

Social Responsibility Implementation Status

Assessment Item	Implementation Status
<p>1. Implementation of Corporate Governance</p> <p>(1) Does the Company have a corporate social responsibility policy and evaluate its implementation?</p>	<p>(1) The Company has established its own corporate social responsibility best-practice principles to fulfill the corporate governance, develop sustainable environment, maintain social welfare, and strengthen disclosure of information about corporate social responsibility. Meanwhile, the CSR compilation team is engaged in compiling the CSR report via communication with stakeholders, and is responsible for overall planning, integration of communication and compilation of revisions. The President acts as the convener of the compilation team, and Employee Relations Section of HR Center acts as the executive secretary. The organizational members consist of the representatives from various departments throughout the Company. The economic sustainability team is run by the Financial Accounting Center. The environmental sustainability team is acted by SHE and facility. Human Resources Center and Employee Relations Office act the employee relations team. The safety and culture team is acted by SHE. The product liability team is acted by Quality Assurance Center. The social community team is acted by Employee Relations Office and Marketing Management department. The executive secretary shall report the review on the operating result to the convener periodically and issues concerned by stakeholders, reporting to the Board of Directors by reviewing both the effectiveness of business operation and the budget which approved by the Board of Directors together with the goal settled for the project; the convener agree to unfold the project after the amendment of it at the first meeting of the next year.</p>
<p>(2) Does the Company hold regular CSR training?</p>	<p>(2) In addition to promoting the educational training, the Company also formed the dedicated team to have Employee Relations Office engage in propagation from time to time.</p>

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<p>(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?</p> <p>(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?</p>	<p>(3) President acts as the convener. Employee Relations Section of HR Center acts as the executive secretary and reports the status of implementation to the board of directors. Since 2013, the Company's Corporate Social Responsibility Report ("CSR") has been certified by BSI every year and held complying with GRI G3.1 A+ and AA1000AS 2008 standards, and awarded "Taiwan Corporate Sustainability Awards" related to CSR. The 2017 CSR is scheduled to be released by the end of June 2018.</p> <p>(4) Remuneration Committee will set the employee reward and punishment system based on the Company's related annual policy and by combining the employee performance evaluation and corporate social responsibility policy, and includes the policies, systems, standards, and structures for remuneration into the remuneration policy for consideration.</p>
<p>2. Environmentally Sustainable Development</p> <p>(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p>	<p>(1) Since the Company was founded, it has upheld the life cycle idea about environmental management system, and voluntarily and continuously made improvements at the stages of use, production, circulation and waste of raw materials and supplies in order to mitigate the effect and impact produced to the environment. Meanwhile, the Company introduced the latest pollution prevention technology at the stage of construction of factory premises. The Company also upgrades the efficiency of energy utilization, builds comfortable living environment and pursues sustainable operations by the 3R model (Reduce, Reuse and Recycle), and approves the first motion for reuse of ammonia in Taiwan.</p> <p>We are committed to improving the energy efficiency both in factories and in offices through specific energy-saving measures such as energy-saving lighting, air-pressure equipment, air-conditioning equipment and power equipment to reduce operating costs and environmental impact. We also support the products and services inherent energy efficiency through procurement of improved energy performance designs, and implements energy management to continuously improve energy efficiency.</p>

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(2) Has the Company set an Environmental management system designed to industry characteristics?	<p>(2) The Company continues to upgrade the management result of the environmental management system. In addition to ISO 14001:2004 certification (since 2006 until now), ISO14064-1 verification by association organization level (from 2006 to 2017), and internal self-inspection since 2016, the Company also completed introduction and certification of PAS 2050 standards on carbon footprint of V45H chip in 2011.</p> <p>Since 2011, the Company has introduced the environmental accounting management system under guidance of Environmental Protection Administration. By virtue of environmental classification and code, the Company demonstrated its concrete achievement in environmental protection in detail and completely. The data analysis output from the system may also serve as the basis for investment or management to enable the Company to consider the entire environmental management performance comprehensively, in hopes of achieving the purpose of environmental protection sustainability in the most economic and effective manner.</p>
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	<p>(3) The Company values environmental protection very much. “Prevention of pollution, upgrading of energy utilization efficiency and creation of sustainable operation, and fulfillment of corporate social responsibility” will be the Company’s first priority to execute merger and reduction, upgrading of efficiency, continuous improvement, recycling and reuse, low-carbon management and green procurement. Since 2008, the Company has participated the GHG project of TOSIA, and followed ISO 14064-1 standard procedure to inspect the greenhouse gas emission of the Company’s factory premises, and also passed the certification organization’s inspection procedure and acquire the GHG emission certificate. Meanwhile, the Company continues to work with TOSIA to update GHG inspection information, with the tools in ready.</p>

