



聯亞光電工業股份有限公司

LandMark Optoelectronics Corporation



2018 Corporate Social Responsibility Report

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About this Report

Report Period and Range

This report discloses all achievements and performances in the scope of CSR of LandMark Optoelectronics Corporation (hereafter referred to as “LandMark ” or “the Company”) in the period of January 1, 2018 to December 31, 2018 and the responses to the significant issues that were of concern to stakeholders. All disclosed information and data were prepared by the Company and the financial data was cited from the financial report attested by the accountants. The Company's production and operation are located in Taiwan; therefore, the scope of the report is Taiwan.

Reporting Basis

This report was written in accordance with the core option (Core) of the GRI Standards issued by Global Reporting Initiative (GRI). Through discussion, the team identified major substantive considerations related to the Company's operations and included the opinions of stakeholders so as to determine the boundary of each consideration and describe corresponding policies. At the end of this report,

the GRI standards comparison table is provided for your reference.

Report Release

This “Corporate Social Responsibility Report” is the first version and will be regularly released on an annual basis in the future and posted on the Company's website.

Next version: To be issued in September, 2020

Report cycle: once in every year

Contact Information

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Chairman's Message

LandMark knows very well that in addition to creating economic value and maximizing profits for shareholders and investors, a modern corporate should also focus on creating social value. Therefore, with a pragmatic attitude, we are committed to practicing corporate governance, the environmental protection, the protection of employee rights, and social responsibilities such as social participation, etc. in order to pursue economic, social and environmental sustainable development, in which we can coexist and thrive together. In order to specifically practice the corporate social responsibility, the Company's board of directors has adopted the "Corporate Social Responsibility Rules", which clearly defines four main principles: implementing corporate governance, developing a sustainable environment, maintaining social charity, and enhancing the disclosure of the information of the corporate social responsibility.

Regarding the implementation of corporate governance, in the latest announcement of the fifth "Corporate Governance Evaluation", LandMark won the

top 5% of all listed companies with outstanding performance and recognition.

Regarding the environmental protection, LandMark has set the goals of energy conservation and emission reduction in water and electricity as well as reducing the amount of hazardous industrial wastes, and aimed at the goals to implements management plans to review and track regularly. In 2018, the Company has expanded the equipment for waste water recovery and treatment to improve water resource recovery rates. Through all the continuous efforts above, the Company can implement environmental protection activities.

As to social aspect,, internally, LandMark values all the employees' rights by providing them with competitive compensation and welfares and establishing a healthy and safe workplace for them; externally, the Company provides our customers with quality services, and also build a good partnership with our suppliers. In 2018, we also cooperated with the " Tainan Home of Philanthropy" to organize a project to help vulnerable children fulfill their dreams at Christmas Eve to implement care for the community.

The prospect in 2019 for LandMark is to continue walking on the journey of transcending itself, to fulfill the responsibility of corporate citizens based on business integrity, and to work with all stakeholders to create a sustainable future together.



Chairman of LandMark
Ching Yi Chang

Summary of 2018 CSR Results

Economic

- The operating revenue in 2018 was NT \$ 2.362 billion, which increased by 15.87% than the previous year.
- The ROE (Return On Equity) in 2018 was 17.97%.
- Top 5% of listed companies in the 5th Corporate Governance Evaluation
- In 2018, the Company has participated in the total of 11 domestic and overseas institutional investors' conferences and investment forums.
- The amount of investment in R & D was NT \$ 293 million, which accounted for 12% of total revenue.



Environmental

- In 2018, the area emissions of greenhouse gas from our products decreased by 8.04% compared with 2017.
- The Company has implemented two energy-saving measures and the estimated energy savings was approximately 477,955 kWh.
- Approximate 11,547 tons of wastewater was reused in 2018.
- The target value of the generated hazardous industrial waste was <0.08 kg/cm² and the actual value was 0.05 kg/cm².
- The amount of investment in the equipment for the prevention of environmental pollution in 2018 was NT \$ 17.53 million.



Social

- In 2018, the average salary of non-executive employees was NT\$ 937 thousand which ranked the 6th in the same industry of listed companies.
- LandMark Optoelectronics has co-organized an activity "LandMark♥Sharing" with Tainan Nursery School so that all employees could support 31 children in the nursery school to realize their Christmas wishes.
- The total hours of education and training in 2018 was 4,105.
- The number of occupational accidents in 2018 was zero.

1. About LandMark

1.1 Company Profile

1.2 Operating Performance

1.3 Stakeholder Identification and Communication

About LandMark

1.1. Company Profile

LandMark was established in 1997 and headquartered in the science park in the southern Taiwan, which uses organic metal vapor phase epitaxy (OMVPE) to manufacture and produce Epi-wafer from InP, GaAs or other related materials. Moreover, the Company can provide customers with component design, growth, process, verification, and professional services for back-end applications and is currently one of the most advanced professional epitaxial plants in Taiwan.



Company Website



2018 Annual Report

Company name: LandMark Optoelectronics Corporation

Founding date: June 2, 1997

Industry category: Communication Network Industry

Products and services:

- Epi-wafer for Laser Diode (LD)
- Epi-wafer for photo-detector (PD)

Chairman: Ching Yi Chang

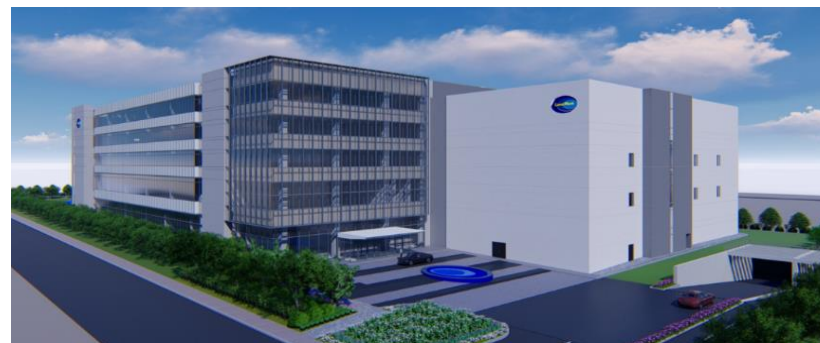
General Manager: Roger Lo

Number of employees: 325

Paid-in capital: NT\$910 million

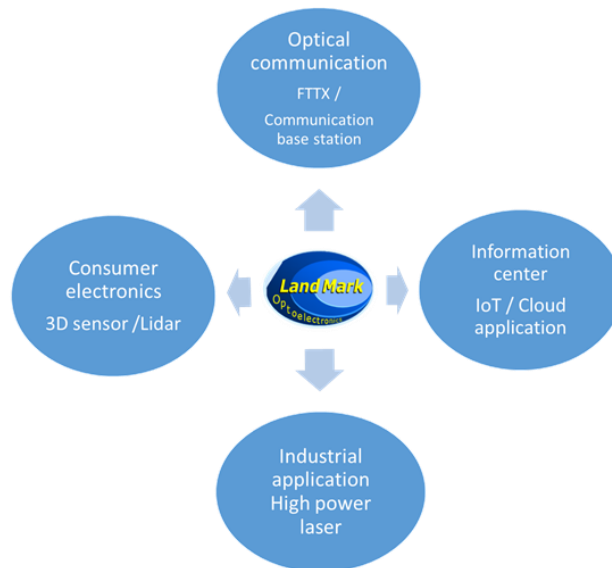
Revenue in 2018: NT\$2.362 billion

Net profit after tax in 2018: NT\$697 million



● Product application

The Epi Wafer produced by the company is a key component used in optical fiber communication (FTTx / communication base station), data center, etc., which has the technology and quality recognized and trusted by our customers and therefore is very famous internationally. Besides, in recent years, our company has been actively developing suitable Epi Wafer in different application markets such as consumer electronics, industrial, material processing equipment, and so on to provide middle and downstream customers with Epi Wafer and technical support in different application markets.



