

2018 Sustainability Report



Environment

Social

Governance

Supplier Management



Table of Contents



Environment

- Achievements
- Climate Change and Energy
- Waste Management
- Water and Biodiversity
- Emissions Control



Governance

Sustainability Management

- Sustainability Performance
- Awards and Recognitions
- Stakeholder Communication
- Commitment and Promotion
- Responding to UN SDGs

Corporate Governance

- Organizational profile
- Business Ethics
- External Initiatives
- Risk Governance



Social

- Achievements
- Human Resource Recruitment
- Remuneration and Benefits
- Learning and Growth Plan
- Occupational Safety and Health
- Employees Human Rights



Supplier Management

- Supplier's Compliance of High Standards
- Local Supply Chain Management
- Risk Management
- Sustainability Engagement



Foreword

- Message from the CEO
- Sustainability Policies



Perfecting Corporate Social Responsibility to Improve Corporate

Dear Voltronic Stakeholder,

Of prime importance to us are our customers, our investors (both domestic and international), our employees, and our suppliers. We at Voltronic Power seek to be good citizens of the communities in which we work and sell our products.

For us the four cornerstones of corporate social responsibility are:

- The Environment
- Society
- Good Governance
- Economy

I am happy to present our Sustainability Report 2018. While this is not required by regulation, we believe sustainability is an important part of our mission and we want to ensure that our stakeholders are well informed of our practices and policies in this area.

In previous years we have published an annual “Corporate Social Responsibility Report” and, beginning in 2016, this report followed the Global Reporting Initiative (GRI) guidelines.

This year’s Sustainability Report follows standards put forth by GRI as well as by SAM Corporate Sustainability Assessment.

I am delighted by the progress Voltronic Power has made in the many areas of sustainability covered in this report and I can assure our stakeholders, that we will continue to maintain and improve the high standards we have set for ourselves.

We believe that the world will increase its use of electrical power in the next decades and it can do that without contributing commensurately to increased greenhouse emissions and other negative externalities. We are committed to this goal.





Message from the

Sustainability

Voltronic Power Technology Corp. is the number One DMS (Design & Manufacturing Service) for uninterruptible power supplies (UPS); additionally, we offers professional ODM design and manufacturing of power converters, AVR (automatic voltage regulator) and PV inverter products. Our customers are over more than one hundred countries and regions around the world.

We uphold "Environmental Protection, Common Good, Integrity Governance" as our Sustainability Policies, and build well corporate governance and risk management mechanism to pursue a sustainable environment and fulfill our responsibility as a world citizen.



**Environmental
Protection**

Voltronic Power is committed to environmental factors such as waste water/exhaust gas/ noise generated in production and their discharge shall comply with national and local laws, regulations and other requirements; strengthen the management of resources and energy, actively promote energy conservation, consumption reduction and resource recovery activities; pollution prevention and reduction management of toxic, harmful and dangerous waste discharge; regular inspection of operation control and implement all staff's propaganda and training to enhance all staff's environmental awareness.



**Common
Good**

Under the "Strategic Goal of the Group's Sustainable Development", the "Group-Wide Strategic Goal", and the "Sustainable Development Goal of the United Nations Citizens" that to provide "Decent Work and Economic Growth", providing equal opportunities for work, equal remuneration and treatment, and "Gender Equality" with appropriate talents is also the "Strategic Goal of the Group's Sustainable Development", the "Group-Wide Strategic Goal", as well as the "Sustainable Development Goal of the United Nations Citizens".



**Integrity
Governance**

Voltronic Power believes in acting ethically and specify that when engaging in commercial activities, directors, supervisors, managers, employees, and mandatories of the business group or persons having substantial control over the business group as substantial controllers shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.



Environment

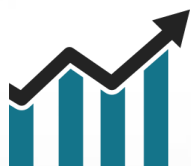
- Achievements
- Climate Change and Energy
- Waste Management
- Water and Biodiversity
- Emissions Control





Environment

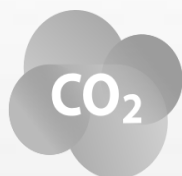
Achievements



420,207 Metric tons

In 2018 carbon emission reduction is 420,207 tons, compare to 252,435 tons of year 2016, increase by

66.46%



In 2018 carbon emissions cost accounted for the proportion of

Operating Revenue

0.58%

Costs and expense carbon emissions cost accounted for NSEs.

0.71%



Operating Net Profit

3.13%



Product Reuse Rate

>

80%

Product Recycling Rate

>

70%



Establishment of Climate Change Adjustment Management Group



Climate Change and Energy

Climate Change Assessment and Management of Risks

In the Comprehensive Report of the 5th Assessment on Climate Change (AR5) issued by the Intergovernmental Panel of Experts on Climate Change (IPCC) in November 2014, the United Nations asserts that human activities are the culprits of climate warming. If carbon emissions continue, the worst scenario is that the sea level will rise by 82 centimeters at the end of this century when the temperature rises by 4.8 degrees Celsius, which is even less optimistic than the 2007 assessment that the temperature rises by of 4 degrees with the sea level rises by up to 60 centimeters. If the global temperature rises over 1.5-2.5 degrees Celsius, the ecosystem and species distribution will face significant changes. Animals and plants may face extinction; the average temperature rise will affect farming and food production; extreme weather events will also lead to increased afflictions and fatalities. More people will be displaced by flooding due to rising sea levels. Dense populations in Asia and Africa with the low-lying deltas will be most affected, while small islands are even more vulnerable.

The types of impacts of global climate change are: 1) Water shortage and drought; 2) Sea level rise; 3) Aggravating the gap between rich and poor; 4) Intense high temperature; 5) Frequent and severe storms and floods; 6) Agricultural productivity decline and food security issues; 7) Public health issues.

Various Types of Climate Change Risks

Amongst the impacts caused by global climate change, the most concerning risks are concentrated in the environment and operation, raw materials, water resources, energy, extreme climate, which will directly impact and damage the operation of enterprises. The most severe threats are the increase in the cost of natural resources and raw materials and the shortage of water resources. In addition to the direct impact of environment and operation, there are many indirect derivative risks, which impact management, law, market, finance, and even corporate reputation.

The risk types of enterprises under climate change can refer

Possible Impacts of Climate Change

In addition to direct disastrous impact, climate change also includes many indirect hidden economic cost impacts, such as declining productivity, emergency shelter, more sophisticated management procedures, and non-market consequences such as disease proliferation and ecosystem destruction. For the manufacturing industry, there are three kinds of operation and revenue impacts:

1) Resource shortage and higher input costs (such as energy, water and raw materials); 2) Accelerated damage to materials, equipment and infrastructure; 3) Extreme weather events.

Under the climate change, enterprises are faced with the following topics:

1) Flooding; 2) Declining market purchasing power; 3) Water supply interruption; 4) Unstable power supply; 5) Supply chain interruption; 6) Rising raw material costs.

The direct and indirect impacts of climate change on manufacturing can refer to



Climate Change and Energy

Assessment and Management of Risks and Opportunities

There are three key steps in assessing and managing climate change risks and opportunities:

Identifying Business Risks and Opportunities

Through assessment methods and tools, we can find out the vulnerabilities of enterprises facing climate change and consider the business opportunities they can derive when assessing risks. Risks and business opportunities encompass many areas, possibly assets and infrastructure, human resources, supply chains, and markets.

Management of Priority Risks and Opportunities

Priority depends on the likelihood, frequency, and magnitude of the consequences of climate change. Once risks are identified, immediate responses to threats are needed to find potential solutions and build long-term goals. Opportunities derived from climate change should be well captured, and new markets, services, and business opportunities developed.

Implementation and Monitoring

Climate change is a state of continuity, and it does not end only once. Therefore, enterprises need to continue to pay attention to climate change and track the impact of climate change and incorporate change and adjustment management into their future strategic planning and decision-making processes.

Establishing Enterprise's Response to Climate Change

To enable the company to respond effectively to climate change, we have to take three key steps:

Responsibility Allocation of Management

Climate change may affect all levels of enterprises. Therefore, it is essential for managers to attach importance to climate change issues and formulate management policies and commitments. Managers should declare the importance of enhancing climate change adaptability and take action, and publish the information to the whole company so that all departments of enterprises can cooperate with the implementation.

Revising the Existing Management Process

Enterprises are accustomed to using established management processes, such as risk management, quality assurance and business continuity planning. New management processes should be re-examined and revised or developed to cope with the impact of climate change, so that the overall business operation can be reshaped.

Exposing Climate Change Risks to Investors

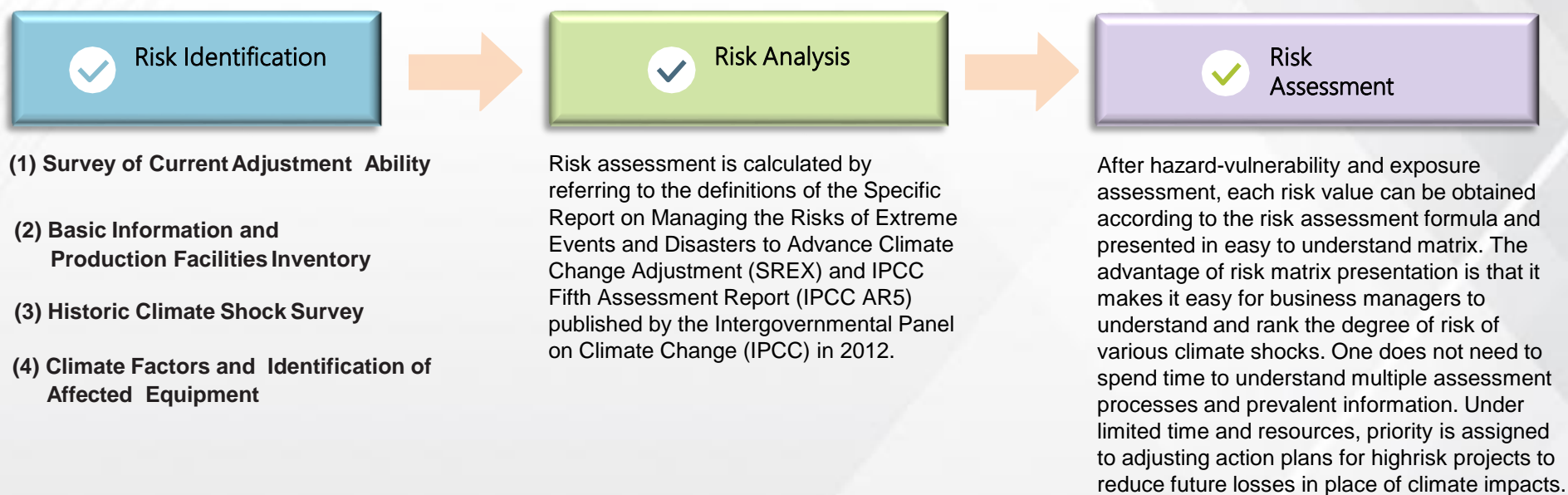
Investors should be regularly reported on the risks of climate change and related management actions faced by the company, improve the information disclosure procedures, and actively participate in the progress and information related to climate adjustment.



Environment

Climate Change Adjustment Action Programs

Principles of Climate Change Adjustment Currently in Action

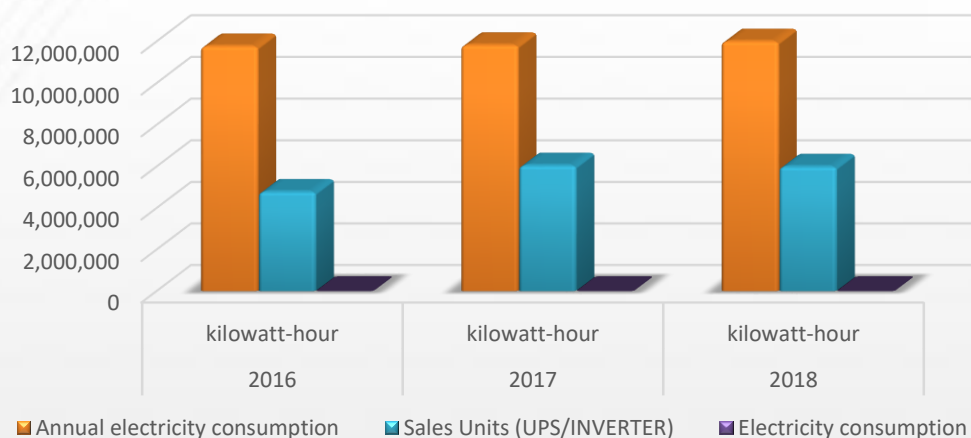




Environment

Energy Management

The energy consumption of Voltronic Power, only from the outsourcing electricity which needed for the company operation, all are local municipal power supply. The electricity consumption statistics for 2016 , 2017 and 2018 are as follows:



Reduction of energy consumption

The Paper Consumption(paper used by the company for printing, packaging, office use) in 2018 for China and Taiwan Region were 4,301,300Kg, and 19,527Kg · the actual recovery and the recyclable rate was about 90%. Per the requirements of the EU WEEE Directive, at the beginning of product design, the recovery and scrapping of products after the end of their service life, Voltronic Power should comply with the objectives of the WEEE Directive concerning recovery, reuse or recycling. After the service life of Voltronic Power's products is over, customers can recycle, reuse, most of the components from our products.

Voltronic Power participates in product recycling and scrap assessment in the design stage. After the end of the life of Voltronic Power's products, the Reuse rate is over 80%, and the Recycling rate is over 70%, which meets the latest requirements of the EU WEEE Directive. Voltronic Power mainly does ODM and OEM for customers, and will not participate in product recycling and scrapping by the end-users. (For products of category 2, since Aug-15-2018, WEEE Recovery Targets: Reuse rate > 80%, and Recycling rate > 70%)

Life Cycle Assessment

We follow ISO14040: Environmental Management - Life Cycle Assessment - Principles and Framework. Life cycle assessment includes the following stages:

1. Goal and Scope Definition, which clearly defines the purpose and scope of life cycle assessment research and makes it consistent with the expected application.
2. Inventory Analysis, which compiles a list of inputs and outputs related to the research product system, including data collection and calculation, to quantify the relevant inputs and outputs of a product system, including the use of resources and pollution emissions to air, water, and land.
3. Impact Assessment, which uses the results of life cycle inventory analysis to assess the potential environmental impacts associated with these inputs and outputs.