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	<p>The Company responds to the energy-saving and carbon-reduction policy boosted by the government and deepens its awareness toward environmental protection by setting ten major key performance indicators for environmental protection and completing 2017 EPISTAR environmental protection performance baseline to discuss the descriptions about impact to environment by factory and draft the management programs to keep improving.</p> <p>The Company's countermeasures:</p> <ul style="list-style-type: none"> ● In respect of environmental protection expenditures: In 2017, due to the reconstruction of N3 plant from fire damage, the wastewater and air pollution control equipment was rebuilt. ● Prevention of flood and increase recycled water volume. In 2017, the proportion of recycled water in total water consumption reached 33.5%. ● 2017 Greenhouse Gas: The intensity of greenhouse gas emissions decreased by 20.8% compared to 2012. The total GHG emissions in 2017 increased by 17.2% compared to the total emissions in 2012. The increase in total emissions was caused by the increase in plant area and production capacity. ● The water usage strength in 2016 declined by 54% from 2011. ● In the aspect of pollution prevention and control in 2017: The sewage discharge intensity decreased by 51% compared with 2012; the volume of unit production waste in 2017 increased by 29.1% compared with 2012; however, it decreased by 26.2% compared with 2016. ● Green products: 100% compliance with RoHS and REACH SVHC; acquisition of IECQ QC080000 certification and ISO 14001; acquisition of SONY GP certification.

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<p>3. Promotion of Social Welfare</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the Company established appropriately managed employee appeal procedures?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>	<p>(1) The company has stipulated rules and regulations to be followed for business partners of suppliers/contractors under the supplier management procedures and regulations governing safety & health management, so that suppliers/contractors are required to comply with the relevant human rights provisions under Labor Standards Law, including the prohibition of child labor and forced labor. PLS refer to CSR report for reference.</p> <p>(2) The Company values relationship with employees very much. Employee Relations department will organize the labor-management meeting periodically, and communication meetings and various events from time to time. Employees may file a complaint against any misconduct (including corruption) and unethical conduct via such complaining channels as speech list at the labor-management meeting and dedicated mailbox of Employee Relations department and Audit Office. The Company may set up the complaining channels and procedures on the official website to achieve fair two-way communication and exchange.</p> <p>(3) The company has established an Emergency Response Team. We hold various response trainings and drills to ensure employees' knowledge regarding industrial safety and to decrease the loss of accidents. We also hold various health precaution activities. We also promote customized and risk control programs through health risk indicators to improve the quality of health services. We've cooperated with the HsinChu City Lifelan Association to promote employees assistance service with confidentiality and professional services for employees to deal with their daily life's problems.</p>

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(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes, which may cause significant impact to employees?	(4) The company has a sound communication platform, regular questionnaires, annual strategic planning meeting, monthly management, two-way communication meeting and staff meetings. In the meeting, we not only get clear and correct information of the company, but also achieve a good two-way communication and exchange.
(5) Has the Company established effective career development training plans?	(5) The company has a comprehensive learning program. Employees are encouraged to attend professional courses or irregular English program on-line in our “Chan Gin Que” website. Employees’ learning records shall be duly recorded and employees may log on to check whose own learning history.
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	(6) The Company has set up the contractor management system and homepage.
(7) Does the Company follow regulations and international standards in the marketing and labeling of its products and services?	(7) The Company values product liability very much. The Company maintains the product liability insurance and its marketing of products and services also complies with the related laws & regulations and international standards. Meanwhile, it conducts the customer’s satisfaction survey to keep improving.
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	(8) The Company has set up the contractor management system, and constructed the green value chain together with suppliers and vendors to upgrade the performance of environmental protection and safety & health by sharing experience and improving cooperation, thus constructing a value chain of environmental sustainability, fulfillment of occupational safety & health and mutual growth to be oriented toward the harmony relationship with environmental safety.