● Product market share

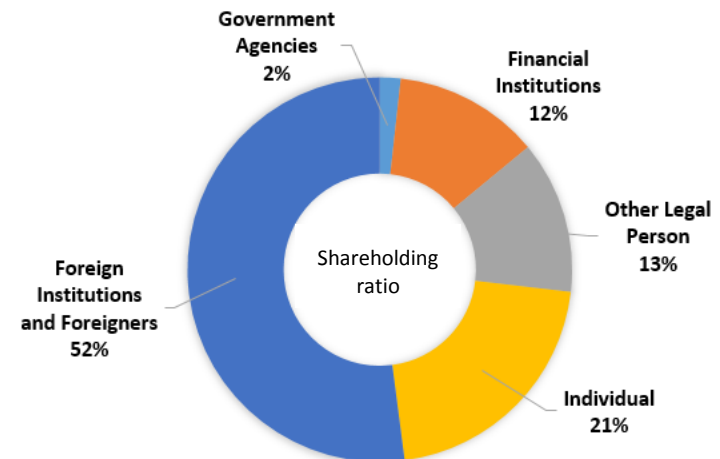
According to statistical data made by the market research organization Yole Development, in the global professional InP epitaxy market in 2017 and 2018, LandMark obtained a market share of more than 55%.

InP Epiwafer open market shares 2017 InP Epiwafer open market shares 2018



Source: Yole

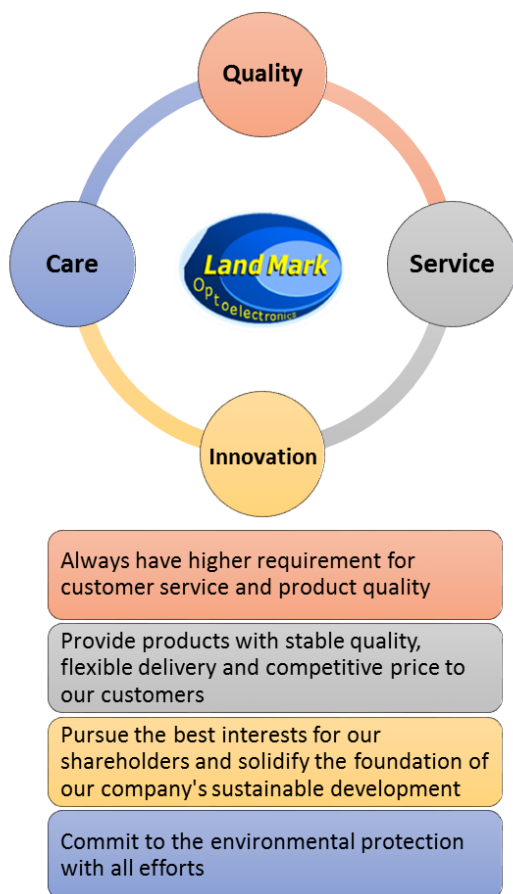
● Shareholder structure



Data date: till March 23, 2019

● Philosophy and vision

LandMark sticks to the business philosophy of "Quality, Service, Innovation, and Care" to pursue the corporate sustainable development and takes "to become the No. 1 of the professional laser epitaxial plants in the world" as its vision.



● Participation in external associations

LandMark has actively participated in industrial associations and guilds and through which obtained optical communications industry information so as to continue observing changes in the related industrial development and to collect relevant market information in order to grasp the market trends. The main associations and guilds in which the Company participated in 2018 are as follows:

Associations	Position	Participation benefits
Photonics Industry & Technology Development Association (PIDA)	General Member	Be aware of the industry trends and information
The Allied Association for Science Park Industries	General Member	Be aware of the industry trends and information

● Operation Management System

LandMark has obtained ISO 9001 quality management system certificate, ISO 14001 environmental management system certificate and QC 080000 hazardous substance management system certificate.

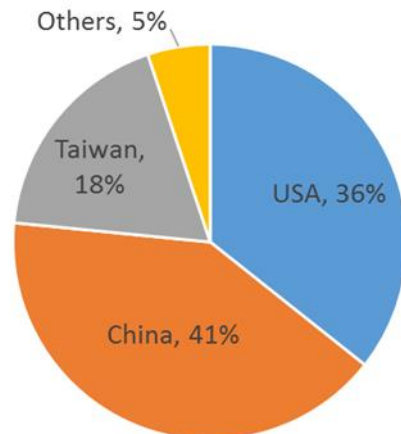
1.2. Operating Performance

● Operating Results

The revenue of LandMark in 2018 was NT\$ 2.362 billion, which has increased by 15.87% compared with the previous year; its operating profit was NT\$ 842 million, after tax net profit was NT\$ 697 million and earnings per share was NT\$ 7.71 so the return on shareholders' equity was 17.97%.

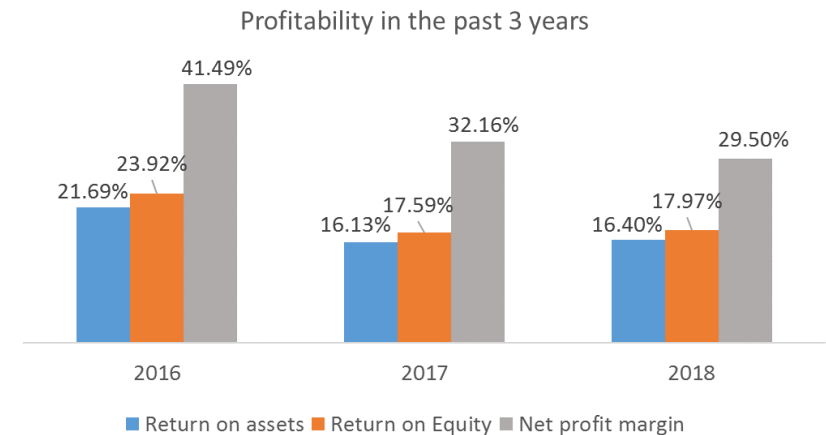
● Product sales areas and their proportions

Sales areas and their proportions in 2018



● Profitability

LandMark's operations have been stable and keeping making profit. The profit in the past three years is as follows:



● Surplus distribution

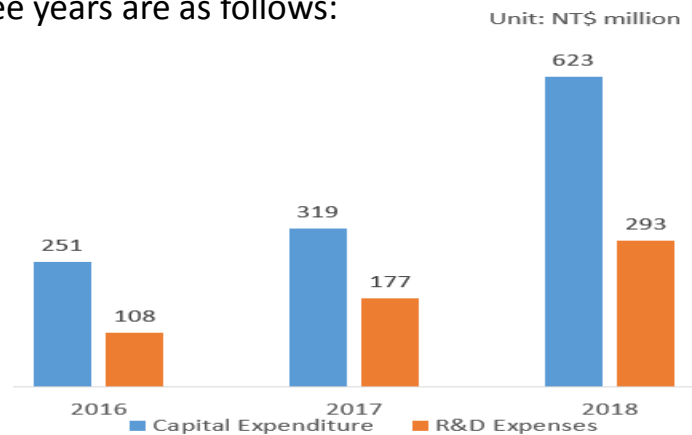
The surplus distribution in the past three years is as follows:

	2016	2017	2018
The surplus for distribution (NT\$ million)	725	453	455
Dividend per share (NT\$)	8	5	5
Dividend Payout Ratio	82.98%	68.77%	64.85%

● Capital expenditure and R&D expenses

In addition to the distribution of cash dividends to shareholders, the Company's surplus has been invested in capital expenditures and R&D expenses in accordance with the business strategies. In 2018, the Company has not only kept developing various products and technologies to ensure its own growth momentum, but also involved itself in many projects about co-developing new products in accordance with customer needs. The R&D investment in research was NT\$293 million, which has increased by 65% over the previous year; as for the capital expenditure, the Company has built a second factory in Tainan Science Park to expand production capacity to meet the market demand in the future.

The capital expenditure and R & D expenditure in the past three years are as follows:



● Government subsidy

The information related to the investment in R&D expenses that the Company has applied for government subsidies and for deductions in the profit-seeking enterprise income tax payable is as follows:

Item	2016	2017	2018
R&D Deduction	3,002	5,295	4,736
A+ Industrial innovative R&D program	-	4,019	3,095
Total	3,002	9,314	7,831

- Economic value distributed to stakeholders

Unit: NT\$ thousand

Item	Basic Factor	2016	2017	2018
Produced direct economic value	Revenue	2,110,063	2,038,618	2,362,205
Distributed economic value	Operating costs	514,206	577,520	681,823
	Employee salary and welfares*Note 1	337,494	358,061	404,521
	Payments to investors*Note 2 (cash dividends)	629,188	724,717	452,860
	Payments to government*Note 3 (income tax)	238,278	176,095	118,843
Remaining economic value (Produced-Distributed)		390,897	202,225	704,158

Note 1: including other employment costs such as salary, labor and health insurance, pension, director's remuneration and benefits for other employees.