% of Total Products	Description of benefits
14.44%	PV Inverters and On-Line UPSs can provide significant benefits of energy saving and carbon reduction for users. According to the amount of products sold in 2018, provides customers with a total of 420,207 tons of carbon emission reduction; according to the calculation method of the Energy Bureau of the Ministry of Economy, Taiwan's forestry phase can absorb about 20.2 tons of Co2 per hectare per year; therefore, providing customers with carbon emission reduction converted into forestry phase are 20,802 hectares (planting 2000 trees per hectare is calculated to be 41,605 thousand trees.).



Environment

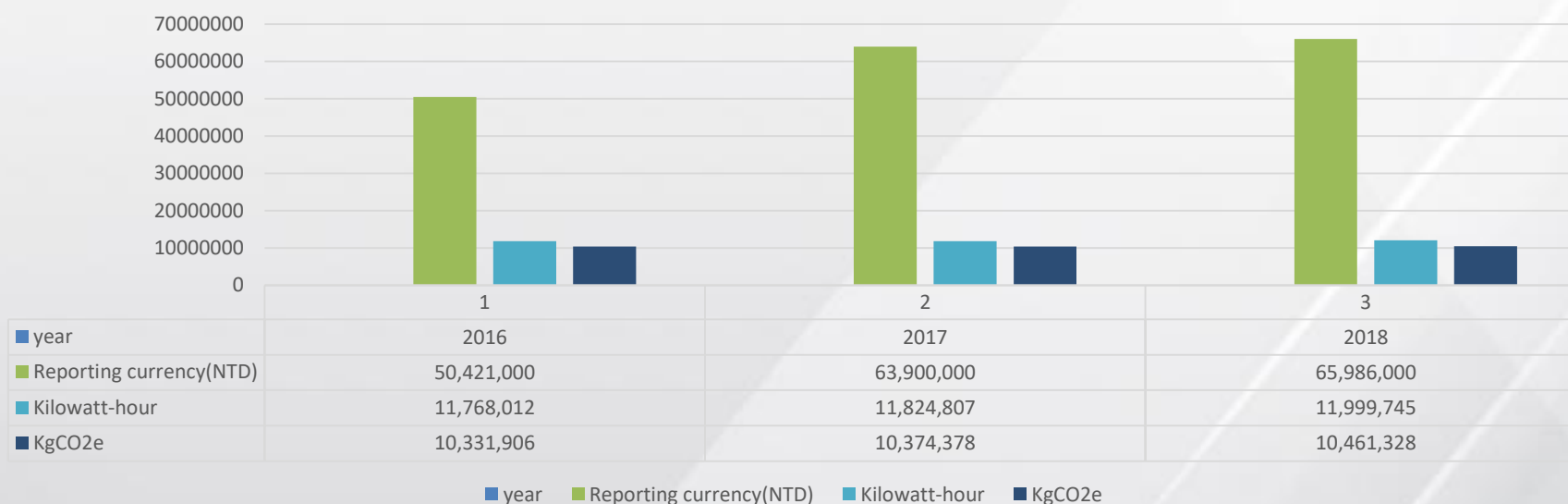
Targets and Achievements of Climate Change Actions and Energy

The offices of the Taiwan Region are located in the industrialized district. The offices and factories of China Region are also located in industrialized zone. Water consumption was only for drinking, and the only source of greenhouse gas was the carbon emission amount (CO₂) generated from the outsourcing Utility power company, making us a single greenhouse gases (CO₂) low emission company. Voltronic Power accepts clients' projects, specializing in the R&D, design, and product manufacturing services of UPS and Solar Inverters. Our R&D and production have no direct impact or business risk related to climate change.

Solar Inverter reduces greenhouse gas emissions by converting the power generated by solar panels to municipal power or for self-consumption, through pre-storage power that will be an essential key to the future development of power and power grid. Through Solar Inverter energy storage system, priority is given to storing the power in advance when off-peak power is needed, waiting until peak power consumption to support grid demand. Such will reduce the construction of petrochemical power plants and nuclear power plants and will be the best solution for reducing energy consumption and for environmental protection.

Related Targets and Achievements

The greenhouse gas emission of Voltronic Power has no Direct (Scope 1) GHG emissions. Indirect (Scope 2) GHG emissions of carbon emission (CO₂) were from the outsourcing Utility power needed for the company operation. The statistics and calculation of electricity consumption(kilowatt-hour) and carbon emission are as follows:



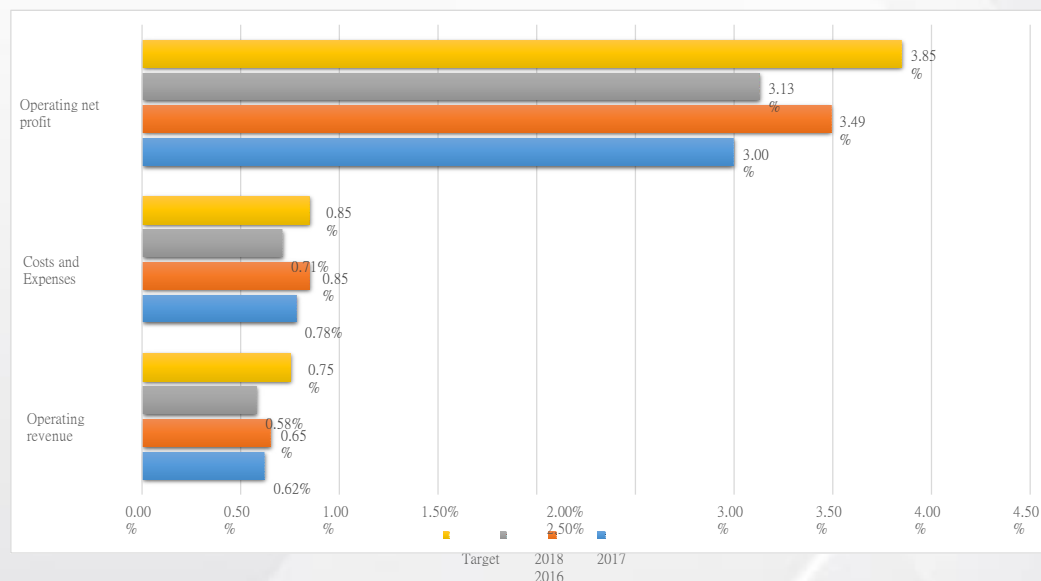


Environment

In addition, the cost of carbon emissions account for the main operating indicators and the proportion of profit indicators are as follows:

item	2016		2017		2018	
	Amount	CEC@	Amount	CEC@%	Amount	CEC@%
Operating revenue	NTD8,120,220 thousand	0.62 %	NTD 9,862,230 thousand	0.65 %	NTD 11,407,894 thousand	0.58 %
Costs and Expenses	NTD6,440,945 thousand	0.78 %	NTD7,527,157 thousand	0.85 %	NTD9,296,931 thousand	0.71 %
Operating net profit	NTD1,679,275 thousand	3.00 %	NTD1,828,597 thousand	3.49 %	NTD2,110,963 thousand	3.13 %
Operating net profit rate	20.68 %		18.45 %		18.50 %	
Earnings per share	NT\$18.25		NT\$17.46		NT\$23.18	

2016, 2017, 2018
 Evaluation Target 100% Achieved



From 2016 to 2018, Voltronic Power provides customers with 252,435, 382,888, and 420,207 tons of carbon emission reduction, respectively. According to the calculation method of the Taiwanese Energy Bureau of the Ministry of Economy, Taiwan's forestry can absorb about 20.2 tons of Co2 per hectare per year. Therefore, Voltronic Power's provided 12,497 hectares (planting 2000 trees per hectare is estimated to be 24,994 thousand trees) in 2016. 18,955 hectares (planting 2000 trees per hectare is estimated to be 37,910 thousand trees) in 2017. 20,802 hectares (planting 2000 trees per hectare is estimated to be 41,605 thousand trees) in 2018



Waste Management

The offices of the Taiwan Region are located in the industrialized district. The offices and factories of China Region are also located in the industrialized zone. Water consumption was only for drinking, and we do not consume water during production. The domestic water sources are all from the municipal water supply, in accordance with the relevant industrial district water supply contracts; therefore, we do not produce polluted water.

Voltronic Power carries out effective management and continues to achieve waste reduction goals. The removal, disposal, and recycling of waste, according to local regulations, adequately handled and recorded. According to the environmental protection law of the people's Republic of China and the applicable environmental protection laws and regulations, the industrial waste (liquid) formed in the production process of the company, shall not be arbitrarily discharged, discarded or transferred. It shall be disposed of in accordance with the laws. Voltronic Power entrusts a legitimate waste processing company that handles all industrial waste (liquid).

The obligations
of Voltronic
Power

All the industrial waste (liquid) formed in the process of production together with the packaging shall be disposed by the "legitimate professional institution which had signed contract" the legitimate professional institution", and shall not be disposed by itself or by any other third party within the validity period of the contract. Voltronic Power shall be in advance by written to notice the legitimate professional institution of the specific collection time, place, collecting waste (liquid) specific quantities.

Voltronic Power shall store all kinds of industrial waste (liquid) by classification, do a good mark, cannot mixed with other debris, in order to the legitimate professional institution to dispose and ensure the safety of the disposal. The industrial waste (liquid) in bags or bottles shall be in accordance with the requirement of industrial waste (liquid) packaging, identification and storage technical codes to paste the labels.

Voltronic Power shall display that will be disposed industrial waste (liquid) in a centralized manner, and provide the necessary conditions for the legitimate professional institution to collect, including approach road, work space, loading machinery required for loading, in order to facilitate the legitimate professional institution for shipment.



Environment

EP - Waste

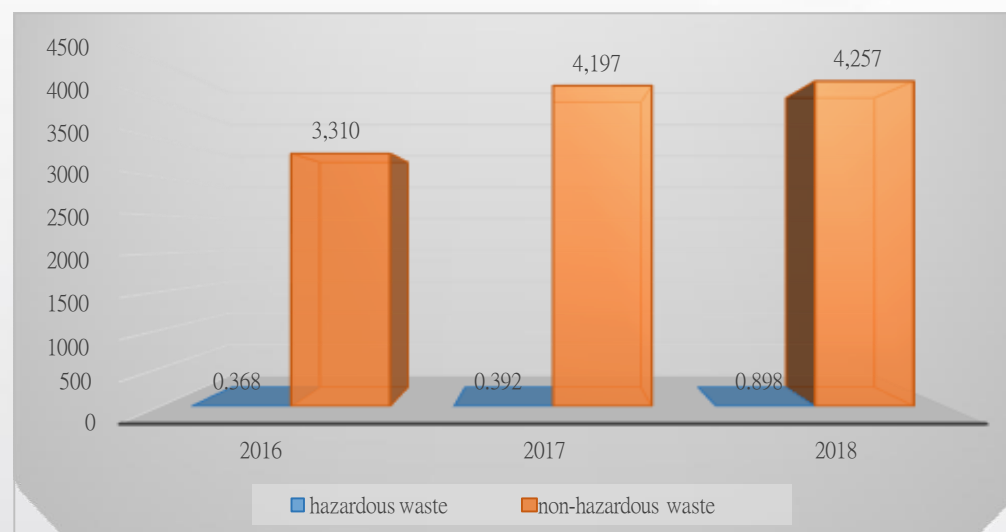
Waste disposed	Unit	FY2016	FY2017	FY2018
a) Total waste generated	metric tonnes	3,310	4,197	4,257
b) Total waste used/recycled/ sold	metric tonnes	2,979	3,777	3,831
TOTAL WASTE DISPOSED (A B)	metric tonnes	331	420	426
Data coverage (as % of denominator)	percentage of: operations	100%	100%	100%

EP - Hazardous Waste

HAZARDOUS WASTE	Unit	FY2016	FY2017	FY2018
Hazardous Waste Generated	metric tonnes	0.368	0.392	0.898
Data coverage (as % of denominator)	percentage of: operations	100%	100%	100%

Waste by type and disposal method

Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable(metric tons):



Significant Spills

- Voltronic Power does not have any waste pollution incident.
- The products manufactured and shipped by Voltronic Power all meet the quality, safety, and environmental protection requirements of the corresponding regional laws and regulations as well as requirements from our customers.
- As a professional OEM/ODM manufacturer specializing in Uninterruptible Power Systems and Solar Inverters worldwide, our products not only meet customer requirements but also meet the quality standards, safety standards and environmental protection regulations of the corresponding regions, including EU RoHS directives, REACH regulations and WEEE directives.



Environment

Water and Biodiversity

Water Management

The offices of the Taiwan Region are located in the industrialized district. The offices and factories of China Region are also located in the industrialized zone. Water consumption was only for drinking, and we do not consume water during production. However, the company still raises all employees' awareness of water conservations.

EP - Water Consumption

Water Consumption	Unit	FY2015	FY2016	FY2017	FY2018
A. Withdrawal: Total municipal water supplies (or from other water utilities)	Million cubic meters	0.037832	0.036905	0.046692	0.048803
B. Withdrawal: Fresh surface water (lakes, rivers, etc.)	Million cubic meters	-	-	-	-
C. Withdrawal: Fresh groundwater	Million cubic meters	-	-	-	-
D. Discharge: Water returned to the source of extraction at similar or higher quality as raw water extracted	Million cubic meters	-	-	-	-
E. TOTAL NET FRESH WATER CONSUMPTION (A+B+C-D)	Million cubic meters	0.037832	0.036905	0.046692	0.048803
Data Coverage (as % of denominator)	percentage of operations	100%	100%	100%	100%



Biodiversity

- Biodiversity policy: operating locations should be located in commercial or industrial areas, and are strictly prohibited in protected areas or other areas of high biodiversity value or protected or restored habitats.
- Green policy: green drainage, green windbreak.
- Base water conservation policy: permeable pavement, landscape storage, seepage pool, storage, infiltration, opens space.
- Daily energy conservation policy: management of wind direction and airflow, air-conditioning and cooling systems, energy and light sources.
- Carbon dioxide reduction policy: simple architectural modeling and interior decoration, reasonable structure, system and structure lightweight.
- Waste reduction policy: earthwork balance, construction automation, dry compartment, air pollution prevention and control. Water resources policy: water saving equipment, rainwater reuse.
- Sewage and garbage improvement policy: rain diversion of sewage, garbage collection site improvement.
- Indoor health and environment policy: indoor pollution control, indoor air purification equipment, floor and basement moisture prevention, noise control and vibration sound control.



