to create new sources of profits. Chongqing facility is the key site which inventec concept of its smart facility and smart production. The following is its steps:

#### 1) Enhance TPS lean production system

IE improves the tool application and expand the basic lean concept and encourage employee participation through focusing on application and implementation.

#### 2) Increase automatic cover rate

Inventec invests more automatic equipment to reduce the manual tasks for the purpose of increasing production efficiency to decrease quality failure resulting from labor carelessness and increase product capability.

#### 3) Build IoT workshop

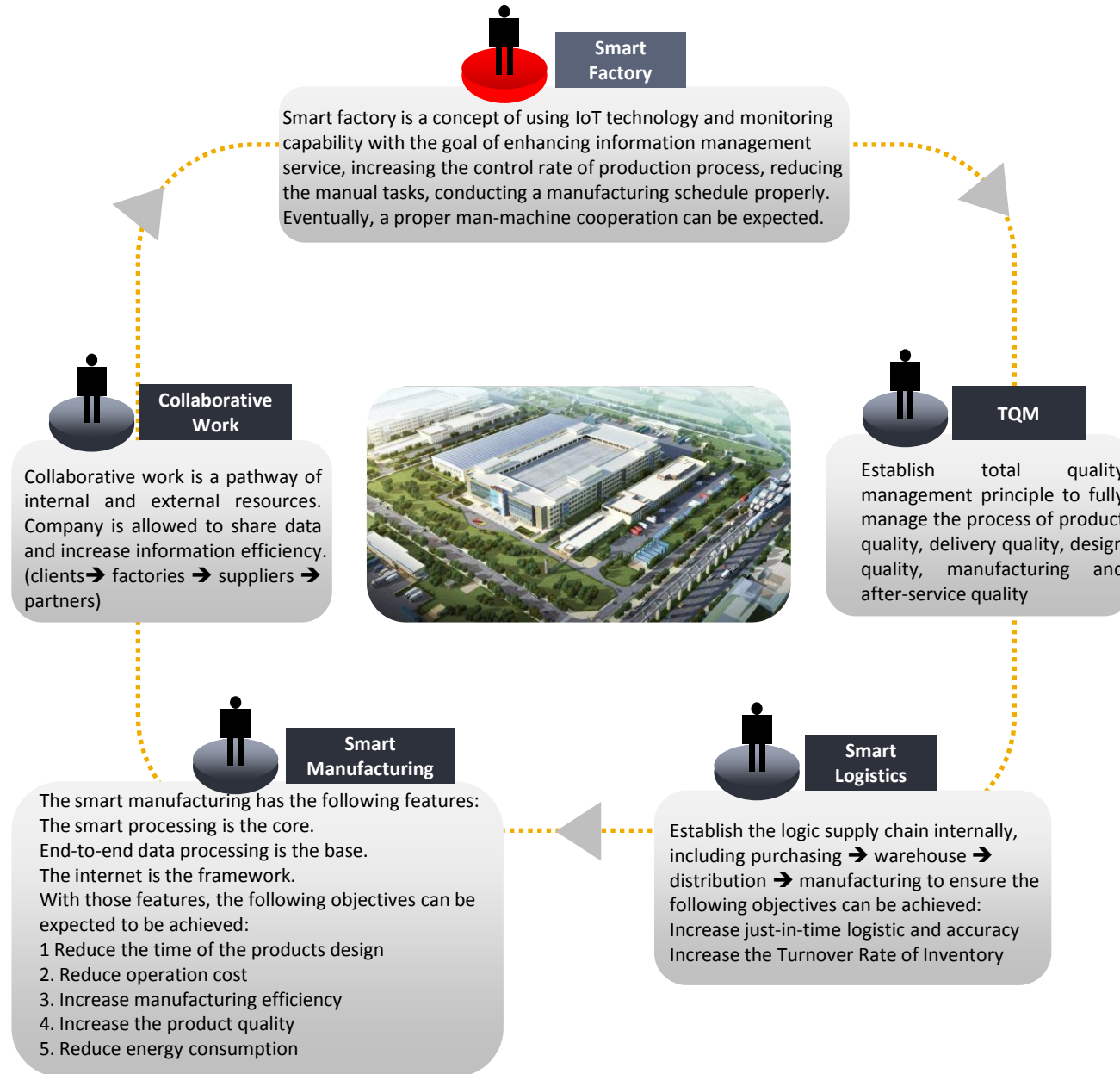
Collect just-in-time production data via the installation of AVG and industrial sensor. Use equipment to reduce the manual tasks with the goal of connection between equipment / equipment and equipment / the Internet; collect just-in time data and posit accurately; Implement IoT smart equipment.

#### 4) Establish smart production platform

Integrate various production system. Implement product resource management, smart quality process control and multi-type production. Build IMP to implement smart scheduling, smart decision support and smart analysis.



## 4.6 Value Chain





## 4.7 EICC Member

Inventec became the member of EICC (Electronic Industry Citizenship Coalition) on May 26<sup>th</sup>, 2016, and complies with EICC Code of Conduct through the mechanisms include SAQ (Self-Assessment Questionnaire), VAP (Validated Audit Process), member compliance reporting, etc. for Inventec itself and Inventec's suppliers.

The 5 sections of EICC Code of Conduct are as follows:

1) Labor: EICC members are committed to uphold the human rights of workers, and to treat them with dignity and respect.

2) Health and Safety: EICC members should minimize the incidence of work-related injury and illness and recognize that ongoing worker input and education is essential to identifying and solving health and safety issues in the workplace.

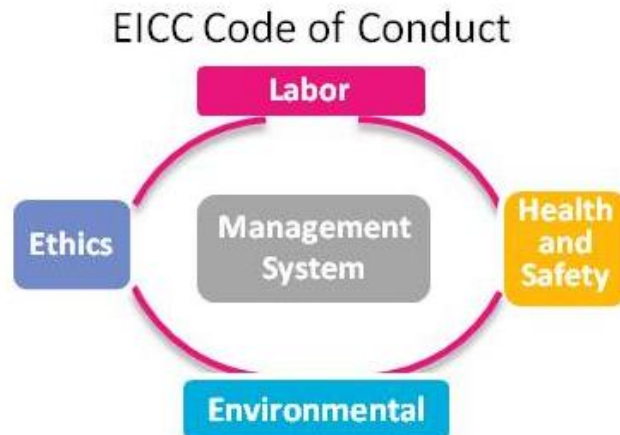
3) Environmental: In EICC members' manufacturing operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public.

4) Ethics: EICC members and their agents are to uphold the highest standards of ethics including (1) Business integrity, (2) No improper advantage, (3) Disclosure of information, (4) Intellectual property, (5) Fair business, advertising and competition, (6) Protection of identity and non-retaliation, (7) Responsible sourcing of minerals, (8) Privacy.

5) Management system: The management system shall be designed to ensure: (a) compliance with applicable laws, regulations and customer requirements related to the EICC member's operations and products; (b) conformance with EICC Code; and (c) identification and mitigation of operational risks related to EICC Code. It should also facilitate continual improvement.

The Pudong plant and the Chongqing plant integrate EICC regulation into their employee training. In 2016, the Mexico plant and the facility of Pudong plant accepted VAP, and the issues related to labor and health and safety were found. The relevant remediation took place to be verified in compliance with EICC's requirement.

Inventec Conflict Free Statement



### EICC Member

#### Inventec—The member of Electronic Industry Citizenship Coalition (EICC)

##### Vision

A global electronics industry that creates sustainable value for workers, environment, and business.

##### Mission

Members, suppliers, and stakeholders collaborate to improve working and environmental conditions through leading standards and practices.

Inventec commits to conform to the EICC code of conduct in its own operations, progressively implementing the EICC approach and tools in the spirit of the industry's common goals.

Inventec also commits to progressively apply the EICC code of conduct to its first tier suppliers, to monitor its application to the best of its ability using EICC practices and tools, and to encourage and support its suppliers to do the same.