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(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	(9) The Company is aware of the concept about sustainable operations and asks to extend the concept to the supply chain and introduces the "Supply Chain CSR Management Evaluation" to conduct the evaluation on new suppliers and existing suppliers in terms of the four aspects including environment, labor conditions, human right and impact to society, so as to enable suppliers to continue the improvement voluntarily and fulfill corporate social responsibilities.
4. Enhanced Information Disclosure Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	The Company discloses the information related to the Company's corporate social responsibility on the official website, and delegates dedicated personnel to maintain and update the information. The website address is http://www.epistar.com.tw . Should there be any questions, please contact the Company via CSR mailbox: csr@epistar.com.tw .
<p>5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences.</p> <p>Since the establishment of EPISTAR, our core business is to Actualize LED Potential. We continue to advance our research and develop new products, focusing on environmentally friendly products and optimizing chip process technology, allowing our LED to be applicable in various applications.</p> <p>【Economic】</p> <p>Although 2017 revenue decreased by 1% from 2016 revenue, with great effort from our entire workforce we increased added value to our products and adjusted product portfolio, which enabled great increase in 2017 gross margin. After integration of our corporate resources in 2016, we were able to centralize our production and reduce costs. We believe this will improve and enhance our performance. Overall operational activities are closely related to parties of interest, which sustainable development greatly depends upon. Parties of interest can effectively communicate with us through various channels of communications.</p>	

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<p>【Corporate Governance】</p> <p>EPISTAR advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that one basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, the EPISTAR Board delegates various responsibilities and authority to two Board Committees, Audit Committee and Compensation Committee. Each Committee has a written charter approved by the Board. Each Committee’s chairperson regularly reports to the Board on the activities and actions of the relevant committee. The Audit Committee and Compensation Committee consist solely of independent directors.</p> <p>【Environment】</p> <p>EPISTAR is the leading manufacturer of LED chips; therefore we regard the environmental protection issue very seriously. Our energy consumption, raw material usage, water resource, greenhouse gas and many more all follow the P-D-C-A (Plan-Do-Check-Action) management mode and we continuously implement and improve environment protection programs. Energy conservations through lighting, air pressure and air conditioning and electric equipment all contribute to lower operating costs and in turn lowers impact on the environment. We hope that through energy conservation and process improvement, we can effectively lower our raw material and energy consumption, increase energy efficiency and in turn create a sustainable corporate environment and protect the earth for our future generations.</p> <p>Approved by the Board, we have allocated yearly budget and in 2017 our expenditure was NTD1.5 billion.</p> <p>【Society】</p> <p>EPISTAR provides competitive income, benefits, training, and planning for our employee’s career development. We held many activities which promotes family relationships, exercise and health, and continuously to find balance between work and living, allowing our employees to be “happy at work, enjoy living”. EPISTAR volunteer activities in 2017 include cleaning up the beach, “sharing books sharing love” activity which donates books to children, as well as other activities which help children in need.</p>	

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6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:	
<p>The Company's social participation is briefed as follows:</p> <ul style="list-style-type: none"> ● We were invited to participate in Hsinchu Science Park Bureau 「Occupational safety & health expert team— man-made hazard preventive consultation」 and worked as leader and consultor in 2017. We helped & consulted 3 companies, and 8 sessions in total. ● As a social citizen, we give back to the society and care for the community. We've participated in charitable events in low-profile including charitable donation of NT\$0.98 million, 1,300 copies of book, 500 X'mas gifts for children in rural areas, and Epistar volunteer club activities record. 	
7. Other information regarding "Corporate Responsibility Report" which is verified by certifying bodies:	
<ul style="list-style-type: none"> ● The Company 2016 Corporate Social Responsibility Report was verified by the British Standards Institution (BSI) and an independent assurance statement of opinion was issued. ● Obtained 2017 TSCA Taiwan Corporate Sustainability Corporate Sustainability Report Silver Award of Electronic Information Manufacturing Group. ● Obtained the 2017 BSI Sustainability Award. ● The Company acquires the following quality system certification and continues maintaining the same: <ul style="list-style-type: none"> ISO 9001 Certificate of Quality Management System ISO/TS 16949 Certificate of Automotive Industry Quality Management System IECQ QC 080000 Certificate of Conformity Hazardous Substance Process Management System Requirements SONY Green Partner Certification ● The Company acquires the following SHE system certification and continues maintaining the same: <ul style="list-style-type: none"> Environmental management system-ISO 14001:2004 Greenhouse Gases Emissions-ISO 14064-1 Occupational health & safety management system-OHSAS 18001 Taiwan Occupational health & safety management system-TOSHMS/CNS 15506 	