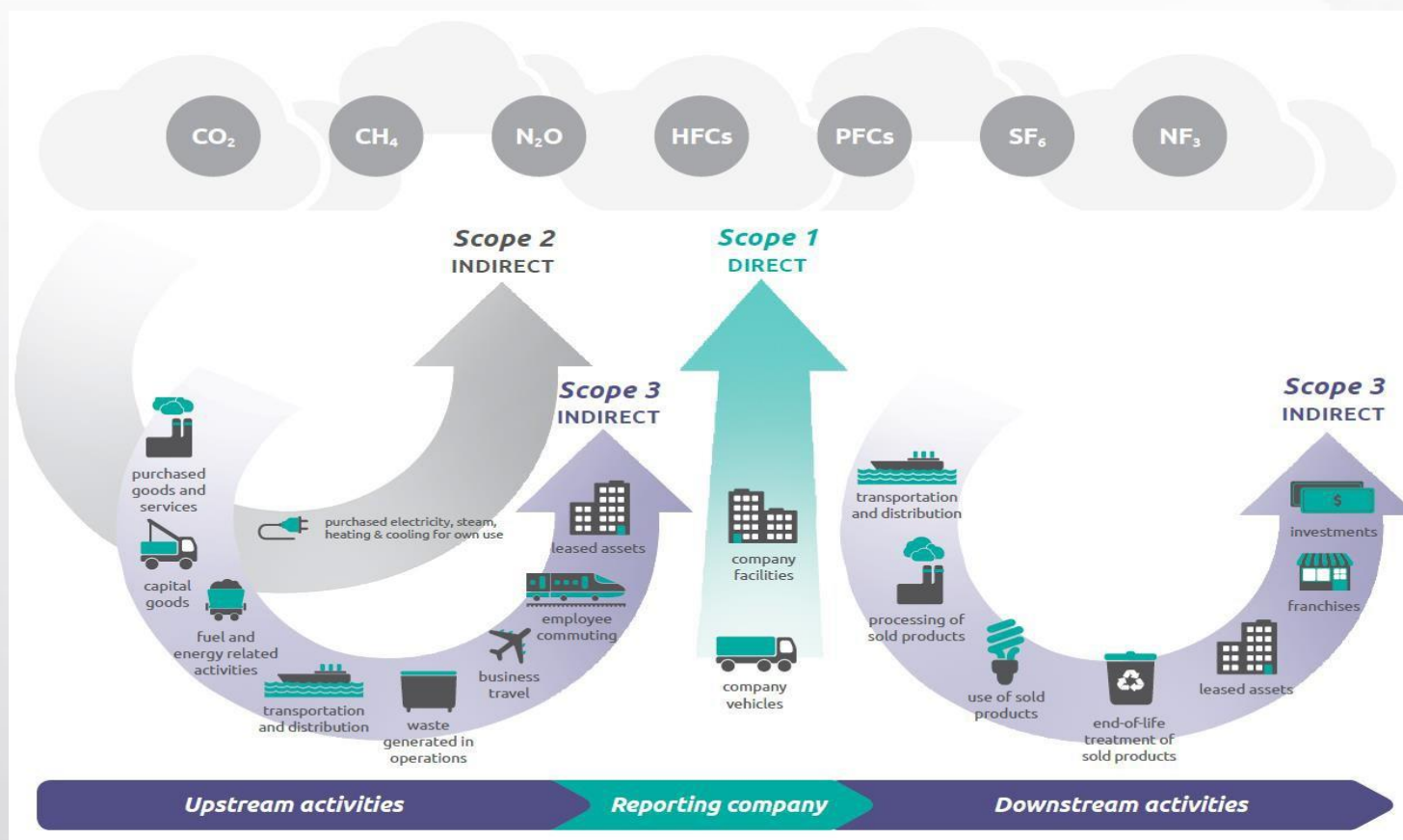
Environment

Emissions Control

The Emissions Aspect includes Indicators on greenhouse gas (GHG) emissions as well as ozone-depleting substances, NOX, SOX, and other significant air emissions.

The GHG emissions are based on the reporting requirements of the WRI and WBCSD 'GHG Protocol Corporate Accounting and Reporting Standard' (GHG Protocol).

The greenhouse gas emission of Voltronic Power, there are no Direct (Scope 1) GHG emissions, while Indirect (Scope 2) GHG emissions only are carbon emission (CO₂) from the outsourcing electricity which needed for the company operation.





Social

- Achievements
- Human Resource Recruitment
- Remuneration and Benefits
- Learning and Growth Plan
- Occupational Safety and Health
- Employees Human Rights





Social

Achievements



100%

The Taiwan Region employees' health check in 2018, the completion rate: 100%



1/4

One-fourth or more of all Directors are female



The Lost-Time Injury Frequency Rate (LTIFR) and the Occupational Illness Frequency Rate (OIFR) of employees all

< **2 PER YEAR**



0 child labor

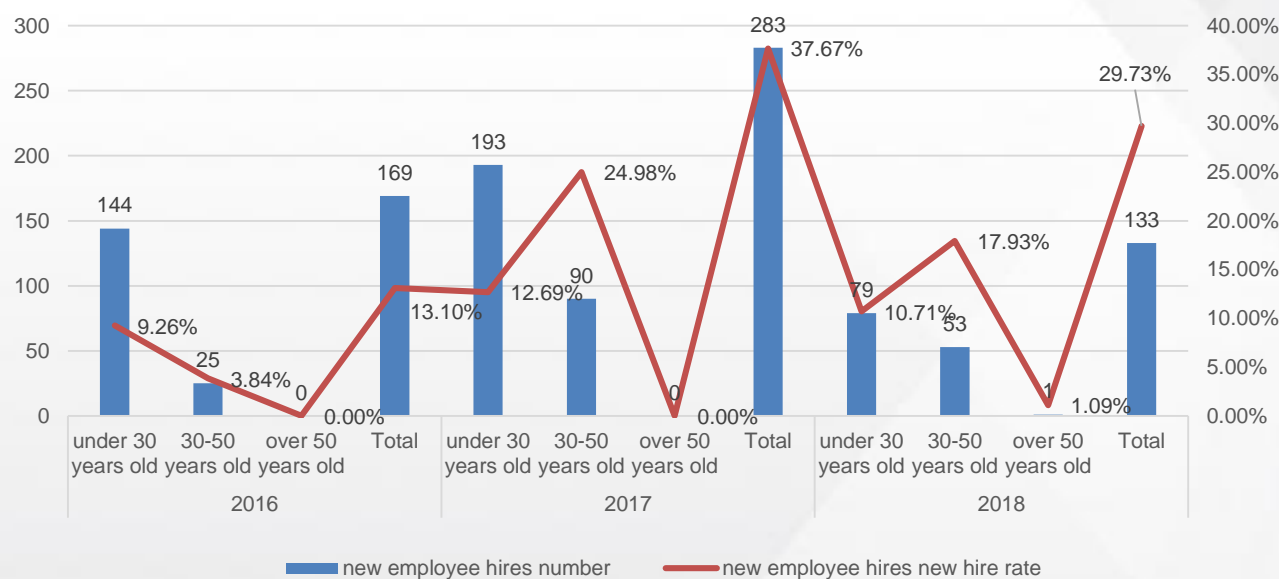
In 2016, 2017 and 2018 the number of child labor in each factory is nil



social

Human Resource Recruitment

In 2016 ~2018 year, monthly average number and rates of new employee hires and employee turnover of Voltronic Power's significant locations of operation by age group as follow :



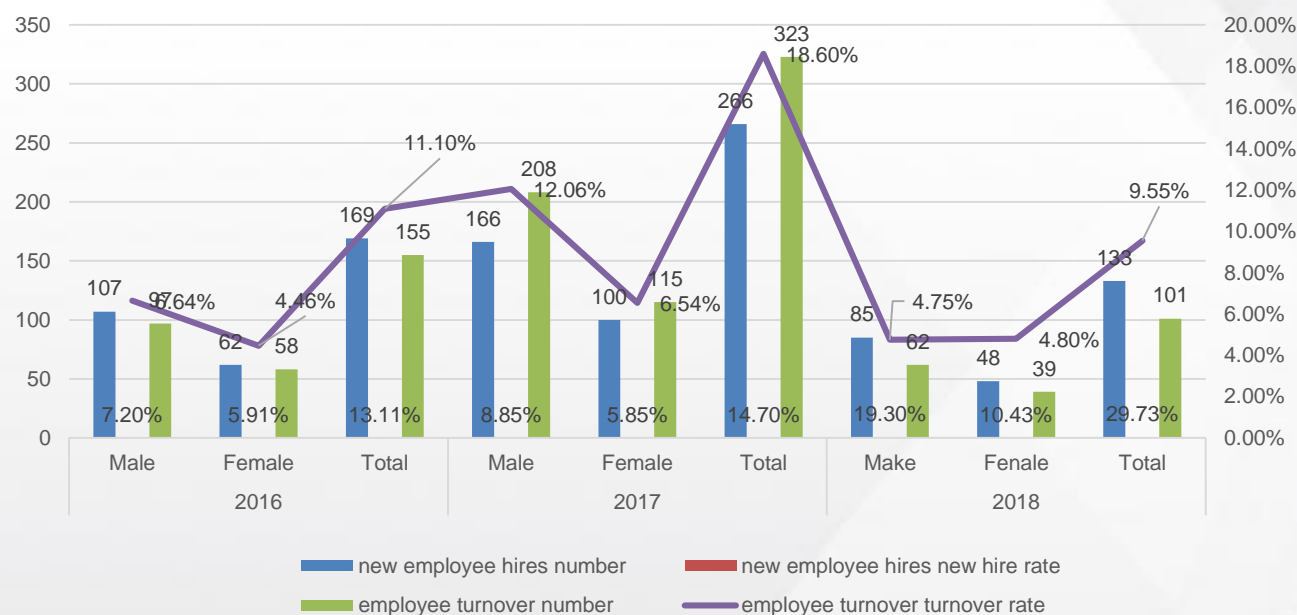
year	Age Group	new employee hires		employee turnover	
		number	new hire rate	number	new hire rate
2016	under 30 years old	144	9.26%	133	8.65%
	30-50 years old	25	3.84%	23	4.27%
	over 50 years old	0	0.00%	1	0.75%
	Total	169	13.10%	157	13.67%
2017	under 30 years old	193	12.69%	229	13.02%
	30-50 years old	90	24.98%	111	29.85%
	over 50 years old	0	0.00%	0	0.00%
	Total	283	37.67%	340	42.87%
2018	under 30 years old	79	10.71%	62	4.74%
	30-50 years old	53	17.93%	39	4.81%
	over 50 years old	1	1.09%	0	0.00%
	Total	133	29.73%	101	9.55%



social

Human Resource Recruitment

In 2016~2018 year, monthly average number and rates of new employee hires and employee turnover of Voltronic Power's significant locations of operation by gender as follow :



year	Gender	new employee hires		employee turnover	
		number	new hire rate	number	turnover rate
2016	Male	107	7.20%	97	6.64%
	Female	62	5.91%	58	4.46%
	Total	169	13.11%	155	11.10%
2017	Male	166	8.85%	208	12.06%
	Female	100	5.85%	115	6.54%
	Total	266	14.70%	323	18.60%
2018	Make	85	19.30%	62	4.75%
	Fenale	48	10.43%	39	4.80%
	Total	133	29.73%	101	9.55%



Diversity of governance bodies and employees

Diversity Indicator	Percentage	Percentage
	Taiwan	China
Female share of total workforce (%)	45.65%	35.52%
Females in all management positions, including junior, middle and senior management (as % of total management workforce)	13.04%	11.92%
Females in junior management positions, i.e. first level of management (as % of total junior management positions)	7.61%	10.00%
Females in top management positions, i.e. maximum two levels away from the CEO or comparable positions (as a % of total top management positions)	50%	
Females in management positions in revenue-generating functions (e.g. sales) as a % of all such managers (i.e. excluding support functions such as HR, IT, Legal, etc.)	100%	

Employee Turnover Rate

Indicate company's total turnover(whether have left voluntarily or due to dismissal, retirement, or death in service) rates and voluntary turnover(employees who choose to leave)rates for the last four years as a percentage of total number of employees in the table below:

	FY 2015	FY 2016	FY 2017	FY 2018
Total employee turnover rate	6.42%	8.40 %	15.20 %	4.17 %
Voluntary employee turnover rate	6.42%	8.39 %	15.19 %	4.14 %

Employee Turnover Rate

In order to improve the company's performance and efficiency, we need to understand employee's engagement with the company. The line managers have to find management loopholes, reflecting the humanistic concern of the company and the employees. At the same time, to encourage employee engagement, create a satisfactory working environment and working atmosphere for employees; therefore, Voltronic Power Implement the Employee Engagement Survey every year. 10% of the employees in the company were randomly selected. The questionnaires were distributed anonymously, and 100% of valid inquiries were required to be returned.

The results of the Employee Engagement Survey for 2018 are as follows: 62% of employees actively participated in the survey, of which, 25% are very satisfied, 37% are more satisfied, 14% are generally satisfied, 13% are more dissatisfied, 11% are very dissatisfied.

Employee engagement	Unit	2015	2016	2017	2018	What was target for FY2018?
Employee engagement	% of actively engaged employees	65%	68%	66%	62%	60%
Data coverage	% of total employees	10%	10%	10%	10%	



Remuneration and Benefits

Voltronic Power's employees remuneration policies are based according to industry competitions and the company's operating performance. Market benchmarks were considered in constructing the company pay level strategy, and according to the individual team and personal potential and performance, to conduct salary recommendations for the managerial level, to attract, retain and encourage outstanding employees. Their gender, race, nationality, age, and personal factors are not part of the consideration.

Benefits provided to full-time employees

For the Taiwan Region : Social insurance and retirement benefits (including labor insurance, national health insurance, and labor pension), travel allowance, year-end party, year-end bonus, Labor Day gifts, the Mid-Autumn Festival gifts, weddings allowance, funerals allowance, hospitalization allowance, fertility allowance, emergency relief allowance, and family entertainment allowances. The Employee Welfare Committee was tasked to care for the employees and their families.