# 5 Workplace

5.1 Friendly workplace P42~P46

5.2 Healthy workplace P47~P49



**Training System**



**Welfare**



**Working Environment**

# 5.1 Friendly workplace

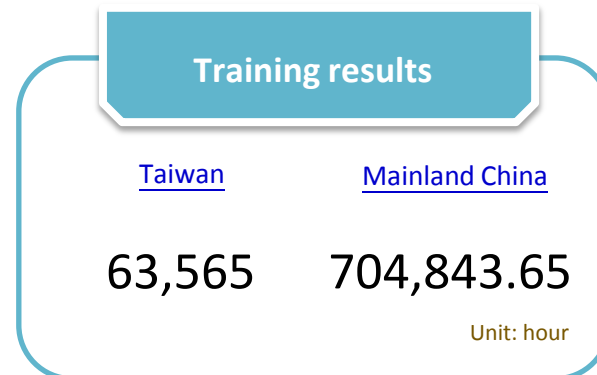
## 5.1.1 Manpower composition

The top ten beliefs of Inventec give first priority to being “Talent-oriented”; “social responsibility” is the final commitment. Inventec adheres to the principle of being talent-oriented, by attaching great importance to talent resources and firmly believing that the talent of high literacy is the basic element to improve enterprise competitiveness.

Pursuant to laws and regulations of each local government, Inventec provides all kinds of basic required labor conditions, including a sound working hours mechanism and thorough ask for leave system, and provides a stable, healthy and safe working environment and basic benefits of employee insurance, health insurance and retirement pension, etc.; Furthermore, regular health examinations and group insurance are provided, and thorough employee retirement measures are adopted.

Furthermore, Inventec also holds employee enterprise ethics signings, all kinds of educational training activities and promotions and combines them with employee performance appraisals, establishing specific and effective awards and punishments. Inventec, on occasion, also conducts activities to assist employees in balancing work and home life and changes in physical and mental health by establishing smooth communication lines to achieve effective employee-employer cooperation and win-win situations.

As of the year ending 2016, the number of employees disclosed (including 8 plants of Inventec) in the report is 18,092. From this total, 3,523 employees are based in Taiwan, 13,291 employees are based in mainland China, and 1,278 employees are located in Europe and America. In 2016, 100% of supervisors above department level in Taiwan were locals, and 0% of supervisors above department level in mainland China, Europe and America were locals to the community.



The human resources department of Inventec continuously develops and constructs diversified talent recruiting systems, including campus recruiting, introductions by a R&D substitute colleague, self-development of the talent pool and job banking, etc., so as to satisfy the demand of the company in terms of talent development. Based on the belief of being “Talent-oriented”, for talent recruiting departments worldwide, Inventec explicitly stipulates that talents of different race, class, language, mindset, religion, party, gender, marriage, disability etc. shall be treated equally without discrimination, and the above list is strictly prohibited to be used as interview appraisal standards in the recruitment and employment process. Employment of child labor is strictly prohibited, and circumstances of infringement of human rights such as forced labor etc. is prohibited, so as to comply with the laws and regulations of the local government and implement the belief of being “talent-oriented”.

The human resources departments of Inventec monitor the staff belonging to each department on an annual basis and carry out regularly talent analysis according to the demand of the business plan of the relevant department. Inventec recruits excellent talent externally and on a regular basis. Aside from recruiting talent from all walks of life for business activities, Inventec also explicitly stipulates awards and punishment and a performance appraisal system to cultivate excellent talent so as to maintain staff turnover at an appropriate level. Needless to say, Inventec has never employed any youth under the age of 16, nor been involved in any acts of forced labor.



Careers

# 5.1 Friendly workplace

## 5.1.2 Talent development system

"Talent-oriented" is one of Inventec beliefs and the following is its talent development principles:

- Education and development

Inventec adheres to the value of "learn together, grow together", providing the diversified training channels and coaches for employees.

- Establishment of innovative cultivate system

Inventec provides its talents with excellent educational environment to avoid such a circumstance that trainings can't keep up the pace with its corporate objective. Inventec cultivation systems is employee oriented, and uses corporate operation objective and developmental strategy as its framework. Inventec provides its talents with professional educational services and implement diversified educational activities.

- "Talent-oriented" as Inventec corporate belief

In addition to the management capabilities and professional abilities, Inventec continually focuses on the enhancement of language ability and the Internet capability to increase its international competitiveness. Inventec also keeps tracing the training effect and talent's feedbacks to ensure it is able to have the nonstop innovation and communication.



To ensure the training system is consistent with the corporate objective and positive training effects, Inventec implements the training quality programs as follows:

**Plan:**

Focus on the connection between training and corporate operation development objectives

**Design:**

Focus on the design of training program, combining stakeholders' participation

**Do:**

Focus on training implementation and systemized degree of training record and management system

**Review:**

Focus on regularly implementation analysis, monitoring and abnormal handling

**Outcome:**

Focus on training evaluation results, completeness and continuous improvement

### 1) Connection between management strategy and training planning

Echoing management strategy is one of Inventec's talent development features. It allows Inventec to have completed integration of corporate core value and talent's individual career development.

Inventec builds up the solid foundation of sustain development via succession plan, empower ability and talent rejuvenation. It also implements basic and advanced management trainings for talents to upgrade their management ability and accountability spirit. In addition, Inventec encourages talents to jump out of comfort zone, to take challenges, to learn/try new things to give its culture better shape. Furthermore, inventec upgrades talent's selling ability and their technique to explore new business opportunities. To enhance the core competitiveness, Inventec finally enhances its RD technique and identify product market trends.

### 2) TTQS award

Inventec has always been taking enterprise operation goals and development strategy as the training blueprint, guided by an actual employee demand to develop the overall structural training cultivation plan.

Inventec offers a series of courses to meet the transformation needs, such as innovational thinking, market trends identification, Earnings analysis, team motivation, problem solving and business negotiation. It also establishes e-library and e-learning with the goal of "learning anytime and anywhere". With these efforts, Inventec achieved TTQS (TTQS · Talent Quality-management System) silver award from Workforce Development Agency of Ministry of Labor, Executive Yuan, in 2016.

TTQS is a standard that government regards it as an evaluation tool. It emphasizes the value of talents development and allows education system to be systemization and institutionalization. TTQS can also be a tool to strengthen the ability of conducting training and optimize training effect. Based on the official analysis, 8 out of 100 companies achieve the silver award or above.

Overall, the following are goals of talent development and training:

- The appreciation of talent asset,
- Corporate culture communication,
- Management cultivation plan
- Enhancement of professional capabilities
- Team building



# 5.1 Friendly workplace



TTQS award

In Chongqing facility, Inventec cultivates female management by ways of trainings of professional skill and leadership. In 2016, Inventec co-worked with “International Business Social Responsibility Association” to offer employees two trainings, including confident female, occupational health, financial investment, and life planning. From April to June in 2016, 8589 employees participated the first training, including 4879 males and 3710 females. The second training is about the management skill improvement and 100 female employees take 180 hours in 24 days to complete the course.

Chongqing facility establish a learning goal for each employee, which is 40 hours learning per year. The annual goals will be various based on individual, department need, online questionnaire, paper questionnaire, meeting discussion, and interview talk. To increase safety awareness, Inventec provide employees with safety training, such as dangerous chemical management, firefighting training, driver safety training, sub-contractor training. In 2016, Chongqing facility also introduced employees to core lean manufacturing concepts. Inventec established a classroom for frontline employees and management to carry out on-site lean manufacturing scenarios exercise. In addition, it cooperates with universities and build up e-learning platform to facilitate its employees’ skill developments. So far Inventec had co-worked with 9 universities, including over 50 lectures. There are totally over 300 employees receiving high-education certificate since 2012. To raise employee’s health awareness, Inventec irregularly offered first aid training and health lectures, such as seasonal health care, disease prevention, and female health.

### 3) Training resources and characteristics

In 2016, Inventec’s total training hours in Taiwan was 63,565 hours; the total training hours in mainland China was 704,843.65 hours – due to the demand of production management, the average training hours was higher than that of other regions. In 2016, the spending on employee training was NT\$704,843.65 in Taiwan and NT\$141,059 in the Pudong plant. In Taiwan, mainland China, Europe, and America, every new employee shall undergo relevant training courses on human rights and anti-corruption. Furthermore, Inventec’s security personnel in Taiwan and mainland China also undergo relevant training courses on human rights, and all internal security personnel undergo human rights educational training.

### 5.1.3 Employee performance evaluation

Inventec implements employee performance management system through the cycle consisting of “performance plan”, “performance communication”, and “performance evaluation”. In 2016, the system covers 100% of Inventec’s full time employees in Taiwan, mainland China, and Europe and America.