Note 2: cash dividends paid for that year

Note 3: income tax paid for that year

The amounts listed above were drawn up in accordance with International Financial Reporting Standards and attested by the accountant.

1.3. Stakeholder Identification and Communication

● Corporate Social Policy and Commitment

In order to achieve corporate sustainable operations and to promote social development, the Company sticks to the following commitments to fulfill its social responsibilities so as to create a higher value and welfare for stakeholders:









Corporate Social Policy and Commitment
Implement corporate governance <ul style="list-style-type: none"> To establish and maintain a healthy corporate governance system To comply with the laws and regulations and to implement business integrity and ethics To guarantee and enhance the rights and interests of stakeholders To strengthen the information disclosure and to improve the communication with stakeholders
Develop a sustainable environment <ul style="list-style-type: none"> To establish an environmental management system and to reduce the impact on the environment from the corporate operations To do our best to save energy and reduce waste for the sustainable uses of resources
Maintain social welfare <ul style="list-style-type: none"> To emphasize labor rights and to create a healthy and safe friendly workplace To create a good environment for employees' career development To encourage business partners to fulfill corporate social responsibility together

● Stakeholders and major topics identification

According to its own operating characteristics and the discussions through inter-departmental meetings, LandMark has identified the following main stakeholders: shareholders (investors), employees, customers, suppliers (contractors), and government agencies (the competent securities authority, Science Parks Bureau, Environmental Protection Bureau, Ministry of Labor, etc.), and also followed the sustainable reporting guidelines of GRI to set the major topics through inter-departmental discussions with the five-step cycle: collection, identification, sorting, confirmation, and review.



● Major topic list

Major topics	How does LandMark Optoelectronics manage?	Information corresponding to International Indicator		Chapter to respond	Association with LandMark value chain		
		GRI	SDGs		Suppliers	LandMark	Customers
Company Governance	<ul style="list-style-type: none"> Complies with laws and regulations, implemented the principles of corporate governance Improves the operation of board of directors and the effective internal control system The Company and all employees follow the code of conduct. 	GRI 102		2.1 Company Governance		●	
Economic Performance	<ul style="list-style-type: none"> Keeps innovating R&D and improving of product quality Has been actively participated in the R&D of customers' product technology Expands production capacity, applies lean production and enhances production efficiency 	GRI 201		1.2 Operating Performance		●	●
Energy Management	<ul style="list-style-type: none"> Has been keeping an effective environmental management system. Set the targets of energy saving and emission reduction for water and electricity to reduce the generating amount of hazardous industrial waste, to which the Company has also implemented management plans and reviewed progress regularly. 	GRI 303 GRI 305 GRI 306	  	3. Environmentally Friendly Management	●	●	●
Labor relation	<ul style="list-style-type: none"> Complies with labor laws, improves and implements human resource management Holds labor conferences regularly, establishes diversified communication channels to create a harmonious Labor relation Enhances employee welfare to increase employee satisfaction 	GRI 402	 	4.1 Labor Rights	●	●	●
Occupational Safety and Health	<ul style="list-style-type: none"> Implements a management system for the occupational safety and health to build a safe and healthy workplace Promotes and keeps improving to avoid occupational disasters 	GRI 403		4.3 Safe and Healthy Workplace	●	●	●

● Major topic management

Major topics	Sustainable Goals	Results in 2018	Future Directions and Plans
Company Governance	To improve corporate governance system and to reduce its operational risks	<ul style="list-style-type: none"> • Won the top 5% of listed companies in the 5th Corporate Governance Evaluation 	<ul style="list-style-type: none"> • Keep improving corporate governance evaluation index compliance to strive for staying in the top 5% of listed companies in the 5th Corporate Governance Evaluation. • Keep promoting education and training related to the issues about business integrity.
Economic Performance	To keep sound and stable finance management and to create good operating performance with durative profit	<ul style="list-style-type: none"> • The operating revenue in 2018 was NT\$ 2.362 billion, which increased by 15.87% than the previous year. • The ROE (Return On Equity) in 2018 was 17.97%. • The cash dividend per share was NT\$ 5. 	<ul style="list-style-type: none"> • The company keeps making profits to reach the operating goals set by the board of directors.
Energy Management	To enhance the energy management and to improve energy efficiency in order to achieve the goals to keep stable production and to save energy and reduce wastes	<ul style="list-style-type: none"> • In 2018, the area emissions of greenhouse gas from our products decreased by 8.04% compared with 2017. • About 477,955 kWh of electricity was saved • Approximate 11,547 tons of wastewater was reused in 2018. • The target value of the generated hazardous industrial waste was <0.08 kg / cm2 and the actual value was 0.05 kg / cm2. 	<ul style="list-style-type: none"> • Promote measures to reduce greenhouse gas. • Keep promoting the energy-saving control program, review progress regularly and enhance energy-saving effectiveness.
Labor relation	To keep sustainable development of human resource, to create good Labor relation, and to unite employees' cohesion for the company	<ul style="list-style-type: none"> • The total hours of education and training in 2018 was 4,105. • Four labor-management meetings were held in 2018. • Employee relation activities such as Family Day and BBQ on Mood Festival were held in 2018. 	<ul style="list-style-type: none"> • Plan the recruitment, cultivation and retention of human resource to attract and retain outstanding employees • Build diversified and unblocked communication channels for employees and keep caring for them to create a harmonious labor relation. • Keep holding employee relation activities to enhance employees' recognition.
Occupational Safety and Health	Provide employees with a safe and healthy workplace	<ul style="list-style-type: none"> • The number of occupational accidents in 2018 was zero. 	<ul style="list-style-type: none"> • Maintain zero occupational accident and actively prevent any occupational diseases.

● Communication with and response to stakeholders

Stakeholders	Communication channels and frequency	Focused issues	Competent sectors	Responses of LandMark Optoelectronics
Shareholders/ Investors	<ul style="list-style-type: none"> Regular shareholders meeting (annual) Institutional Investors' Conference (at least once a quarter) Financial report (quarterly, yearly) Company website (irregular) Investors Relation Mailbox (irregular) 	<ul style="list-style-type: none"> Operating performance Legal compliance Risk management 	<ul style="list-style-type: none"> Management Division Environment, Safety and Health Office 	1.2 Operating Performance 2.1 Company Governance 2.2 Risk and Crisis Management
Employees	<ul style="list-style-type: none"> Labor-management Meeting (Quarterly) Staff Welfare Committee Meeting (Quarterly) General Manager Discussion-"Talk with GM" (irregular) Bulletin board / Suggestion Box (irregular) Sexual harassment complaint direct line and e-mail (irregular) 	<ul style="list-style-type: none"> Labor relations Human resources cultivation Occupational safety and health Operating performance 	<ul style="list-style-type: none"> Human Resources Department Environment, Safety and Health Office Finance Department 	1.2 Operating Performance 4.1 Labor Rights 4.2 Talent Recruitment and Cultivation 4.3 Safe and Healthy Workplace
Customers	<ul style="list-style-type: none"> Video / teleconference (irregular) Visiting customers (irregular) On-site Audit by Customers (irregular) Customer satisfaction survey (annual) 	<ul style="list-style-type: none"> Business secret Product quality management Supply chain management (RBA) Hazardous substance management Innovation and R&D 	<ul style="list-style-type: none"> Sales Division Quality Engineering Division Purchasing Division Environment, Safety and Health Office R & D Division 	2.3 Customer Service 2.4 Sustainable Supply Chain Management 3.5 Wastes and Hazardous Substance Management
Suppliers/ Contractors	<ul style="list-style-type: none"> Supplier Audit (irregular) Supplier education and training (irregular) 	<ul style="list-style-type: none"> Supplier management Product quality and safety Operational condition 	<ul style="list-style-type: none"> Purchasing Division Quality Engineering Division Management Division 	2.4 Sustainable Supply Chain Management
Government	<ul style="list-style-type: none"> Correspondences with the government (irregular) Corporate Governance Evaluation (Annual) Announcement on the Market Observation Post System (irregular) Seminars and public meetings held by the competent authorities (irregular) Questionnaire (irregular) 	<ul style="list-style-type: none"> Legal compliance Labor relations Environmental protection issues 	<ul style="list-style-type: none"> Management Division Human Resources Department Environment, Safety and Health Office 	2.1 Company Governance 3.1 Environmental Sustainability Policy 3.4 Water Resource Management 3.5 Wastes and Hazardous Substance Management