For the China Region: According to the provisions of the Social Security Bureau, full-time employees are entitled for - five social insurances and one housing fund for the urban household benefit (including endowment insurance, medical insurance, unemployment insurance, industrial injury insurance, maternity insurance, and housing provident fund); New Three Insurances for rural household (including pension insurance, medical insurance and industrial injury insurance). The Welfare Committee Management Guidelines were established to improve the quality of employees' livelihood and enhance affinity and team-building. Annual activities includes:

- a) Organization of community activities, and the allocation of funding allowance within budget
- b) For the year-end party
- c) Within the budget, plan the distribution of New Year gifts and bonuses
- d) The initiation and organization of employees' emergency cash relief
- e) Organizations and activities that contribute to employee solidarity

Ratio of Basic Salary and Remuneration from Women to Men

Voltronic Power's core employees remuneration policy, is "equal pay for equal work," regardless of gender. The ratios of the standard basic salary to the local legal minimum wage are 100%; the ratio of basic salary and remuneration of men to women is one to one.

In the Taiwan Region, under the provisions of Employment Gender Equality Act, gender discrimination is strictly prohibited. Male employees and female employees are hired with the same basic salary. In the China Region, following the provisions of Labor Law of the People's Republic of China, workers have the right to receive equal remuneration for work, in addition to meet the legal minimum salary provided by the local governments. Male employees and female employees are hired with the same basic salary.

At Executive level, the ratio of basic salary and remuneration of men to women is one to one, and the same goes for management and non-management level (production and administration). The same ratio applies for other cash incentives.



Parental leave

For the Taiwan Region, under the Labor Standards Act, the Employment Gender Equality Act, Regulations for Implementing Unpaid Parental Leave for Raising Children, employees can request for maternity leave, paternity leave or parental leave.

For the China Region, female employees who meet the provisions of National Marriage and Family Planning laws can request maternity leave for childbirth, for a total of 98 days - 15 days before and 83 days after childbirth. Pregnant employees with early childbirth can combine the two without restriction. The days increase with a difficult birth or complication, increase maternity leave by another 30 days. Any additional childbirth afterward will add 15 extra days of vacation. If one were to meet the late childbirth policy, add 15 plus days. If one were to receive the Preferential Treatment For One Child status, within three months after the birth, the maternity leave would increase 35 days. The males can have paternity up to 25 days before and after the birth of their child/children. Salary will be compensated, as usual, but without the production performance bonus and environmental allowance.



Year	Item		Male	Female	Total
2016	A	The number of qualified to apply for parental leave in 2016.	38	18	56
	B	The number of actually to apply for parental leave in 2016.	0	0	0
	C	The number of returned to work after parental leave ended in 2016.	0	0	0
2017	A	The number of qualified to apply for parental leave in 2017.	65	18	83
	B	The number of actually to apply for parental leave in 2017.	1	0	1
	C	The number of returned to work after parental leave ended in 2017.	0	0	0
2018	A	The number of qualified to apply for parental leave in 2018.	63	11	74
	B	The number of actually to apply for parental leave in 2018.	1	0	1
	C	The number of returned to work after parental leave ended in 2018.	1	0	1

Note: The number of qualified to apply for parental leave, estimate by the number of who had applied maternity leave or paternity leave from 2016 to 2018.



Social

Learning and Growth Plan

Voltronic Power has employee's education and training program, to further develop their knowledge and skills, to build up their professional abilities, and to increase the work efficiency and ensure work quality, to achieve the sustainable operation and development goals of Voltronic Power.

New employees training

Introduce the company profile, management rules and regulations, salary, welfare, advocacy of occupational safety and health and other relevant regulations and so on.

On-the-job training:

Invite professional consultants to the company every week, to give professional guidance on the hardware design of the product industry, the components, circuits, etc...

For the community to cultivate talent

from 2014, participate in the application to Ministry of the Interior Taiwan of Research and Development Substitute Services quota, to bear the construction of potential industrial research and development environment

Employee Development Programs

Provide two employee development programs in company that have been developed to upgrade and improve employee skills:

Employee Development Program	Description of business benefits	Quantitative impact of business benefits	% of FTEs that participated in this program
Through regular meeting reviews and training, marketing department employees can develop business and maintain customer capabilities, and combine with key performance indicators of employees.	Increase revenue	Sales revenue grew by 15.67% in 2018.	FTEs in marketing departments: 100% participation
Taiwan's R&D department: Invite professional consultants to the company every week, to give professional guidance on the hardware design of the product industry, the components, circuits, etc..."	Enhancing R&D capabilities	Continuous development of new products every year	FTEs in Taiwan R&D departments: 60% participation

Human Capital Return on Investment

Employee Development Program	FY 2015	FY 2016	FY 2017	FY 2018
a) Total Revenue Currency : NT	8,039,323,000	8,120,220,000	9,862,230,000	11,407,894,000
b) Total Operating Expenses Currency	6,361,104,000	6,440,945,000	8,017,476,000	9,296,931,000
c) Total employee-related expenses	992,611,000	1,087,589,000	1,148,858,000	1,362,647,000
Resulting HC ROI (a - (b-c)) / c	269%	254%	261%	255%
Total FTEs	1,635	1,869	2,237	2,420



Social

Occupational Safety and Health

Implement Employee Health Check and Management

In Taiwan Region, in accordance with the provisions of the Occupational Safety and Health Act, Voltronic Power through the holding employers and employees meeting, from the "prevention" to "treatment and follow-up" health care management as the basis, for employees to choose the quality health evaluation center. The Taiwan Region employees' health check in 2018, the completion rate: 100%



In China Region, also in accordance with relevant health laws and regulations, implement regular employees' health check.



In China, annual fire drill in 2018.





Social

The health and safety related issues of Voltronic Power' employees, all operate according to related local laws and regulations. Provide the number of work-related fatalities for employees and contractors and company's lost-time injury frequency rate for employees (per one million hours worked):

Fatalities	FY2015	FY2016	FY2017	FY2018	Explain trend
Employees	0	0	0	0	
Contractors	-	-	-	-	

LTIFR	Unit	FY2015	FY2016	FY2017	FY2018
Employees	n/million work h		4.27	1.79	1.65
Data coverage	Employees		100%	100%	100%

LTIFR=(Number of lost-time injuries) / (Total hours worked in accounting period) x 1'000'000

Occupational Illness Frequency Rate (OIFR) - Employees

OIFR	Unit	FY2015	FY2016	FY2017	FY2018
Employees	n/million work h		1.22	1.12	1.24
Data coverage	Employees		100%	100%	100%



Employees Human Rights

Responsibility Policy of Respecting Human Rights

Voltronic Power complies with the labor laws and regulations in various countries and regions, supporting and abiding by international human rights conventions. Such as the "International Bill of Human Rights", the Guiding Principles of Business and Human Rights of the United Nations and the "International Labor Organization's Declaration on Fundamental Principles and Rights at Work." We formulated the "Voltronic Power's Responsibility Policy of Respecting Human Rights", which guarantees the followings:

- a) Freedom of association and collective bargaining;
- b) Free choice of employment and prohibition of forced labor;
- c) Equal employment and equal remuneration for men and women for the same work;
- d) Prohibition of the use of child labor;
- e) Reasonable working conditions (including wages, working hours, recess, vacation, and occupational health and safety).

For suppliers and partners, the special section of "Labor Requirements" in the "Supplier Corporate Social Responsibility Management Agreement" requires that suppliers should implement social responsibility management in accordance with the SA8000 international standard of social responsibility:

- | | |
|---|---|
| (a) Respect for human rights | (g) Labor contracts |
| (b) Prohibit the use of child labor | (h) Protection of young workers and female workers |
| (c) Prohibit forced or compulsory labor | (i) Punishment measures |
| (d) Working hours and rest | (j) No discrimination behavior |
| (e) Basic wage guarantee and social insurance | (k) Respect for employees' right to freedom of association and equal consultation |
| (f) Establish a system to protect employees 'rights and interests | |

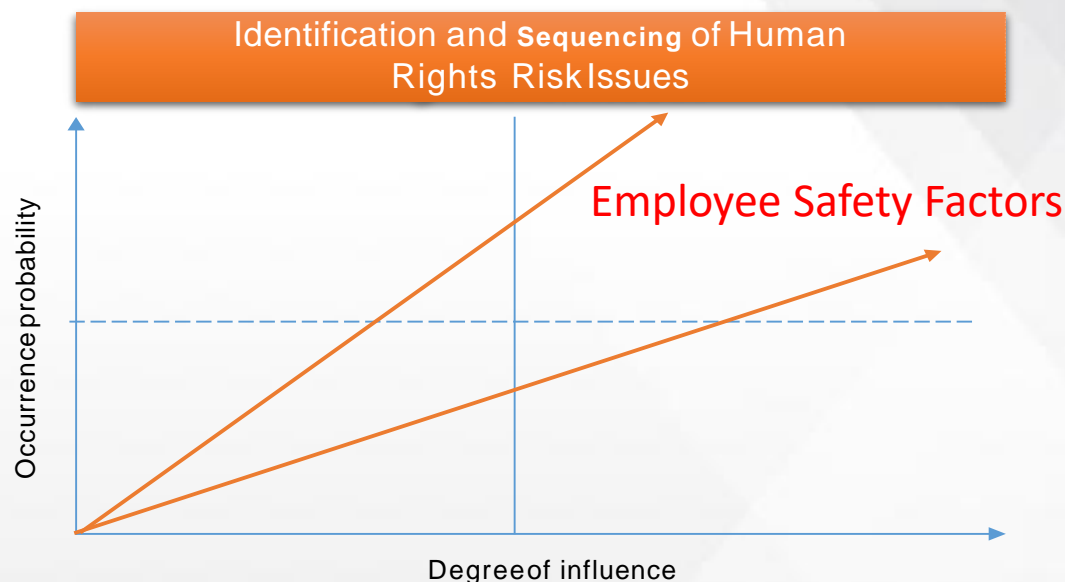
Human Rights Risk Identification and Due Diligence Process

Issue Collection Channels: The trends of international human rights issues and reports, laws, regulations, complaints, and employee satisfaction surveys. This data includes fundamental human rights, working environment, health, and safety. Relevant issues were identified and link to possible "stakeholders" of human rights issues, including government agencies, investors, suppliers, employees, customers, etc. Discuss with the corresponding departments and stakeholders to identify human rights issues that have negative impacts on different stakeholders in the company. Particular attention should be paid to any specific human rights impact on individuals belonging to high-risk, vulnerable, or marginalized groups, as well as to the different risks faced by men and women.



Social

A risk map of human rights issues with significant negative impacts will be prepared on two axes: probability of occurrence and degree of impact.



Human rights due diligence is conducted on priority human rights risk issues. Identify that such human rights risks had occurred, are about to occur or may occur; and the causes and sources of such human rights risks that had been, are about to occur or may occur (whether the company causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship). Human rights risk identification and due diligence are carried out on a regular basis every year.

The Channels for Employee Suggestions or Complaints

Employee Opinion Box:

Using for who propose policy advices or advices on unfair phenomena etc., but do not expect to get direct answers to them, belong to anonymous suggestions. Such as dormitory environment, workshop discipline, work clothes and so on. The information in Employee Opinion Box belongs to anonymous suggestion; the human resources department will regularly open the Opinion Box (open once every two weeks). Reasonable and can be solved suggestions will be solved in time, and post the solved opinions on the bulletin board.

Employee Complaint (Real Name Complaint):

The suggestions or complaints which are closely related to self-interests and expect to receive reply to them belong to real name complaints. Such as personal salaries, holidays, individuals considered unfair treatment, etc. The suggestions or complaints which urgent need for immediate settlement, using the real name complaint channel.



Governance

Sustainability Management

- Sustainability Performance
- Awards and Recognitions
- Stakeholder Communication
- Commitment and Promotion
- Responding to UN SDGs

Corporate Governance

- Organizational profile
- Business Ethics
- External Initiatives
- Risk Governance





Sustainability Performance



220,000 Metric Tons

C0₂ reduction

(Based on the inverter including solar panels with matching capacity)

On Our customers' end by offering our PV inverters



970,000 KWh Saving

Energy Recycle through CPFU

160,000 KWh Saving

Induction Lighting for factory facility

8,900 Hours

Safety training

Provide to all employees >8,900 hours

90%

Corporate Actual Paper Recovery and Recyclable Rate



Awards and Recognitions



2016, 207, 2018 three years top 5% ranking in Taiwan Corporate Governance Evaluation by Taiwan Stock Exchange



2014/3/31 Stock listed in Taiwan Stock Exchange. Included in the MSCI Global Small Cap Index



Ranked 13th among the top 50 companies in the survey of operating performance



Included in the FTSE TWSE Taiwan Mid-Cap 100 Index

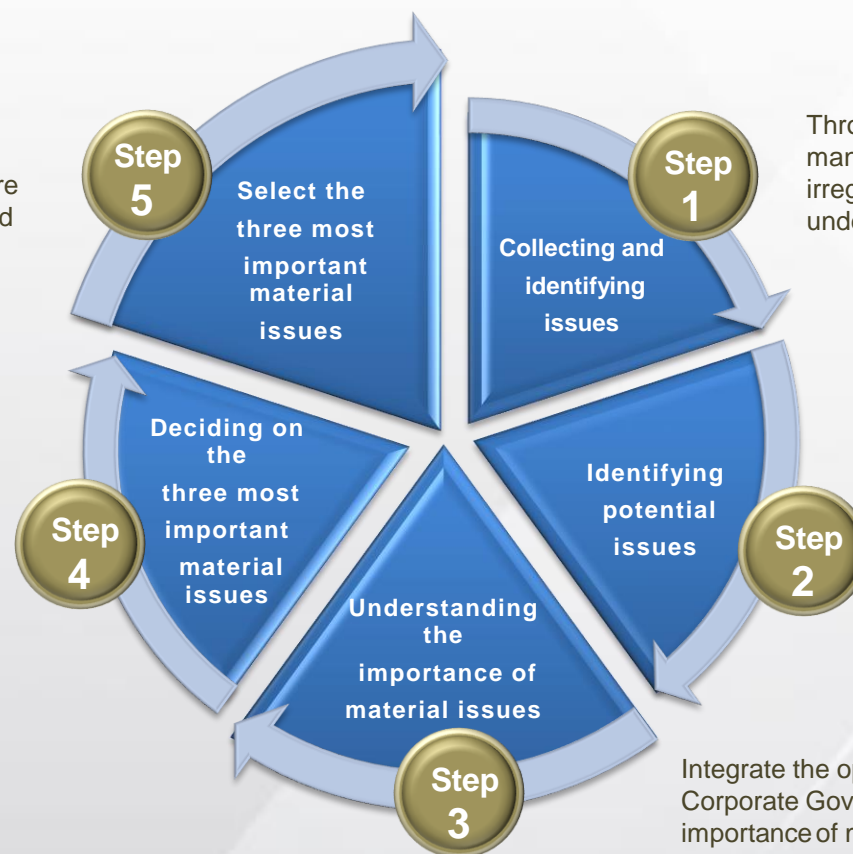
Stakeholder Communication

Materiality Analysis Process

Voltronic Power publicly discloses materiality analysis, including the most updated issues and a description of the process. Through a complete stakeholder management process, Voltronic Power regularly and irregularly negotiates with stakeholders to understand the problems of interest. We consult with CSR experts and follows global CSR norms and initiatives; integrates the views of management and those of Corporate Governance Units and Board of Directors. The Materiality issues of sustainable development of Voltronic Power were identified and reviewed on corporate operations, to create the long-term value of the company's sustainable development. The process of materiality analysis and the most updated issues are as follows:

Selecting the three most important material issues for Voltronic Power are Climate Strategy, Innovation, Risk and Crisis Management.