Special topic training results		
<b>Human rights, labor principles</b>	5556.81	Unit: hour Range: Taiwan, mainland China, Europe and America
<b>Anti-corruption</b>	5,666.98	
<b>Environmental protection</b>	13,975.37	

# 5.1 Friendly workplace

## 5.1.4 Employees' welfare

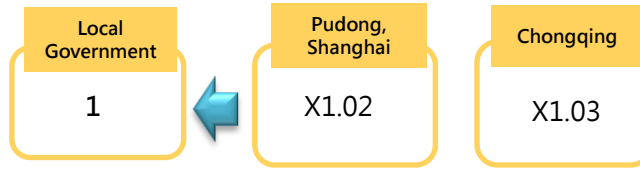
### 1) Flexible working hours

Inventec has a flexible working hours system in both Shihlin headquarter and Taoyuan facility. All employees are able to adjust their own working hours based on their own needs. In Shihlin headquarter, the employees should clock in before 9:00 am. In Taoyuan facility, there is no requirements for the start working time. In short, Inventec's requirements for flexible working hours is as follows: the total of monthly working hours + leave hours  $\geq$  basic monthly working hours (working days on monthly calendar times 8 hours). In addition, employees are allowed to leave the office without taking days off if they get the management's approval and have 4 working hours on that day.

### 2) Wage

In respect to remuneration, Inventec provides a competitive salary for talent in each location worldwide, including Taiwan, mainland China, Europe and America, regardless of gender, and the remuneration is higher than the basic rate required by law. With respect to Taiwan, the basic salaries of the professional staffs and the professional technicians are higher than the local minimum wage. For the male, it is 1.221 times, and for the female, it is 1.265 times. As far as mainland China is concerned, the basic salary of direct personnel in the Pudong plant, Shanghai, is 1.02 times higher than the local minimum wage, approximately 1.03 times higher in the Chongqing plant respectively. Wages are equal regardless of gender or ethnic group.

Salaries of direct personnel in mainland China are higher than the minimum wage of the local government.



### 3) Legal compliance

In Taiwan, pursuant to the standards of the "Labor Pension Act", Inventec has formulated thorough employee retirement programs and actually implement them pursuant to the relevant laws and decrees, liberating employees from any worry at work.

In Chongqing facility, employees are eligible to have social insurances in compliance with "Law of the People's Republic of China on Employment Contracts" and "Social Insurance Law of the People's Republic of China". Inventec offers social insurances since day one and receives irregularly audit from government. In Pudong facility, Inventec provides qualified retired employees with retirement benefits in accordance with relevant law in Shanghai. In 2016, Inventec faced no labor law violation penalties or fines.

### 4) Welfare measures

In terms of the employee welfare, Inventec's sites meet the employees' needs like transportation, accommodation, sports, meals, leisure activity, etc. in accordance with the regional difference.

## 5.1.5 Employee communication

### 1) Communication channels

As well as caring about employee's rights and interests, Inventec also pays attention to human rights issues. As for communication mechanisms in Taiwan and mainland China, there are various channels and communication talks to listen to the employees' voices. Inventec respects employees' rights of freedom of association and labor union membership. Since there is no labor union in Taiwan, communication is carried out through quarterly labor-management conferences; in the Pudong plant, there is a labor union, and with the employee relations unit, it maintains the mutual communication with the employees though the legal pattern without collective bargaining agreement.

As for the Chongqing plant's communication mechanism, it includes advice box, WeChat consultation, 24-hour care hotline, one-stop service window, care committee in each department, irregular symposium, etc. The dedicated personnel collect the employees' suggestions in order to answer the employees' questions in time. Inventec fully respects employee participation in labor unions and complies with local laws and regulations, thus guaranteeing due rights of employees. The operation methods of Inventec's employee communication mechanism are as the table below:

#### Six channels for employee communication

- Two-way talks between grassroots employees and senior supervisor
- Management policy and business process communication
- Cross-department communication and labor and capital communication
- Instant response problem and information consultation
- Employee welfare policy and welfare promotion
- Grassroots employees care group



# 5.1 Friendly workplace

## 2) Code of conduct

As employees of the Inventec Group, when it comes to behavioral conduct, products and services provided, and when facing all kinds of work conditions, and ethical and legal problems, we shall aim at creating shareholder and employee value and upholding our social responsibility. Therefore, under the premise of complying with legal and ethical standards of each country and region, each subsidiary and regional management department shall implement the necessary management actions based on this code to ensure actual compliance of employees. In order to ensure employees actually understand the meaning of the “Code of Conduct for Employees”, every employee under Inventec shall sign it every year to strengthen the promotion of this educational aspect. The code of conduct is hereby summarized below:

- (1) Safeguard a healthy work environment without sexual discrimination.
- (2) All company-related confidential information must be kept confidential.
- (3) Employees must protect the personal information of other persons circulated internally or acquired upon business execution.
- (4) Employees must protect intellectual property rights.
- (5) Employees must abide by copyright regulations.
- (6) Employees must not be involved in corruption or bribery of any kind.
- (7) Employees must not participate in insider trading and Avoid conflicts of interest.

Punishment in accordance with the regulation will happen in the case of non-compliance.



In order to provide all colleagues with a healthy, safe and highly-efficient working environment, we stipulate that no employee or applicant will be treated with discrimination due to their race, religion, skin color, nationality, age, gender, disability or any other factors irrelevant to the legal interests of Inventec, or be deprived of talent development opportunities. Each plant of Inventec explicitly formulates the “Code of Conduct for Employees” and places it on the internal web portal. All colleagues can access it at any time, and we will also carry out regular promotion of this document.

## 3) Employee grievances mechanisms

Inventec establishes “employee grievances mechanisms” in each facility to ensure employee human rights are fully protected. Take Pudong facility for example, employee caring PIC reviews and collects employee’ complaints from various channels, such as communication mailbox, communication e-platform, and WeChat. Afterward, PIC analyzes these disputes and uploads them to “grievances and communication system”. Next, PIC will talk to the applicants face to face to better understand the whole story. The final results will be firstly reviewed by section managers and reviewed by department managers. The whole process takes 7 days.

The Chongqing facility also sets up communication hotline and mailbox to deal with disputes, such as the violation of corporate regulation, bribes, corporate blackmail, embezzlement, violation of labor law. Reporting to the management and communicating if the investigation should be proceeded after PIC receives the application. If respondent does violates corporate regulation, Inventec will impose punishment in accordance with the relevant laws and regulations. To keep the personal safety, Inventec ensures that the applicant’s personal information remains confidential. No retaliation is allowed.

In respect to labor practice complaints in 2016, there has been 3 cases in Czech and 7 cases in mainland China (6 cases in the Pudong plant and 1 case in the Chongqing plant). These cases were mostly related to miscommunication, so the remediation is to improve the grassroots supervisors’ communicative education. There was no grievance case related to environmental issues, discrimination, human rights, corruption or society in Taiwan, mainland China, Europe and America.

In the "Employee Complaints and External Reporting Management Specifications", the Company has designated a dedicated complaint acceptor and complaint and reporting hotline:

Tel.: 2881-0721 ext. 21999 /  
E-mail: 21999 @inventec.com,

and according to the treatment principle, the Company will protect the reporter from discriminations, threats, post transfers, and other unfavorable treatments. In 2016, 0 external complaint was raised, and 0 employee's complaint was formally filed in Taiwan.

### Human rights training result

100%

All internal security personnel in Taiwan and mainland China undergo human rights educational training.

# 5.2 Healthy Workplace

## 5.2.1 Occupational health and safety management system

In order to improve the management of health and safety, Inventec has established a professional and effective health and safety management system; a researched and carefully formulated risk management strategy with due consideration of a variety of informative international resources with the idea of continuously improving the health and safety management system. Through systematized practice and performance presentation, Inventec adopts a continuous cycle from planning, execution and examination to correction. The company focuses on the concept of self-protection and risk control to reduce potential risks to employee safety. This, in turn, reduces operation risks and improves the corporate operation image.

Inventec has passed certification from the International Occupational Health and Safety Assessment Series (OHSAS 18001) in its plants in Taiwan and mainland China. In order to effectively implement the health and safety management system, through the promotion of four cycle stages of PDCA (Plan, Do, Check, Action), Inventec prevent the occurrence of occupational accidents and illness, and provide a stable, safe and healthy working environment.