2. Economical Sustainable Development

2.1. Corporate Governance

2.2. Risk and Crisis Management

2.3. Customer Service

2.4. Sustainable Supply Chain Management

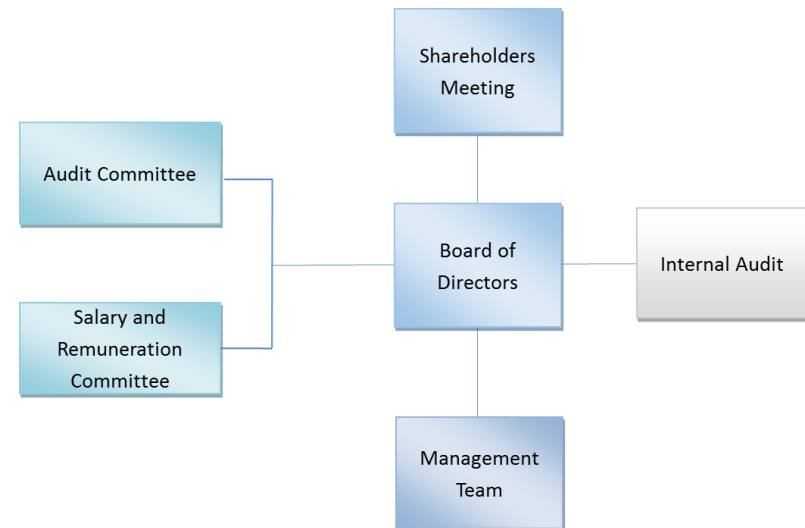
Economical Sustainable Development

2.1. Corporate Governance

● Overview of Corporate Governance

LandMark has not only complied with the Company Act, the Securities and Exchange Act and other relevant regulations but also formulated the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles" as the basis for building an effective framework of corporate governance to protect shareholders' rights, to strengthen the function of the Board of Directors, to let the Audit Committee serve its function, to respect the interests of stakeholders, and to enhance the information transparency. In 2018, LandMark won the top 5% of all listed companies with outstanding performance and recognition. In the future, the Company will fulfill a sustainable corporate environment and enhance its operating performance through continuous effective operation of corporate governance.

● Framework of Corporate Governance



● Shareholders Meetings

The directors of the company attend the shareholders meeting every year to show concern for and listen to the suggestions from shareholders; all deliberations are decided on a case-by-case basis, and the electronic voting is listed in the "Articles of Association", which can instantly disclose the voting results in the shareholders meeting on the Market Observation Post as our equal treatment for every shareholder. Market Observation Post website:

<http://mops.twse.com.tw/mops/web/t150sb04>

● Board of Directors

The board of directors is the highest governance unit and a major operational decision-making center in the company, which has the following responsibilities including appointing and guiding the company's management, supervising business performance, determining important matters, exercising its powers in accordance with the laws, regulations of the Articles of Association or the resolutions from shareholders meetings.

LandMark uses the candidate nomination system for its director election according to the "Articles of Association" and "Regulations of Director Election" and the directors will be elected with 3-year tenure from the list of director candidates by the shareholders meeting. So far the Company sets 7 seats in the board of directors (including 3 seats for independent director) based on the size of operation and the requirements of development, who are all experts with professional background covering industrial technology, academics, financial accounting, laws, business management and other fields. In this way, the policy to constitute a board of directors with diversified members can be fulfilled.

In order to implement corporate governance and to enhance the functions of the board of directors, performance evaluations have been conducted every year since 2016 in accordance with the "Regulations of the Performance Evaluation of the Board of Directors", and the results of the evaluation will be reported to the board of directors and an external effectiveness evaluation of the board of directors in 2019 will be planned as well.

● Members of Board of Directors

Title	Name	Double as	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)
Chairman	Ching Yi Chang	None	5	—	100% (*)
Director	Wei Lin	Chief Technology Officer	6	—	100%
Director	Jerry Yang	Chief Financial Officer	6	—	100%
Director	Yong Hong Lu	None	5	—	83%
Independent Director	Bob Tseng	None	5	1	83%
Independent Director	James Wang	None	6	—	100%
Independent Director	Yong Chang Chen	None	5	1	83%

*The Chairman was on board on 2018/3/14

Note: Age distribution of the members of the Board of Directors: age of 60~69: 3; 50~59: 3; under 50:1.

- Refresher Courses for Directors

In order to strengthen professional skills and the intellectual accomplishment, each director keeps attending the refresher courses including financial accounting, laws, corporate governance, CSR and so on. Every director has been participating in courses for longer than 6 hours and the total hours of which are 57 hours. Please refer to “The Refresher Courses for Directors in 2018” on page 31 in the 2018 Annual Report of Shareholders Meeting.

- Directors’ Remuneration

Each director is paid based on how much the directors participated in the operating policies and on how high the company profit was. Directors’ emoluments consist of reward, traffic allowance, business executive costs and remuneration. According to the regulations of the Articles of Association, the reward for the directors of the company is one percent provided from the profit as directors’ remuneration, which is distributed according to how much the directors’ participation in the company operations and contribution to the company is.

- Principles of Avoiding and Managing the Conflicts of Interest

If the items of the meeting are related to directors directly or to the legal person they represent, they should explain the importance about their interests at the current meeting of board of directors. If the conflicts of interest may be harmful to the interests of the company, the directors shall not vote on behalf of other directors but instead avoid joining the discussion and the vote. The interest conflict of directors is stated in the minutes of the meeting.

- **Audit Committee**

In order to improve the supervisory responsibilities and to enhance the management mechanism of the board of directors, in May 2014, LandMark set up the Audit Committee consisting of all independent directors to assist the board of directors in the supervision on the accounting, the auditing, the financial reporting processes and the quality and integrity of financial controls. The Audit Committee holds at least one meeting a quarter and its main considerations include:

- reviewing the financial statements;

- auditing and accounting policies and procedures;
- internal control system and its related policies and procedures;
- major asset transactions;
- transaction of financial derivatives
- legal compliance;
- independent accountants' qualification and independence and performance measurement;
- appointment, dismissal or remuneration of independent accountants;
- the duty performing of the Audit Committee, etc.

The independent directors have been communicating quite well with the audit supervisor and accountants and the main communication items can be found out on page 22 in the 2018 Annual Report.

The Audit Committee held four meetings in 2018, in which the presence of independent directors is as follows:

Name	Attendance in Person	By Proxy	Actual Attendance Rate (%)
Bob Tseng	3	-	75%
James Wang	4	-	100%
Yong Chang Chen	4	-	100%

● Salary and Remuneration Committee

In order to strengthen the corporate governance and to improve the salary and remuneration system of directors and managers of the company, LandMark established a Salary and Remuneration Committee in May 2014, consisting of all independent directors. The duty of this committee is to evaluate the salary and remuneration policies and systems of the directors and managers of the company professionally and objectively so as to determine the content and amount of their individual salary and remuneration, and also to provide advices to the board of directors for their decision reference.

The operation condition of the Salary and Remuneration Committee in 2018 is as follows:

Salary and Remuneration Committee	Proposal and Follow-up	Resolution	Company's Response to the Opinions from the Committee
2 nd term committee 2 nd meeting 2018.05.22	1. 2017 Distribution of Directors' Remuneration 2. 2017 Distribution of Managers and Employees' Remuneration 3. Distribution of the Restriction on Employees' Rights to New Shares by Managers 4. Salary Adjustment of the General Manager 5. Remuneration of the Chairman	All members of the committee agreed.	Proposed to the board and were approved by all directors present at the meeting.