Integrate the opinions of management and Corporate Governance Units and Board of Directors: Deciding the three most importance of material issues.



Step 1
Collecting and identifying issues
Through a complete stakeholder management process, regularly and irregularly negotiates with stakeholders to understand the issues of interest.

Step 2
Identifying potential issues
Consults CSR experts and follows global CSR norms and initiatives.

Step 3
Understanding the importance of material issues
Integrate the opinions of management and Corporate Governance Units to understand the importance of material issues.



Materiality Analysis Process

Importance for Stakeholders

- ✓ **Risk and Crisis management**
- ✓ **Climate Strategy**
- ✓ **Innovation**
- ✓ Market Presence
- ✓ Customer Privacy
- ✓ No Child Labor



- ✓ Supplier management
- ✓ Occupational Health and Safety
- ✓ Compliance Anti-corruption
- ✓ No Forced or Compulsory Labor
- ✓ Economic Performance



Materiality Analysis and Value Creation

We have conducted a materiality analysis and provide the three most material issues that have the greatest impact on company's business and the generation of long-term value. We also indicate how these issues impact company's business and serve as sources of long-term value creation for our company.

	Material Issue 1 Climate strategy	Material Issue 2 Innovation	Material Issue 3 Risk and crisis management
Brief rationale for why this issue is material to company's business	<p>In response to climate change, energy conservation and carbon reduction, the control of global average temperature rise in this century within 2 degrees Celsius, and the control of global temperature rise above the pre-industrial level of 1.5 degrees Celsius are the main objectives of the Paris Climate Change Agreement.</p> <p>In response to climate change, energy conservation and carbon reduction, Voltronic Power is committed to developing InfiniSolar for a long time, combining solar system, AC utility, and battery power source to supply continuous power, and prioritizing the use of the cheapest and most economical power supply to assist public utilities, enterprises of all types and family communities in various countries and regions to achieve</p>	<p>Although Voltronic Power has been devoting itself to the development of InfiniSolar for a long time since eight years ago, but it is necessary to make continuous R&D and innovation every year. Therefore, Voltronic Power has set the goal that a new series of InfiniSolar must be developed every year so as to improve the storage capacity and operational convenience.</p>	<p>Because Voltronic Power's customers are located in 135 countries and regions around the world, the sales revenues are mostly in US dollars, while most of the raw materials are purchased in Renminbi(RMB) from China, which all are different from the Reporting Currency (NT) of Voltronic Power. Therefore, the risk of exchange rate fluctuation is absolutely important to Voltronic Power.</p> <p>In addition, due to the continuous growth of Voltronic Power, the increasing amount of data and information, information security risks under the electronic processing system have absolute importance for Voltronic Power.</p>
Company's primary business strategies, initiatives or products that address this issue	<p>In response to climate change, energy conservation and carbon reduction, Voltronic Power's climate business strategy is committed to developing InfiniSolar for a long time, combining solar system, AC utility, and battery power source to supply continuous power, and prioritizing the use of the cheapest and most economical power supply to assist public utilities, enterprises of all types and family communities in various countries and regions to achieve the goal of energy conservation and carbon reduction.</p>	<p>A new series of InfiniSolar is developed every year to improve the storage capacity and operation convenience.</p>	<p>For exchange rate fluctuation risks, a quarterly sensitivity and stress test shall be conducted; if necessary, report to Board of Directors and to select appropriate hedging tools.</p> <p>Information systems build secure firewalls; backup databases to hard drives and tapes regularly; conduct simulation exercises irregularly; and ensure information security from time to time.</p>
Long-Term Target/Metric	<p>Sales revenue and sales volume from InfiniSolar will grow by an average of 5% annually over the next five years.</p>	<p>In the next five years, a new series of InfiniSolar which must meet the market demand, will be developed every year.</p>	<p>It's continuously going on every year.</p>
Target Year	<p>From the base period of 2018 to 2023, sales revenues and sales volume increased by 25% compared with 2018.</p>	<p>In the next five years, a new series of InfiniSolar which must meet the market demand, will be developed every year.</p>	<p>It's continuously going on every year.</p>
Executive Compensation	<p>This target is used as one of the KPIs to determine the various compensation of executive committee members. With a score of 1 to 5, the growth rate is 1% to 5%, with corresponding scores.</p>	<p>A new series of InfiniSolar which meets the market requirement is developed every year, with 5 points, otherwise is 0</p>	



Stakeholder Engagement



Customers

Key topics and concerns

- Market Presence
- Customer Privacy
- Non-discrimination
- No Child Labor
- Anti-corruption
- Compliance

Voltronic's responsibilities

- Provide high-quality products and services that are the best on the market.
- Improve level of customer satisfaction.
- Establish long-term close relationships with customers based on mutual trust and commercial partnership.

Communication channels and response methods

- Cooperate with customers' production and environmental, requirements, responsibilities, and inspections. Assist with preventions and improvements.
- Train employees and enforce rules for information disclosure when facing the media.
- Annual report on corporate social responsibility



Employees

- Market Presence
- Non-discrimination
- No Forced or Compulsory Labor
- Occupational Health and Safety

- Ensure and respect human rights.
- Personnel development.
- Legal and fair assessment and treatment.
- Safe and healthy working environment.
- Personnel welfare and health promotion.

- Convene supervisor and supervisee communication meetings.
- Staff mailbox and message board.
- Provide free employee health check.
- Annual report on corporate social responsibility



Shareholders and providers of capital

- Market Presence
- Economic Performance
- Investment
- Anti-corruption
- Labor/Management Relations

- Comply with the most updated regulations and policies from competent authorities.
- Maintain a long-term and stable dividend policy. Provide appropriate investment returns.

- Annual regular meeting of shareholders.
- Take part in Institutional Investor Conference (Take part in Institutional Investor Conference eight times in 2017)
- Quarterly financial report and monthly operational information announcements.
- Annual report on corporate social responsibility



Suppliers

- Market Presence
- Supplier Environmental Assessment
- Supplier Assessment for Labor Practices

- Legal and fair transactions.
- Understanding of environmental safety and health considerations and specification details.
- Understand and assist Voltronic with implementation

- Sign an environmental protection commitment letter.
- Request and audit suppliers' products, environment and responsibilities, and cooperate with preventive and continuous improvement.
- Annual report on corporate social responsibility



Commitment and Promotion

Voltronic Power observes international regulations as well as national and regional laws, creates values for sustainable development to protect the rights of interested parties, promotes good corporate governance, and abides by the policies. We make donations to charities from time to time with thoughtful care to support those in disaster rescue and assistance to the underprivileged and vulnerable groups. In 2017, the Company donated household fire alarm devices to the Fire Department of the local government in support of their effort to safeguard a secure living environment. We actively participate in the green energy exhibitions and lobbying for policy support for renewable energy in Taiwan and overseas. We participated in tradeshows such as CeBIT in Germany, Computex in Taipei, Renewable Energy India Expo, and Solar Energy Show in many countries. The Employee Benefits Committee offers subsidies to educational initiatives or health management efforts to the employees. The Company has voluntarily prepared CSR reports. In the Annual Report of 2017, we faithfully complied with the Global Reporting Initiative (GRI) 2016 standards promulgated by the Global Sustainability Standards Board(GSSB), focusing on the "Core option." We also supplement with "BLOOMBERG ESG SURVEY Disclosure Score" for additional disclosure toward the core standards.

Our commitments

01

Actualizing Corporate Governance , we made the "Best Practice Principles for CSR" to follow.

02

We have set up the Remuneration Committee, that will make both our employees' salaries and remuneration and our business operations grow together to be in compliance with CSR.

03

We focus on greenhouse gas management toward the targets of energy saving & carbon reduction with wholehearted efforts toward research & development energy conserving products.

04

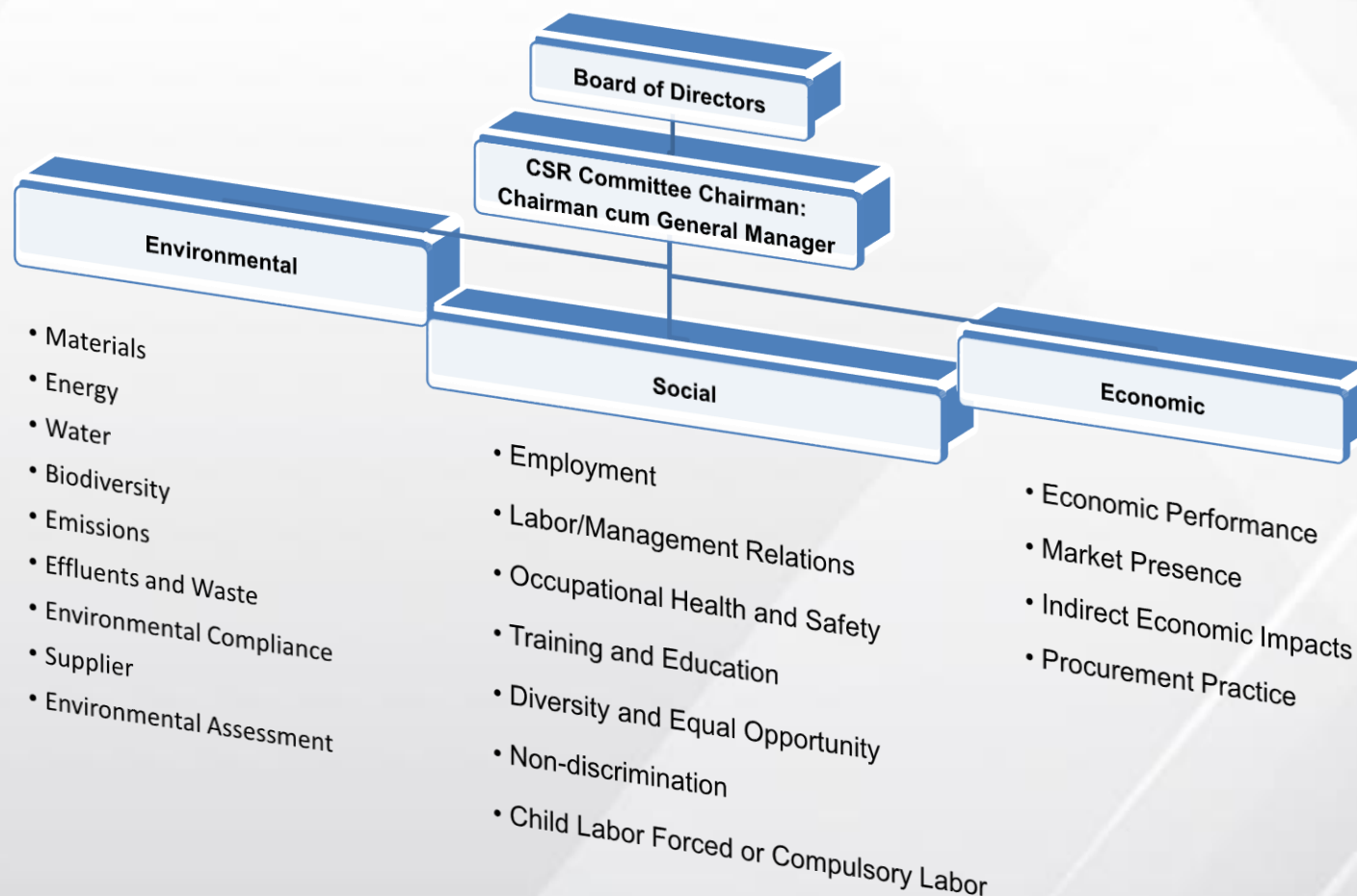
Our company adheres to all the laws and regulations governing employment.

05

We pay attention to the health and safety of our employees and work environment.

The Structure of CSR Committee

To promote the implementation of corporate social responsibility, Voltronic Power, according to the resolution of the Board of Directors, in November 2015 established the Corporate Social Responsibility Task Force and had since upgraded to the Advocacy for Corporate Social Responsibility Committee in 2017. The committee is under the supervision of the chairman (who is also the executive director), responsible for corporate social responsibility policy, system, and related management policy. To propose and implement specific action plans, regularly report to the Board of Directors, and publish corporate social responsibility reports regarding economic, environmental, and social issues arising from operating activities. The Board of Directors then authorized the general manager and the general manager's office to deal with and report to the Board with the outcomes.



Responding to UN SDGs

The most relevant goal of the Voltronic Power Group-wide Strategy on the Sustainable Development of UN Citizens is to focus on the issue of global climate change. As a global professional ODM/OEM manufacturer of Uninterruptible Power Systems and Solar inverters, Voltronic Power has the right product portfolio that enables the user to save energy, increase efficiency, and reduce carbon emissions. In addition to formulating the climate change strategy and the action plan, in conjunction with the financial opportunities arising from implementing the program, it can provide decent work and economic growth, providing equal opportunities, fair remuneration and treatment, and gender equality.

Material Goals of Voltronic Power

Economic

- Economic Performance
- Market Presence
- Indirect Economic Impacts
- Procurement Practice

Social

- Employment • Labor/Management Relations
- Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity
- Non-discrimination
- Child Labor Forced or Compulsory Labor

Environmental

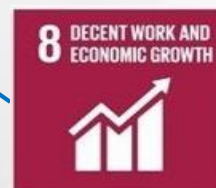
- Materials • Energy • Water
- Biodiversity • Emissions
- Effluents and Waste
- Environmental Compliance
- Supplier • Environmental Assessment

Responding to UN SDGs



Achieve gender equality and empower all women and girls

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life .