TOSHMS Certificate



OHSAS 18001 Certificate

## 5.2.2 Healthy workplace

### 1) Health management

In Taiwan, Inventec periodically carries out health examinations to in-house employees every year above and beyond the requirements of the law. In the event an employee is found to be in a less-than-healthy state in their health examination, a physician is arranged to visit the plant and conduct an assessment and suggests the best course of treatment according to the employee's medical history. Relevant health management measures and preventive vaccinations will be administered according to the health examination result; Furthermore, Inventec also arranges for colleagues to participate in breast cancer, cervical cancer and mouth cancer screenings as well as bone-mineral density tests.

In mainland China, aside from routine health examinations, Inventec also regularly carries out special health examinations for personnel involved in special operations pursuant to local laws and regulations.

### 2) Health promotion

Regularly cooperate with medical and health institutions, hold all kinds of health lectures and consultations, and jointly carry out all kinds of health promotion activities together with company clubs, allowing employees timely relief of and adjustment to physical and mental pressure, and control their own health at home as well.





## 5.2 Healthy Workplace

### 3) Smoke-free workplace

Inventec takes health care and respect for human rights as a solid basis and so it promotes a smoke-free healthy workplace in both Taiwan and mainland China from posting 'no smoking' signs and promotional posters to holding lectures on quitting, establishing a smoke-free workplace policy and an award and punishment system. This guarantees employees a safe workplace and a healthy professional life.

### 4) Breastfeeding

Inventec actively promotes breastfeeding and provides relevant health education on breastfeeding both in Taiwan and mainland China, allowing female employees to access relevant information from the website. Furthermore, the health center also plays an active role; if during a medical examination, a women is discovered to be pregnant, either because they do not allow an X-ray to be carried out or simply from a regular physical examination, the health center will provide breastfeeding information.

### 5) Health and safety

Inventec always gives first workplace accidents achieving the goal. Normally, it regularly carries out all kinds of health and safety inspections, such as fire fighting equipment inspections and maintenance checks, machine room patrol, special operation area control, special operation personnel qualification examinations, smoking area control, and building safety inspections, etc., so as to guarantee employees a safe workplace. Inventec also formulates award systems to encourage colleagues to take the initiative to make suggestions of improving the workplace.

Each plant of Inventec has formulated all kinds of relevant preventive measures for employee health and safety, such as serious illness education, training, guidance, prevention and risk monitoring and control plans. However, since the type of industry Inventec is involved in is not a high pollution industry, the likelihood of the workplace causing a serious illness to employees' family members or the community is incredibly low. Therefore, currently, Inventec does not conduct education, training, guidance, prevention and risk monitoring and control to employees' family members or the community, only the employees themselves.

As for employees whose operation contents are of a potential risk, Inventec has carried out overall control, as well as conducting hazard identification and risk evaluation on the operation process periodically to identify high risk status for further improvement. Inventec also regularly carries out workplace environment monitoring and special health examinations, and carries out all kinds of improvement and personnel adjustments according to the results thereof. It also carries out health and safety environmental education training to personnel to strengthen relevant knowledge and improve hazard prevention awareness, so as to further strengthen the guarantee of workplace safety and personnel health.

Furthermore, in order to strengthen contracting management, Inventec has established operation management measures to require the engineering department to carry out contractor health and safety educational training before commencing projects. The relevant department then convenes contractor health and safety management meetings for hazard identification.



Green factory such as the Chongqing plant is good for the employees' health.

#### Number of occupational disease

Taiwan	0
Mainland China	0
Europe and America	0

#### Death toll

Taiwan	0
Mainland China	0
Europe and America	0

## 5.2 Healthy Workplace

### Awards



**Hazard-Free Work Record Award**



**Labor Safety Department Excellent Award**



**Excellent Breastfeeding Room Award**



**Certificate of Work Safety Standardization for the Chongqing plant**

# 6 Environment

<b>6.1 Climate Issue</b>	<b>P51~P54</b>
<b>6.2 Impact of Product</b>	<b>P55~P56</b>
<b>6.3 Environmental Impact</b>	<b>P57~P59</b>
<b>6.4 Green Lifestyle</b>	<b>P60</b>



Green Life



Climate Issue



Energy Saving

# 6.1 Climate Issue

## 6.1.1 Carbon disclosure

In response to environmental issues, aside from establishing goals and policies based on protecting environmental interests, Inventec has also established "Green energy environmental protection" as one of the 5 directions and actively engages with the green energy industry (ISEC and E-Ton). In response to the demand of the government, customers and international investment institutions on the issue of climate change, the Company has established a long-term reduction target that states that "compared to 2010, greenhouse gas emissions will be reduced by 20% in 2030", a target that actively follows green energy industry, and continuously pursue the reduction of the impact of production on the environment through green research and development, establishing green plants, increasing energy savings, water savings, and reducing production energy consumption, with the aim of making real contribution to the green economy in the times of climate change. Furthermore, the "Inventec Group Greenhouse Gas Inventory Report" is periodically disclosed and updated on the company website. The 2017 target is "compared to 2010, greenhouse gas emissions will be reduced by 5% in 2017.

Inventec has adopted a greenhouse gas inventory system since 2008. For the purpose of responding to the needs of interested parties, the greenhouse gas inventory is based on the Greenhouse Gas Emission Inventory Registration Management Measures promulgated by the Environmental Protection Administration, Executive Yuan, the Greenhouse Gas Inspection Guidelines, GHG Protocol, the ISO 14064-1 international norm, etc. The third-party external verification is conducted to ensure completeness and credibility of the data gathered.

In 2016, the total greenhouse gas emissions of major companies under the Inventec Group was 344,303.812 tonnes of carbon dioxide (inventory scope: 10 plants of Inventec, 3 plants of Inventec Appliances, 2 plants of Inventec Solar Energy, E-TON Solar Tech, AIMobile Co., Ltd.), an increase of 73,738.901 tonnes of carbon dioxide compared to the 270,564.911 tonnes of emissions in 2015. The main reason for this increase is because of the expansion of the inventory scope; the newly-added inventory regions include Inventec Solar Energy, E-TON Solar Tech, and AIMobile Co., Ltd. The source of the largest contribution of greenhouse gas emissions of the Inventec Group in 2016 was from the external purchasing of electric power, accounting for 93.24% of the total emissions.

In 2016, Inventec's performance in the Carbon Disclosure Project (CDP) is "B-".

Starting from 2012, Inventec included other indirect greenhouse gas emissions in the review. Considering the significance of other indirect greenhouse gas emissions, Inventec selected greenhouse gases generated from airline business trips for investigation and examination reviews. In order to reduce emissions, through promotions on posters, the website or the group monthly magazine, Inventec encouraged employees to take public transportation during rush hours, and when taking short-distance business trips, as for cross-regional business trips, they should conduct the first meeting via video or conference call so as to reduce unnecessary business trips. As for logistics transportation, it gave priority to land transportation, then sea transportation, and finally air transportation.