● Internal Audit

The Internal Audit was established under the board of directors by LandMark. The main functions and business activities of the Internal Audit are as follows:

The Main Functions

- Check and evaluate the effectiveness of the internal control system
- Measure the efficiency and effectiveness of the operation
- Report with reliability, timeliness and transparency; comply with relevant laws and regulations
- Provide timely improvement suggestions to ensure that all internal control operations can keep being effectively implemented.

Business Activities

- Make an annual audit plan to conduct inspections in accordance with the regulations of the competent authorities and risk considerations
- Issue the audit reports to keep track of the improvement
- Regularly revise the internal control system, the audit implementation rules, annual self-assessment of the internal control, etc.
- Communicate with the independent directors and report regularly to the audit committee and the board of directors

Execution procedures of internal auditing:



● Business Integrity

In order to establish a corporate culture of integrity and honesty and to actively prevent any dishonest behavior, the Company has formulated the "Ethical Corporate Management Best Practice Principles" and "Codes of Ethical Conduct" and made Code of Business Conduct and Ethics Policy cards for all employees.

LMOC Code of Business Conduct and Ethics Policy:

- All business dealings should be performed transparently and honestly.
- Any conflict-of-interest activities should be strictly forbidden.
- Obtaining or giving improper gift or advantage should be avoided.
- Any bribery, corruption, extortion and embezzlement should be strictly prohibited.
- The publicly-disclosed information should be honest and intact.
- Any personal privacy and business information from customers or suppliers should be well protected. Maintain the confidentiality of company sensitive information and data.
- Respect the intellectual property rights.

- Zero tolerance to retaliation.
- Enhance our ethical quality.
- Comply with applicable local laws, regulations, international standards and customer requirements.

- Every year, the Company regularly reports the implementing condition of business integrity management to the Board of Directors. No related matters have been found that violate the business integrity on the current report to the Board of Directors on October 26, 2018.
- Training condition of business integrity: the Company conducts internal and external education and training about the issues of business integrity every year. The number of attendees of the education and training in 2018 was 324 (total 364 hours).

● Legal Compliance

- About the society and business ethics

Violation of securities and exchange acts	Violation of Personal Data Protection Act	Violation of labor acts / Measures of sexual harassment prevention
0	0	0

- About the environment, safety and health

Year/Times Audit Sources	2018	Description
	Audit, Inspection/ Punishment	
Audit by competent authorities (Environmental protection)	4/1	<ul style="list-style-type: none"> • On March 12, 2018, the discharge of wastewater (sewage) violated the management standards of the Southern Taiwan Science Park. The company has accomplished the improvement in April 2018. • The administrative fine for the violation was NT\$ 1,989.
Audit by competent authorities (Safety and Health)	1/1	<ul style="list-style-type: none"> • On September 5, 2018, the fire safety inspection found that the amount of public hazardous substances exceeded the control limit. The company has accomplished the corrective actions for public hazardous substances control in September 2018. The fire bureau has conducted a re-inspection on March 4, 2019 and the results met the standard. • The company was fined NT\$ 40,000.

● Complaint Mechanism

The company has not only set up the “Complaint/Reporting Handling Procedure” and the “Whistle Blower Protection Procedures” but also prepared many report channels like Suggestions, Complaint Hotline, and an exclusive E-mail account (published on the company website). The identity of the whistle blowers and the content of the report are absolutely confidential. If any violation of ethics

or relevant code of conduct by LMOC employee was found, anyone can report through the following complaint channels:

- Email: appeal@lmoc.com.tw
- Complaint Hotline: 06-5058999#2407
- Suggestions
- Handling Process:

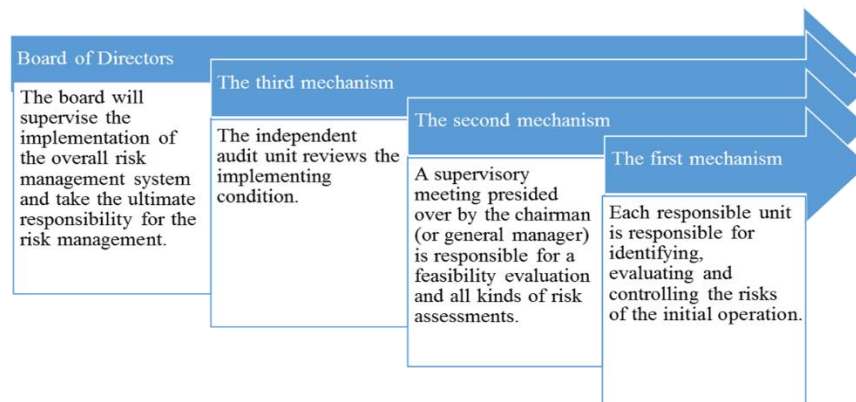
Complaints will be received and handled by responsible personnel who will conduct an investigation according to the content of the complaint once the complaint is accepted. If necessary, the case can be handled in consultation with the relevant responsible units. If the case is verified that it has indeed violated the regulations of the business integrity, there will be an administrative punishment, a recovery of improper benefits or a prosecution for the legal liabilities depending on the severity of the case. In order to promote the corporate culture of business integrity, the Company has not only built complaint channels but also clearly disclosed in the Ethical Corporate Management Best Practice Principles and Codes of Ethical Conduct of employees that any case suspected of violating relevant regulations of business integrity will be verified carefully and given an opportunity to

appeal. If the violation is verified, there will be a punishment according to relevant regulations.

2.2. Risk and Crisis Management

● Policy and Structure of Risk and Crisis Management

According to the company's operating principles, the risk management policy defines all kinds of risks to prevent possible losses, to increase shareholder value and to achieve resource allocation optimization within the range of tolerable risks. Based on the latest developments and requirements of standards of the internal auditing, the Company has strengthened the management of corporate risks, including the detection, the assessment, the reporting and the handling of risks. The risk management in our company is divided into 4 levels (mechanisms) as follows:



● Procedures of Risk Management

Risk Identification	<p>An irregular risk assessment will be performed for operations within the following variation ranges:</p> <ul style="list-style-type: none"> • Changes in the organizational structure; • Major changes made to the management system; • Changes in operating procedures; • When there is a major customer complaint or major management system abnormality, the corrective measures need to change the result of risk assessment; • Changes in laws and regulations; • Changes in other internal and external issues; • When new products or services / new customers are introduced; • When major issues concerned by the stakeholders changes; • When the emergency response plan is changed; • When planning facilities or new equipment at the workplace • Significant impacts on the product due to the measurement equipment failure; • When the production process is changed; • When the supplier is changed; • Major environmental management abnormality
Risk Assessment	<p>Assess comprehensively the scale of the risks from three aspects:</p> <ul style="list-style-type: none"> • Severity • Probability • Effectiveness of current controls
Solution for Risks	<p>Propose response actions and plans for the risks to improve risks or to increase opportunities in order to reduce operational risks</p>

● **The identification of the major risk categories and the response strategy:**

Risk Categories	Response Strategy
Risks from technology and industry changes	<ul style="list-style-type: none"> • Strengthen the research and development of new high-end products, especially wafers for high-speed laser components, cloud computing and high-power lasers, etc., to ensure the company's growth momentum by having advantages in technology • Develop new application markets, such as sensors for face recognition ,the 3D sensing of automotive radar, and sensors for biomedical applications • Exchange technology and have a joint R&D with our customers so as to enhance the product design and the yield through cooperation and OEM opportunities. • Keep optimizing the production efficiency and improving the yield to maintain the competitiveness in costs • Keep establishing standard operating procedures, so that production staff can produce smoothly for orders of different types or quantities
Risks from important domestic and foreign policy and legal changes	<ul style="list-style-type: none"> • Follow relevant laws and regulations to establish management regulations and to implement and review regularly. • If events such as important domestic and foreign policies and legal changes have significant impacts on the company, the company will consult with lawyers, accountants and other relevant professional units, and if necessary, will commission them to evaluate, advise, and plan response actions to not only comply with the law but also to reduce the bad financial influences.
Risks from purchases and sales	<ul style="list-style-type: none"> • Establish a good cooperative relationship with suppliers, strengthen the business relationships with each other, build up inventory control mechanisms to avoid the risk of raw material shortages, and keep developing different supplier sources. • Keep diversifying sales areas and developing products in different application markets to properly manage the risks from sales concentration
The impact of changes in interest rates and exchange rates on the company's profit and loss and the response actions	<ul style="list-style-type: none"> • Predict and manage the revenues and expenditures denominated in foreign currency, and conduct transactions of financial derivatives for hedging, such as forward exchange so as to reduce the impact of the losses resulted from exchange rate fluctuations.