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high- value added and labour-intensive sectors.



Take urgent action to combat climate change and its impacts

Integrate climate change measures into national policies, strategies and planning



SDGs Practice and Devp Goal



The company's organization consists of a large proportion of senior female directors and senior managers.

Business/Social/Environmental Benefit Achievement

- A quarter or more of all directors are female (and at least one female non-independent director and one female independent director).
- Females in top management positions, i.e., maximum two levels away from the CEO or comparable post (as a percentage of total senior management positions), are one-third or more.



Continuous sales revenues growth and work opportunities.

Business/Social/Environmental Benefit Achievement

- In 2018 sales revenue grew by 15.67%
- In 2018 employee salaries and benefits grew by 18.61%.



Continuous sales of high energy-saving carbon reduction products to assist users in energy-saving carbon reduction.

Business/Social/Environmental Benefit Achievement

- In 2018 sales revenue grew by 15.67%
- Assist users of high energy-saving and carbon-reducing products with energy-saving and carbon-reducing benefits that at least equal to planting twenty-five million trees annually.

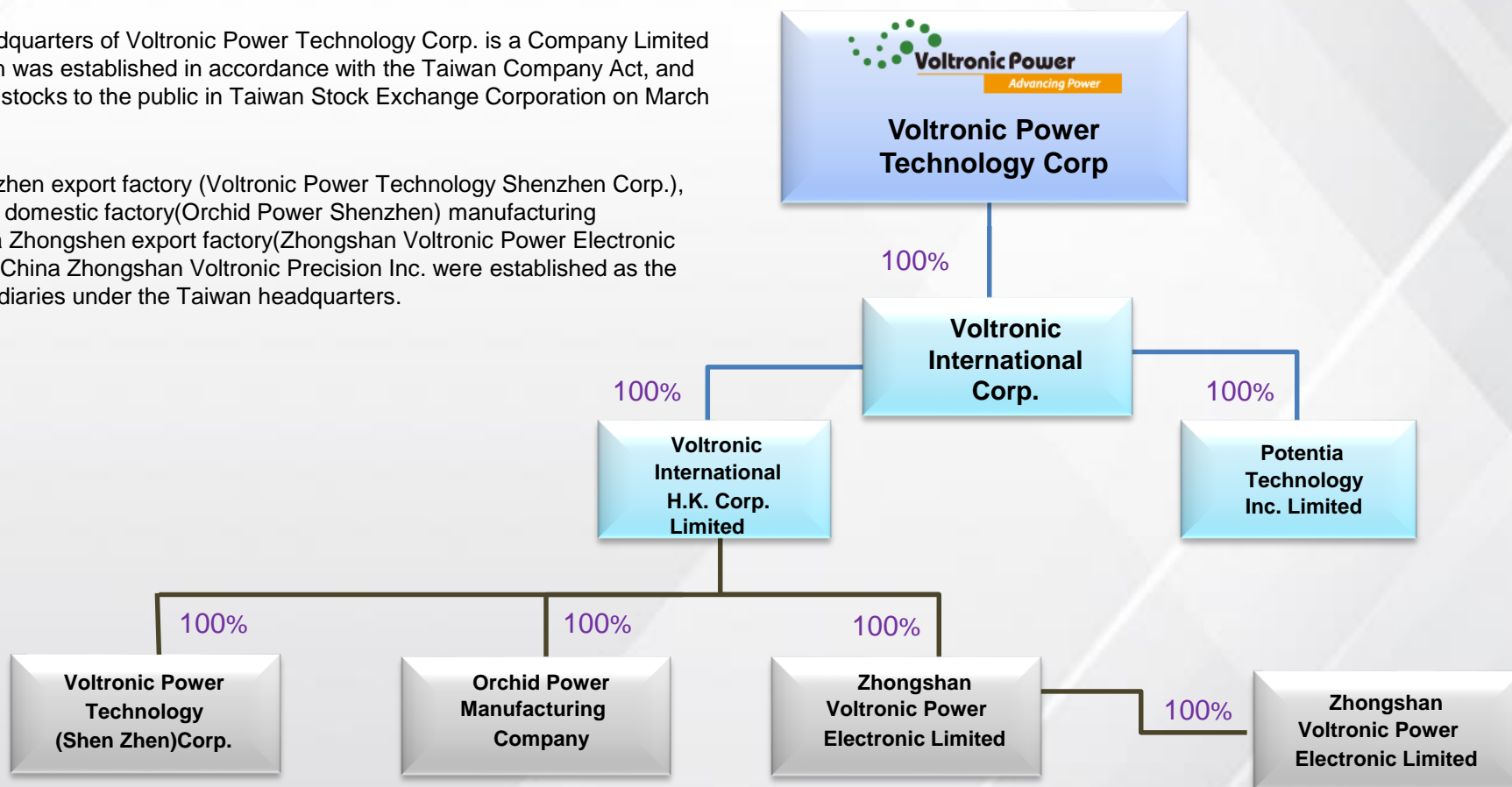
Organizational profile



Ownership

The Taiwan headquarters of Voltronic Power Technology Corp. is a Company Limited by Shares, which was established in accordance with the Taiwan Company Act, and was listed for its stocks to the public in Taiwan Stock Exchange Corporation on March 31, 2014.

The China Shenzhen export factory (Voltronic Power Technology Shenzhen Corp.), China Shenzhen domestic factory (Orchid Power Shenzhen) manufacturing company), China Zhongshan export factory (Zhongshan Voltronic Power Electronic Limited) and the China Zhongshan Voltronic Precision Inc. were established as the 100% held subsidiaries under the Taiwan headquarters.

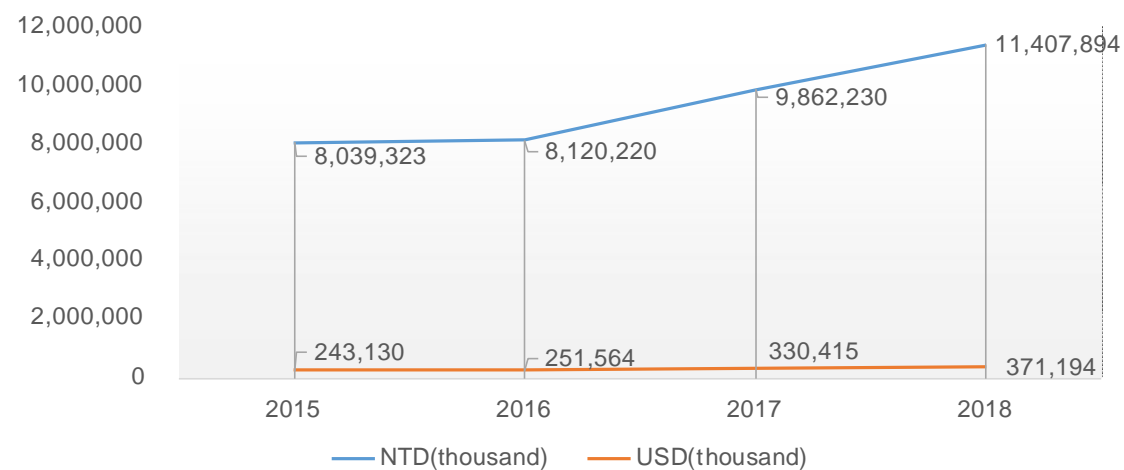


Organizational profile

Total Employees:



Revenues





Organizational Profile



Supply Chain Relationships

Voltronic Power receives clients' projects, specializing in the R&D, design, and product manufacturing services of UPS, and PV inverters. Our upstream components are batteries, transformer, semiconductor electronic components, cabinet, PCB, etc. Amongst these components, battery constitutes the highest proportion in terms of the dollar amount.

The Company carefully selected suppliers through a quality selection process. At present, we have excellent relationships with our suppliers; the supplies are stable without the risks of price fluctuation and supply shortage.

Voltronic Power also engages the mid-stream in the industrial supply chain, R&D products based on customer order requirements are value-added to end-users of downstream industries through customer orders. At present, Voltronic Power has over 350 clients worldwide; the portfolio is well-diversified, with relatively low risks.



In the downstream applications, there are IT communication industry, home appliance industry, the medical equipment industry, individual users, mass transportation equipment, and electrical equipment, etc. The applications are well-segmented with stable growth in each market; so far, there is no apparent operating risk. The figure depicts the product correlation amongst our company's' up, mid, and downstream:

During the reporting period(January 1 to December 31, 2017), Zhongshan Voltronic Power's output had expanded from 200 thousand units in 2016 to 4 million 720 thousand units in 2017, and Zhongshan Voltronic Power's production increased from 4 million 720 thousand units in 2017 to 4 million 980 thousand units in 2018.



Business Ethics

Voltronic Power requires all employees to conduct themselves with the utmost integrity, that ethical employment principles shall be abided by the employees.

We at Voltronic Power expect our customers, suppliers, business partners, and anyone or entity that have business contacts with us to support and adhere to the same principles.

Any possible violation of the ethical employment principles shall immediately report to the supervisors, if necessary, directly to the general manager. Employees who report breach violation of the ethical employment principles and consequently participate in the course of the investigation, the company shall provide due protection to avoid enduring unfair retaliation or treatment.



Anti-corruption

Voltronic Power's employees understood that he or she would not engage, either directly or indirectly, in any activity (Conflict of Interest) which might adversely affect the Company or its affiliates, including ownership of a material interest in any supplier, contractor, distributor, subcontractor, customer or other entity with which the Company does business or accepting any tangible payment, service, loan, gift, trip, entertainment, or other favor from a supplier, contractor, distributor, subcontractor, customer or other entity with which the Company does business.

And that all employees will promptly inform the supervisors or general manager as to each offer received by any offender in any such activity. Employees further agree to disclose to the Company any other facts of which employee becomes aware, which might in employee's good faith judgment reasonably be expected to involve or give rise to a Conflict of Interest or potential Conflict of Interest.



Business Ethics

Governance structure

Board of Directors

The board of directors is one of the two core institutions in Voltronic Power's corporate governance organizational structure.

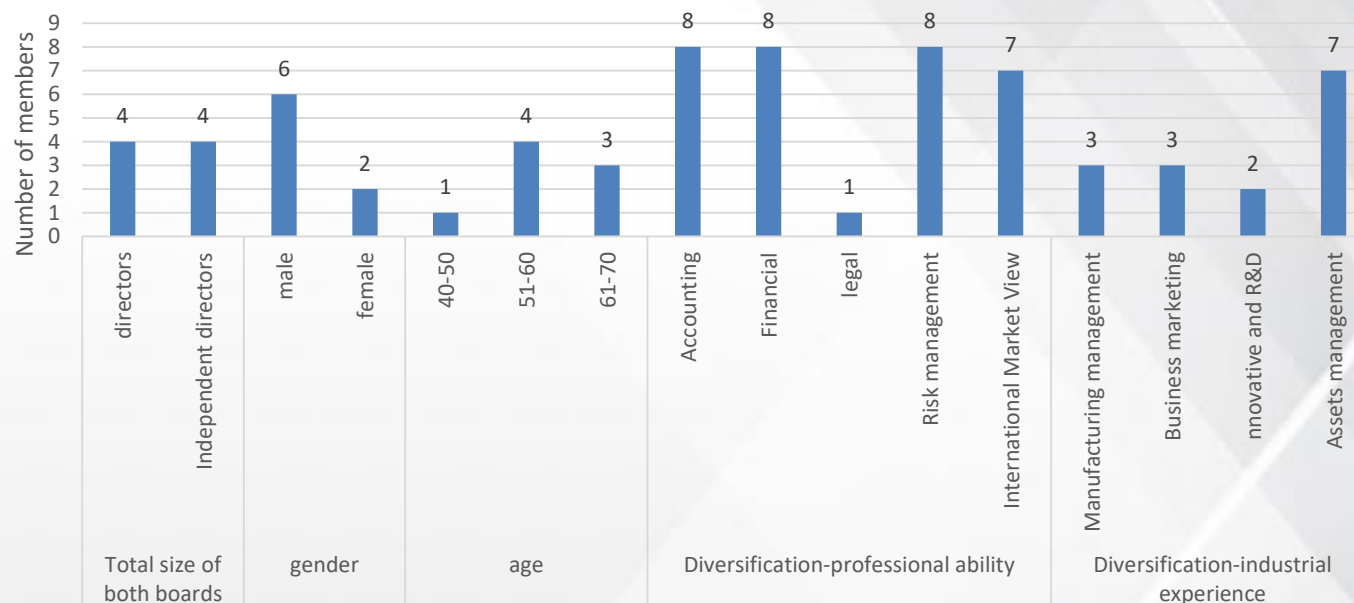
According to the Articles of Incorporation, is comprised of eight directors, four of which are independent. The shareholders' meeting elects them from among the candidates with disposing capacity.

A candidate nomination system was adopted (In the shareholders' meeting convened on May 24, 2016, with alterations to the Articles of Incorporation, the election of all directors including non-independent directors, shall be

shall be elected from the list of nominees). According to the Company Law and the Articles of Incorporation, the terms of all directors (including independent directors, non-independent directors, executive directors, non-executive directors), all are three years. Still, he/she may be eligible for re-election, there is no "Classified Board System".

The percentage of total registered shares owned by the directors and supervisors will be tallied according to the provisions of the securities regulatory authority. Liability insurance will be issued for all directors and supervisors and reporting to the Board. In 2018, there were eight directors, two were female director and 6 were male directors.

Age of the Youngest Director is 49 years old, age of the Oldest Director is 70 years old, the Board average age is 60 years old. According to the provisions of the Taiwan Company Law of, the director must be at least 20 year of age and can make juridical decisions. There were four independent directors and two non-executive directors on the Board, the chairman of the Board was elected by the Board of Directors. The chairman of the Board shall internally preside the shareholders' meeting, the meeting of the Board of Directors, and shall externally represent the company. Because the chairman of the Board is also CEO in duality, so Voltronic Power voluntarily appoints two more independent directors than required by laws, and the Audit Committee was comprised entirely by independent directors.