**Compared to 2010, greenhouse gas emissions will be reduced by 20% in 2030.**



## 6.1 Climate Issue

The table of climate change risk and opportunity identification

Item	Risk/opportunity description	Future strategy/action
Legal Adjustment	<ul style="list-style-type: none"> <li>The Taiwan Environmental Protection Administration has issued Administrative Measures for Greenhouse Gas Emission Declaration, regulating specific objects to carry out greenhouse gas emission declarations, which might entail the risk that the enterprise is not able to respond.</li> </ul>	<ul style="list-style-type: none"> <li>Despite that, currently, Inventec is not regulated by laws and takes action in accordance with the regional difference. In Taiwan, for implementing carbon inventory, Inventec adopts the Greenhouse Gas Emission Inventory Registration Management Measures promulgated by the Environmental Protection Administration, Executive Yuan, and the Greenhouse Gas Inspection Guidelines. In mainland China, Europe and America, Inventec adopts GHG Protocol and the ISO 14064-1 international norm for implementing carbon inventory. The "Inventec Group Greenhouse Gas Inventory Report" is periodically disclosed and updated on the company website to respond to the stakeholders' needs.</li> </ul>
	<ul style="list-style-type: none"> <li>With the rapid development of product energy efficiency marks and product carbon mark systems in each country, if a customer requests this in the future, there could be a risk that the enterprise cannot respond. However, the enterprise is able to ensure that low-energy consumption and low-carbon products have a competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>In response to the government's promotion of carbon marks and carbon footprints, Inventec has completed a preliminary project for carbon footprints of products and water and plans to gradually incorporate them into the management system to prepare in advance a response to customers' potential requirements.</li> <li>Increase innovation and R&amp;D of low-energy consumption environmentally-friendly products to improve green competitive advantages of the company.</li> </ul>
	<ul style="list-style-type: none"> <li>In response to the formulation of energy tax/carbon tax by each country, in the future, the market demand of renewable energy will increase, providing the enterprise the opportunity to develop or invest in renewable energy.</li> </ul>	<ul style="list-style-type: none"> <li>Inventec is actively involved in green energy business (ISEC and E-Ton) to implement the green energy environmental protection policy.</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>Increase in frequency of extreme rainfall or drought, causing water shortage, which might have an impact on suppliers who require water in their production processes.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct promotion of carbon management and water resources management for suppliers to improve risk management awareness.</li> <li>Look for other component supply sources to avoid impact on product delivery.</li> </ul>
	<ul style="list-style-type: none"> <li>The change of rainfall type makes many enterprises aware of the importance of water resource management; the enterprise can reduce operation costs through such an opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>Each plant shall discuss and formulate emergency response measures to reduce the impact of climate disaster on company operations.</li> <li>Strengthen the maintenance of public facilities in the plant to enhance the stability of the production environment.</li> <li>Each plant shall take water resource saving measures, which may not only avoid unnecessary water waste, but also reduce costs.</li> </ul>
Low Carbon Product	<ul style="list-style-type: none"> <li>With the improvement of green consumption awareness, in the future, customers will increase requirements of green products.</li> </ul>	<ul style="list-style-type: none"> <li>Consider selecting raw materials and materials of low toxicity, low energy consumption and low carbon, and consider incorporating them into the ecological design system.</li> </ul>
	<ul style="list-style-type: none"> <li>More and more stakeholders are focusing on climate change issues; if the enterprise can conduct effective carbon management, it will be helpful in improving the company's reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Actively respond to the strategy and action taken by the stakeholders with respect to Inventec's carbon management so as to fulfill its corporate citizenship responsibility.</li> </ul>

# 6.1 Climate Issue

## 6.1.2 Greenhouse gas reduction performance

In order to relieve the environmental impact caused by greenhouse gas emitted from company activities, the Inventec continuously promotes energy saving and carbon reduction to effectively reduce emissions. In 2016, the carbon reduction result was a total of 5,993.77 tonnes of CO<sub>2</sub>e. If divided according to region, the total carbon emission reduced in Taiwan was 10.12 tonnes of CO<sub>2</sub>e, and the total carbon emission reduced in mainland China was 5,983.66 tonnes.

## 6.1.3 Greenhouse gas emission intensity

With regards to the intensity of greenhouse gas emissions, it was 51.31 tonnes of CO<sub>2</sub>e/100 million NT\$ which decreased by 14.29% in 2016 compared to 2015, and hence an analysis of reasons was conducted. First of all, Inventec's greenhouse gas emissions reduced by 8.54% in 2016 compared to 2015. Secondly, Inventec's individual revenue increased by 6.71% in 2016 compared to 2015 due to the individual revenue being the population parameter in calculating greenhouse gas emission intensity, therefore causing a natural decrease in the calculation result of greenhouse gas emissions, indicating that the decrease of the intensity of greenhouse gas emissions has no positive correlation to individual revenue.



**Carbon reduction result in 2016:  
5,993.77 tonnes of CO<sub>2</sub>e**



**Greenhouse gas emission intensity decreased  
by 14.29% in 2016 compared to 2015**



# 6.1 Climate Issue

## 6.1.4 Energy management

The use of energy not only affects the cost of operation, but it is also one of the major sources of generating greenhouse gas. How to effectively use energy is one of the most important issues for corporate sustainable development.

### 1) Energy consumption

Inventec's (10 plants) use of energy mainly includes electric power and natural gas; the electric power is mainly used in product research and development, testing, manufacturing, public facilities and dormitories, etc., and natural gas is mainly used in the kitchens and dormitory boiler. In 2016, the energy (purchased electric power and natural gas) consumption of Inventec (10 plants) was 745,819,322 million joules. The purchased electric power consumption was 666,505,308 million joules (89.37%), and the natural gas consumption was 79,314,014.21 million joules (10.63%).

### 2) Energy saving

In the face of international community energy and environmental issues, starting from 2013, Inventec used the ISO 50001 energy management system (Taiwan), and further expanded implementation of the energy saving plan in each plant in mainland China, so as to effectively save energy and reduce greenhouse gas emissions.

In 2016, the energy saving effect was a total 22,988,417 million joules, if divided according to the region, the energy reduction in Taiwan was a total of 68,982 million joules whilst the energy reduction in mainland China was a total of 22,919,435 million joules.



**Energy saving effect in 2016:**  
**22,988,417 million joules**

### 3) Energy intensity

In 2016, Inventec's energy intensity was 2,416 million joules/million NT\$; a decrease by 15.16% compared to 2015, due to individual revenue being the population parameter in calculating energy intensity. In 2016, the energy consumption of Inventec was reduced by 9.47% compared to 2015. Individual revenue in 2016 increased 6.71% compared to 2015, causing the lower energy intensity calculation result, indicating that the decrease of energy consumption has no positive correlation to individual revenue.

### 4) Renewable energy management

With regards to environmental sustainability, as well as actively saving energy and carrying out improvements of equipment to increase energy efficiency, the Company is also dedicated to breaking through the current situation and establishing solar power devices in the Pudong plant. In 2016, the available solar power generation was 3,104,882 kilowatts (11,177,574 million joules).



## 6.2 Impact of Product

### 6.2.1 Green design

Green design refers to the design for environment. This means integrating considerable aspects such as environment and safety, etc. into product development design through a systematic approach and include such aspects into the product life cycle to import the concept of green design into the manufacturing process. It uses a selection of raw materials and product design of easy disassembly to reduce the environmental impact of products whilst retaining a competitive product price, efficiency and quality at the same time. The green design strategy of Inventec is divided into the following 8 points:

- Spare no efforts in seeking new approaches to reduce environmental impact
- Reduce total energy consumption in the product life cycle
- Relieve land burden
- Design for clean production and product use
- Design for durability
- Design for best operability
- Design for reuse, recovery and recycling
- Avoid using raw materials containing toxic substances in products



In order to save resources necessary for product production, at the stage of design development, Inventec reduces components or consumable items necessary for product production through the design of material sharing and reduction and recycling and reusing, all under the condition of maintaining product operability and quality.



#### Inventec environmental and quality policy

### 英業達環境暨品質目標

#### 綠色產品

Green products

#### 綠色生產

Green production

#### 綠色生活

Green lifestyle



Inventec

#### Inventec environmental and quality goals

### 英業達環境暨品質政策

#### 貫徹環保法規

Implement environmental protection laws and regulations

#### 建立環保標準

Establish environmental protection standards

#### 促進產業整合

Promote industry integration

#### 追求永續發展

Pursue sustainable development



Inventec



# 6.2 Impact of Product

## 6.2.2 Green Product

With respect to green products, aside from complying with the requirements of international laws and regulations, in consideration of consumer health and environmental protection and production and consumption areas, starting from 2006, Inventec established the "IECQ QC 080000 Hazardous Substance Process Management System" and has passed 3<sup>rd</sup> Party SGS validation every year. This allows the company to implement green materials purchases and adopt resource management from the suppliers end. Aside from asking suppliers for cooperation, in internal product materials systems, Inventec has also established a green number list to strengthen the requirements of establishing greener products in every part of implementing processes, which also defines the property of materials used. The stipulation on property is subject to the green product design requirements.

In Inventec's plants, it uses XRF instruments to examine the materials entering the production line, and spot tests are conducted to further prevent incoming non-conforming materials, so as to achieve the goal of 100% green product identification, green component incoming rates, and green process execution rates.