2.3. Customer Service

● Quality Management System

LandMark obtained certification to ISO 9001 Quality Management System and also established a quality policy to ensure the effective implementation of this system to enhance the quality and yield of products so as to achieve the policy and goal about quality and hazardous substances free (HSF) so that the Company can meet customers' needs.

The company's quality policy is as follows:

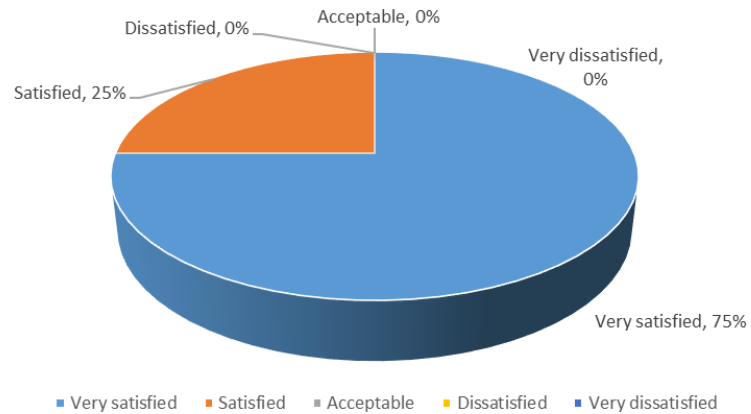
- Ensure good quality control and satisfy customers' needs
- Keep improving management system to produce excellent products
- Reduce the costs and improve the yield, so as to enhance the competitiveness of our products
- Research and develop prospective products to get a head start in the profit competition.

● Customer Satisfaction

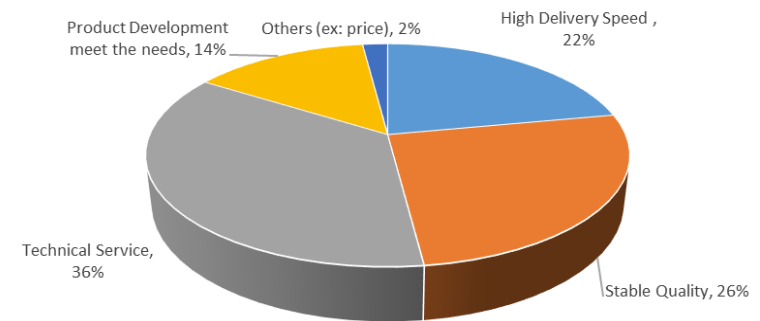
LandMark is committed to providing the best service to our customers and we believe that it is the only way to achieve sustainable operation by valuing customers' opinions, satisfying customers' needs, obtaining affirmation and long-term support of customers. Feedback from customers has always been the motivation for the company to keep making improvement. Sales personnel send "Customer Satisfaction Questionnaire" to customers who have used our products every year to conduct a survey customer satisfaction in order to understand and collect customers' needs and expectations. After the questionnaires are collected, the customer satisfaction statistics will be analyzed.

The results of the 2018 customer satisfaction survey are as follows:

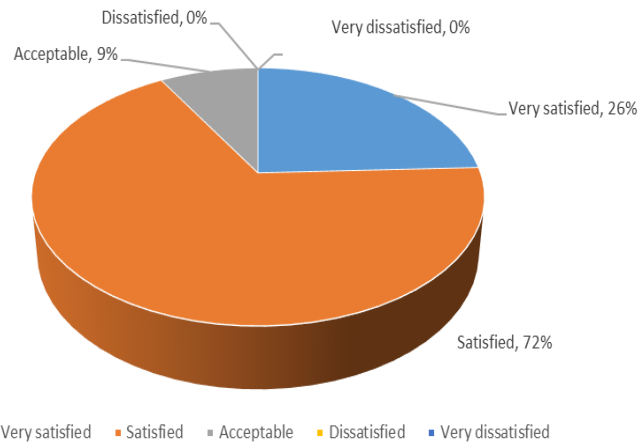
Are you satisfied with the customer service of our company?



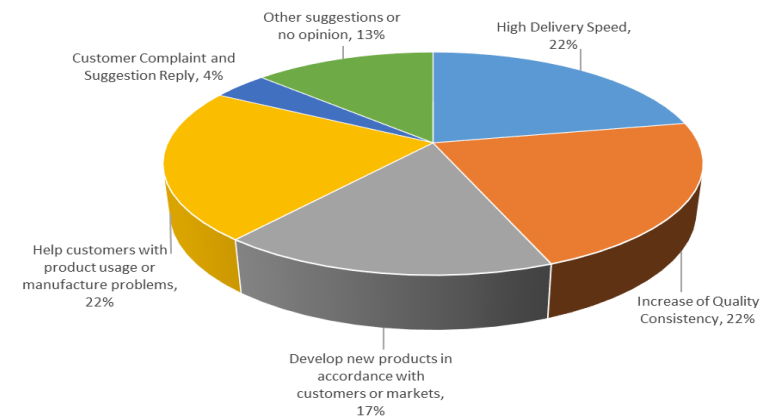
What is the advantage of our products in comparison with the products of other suppliers?



Are you satisfied with the product quality of our company?



How is your satisfaction with the overall service of our company?



- **Promote Quality Culture**

In order to promote the company's quality culture and to encourage colleagues to use their creativity and suggestions at work for relevant constructive proposals so as to optimize the workplace environment and enhance the efficiency and product quality as well. The company promotes the "Employee Suggestion System", with which the proposal is reviewed and approved by the responsible unit, and the colleagues making the proposal will receive appropriate rewards and praise. In this way, we can not only encourage colleagues to actively participate in the employee suggestion but also enhance the ability of colleagues to solve problems and make innovation so that to achieve the win-winsituation of maintaining the company's competitive advantage and satisfying customers. In 2018, there were seven employee suggestions proposed and implemented.

- **Protect and Respect Customers' Intellectual Property**

LandMark has established confidentiality related policies in the "Procedures for Ethical Management and Guidelines for Conduct". The company strictly follows relevant operating regulations of intellectual property and cannot divulge any intellectual property such as business secrets, trademarks, patents, publication, etc.to others or inquire or collect any intellectual property such as business secrets, trademarks, patents, publication, etc. of the company not related to job duty.

In the whole year of 2018, there is no customer complaint regarding invasion of privacy or lost customer information.

2.4. Sustainable Supply Chain Management

● Supplier Management Policy

LandMark follows the "Supply Chain Management" to evaluate its suppliers so only those who can pass the evaluation can become our cooperative partners. Besides, according to the RBA regulations set by the company, all major suppliers have been gradually required to sign "Letter of Commitment of supplier of LandMark for Corporate Social Responsibility". Suppliers who transact with the Company also need to follow relevant regulations of "Regulations for Contractor Safety and Health Management" and "Supplier CSR Code of Conduct" formulated by the company to promote corporate social responsibility together.



● Supplier Audit

In order to effectively manage the stable quality, delivery time and price of the suppliers, the Company regularly conducts supplier assessment on the abnormal frequency (return rate), delivery time and service, and then determine the subsequent transaction extent with suppliers based on the rating from the assessment results. In 2018, the company conducted supplier quality assessments and audits on a total of five suppliers with a 100% closing rate, in which their assessment results were all Grade A. In the future, we will keep improving the supply chain management system and through audits and assessments and other measures, we will work with suppliers to fulfill the corporate social responsibility together.

- **Determination and Handling of Assessment Classification**

Class	Scores	Handling for the assessment results
Class A	90 points or above	We will purchase first from those who have been assessed as Class A.
Class B	70~89 points	We keep normal transactions.
Class C	60~ 69points	Those who are assessed as Class C will receive a Supplier Improvement Notice and will be required to propose a corrective plan within three weeks.
Class D	59 points or below	Those who are assessed as Class D will be removed from the qualified supplier list or the company should assist them to become Class A or B supplier.