Introduction to Directors

Title	Name	(Selected Education, Past Positions & Current Positions at Non-profit Organizations)
Director	HsiehChuo-Ming	Education & Professional ualifications: Department of Business Management, Tatung University Current Position: Voltronic Power Technology Corp. - Chairman cum General Manager Voltronic International Corp., Voltronic International H.K. Corp. Limited, Potential Technology Inc. Limited – Director Zhongshan Voltronic Power Electronic Limited, Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company
Director	Open Great International Investment Limited Company representative: Chen Tsui-Fang	Education & Professional ualifications: Department of Public Finance and Taxation, Takming Junior College of Commerce Current Position: Voltronic Power Technology Corp. - Special Assistant of General Manager Open Great International Investment Limited Company – Chairman
Director	Passuello Fabio	Education & Professional ualifications: University degree in Electrical Engineering Current Position: Director and Manager Director of RPS SpA.
Director	Chuan Han Enterprise Co., Ltd. representative: Cheng Ya-Jen	Education & Professional ualifications: Tatung University Current Position: FSP Technology Inc. - Chairman 3Y POWER TECHNOLOGY INC. - Chairman 3Y POWER TECHNOLOGY INC. - Responsible person AMACROX TECHNOLOGY CO., LTD .- Director AMACROX GMBH-responsible person FSP Technology Inc. (Wuxi Quanhan) - Director FSP TECHNOLOGY INC. (Wuxi Zhonghan) - Director FSP Technology Inc. (Shenzhen Zhonghan) - director FSP –Powerland Technology Inc. – Director FSP Generation Technology Inc. (Jiangsu) - – Director FSP TECHNOLOGY USA INC. - Responsible person Haohan Electronic Technology Inc.-(Ji'an)- Director LeadSolar Energy Co. Ltd - Director



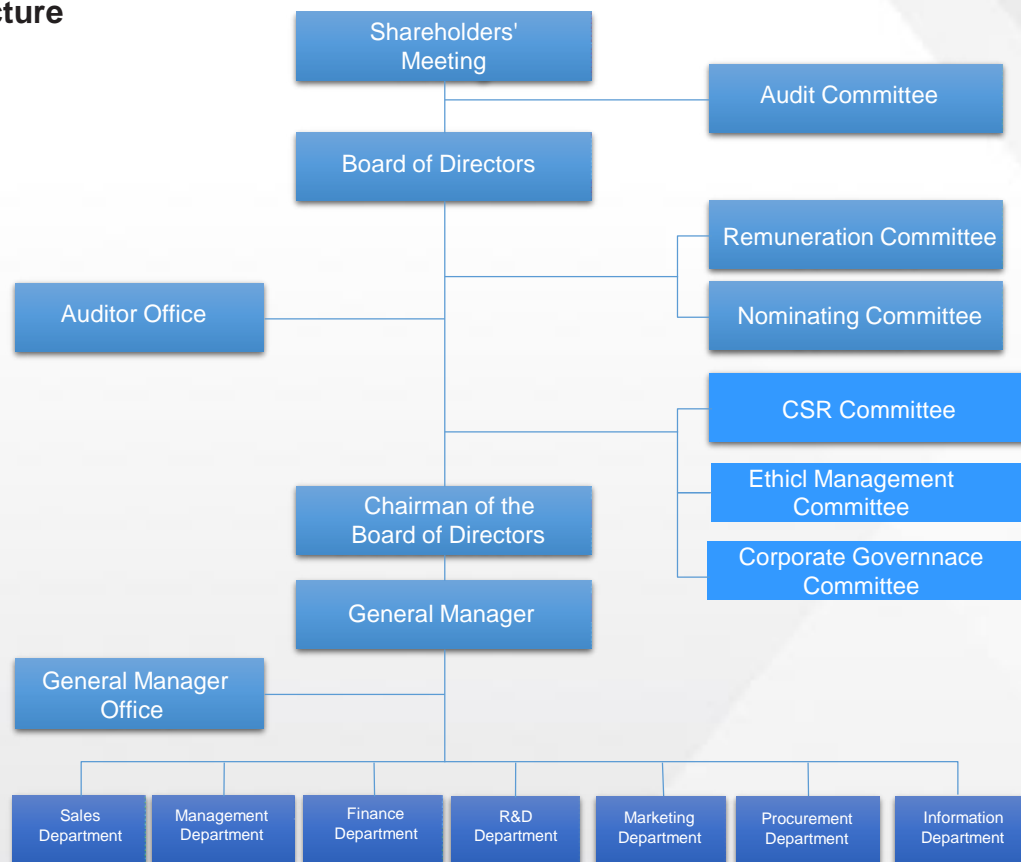
Introduction to Directors

Title	Name	(Selected Education, Past Positions & Current Positions at Non-profit Organizations)
Independent director	Li Chien-Jan	Education & Professional ualifications: Ph.D. Program in Accountancy of National Chengchi University Current Position: Full-time professor, Department of Accountancy, National Taipei University Director of Accounting Research and Development Foundation and committee member of Accounting Standards Board Commission member of Public Functionary Disciplinary Sanction Commission Committee member of Securities Listing Review Committee Independent director of Copartner Tech Corp. Independent director of L&K Engineering Co, Ltd. Chairman of Fly-Hawk Accounting Education Director of Taiwan Institute of Ethical Business and Forensics, and committee member of its Corporate Governance Committee
Independent director	Yang Ching-Hsi	Education & Professional ualifications: Doctor of Commerce (major in Accounting), Keio University Current Position: Specially Appointed Associate Professor, Department of Accountancy of National Taipei University Independent director of Podak Co., Ltd.
Independent director	Wang Hsiu-Chi	Education & Professional ualifications: Master of Rider University Current Position: Adjunct Professor, Department of Accountancy, National Taipei University Independent director of South China Insurance Co., Ltd.
Independent director	Chen Yi	Education & Professional ualifications: Bachelor, College of Law, National Taiwan University Master, Graduate Schools for Law and Politics, University of Tokyo, Japan Current Position: Visiting Professor, Graduate Level School of Law, Kanazawa University, Japan



Governance

Organization Structure



The incumbent directors all have rich operating or academic experience; the Board of Directors shall meet at least quarterly. In the most recent year (2018), the Board of Directors convened a total of seven Boards meetings (A). The director's attendance is as follows, Board Meeting average attendance was 84.31%, and the number of Directors Attending less than 75% was only twice. (Diversification of board members, please refer to [attachement 2.1](#))



Governance



Audit Committee

Voltronic Power's Audit Committee is comprised of four members:

Independent Director Mr. Lee Chien-Jan

Independent Director Mr. Yang Ching-His

Independent Director Ms. Wang Hsiu-Chi

Independent Director Mr. Chen Yi



Remuneration Committee

Voltronic Power's Remuneration Committee is comprised of four members:

Independent Director Mr. Lee Chien-Jan

Independent Director Mr. Yang Ching-His

Independent Director Ms. Wang Hsiu-Chi

Independent Director Mr. Chen Yi



Nomination Committee

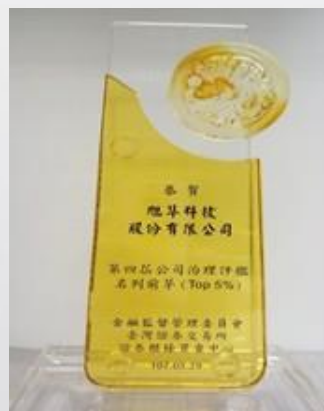
Voltronic Power's Remuneration Committee is comprised of three members:

Independent Director Mr. Lee Chien-Jan

Independent Director Ms. Wang Hsiu-Chi

Independent Director Ms. Liao Gui-Fang

Voltronic Power Technology Corp. was ranked as top 5% in 2016,2017,2018 by the Corporate Governance Evaluation among all the companies listed on the Taiwan Stock Exchange

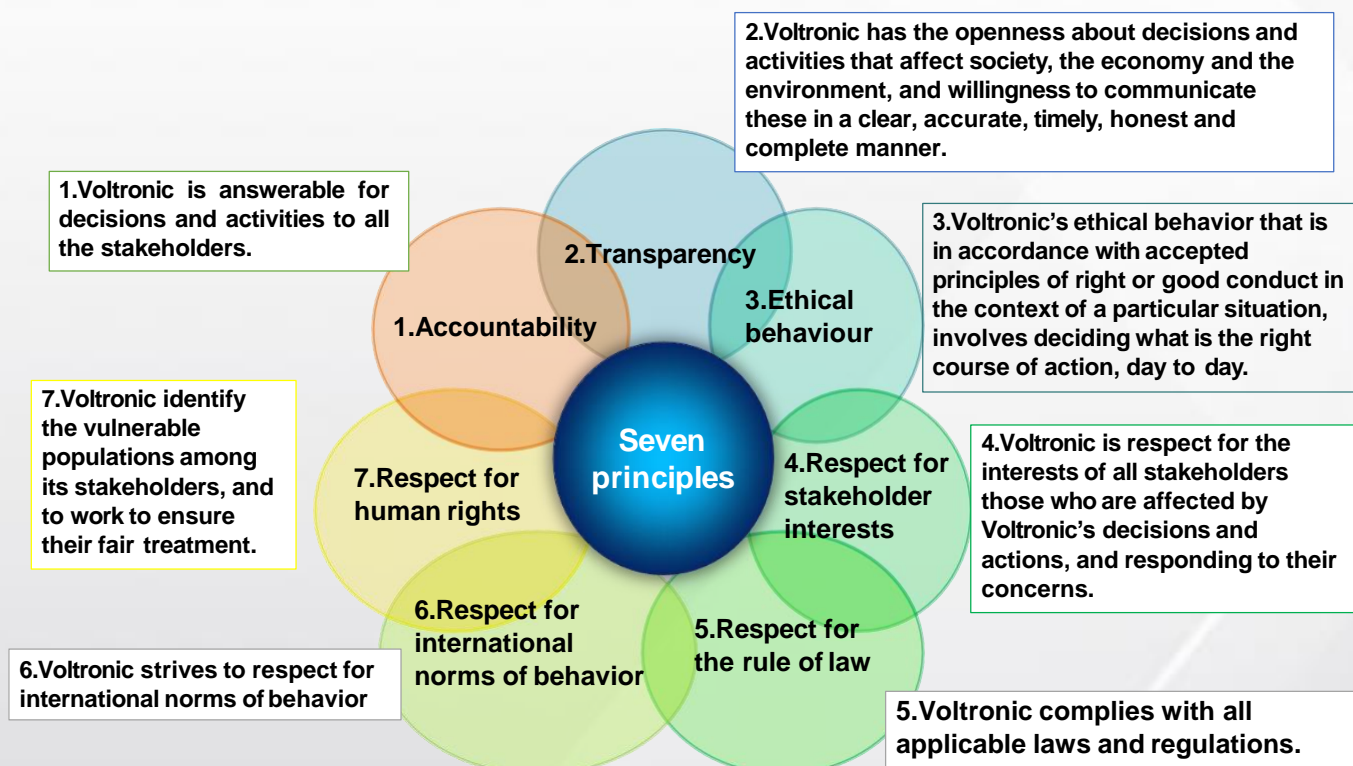


External Initiatives

ISO 26000 Social Responsibility Guidance promote the consensus of social responsibility domain. Responding to the core content of ISO 26000, we clarify our social responsibility and help our company to transfer principles to effective actions. And to be the member of Taiwan Electrical and Electronic Manufacturers' Association and Taipei Computer Association, devoted to do the best practice of social responsibility in the global world.



Responding to ISO 26000 Core Content





Risk Governance

Management Approach

We have four independent directors and two non-executive directors, totally six directors in the audit committee with expertise in risk management. Six hours of training courses are held every year.

The course content is selected from the courses of internal control internal audit, corporate governance regulations, securities management regulations, the impact of international economic and trade development trends on enterprise operation, risk identification and management of enterprise operation, risk and turnaround of climate change etc.

The highest ranking person with dedicated risk management responsibility on an operational level and the highest ranking person with responsibility for monitoring and auditing risk management performance on an operational level, all are reporting to CEO regularly and irregularly, and then reporting to the audit committee and the board of directors periodically by CEO, the risk management function is structurally independent of the business lines.

Risk and Crisis Management Operational Principles

Voltronic Power Technology Corp (hereinafter referred to as the Company) has defined risk and crisis management as one of the three most material issues for sustainable development.

Therefore, in order to promote risk management policy and establish crisis management mechanism, train employees' awareness of risk and crisis management, implement risk and crisis management, and enhance the effectiveness of risk and crisis management, to achieve the goal of sustainable development of our company.

The operational system of risk and crisis management of the company and all departments is: risk and crisis identification, risk and crisis analysis, risk and crisis assessment, risk and crisis management; planning, implementation, inspection, supervision, review, management and continuous improvement of risk and crisis management policies, as well as communication, consultation, guidance, training, tracking and assessment.