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In Inventec's plants, it uses XRF instruments to examine the materials entering the production line, and spot tests are conducted to further prevent incoming non-conforming materials, so as to achieve the goal of 100% green product identification, green component incoming rates, and green process execution rates. In 2016, Inventec faced no fine about case violating the law and the regulation about product supply and use.

## 6.2.3 Product certification for customer service

In response to environmental protection legal issues of each country throughout the world and provide customers with better environmental protection service, the Company will assist customers in acquiring product green mark certification, including such certification mechanisms as Taiwan Green Mark, China Green Mark (SEPA), China Energy Saving Mark (CECP), China Energy Saving Label (CEL), Energy Star, American Green Procurement Assessment Guideline (EPEAT), etc., in order to provide global customers more environmentally friendly products and services.



## 6.2.4 "Product safety regulation" certification for customer service

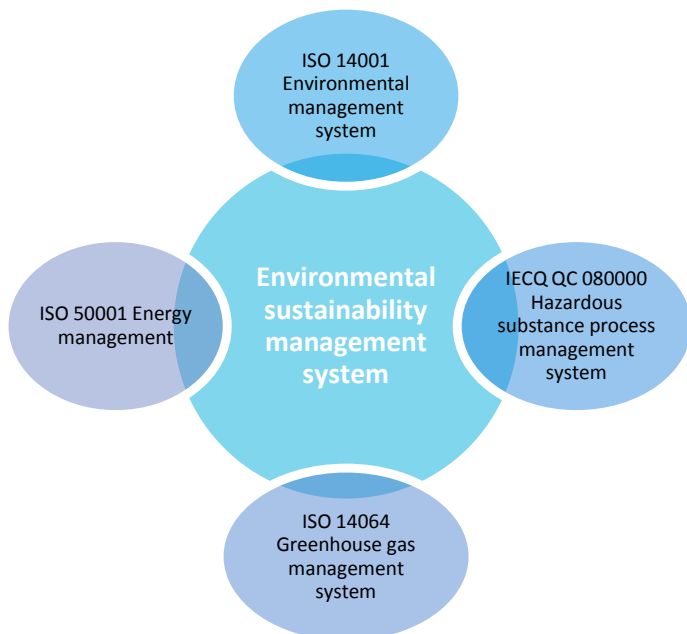
Inventec's Personal Solution Group implements the customer service acquiring the certifications to ensure the product safety.



## 6.3 Environmental Impact

### 6.3.1 Environmental management system

Inventec's environmental sustainability system include ISO 14001 environmental management system. Through the promotion of four cycle stages of PDCA (Plan, Do, Check, Action), Inventec regularly audits and evaluates investments in resources and actively promotes all kinds of educational training, consultations, communication, operation management and project improvements so as to reduce risks to environment.



### 6.3.2 Green building

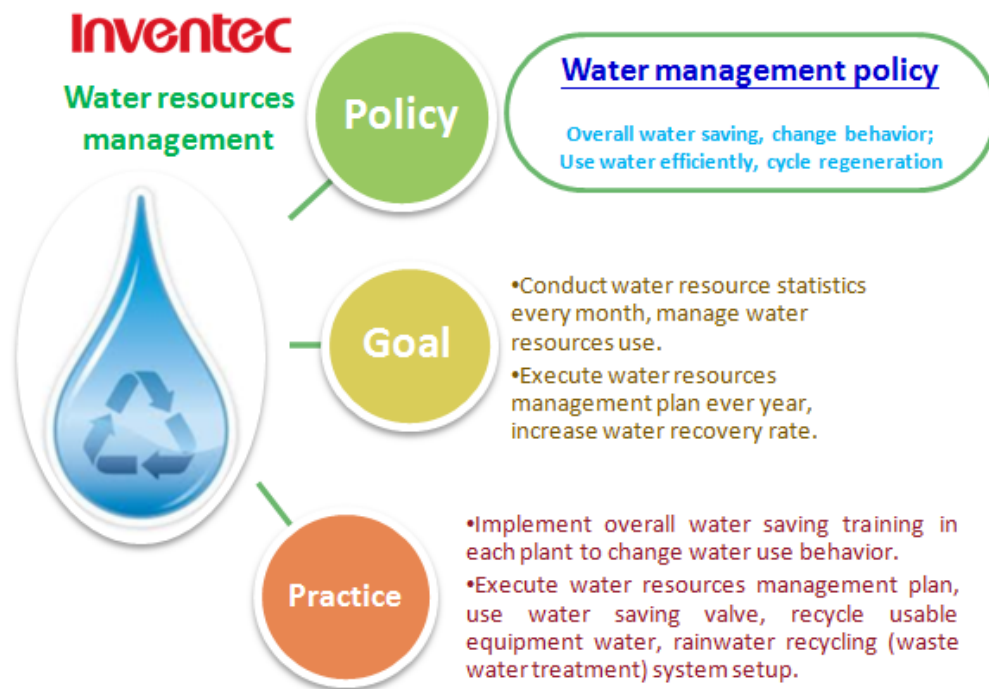
The LEED green building management process was completed in Taoyuan Science Park in Guishan, Taoyuan, demonstrating the Company's determination to adhere to green energy environmental protection and caring for the earth.



Inventec's green building

### 6.3.3 Water management

In coordination with the water resources policy of the local government, Inventec periodically traces and manages the water resources data, carries out water resources use investigations and examinations in each plant every year, promotes the effective use of water resources and establishes waste water treatment and recovery water systems whilst formulating relevant water saving plans and measures to reduce waste water.



## 6.3 Environmental Impact

### 1) Water resources statistics

In order to reduce the waste of local water resources and effectively implement the water resources management plan, Inventec periodically conducts statistics on water resources use so as to analyze and propose a feasible water saving plan and measures. In 2016, the total water use of Inventec was 1,065,535 tonnes.

In response to the government's collection of water consumption fees in the future, as well as the water resources management plan, Inventec Taiwan plants will continue to educate and encourage employees to implement daily water saving habits in the future, so as to avoid the collection of water consumption fees.

### 2) Water resources management plan

In 2016, the annual water recovery amount of Inventec (plants in Taiwan and mainland China) was 51,897 tonnes, due to the differences of industry process characteristics and saving recovery.



**Water recovery amount in 2016 :**  
**51,897** tonnes



### 6.3.4 Wastewater treatment

The majority of Inventec's wastewater is domestic sewage which is legally treated and causes no serious impact on the environment.

### 6.3.5 Air pollution control

For Inventec, the air exhaust in the production process mainly includes particulate matter, tin and its compounds, and oily fumes. No nitrogen oxide and sulfur oxide are emitted in the plant. Control equipment such as dust collectors, process exhaust equipment, tin smoking equipment, electrostatic range hoods, etc. are installed, and exhaust funnel high-altitude emissions are established to avoid causing pollution to the surrounding environment.

In the production process of Inventec, no ozone depleting substance is used, only the refrigerant initially included in some old refrigerant equipment includes ozone depleting substances. In 2016, the total emission of ozone depleting substances by Inventec was 1.90 tonnes.

### 6.3.6 Chemical management

In order to obtain chemical safety information and reduce the hazardous risk of chemicals to human health and the environment, Inventec has formulated relevant administrative measures to control hazardous chemicals, and has established hazardous chemical temporary storage areas and conducts 24 hours monitoring of them. Furthermore, in order to allow employees to use chemicals correctly, Inventec periodically holds educational training so as to prevent the occurrence of chemical-related accidents (no serious leakage event occurred in Inventec in 2016).