- **Policy of Not Using Conflict Minerals**

In order to fulfill social responsibility, respect human rights, and keep focusing on conflict minerals issues, the company supports the strategies and practices of RBA and GeSI on conflict metals and promises that it will not purchase conflict metals from conflict areas and require suppliers to issue a letter of commitment to refuse to use such metals. The suppliers will be required to inform its upstream suppliers this requirement as well.

- **Supplier Social Responsibility Commitment**

LandMark has established Supplier CSR Code of Conduct which regulates the code of conduct that its major suppliers must follow for their corporate social responsibility. So far, a total of 7 major suppliers have signed and sent back the “Letter of Commitment of supplier of LandMark for Corporate Social Responsibility”. In the future, the Company will keep the communication with the suppliers and passing on the messages about corporate social responsibility.

**Commitment of supplier of LandMark Optoelectronics Corporation
for Corporate Social Responsibility**

About employee working condition

- Anti-discrimination
- No forced labor
- No child labor
- Employees' working hours must meet international and local legal standards

Ethically

- Business integrity and honesty
- Fair transaction and competition
- No dishonest profit
- The disclosed information must be accurate and complete.
- Respect intellectual property rights
- Protect company's business secrets and employees' personal information
- Respect and protect privacy
- Do not use conflict minerals

Environmentally

- Promise to LandMark Optoelectronics' concept to devote in the environment at the forefront of its competitors in the industry and focus on integrating environmental management and operations to provide high-quality product services and high-value customer service experience.
- Be able to demonstrate relevant responsibilities and performance of environmental protection at the forefront of its competitors in the industry.
- The content of the products must be controlled.
- All hazardous substances like hazardous chemicals or other substances should be identified and controlled before being released into the environment to ensure that they are safely handled, transported, stored, used, recycled or reused.

**Commitment of supplier of LandMark Optoelectronics Corporation
for Corporate Social Responsibility**

Safety and Health

- Occupational safety
- Equipment protection
- Cooperate with LandMark Optoelectronics to monitor

3. Environmentally Friendly Management

3.1. Environmental Sustainability Policy

3.2. Climate Change and Opportunity

3.3. Energy Management

3.4. Water Resource Management

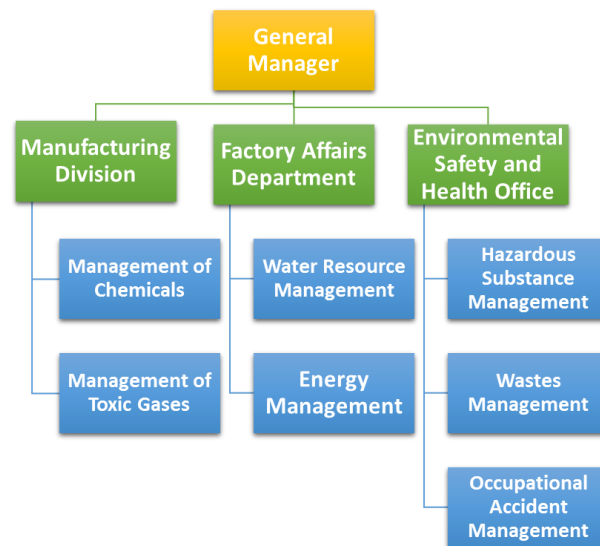
3.5. Wastes and Hazardous Substance Management

Environmentally Friendly Management

3.1. Environmental Sustainability Policy

Environmental Protection is an inevitable issue for corporate sustainability. LandMark observes relevant laws & regulations and international guidelines to establish a system for environmental management and implement practical management projects. The company continues to make improvement so as to decrease the impact on natural environment resulted from corporate operation for the goal of sustainability.

- **Structure of Environmental Safety and Health Management Organization**



- **Environmental Safety and Health Policy**

LandMark implements the environmental regulations required by the competent authority and all the factory have ISO14001 certification of environmental management system and the IECQ QC080000 system for hazardous substance management. The environmental safety and health policies are as below:

LandMark Optoelectronics Corporation's Environmental Safety and Health Policy

- To make the best use of resources, saving energy and reducing wastes, and to reduce the impact of pollution on the environment.
- To respect life, risk management and control, and to reduce the impact of hazards on staffs.
- To keep improving regulatory compliance, and to assist the implementation of Environmental Safety and Health Policy.
- To strengthen the promotion, the prevention of pollution, the implementation of the management system.
- To implement training, observe safety, and to develop the culture of a healthy and safe workplace.
- The full participation, sustainable development, to achieve the environmentally, safely and economically three wins goal.

- **Environmental protection expenses and investment**

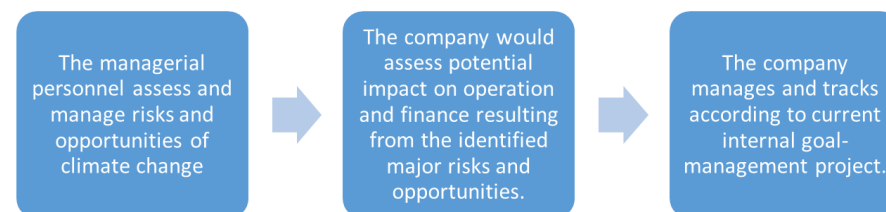
LandMark observes the environmental protection regulations and entrusts legal companies for transportation and treatment of the waste from manufacturing procedure. In 2018, the total expenses on environmental protection measures amounted to NT\$ 3,814,000 . It was mainly the cost for corporate operation and management, including prevention of pollution, waste treatment, and management fee. The waste gases from manufacturing procedure includes the organic and inorganic metallic gases. To effectively treat the hazardous gases, the company adopts wet scrubber to clear the hazardous substances from the gas with chemical solutions and emit the clean mixed gas of hydrogen, nitrogen, and air so as to maintain the air quality standard in the surrounding areas. In 2018, the sum of capital expenses on the environmental pollution prevention amounted to NT\$ 17,530,000.

Environmental Protection Cost in 2018 (Unit: thousand NT\$)			
Category	Description	Regular Expenditure	Capital Expenditure
Operational Cost	Pollution Prevention Cost	287	17,530
	Wastes Treatment Expense	3,335	
Administrative cost	Administration Cost	192	
Total		3,814	17,530

3.2.Climate Change and Opportunity

With the global warming and climate change caused by greenhouse emission getting worse, the corporate operation becomes more difficult in the face of various challenges, including water shortage caused by droughts, power shortage caused by heatwaves, and transportation cut off by natural disasters. LandMark shows concerns for relevant issues of climate change and observes the latest regulations for domestic and foreign regulations. The company also refers to the framework in the Task Force on Climate-related Financial Disclosures (TCFD) publicized by Financial Stability Board (FSB) to identify the challenges and opportunities of climate change and make response plans accordingly.

- **Corresponding Measures in response to Climate Change**



● **Climate-relevant Risks and Opportunities of LandMark Optoelectronics Corporation**

Category	Risks related to Climate Change	Potential Financial Impact	Response plan
Transition Risks	Risks of policies and regulations. Requiring the control of total amount of greenhouse gas or imposing coal tax or energy tax.	Increase in operational cost	The “Greenhouse Gas Inventory Operating Procedure” was established, and the statistical record was kept to investigate the condition of greenhouse emission. The annual administrative goals of energy saving were established, and the performance would be evaluated on management review meeting. °
Physical Risks	Extreme climate change risk. More power is required to keep the plant clean and maintain the temperature and humidity indoors for stable production. Extreme weather could cause the risk of power outage.	Increase in operational cost and capital expenditures	The annual energy-saving goals are established, and the performance is evaluated on the management review meeting.
Physical Risks	Risk of extreme climate change The break of supply chain may have impact on production.	Decrease in operational income and increase in operational cost	The mechanism of backup supplies was established.
Physical Risks	Risk of extreme climate change. Natural disasters may increase and lead to the damage of the plant.	Increase in operational cost	The emergency response mechanism for natural disasters like torrential rain or earthquake was established. The emergency-response drill would be held periodically.
Energy Opportunities	Promotion of energy-saving project. Optimization of energy efficiency	Decrease in operational cost	The annual administrative goals of energy saving were established, and the performance would be evaluated on management review meeting.
Market Opportunities	Subsidies from public sectors	Decrease in operational Cost	The company participated in incentive plans related to green energy promotion.