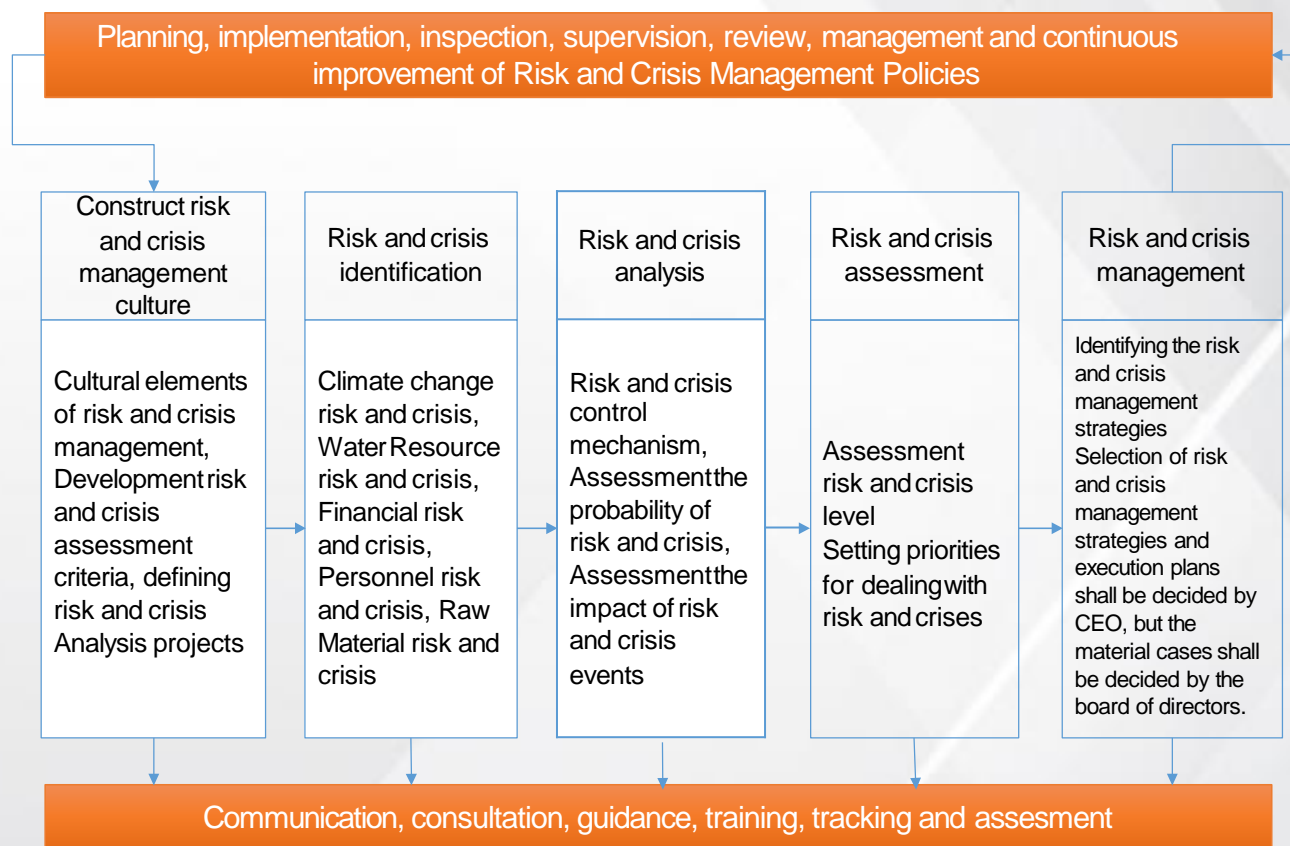


Governance

Individual employees are encouraged to identify and report potential risks throughout the organization proactively. If the potential risks are verified and managed effectively, the individual will be rewarded according to their contribution. Reports could be turned in through line managers, or to senior executives, one can also use mailboxes or hotline.

The company uses some risk management assessment metrics as part of the KPIs for senior executives and line managers to determine their variable compensations. To facilitate and continuously improve risk and crisis management. In addition, supporting the annual Risk and Crisis Management Plan will also be part of employees' performance appraisal.

They will be asked for their views on the annual Risk and Crisis Management Plan during their performance appraisal, encouraging the employees to participate in the constructive feedback process and continuously improve risk and crisis management.





Supplier Management

- Supplier's Compliance of High Standards
- Local Supply Chain Management
- Risk Management
- Sustainability Engagement





Supplier's Compliance of High Standards



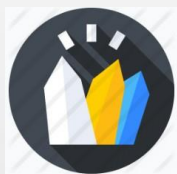
100%

Continue to achieve 100% raw materials compliance with the requirements of EU Restriction of Hazardous Substances (RoHS) directive



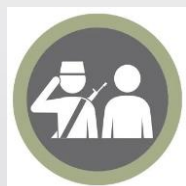
100%

Continue to achieve 100% raw materials compliance with the requirements of EU REACH. Act on SVHC-Substances of Very High Concern.



100%

Continue to achieve 100% non-use of conflict mineral raw materials.



The revenue from products containing minerals from conflictaffected and high-risk areas is **0**.



Supplier Management

Local Supply Chain Management

Our management of the supply chain is not only to measure the impact on production, service, and operation but also to consider the effect of corporate social responsibility and corporate reputation. Therefore, Voltronic Power follows relevant regulations and GRI statements as the basis of supply chain management. In regards to labor rights, environmental protection, health, and safety of the supply chain as the control point of sustainability risk to identify supplier risks. Based on the evaluation results, improvement measures are formulated for high-risk suppliers to help them reduce the risk and establish a sustainable partnership.

Requirements to Suppliers

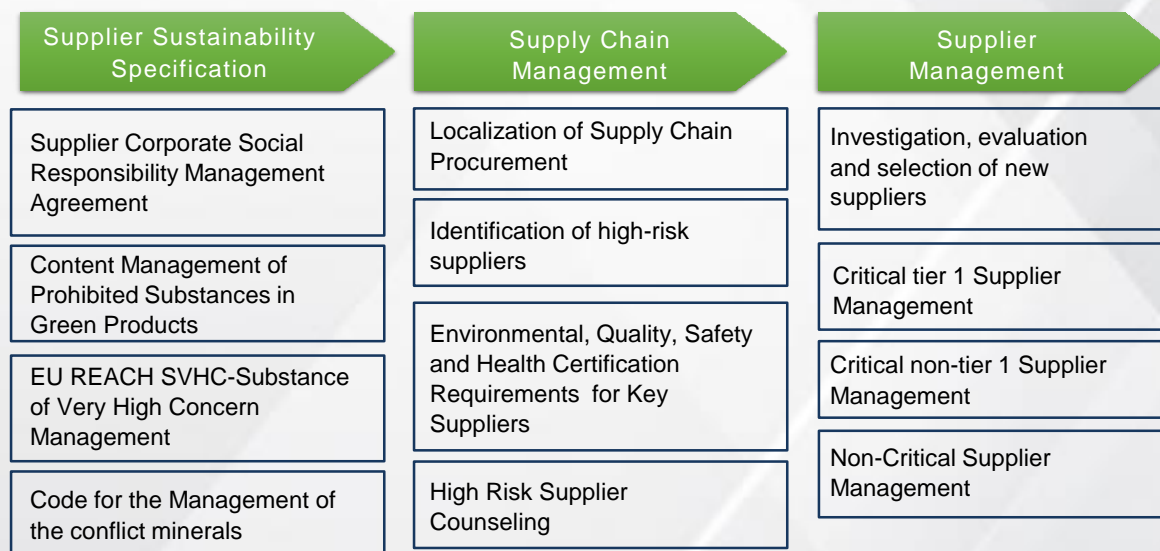
Suppliers shall comply with the provisions of environmental laws, regulations, and technical standards. Including ROHS, prevention and control of pollution, waste disposal, and other environmental protection laws and regulations, the supplier shall act following requirements of Voltronic Power to furnish the related documents associating with specific environmental protection investigation or protection.

Suppliers shall conform to ethical management throughout the supply chain, both upstream and downstream. To improve the core competitiveness of our suppliers, one only has to focus on obtaining the most competitive pricing products to engage in pure trading behavior. Behaviors such as offering direct or indirect rebate, commission, facilitating payment, or through other means to provide any improper benefits to each other are strictly prohibited.

Supply Chain Management Commitment

- I. Establish a supply chain aiming at sustainable development.
- II. Manage supplier quality, cost, delivery time, service and sustainability.
- III. Lead suppliers to do their best in social responsibility, labor rights and interests, environmental protection, safety and health.
- IV. Ensure that products and supply chains do not use conflict minerals.

Supply Chain Management





Supplier Management

Risk Management

Supply Chain Sustainability Risk

To build a sustainable supply chain, Voltronic Power identifies economic, environmental, and social dimensions risk-projects in terms of suppliers' locations, purchases amounts, and suppliers' production process. Using Threats, Impact, and Vulnerabilities as measuring tools, Voltronic Power defines suppliers' risk levels and carries out potential risks analysis.

To further understand the suppliers' risk situations, a sustainability risk questionnaire survey was conducted for critical suppliers. After the completion of the survey, risk assessment will be carried out to identify at-risk suppliers, an on-site audit will be performed for critical suppliers with high risk. The Validity Auditing Process (VA) of RBA (Responsible Business Alliance Code of Conduct) will be required.

Through the risk assessment process, potential risks in the supply chain with economic, environmental, and social aspects will be identified. Suppliers with high risks have to propose plans for mitigation and ensure that their risks can be effectively controlled and contained.

Sustainability risk assessment scope and targets

Indicate the scope of the sustainability risk assessments performed for Tier 1 and critical non-tier one suppliers. On-site audits, questionnaires, external sustainability agencies audit, stakeholder information, external databases, etc., are all acceptable types of assessments.

Type of supplier	Number of suppliers assessed in the last 3 years	Percentage of suppliers in that category assessed in the last 3 years (based on total number of suppliers in that category provided in "Awareness" question). The values should not exceed 100%.	Description of target
Tier 1 suppliers	18	100%	Provide a description of target: Continue to achieve 100% raw materials compliance with the requirements of EU Restriction of Hazardous Substances (RoHS) directive and the requirements of EU REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) Act on SVHC-Substances of Very High Concern. Continue to achieve 100% non-use of conflict mineral raw materials. Target year: Annually Ongoing
Critical non-tier 1 suppliers	24	100%	Provide a description of target: Continue to achieve 100% raw materials compliance with the requirements of EU Restriction of Hazardous Substances RoHS directive and the requirements of EU REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) Act on SVHC-Substances of Very High Concern. Continue to achieve 100% non-use of conflict mineral raw materials. Target year: Annually Ongoing



Supplier Management

Risk Management

Sustainability High-Risk

Definition of "sustainability high-risk"

Provide the definition or the description that company uses for "sustainability high-risk".

The assessment factors of Voltronic Power for high risk of sustainability are as follows:

1. Economy:

- Quality, Cost and Delivery Time
- Business Ethics
- Compliance with Regulations
- Critical Rare Metals Supply
- Only Source of Supply

2. Environmental aspects:

- Environmental management system
- Climate change
- Water resources management
- Waste and air pollution management

3. Social aspects:

- Safety and health
- Labor rights
- Conflict minerals management

Type of supplier	Number of suppliers classified as highrisk	Percentage of total suppliers in that category classified as high-risk (based on total number of suppliers in that category provided in "Awareness" question). The values should not exceed 100%.
Tier 1 suppliers	0	0
Critical non-tier 1 suppliers	0	0
Total suppliers	0	0

Ongoing Sustainability Monitoring

Type of supplier	Percentage assessed annually	Percentage assessed at least once every 3 years	Total (should not exceed 100%)
Critical suppliers (tier 1 and non-tier 1)	43%	57%	100%
Suppliers with high sustainability risk. If has not identified any suppliers with high sustainability risks, please ensure that "0" is marked in applicable fields the "Risk Exposure" question.	0	0	0



Supplier Management

Sustainability Engagement

Voltronic Power Supply Chain Management Norms

In 2018, there were 604 suppliers for Voltronic Power, including 18 critical Tier 1 supplier and 24 critical non-tier one suppliers. 80% of the purchasing amount was locally purchased, and 20% was imported from abroad.

Voltronic Power formulates complete supply chain management norms and management matrix, including new supplier evaluation, supplier management, supplier audit, and guidance, to help suppliers become green supply chains and reduce the risk to the supply chain sustainability.

Voltronic Power ensures that sustainability is integrated into supplier selection and retention decisions, and stipulates that suppliers must meet the minimum 70-point threshold of "ESG assessment for CSR checklist."

1. Supplier Corporate Social Responsibility Management Agreement

2. Prohibited Substances Contents Guarantee for Green Products (GP)

3. EU REACH SVHC-Substances Limitation Guarantee

4. Conflict Minerals Management Survey

5. Supplier Corporate Social Responsibility Inspection

Definition of critical suppliers



Total tier 1 suppliers

Absolute number of suppliers: 42

64%



Critical tier 1 suppliers

Absolute number of suppliers: 18

47%

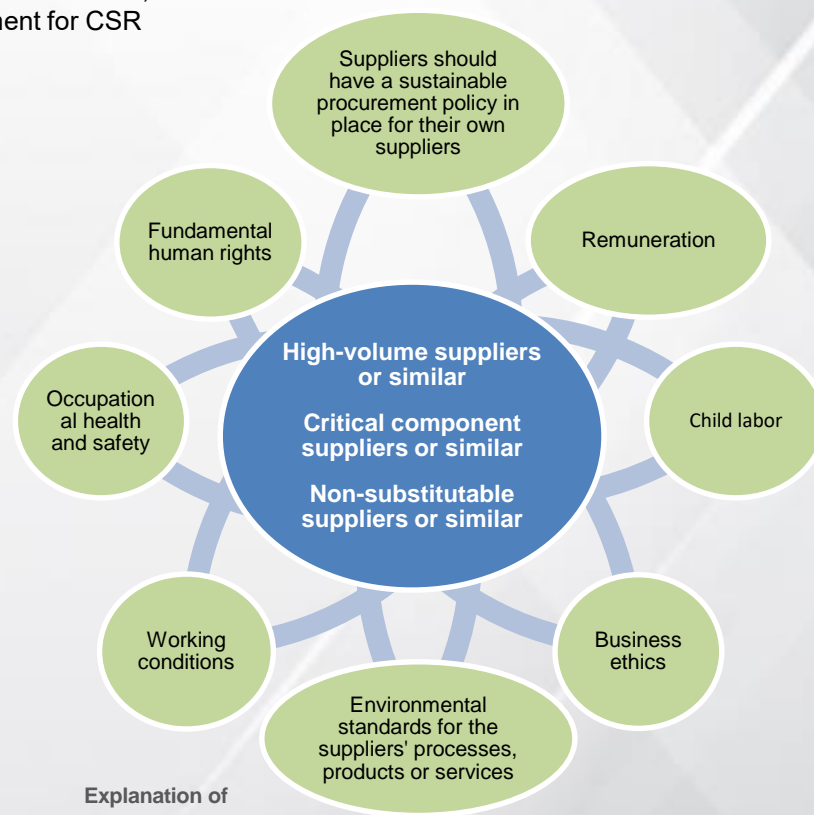


Critical non-tier 1 suppliers

Absolute number of suppliers: 24

16%

Share of total procurement spent (%)



Explanation of who each tiers are



**Supplier
Management**

Quantitative KPIs and Targets

	Specify the KPI	Specify the target that is linked to the KPI
KPI 1	KPI: raw materials compliance with the requirements of EU Restriction of Hazardous Substances (RoHS) directive.	Target: Continue to achieve 100% raw materials compliance with the requirements of EU Restriction of Hazardous Substances (RoHS) directive Target year: Annually Ongoing.
KPI 2	KPI: raw materials compliance with the requirements of EU REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) Act on SVHC-Substances of Very High Concern.	Target: Continue to achieve 100% raw materials compliance with the requirements of EU REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) Act on SVHC-Substances of Very High Concern. Target year: Annually Ongoing.
KPI 3	KPI: raw materials compliance with the requirements of Conflict Mineral Management Specification	Target: Continue to achieve 100% non-use of conflict mineral raw materials. Target year: Annually Ongoing.