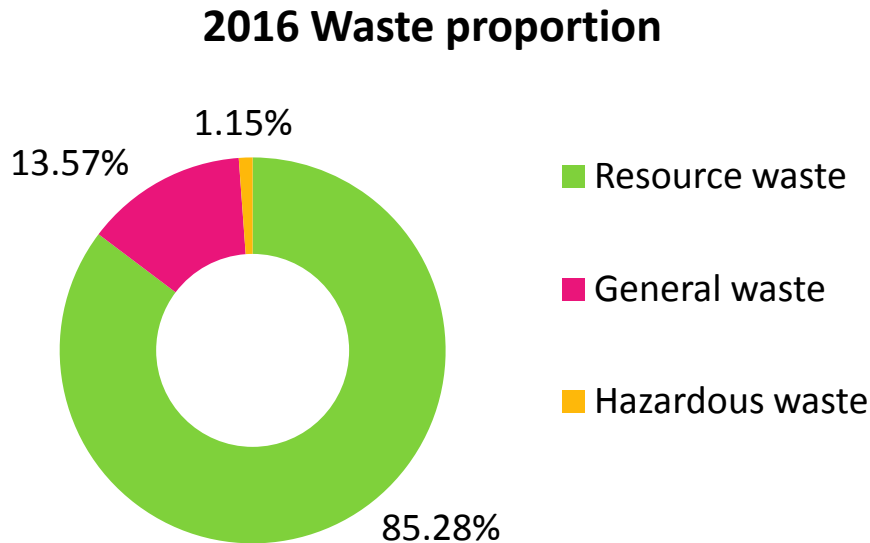
**Emission amount of ozone depleting substances (ODS) in 2016:**  
**1.90** tonnes

## 6.3 Environmental Impact

### 6.3.7 Waste disposal

Inventec is an ODM manufacturer; its disposal methods of industrial waste conform to local laws and regulations. It selects eligible cleaning manufacturers and assigns dedicated personnel to monitor the flow directions and disposal methods of waste at all times.

In 2016, the total waste of the Inventec was 21,091.94 tonnes. Among them, the general waste and resource waste accounted for 13.57% and 85.28% respectively, and the hazardous waste only accounted for 1.15%.



### 6.3.8 Environmental protection expenditure

In 2016, the cost of relevant environmental protection expenditures of Inventec was approximately NT\$709.41 million, which mainly included waste disposal, environment detection, ecological forestation, green management system validation, product environmental protection mark certification, environmental education, energy saving and carbon reduction projects, environmental preservation activities, and occupational health, among others.

In 2016, no serious leakage event occurred in Inventec and so the company didn't suffer from any loss or punishment due to environmental pollution.



In 2016, the cost of relevant environmental protection expenditures of Inventec was approximately **NT\$709.41 million**



## 6.4 Green Lifestyle

In the face of environmental issues of global climate change, how to effectively reduce greenhouse gases and avoid climate disaster has become the common issue for all people. As a part of a global citizen, despite the manufacturing plant, the R&D center and operation sites of Inventec are not located in the environmental protection areas and biological habitats and still take relevant biodiversity preservation measures. Furthermore, it also does its best to reduce carbon emissions generated from operation processes and it is confident to exert its own influence to make the public and other enterprises carry out energy saving and carbon reduction in daily life and work.

### 6.4.1 Environmental education

Inventec has been devoted to environmental and ecological protection for a long time. In response to the implementation of the "Environmental Education Act", in addition to amending the company "Code of Corporate Social Responsibility", constructing an environmental education workplace, and implementing educational training on environmental management.

Inventec also adopts community parks, holds community environmental protection lectures, and participates in the preservation of the important national wetland "Kwan-tu Nature Park". Since 2012, Inventec and Inventec Group Charity Foundation has adopted the important national wetland "Kwan-tu Nature Park" with the five-year plan of "Love • Happiness - Let us care for the ecological environment on earth together". Through the company environmental protection volunteers' participation in wetland maintenance, we hope to enable more citizens and children to understand the function and importance of wetlands and properly care for such precious land in order to maintain biodiversity.

With regard to ecological education, in order to let children from the community's disadvantaged families learn about wetlands, Inventec has continuously cooperated with Kwan-tu Nature Park to hold the "Aquatic Family Nature Exploration Experience Course" to promote ecological conservation, which allows children with a lack of resources to cultivate proper concepts and actions to protect Taiwan's wetlands. In 2016, a total of eight courses were held, benefitting 241 school children.

### 6.4.2 Initiate tree planting activity

Adhering to the belief of "Green energy environmental protection" encourages employees to respond to ecological preservation activities, increase natural green lands, and reduce carbon emission. In 2016, Inventec Pudong/Chongqing plants initiated tree planting activities, led by hundreds of volunteers to plant seeds around the plant, which motivated company employees in caring for the forest.



# 7 Social Engagement

7.1 Foundation

P62

7.2 Social Participation

P62~P63



Protect the Environment



Promote the Culture



Help the Disadvantaged



Support the Community

## 7.1 Foundation

### 7.1.1 About the foundation

Since its establishment in Jan 2010, Inventec Group Charity Foundation has been endeavoring in the aspects of the social welfare affairs and the emergency relief. With the cognition of Inventec's Social Responsibility - LOVE is to shoulder Inventec's responsibility to our societies for those in needs, each member of the Inventec Community realizes and shares the social responsibilities as a corporate citizen. By integrating the external and internal resources of the Corporate and combining the warm hearts of our Staff, Inventec Group Charity Foundation delivers the humanity cares to the underprivileged groups with actual assistance. Inventec Charity Foundation not only consistently contributes donations to the social welfare organizations and also participates other social public activities or services held by the government or other social organizations. We hope to help the underprivileged to obtain more sufficient social resources to improve their living and raise their rights.

### 7.1.2 The foundation's aims

The aims of Inventec Group Charity Foundation :

1. Emergency Aids and Disaster Relief Affairs
2. Medical Allowance
3. Social Welfare Affairs for Children Welfare, Youth Welfare, Women welfare, Seniors Welfare and Disabilities Welfare
4. Scholarships and Support Funds for Students of Lower-Income Family
5. About Education and Culture Affairs
6. About Environment Protection Affairs
7. Contribution and Donations to Other Social Public Organizations or Social Public Activities
8. Social Welfare Affairs Instructed by the Competent Authorities
9. Other Social Public Affairs
10. Other Charity Affairs

In order to assist in the growth and development of the local literary and artistic environment, Inventec and the "Inventec Group Charity Foundation" spare no efforts in caring about the promotion of local artistic work and the devotion in artistic culture inheritance in the long term, integrating diversified literary and artistic activities into the daily life of the public. Through the promotion of literary and artistic activity, artists can spread arts and human aesthetics through performances on stage, encouraging friends to become interested in literature and art and to appreciate the value of life and beauty of art through artistic and cultural rendering. "Long-term and continuous" sponsorship of literary and artistic activity is the purpose and goal of the "Inventec Group Charity Foundation" in literature and arts promotion.

In 2016, we continued to sponsor the "Taipei International Choral Festival", the music activity feast, and also supported many literary and artistic activities and groups. Moreover, the Inventec club also often participates in all kinds of charitable giving activities through artistic music performance.



Inventec sponsored the

2016 Taipei International Choral Festival

## 7.2 Social participation

### 7.2.1 Social action

Inventec and the "Inventec Group Charity Foundation" adhere to the philosophy of "Loving Inventec: Inventec shoulders the responsibility for those in need", through the integration of relevant resources and selfless participation of volunteers, spreading the "love" of Inventec to every corner in need, caring for society with practical action. The social participation expenditure of Inventec (Taiwan and mainland China) and Inventec Group Charity Foundation in 2016 was approximately NT\$22.3million.

將愛心化為善的力量

集結你我愛的力量  
奉獻給三芝及石門的弱勢/清寒  
單親家庭、小朋友及獨居長者

每月捐款 300元

THANK YOU

- 可幫助獨居、低收入長者無憂維持基本溫飽
- 可提供清寒學子免費課後輔導
- 可讓自己學習無私、少欲知足與成長

贈贈單位：  
新生活社會福利發展促進會

CONTACT 社會責任小組

The social responsibility group of the Company calls on colleagues to fundraise and regularly donates to social welfare institutions, such as "New Life Social Welfare Development Promotion Association", every month.

# 7.2 Social Participation

## 7.2.2 Volunteerism

Inventec Group Taiwan has formulated volunteer work administrative measures to actively encourage colleagues to participate in relevant volunteer activities beneficial to the society. It provides volunteer leave with pay on holidays to improve colleagues' attendance at local social welfare activities and services and promotes social welfare study. It encourages employees to join volunteer teams, and establishes Inventec volunteer culture, initiatively sparing efforts for social contribution for the need of volunteers in public benefit activities. Statistics in 2016 are as follows:

Type	Environmental protection volunteer	Transportation volunteer	Love volunteer	Community volunteer	Total
Hours	236	1,974	512	4,024	6,746



Since 2013, the company has supported the series activities of “Hunger 30 Assembly” held by “Taiwan World Vision” for 4 consecutive years.



# 8 Prospect

Inventec



Corporate Beliefs



Core Values



Visions

Inventec set the direction for 2016, 2017 and 2018, namely, the 5 key transitions: 1. Speed up transition to younger; 2. Promote talents and gender equality; 3. Enforce managers innovations and responsibilities; 4. Close down losing businesses, 5. Respect professionals for future investment. Also, the 5 key transformations: 1. Build IoT service and social enterprise; 2. Transform into an internet company; 3. Invest in innovative startups; 4. Add value to intellectual properties, 5. Establish global strategic alliances. The further approach is as follows:

1. Rapid Innovations to transform the company

- Lead IoT Services
- Lead 3D Printing Services
- Lead Cloud Data Center Services
- Become a global Internet service provider

2. Apply Internet applications to manufacturing

- Invest on Smart Automation
- Convert all production to Smart Factory
- Promote “Industry 4.0” across the entire supply chain

3. Best Performance on Social Responsibilities

- Lead CSR ranking
- Form a Social Enterprise
- Strive for the Most Admired Company



Inventec’s short-term business development plans:

1) Stick to knitting and strive for innovation improvement, satisfying customer and market demands in the quickest and most direct way.

2) Start from the operation philosophy of “Innovation, Quality, Open Mind, and Execution” to integrate operation technology and management tools to improve operation performance.

3) Research and develop demand-oriented products and expand the depth and width of product research and development level.

4) Actively carry out global arrangement, properly utilize each local resource advantage, and construct an optimized global supply chain and operation network.

Inventec’s long-term business development plans:

1) Focus on research and development and core capability management and develop towards the direction of "Creating high value". Seek cooperative international opportunities worldwide and cultivate technical talents with global competitiveness to accelerate the improvement of our technical level and implement innovative concepts.

2) Combine software, hardware, and relevant applications to create relative advantage to maintain an international foothold. Unlike the traditional manufacturing concept of focusing on hardware only, emphasize the utilization of soft skills such as information, simulation, research and development, system integration, services, etc. and create product features and differentiation to improve added value.

3) Continuously promote the five major development areas of "Rapid Innovation", "Sustainable Energy", "Cloud Solutions", "Mobile Lifestyle", and "Emerging Markets". Utilize vertical labor division, improve efficiency, provide customers with timely and complete services, carry out supply chain integrating management, and construct the production organization of an economic scale in order to strengthen long-term competitive advantages.

4) Explore new demands, and conduct research and development into products as determined by market demand through strategic alliance with customers. In additional, create a mutually-beneficial collaboration with partners to provide the best service and achieve customer satisfaction.

5) Through product diversification and the expansion of the production scale of the corporation, enter into the markets of cloud computing, mobile computing, wireless communication, network application, smart family, application software and green energy environmental protection, etc., based on the solid foundation of the OEM professional notebook computer, and expand the operational scale of the organization by entering into the Internet of Things and associated technologies to become the top Internet enterprise in the industry.



# 9 Attachment

<b>9.1 Research and development expenditure expected to be invested</b>	<b>P67</b>
<b>9.2 Major Resolutions of Board Meetings</b>	<b>P68</b>
<b>9.3 AA1000 Assurance Statement</b>	<b>P69</b>



Milestones



CSR



Development

## 9.1 Research and development expenditure expected to be invested

The future development plan of the Company will continue to move in five major directions, namely Rapid Innovation, Sustainable Energy, Cloud Solutions, Mobile Lifestyle, and Emerging Markets by mastering market fluctuation and understanding customer demands. In response to new market environments, manufacturing process improvement, and technology development, the Group is expected to input more than NT\$ 9.2 billion in research and development this year and will control the product development and market sales schedule within six months.

The research and development plans in recent years, current progress of unfinished research and development plans, research and development expenses that need to be invested, expected time of completing mass production, and major factors influencing the success of research and development in the future:



Recent annual plans	Current progress	R&D expenses to be invested	Time of completing mass production (Note)	Major factors influencing the success of research and development in the future
Notebook computer	Under development	NT\$ 2.0 billion	2018	Provision of long-term accumulated software and hardware technology and customized overall solutions
Server and cloud computing	Under development	NT\$ 4.5 billion	2018	Provision of long-term accumulated software and hardware technology and customized overall solutions
Solar energy	Under development	NT\$ 200 million	2018	Group resource integration and combination of automation import, manufacturing process conversion rate improvement, and optimization of personnel quality
Smart phone and wireless communication devices	Under development	NT\$ 2.3 billion	2018	Continuous innovation, good quality, excellent talent, design, manufacturing, marketing, and after-sales service capability

Note: This refers to the mass production time currently expected; the actual situation is still subject to market and customer demands.

## 9.2 Major Resolutions of Board Meetings

Meeting date	Important resolution matters
2016.02.23	Passed to issue the 2015 "Inventec Corporation Internal Control System Statement".
	Passed the renaming and revision of the "Director and Supervisor Election Rules" of the Company.
	Passed to release the newly-added non-competition restriction to current directors Huang, Kuo-Chung, Chang, Chang-Pang and Chen, Ruey-Long.
	Passed to confirm that the Company has donated NTD10 million to the Tainan City government through the "Inventec Group Charity Foundation", as relief aid for the earthquake disaster.
2016.03.22	Passed the 2015 employees', directors' and supervisors' rewards distribution as deliberated by the Remuneration Committee of the Company.
	Passed the 2015 financial statement, consolidated the financial statement and business report of the Company.
	Passed as agreement of relevant matters of the 2016 general meeting of the Company.
	Passed the joint establishment of a joint venture company by and between the Company and the Advantech Corporation.
2016.04.26	Passed the 2015 surplus distribution proposal of the Company.
2016.05.10	Passed the 2016 first quarter consolidated financial statement of the Company.
2016.06.28	Passed the ex-dividend base date for cash dividends.
2016.08.09	Passed the 2016 second quarter consolidated financial statement of the Company.
2016.09.28	Passed the revision of the "2016 Internal Audit Plan (Second version)".
2016.10.25	Passed the changes in the invested amount in companies in mainland China.
	Passed the capital loan of Inventec (Chongqing) Corp..
2016.11.14	Passed the "2017 Internal Audit Plan".
	Passed the 2016 third quarter consolidated financial statement of the Company.
2016.12.27	Passed the appointment of a certified public accountant.
	Passed the remuneration of directors, supervisors and managers, and the year-end bonus planning scheme of the Company.
	Passed to donate NT\$8 Million to the Inventec Group Charity Foundation in 2017.
	Passed the revision of the "Inventec Corporation Internal Control System Statement".
	Passed the 2017 "Annual Business Plan".

## 9.3 AA1000 Assurance Statement



### ASSURANCE STATEMENT

#### SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE INVENTEC CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2016

##### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by INVENTEC CORPORATION (hereinafter referred to as INVENTEC) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the INVENTEC's CSR Report of 2016 and its presentation are the responsibility of the management of INVENTEC. SGS has not been involved in the preparation of any of the material included in INVENTEC's CSR Report of 2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all INVENTEC's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of report content veracity at a high level of scrutiny for INVENTEC and Inventec Appliances;
- evaluation of report content veracity at a moderate level of scrutiny for INVENTEC (Mexico, Czech), Inventec Solar Energy, E-TON Solar and applicable aspect boundaries outside of the organization ;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taipei and Shanghai and Chongqing; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

##### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from INVENTEC, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

##### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within INVENTEC's CSR Report of 2016 verified is accurate, reliable and provides a fair and balanced representation of INVENTEC sustainability activities in 01/01/2016 to 12/31/2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

##### AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS Inclusivity

INVENTEC has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, INVENTEC may consider disclosing outcomes from direct two-ways engagements with stakeholders.

##### Materiality

INVENTEC has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. The broader societal expectations and future challenges in the sector are recommended to be taken into account when prioritizing material topics.

##### Responsiveness

INVENTEC has established policy and strategy statements in this report which respond to the material issues and to its stakeholders in a comprehensive and balanced manner.

##### GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, INVENTEC's CSR Report of 2016, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report. Further descriptions on INVENTEC's involvement with the impacts identified for each material topic is recommended. Disclosure on LA13 is also encouraged for future reports.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang, Director  
Taipei, Taiwan  
22 May, 2017  
WWW.SGS.COM



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**Inventec**



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