● Greenhouse Gas Inspection

LandMark has been inspecting its greenhouse gas emission since 2016. In 2018, the total amount of greenhouse gas emission was 26.24% higher than that of 2017, which was resulted from expanded production in 2018 that led to the increase in the overall consumption of electricity (purchased electricity).

		2016		2017		2018	
Scope	Source	CO2 Equivalent (Tons of CO2e / year)	Percentage (%)	CO2 Equivalent (Tons of CO2e / year)	Percentage (%)	CO2 Equivalent (Tons of CO2e / year)	Percentage (%)
Direct Emissions (Scope 1)	Stationed: Emergency power generator	739	11.98	122	2.06	122	1.64
	Mobile: Company car						
	Diffusion: Septic tank facility						
	Process: Etching process						
Indirect Emissions (Scope 2)	Purchased power	5,430	88.02	5,786	97.94	7,336	98.36
Total Greenhouse Gas Emission		6,169	100	5,908	100	7,458	100

Note: The disclosure of the greenhouse gas emission in recent 3 years are different from then data in 2018 annual report.

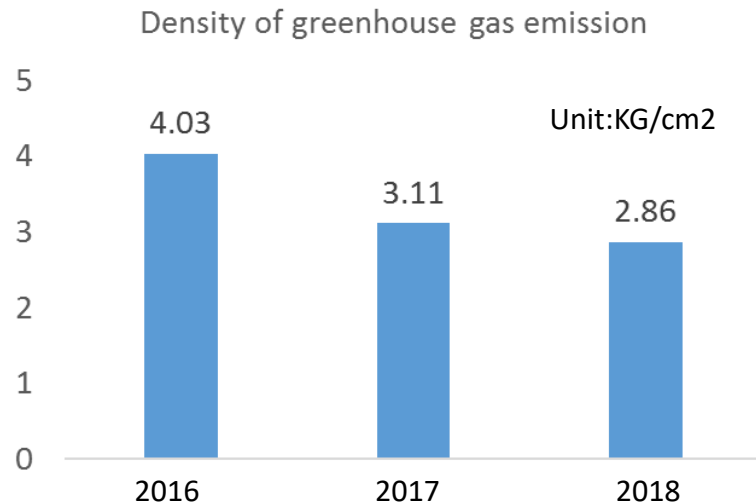
This is due to the correction of the calculation of the direct emissions in scope 1 and renew the CO2 equivalent from 2016 to 2018.

● Greenhouse Gas

LandMark inspected CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, and other substances announced by concerned authorities.

- **Greenhouse Gas Emission Intensity**

The greenhouse gas emission intensity of LandMark in 2018 was 2.86 kilogram CO₂e/product area (cm²), and it was 8.04% lower than that of 2017, which was 3.11 kilogram CO₂e/ product area (cm²); the greenhouse gas emission intensity between 2016 and 2018 is declining. LandMark keeps promoting the energy saving and greenhouse gas decreasing policies while ensuring the amount of production.



3.3. Energy Management

LandMark has established “Energy Management Standard Procedure” to appropriately control various electric facilities and machines. The company also promotes the water-saving, energy saving, and waste-sorting practices in the actual working environment. In the future, the company would adopt green and renewable energy according to the operation and implement energy management strictly and continuously to reach optimal performance of the electricity power.

- **Energy consumption in the past three years.**

Item	2016	2017	2018
Power consumption(MWh)	10,263.80	10,938.20	13,867.80
Energy density(kWh/cm2)	6.71	5.77	5.32

● Energy Saving in 2018

In 2018, LandMark launched two energy-saving measures which were estimated to save a total of 477,955 kWh.

Category	Energy saving result	Description
Energy saving construction of chilled water system	Energy saved by water-pumping windmill : 26,324kWh/Month Energy saved by chiller: 10,800kWh/Month Energy Saved annually : 445,488 kWh (The electricity cost saved annually is about NT\$ 1,382,000.)	The energy saving construction of chilled water system include chiller/chilled water pump/water cooler pump/installing the cooling tower with variable frequency drive, which could match water flow with the amount of chilled water supplied.
Energy saving of cooling tower fan	Variable frequency drive is implemented: 32,467 kWh/per year (The electricity cost saved annually is about NT\$ 97,000.)	The cooling tower fan is equipped with variable frequency drive, and the water temperature sensor in the cooling water pipe is used to control the VFD and adjust the spinning speed of the fan in the cooling tower so as to save energy.
Annual energy saving	477,955kWh	

3.4. Water Resource Management

As global warming effect gets more severe in recent years, there have been higher risks of water shortage and floods. To lessen the impact of unstable water supply on the operation, LandMark adopts the ISO 14001 management system as the foundation for water resource management and continues to promote measures for recycling, reusing, and conserving water resource.

● Water consumption in the past three years

	2016	2017	2018
Tap water consumption (Unit: Tons)	24,741	25,611	31,509
Intensity of water consumption (liter /cm2)	16.18	13.52	12.09

● Water Conservation Plan

To increase the usage and efficiency of water-conserving facilities and use water resource more effectively, LandMark promotes water-saving concepts, the recycle and reuse of the water used in the manufacturing procedure, and the decrease of wastewater discharge. The water conservation plan of the company is illustrate as below:

- To save domestic water consumption, the company adopts the water-conserving faucets and installs water-saving devices on toilets to decrease unnecessary waste of water.
- The company improves the efficiency of water usage in the manufacturing procedure, decrease the waste water, and reuse the filtered and R.O. processed water.
- Reuse the pure wastewater generated from the production of pure water.
- The rainwater is collected to irrigate the flora and trees.
- The makeup water supply of cooling towers and scrubbers adopts dual sources, including clean water and recycled water, to decrease the demand of tap water.

- The company records the water consumption of manufacturing procedures and domestic use and also promotes water conservation.

● Water conservation result

In 2018, the company took two major water-conservation measures and saved 11,547 tons of water.

Item	Recycled /Reused amount of water (Unit: tons)	Description
RO Recycling of waste salty water	4,932	The RO recycled waste salty water is sent to the cooling tower for reuse to decrease water consumption in the cooling tower.
Recycling of MAU condensed water	6,615	The condensed water from the dehumidification of the cooling coils in the 5 MAU cooling system is sent to the cooling tower for reuse. In summer time with intense heat and humidity (April ~ October), 945 tons/ month, or 6,615 tons/year would be recycled on average.
Estimate amount of recycled and reused water	11,547	

● Wastewater Treatment

To ensure proper treatment of the wastewater generated in the factory, normal operation of wastewater treatment and the quality of the water discharged sticks to national standard, the company has dedicated personnel to monitor and analyze the quality of discharged water and record the results to the 'Wastewater Treatment System Daily Checklist'. Besides, certified institutions are entrusted to inspect the water quality every six months, and the company should periodically submit reports to authorities concerned according to "Water Pollution Control Measures and Test Reporting Management Regulations" so as to ensure the discharged wastewater complies with the standards of relevant laws & regulations of Southern Taiwan Science Park Bureau.

• Effluent Inspection Outcome of 2018

2018 wastewater test result						
Item	Ph value	Biochemical oxygen demand (mg/L)	NH ₄ -N(mg/L)	Arsenic (mg/L)	Gallium (mg/L)	Indium (mg/L)
Permissible limit of hazardous substances	5~10	250	250 (Note 1)	0.5	0.1	0.1
Actual test result (Note 2)	8.1	37.8	103	0.0692	0.021	0.0991

Note 1: The permissible limit for wastewater of non-manufacturing process

Note 2: The highest value in the test is adapted as the actual test result

• Treatment and Discharge of wastewater of 2018

Type	Explanation	Treatment	Amount of emission in 2018(Unit: tons)
Process wastewater	Wastewater from production process, equipment cleanse, product measurement of equipment, or air conditioning system.	<ul style="list-style-type: none"> Acid and alkaline wastewater: the hazardous substances are excluded in the treatment system, and the water undergoes acid-base neutralization procedure to meet the PH value standard before discharge. Arsenic-containing wastewater: the water undergoes a arsenic removal system (solidification) 	8,940
Domestic sewage	Domestic sewage	The sewage is collected at the sewage processing facility of the building and emitted to the effluent. The septic tank is cleared annually.	2,857
Total amount			11,797

3.5. Wastes and Hazardous Substance Management

● Wastes Management

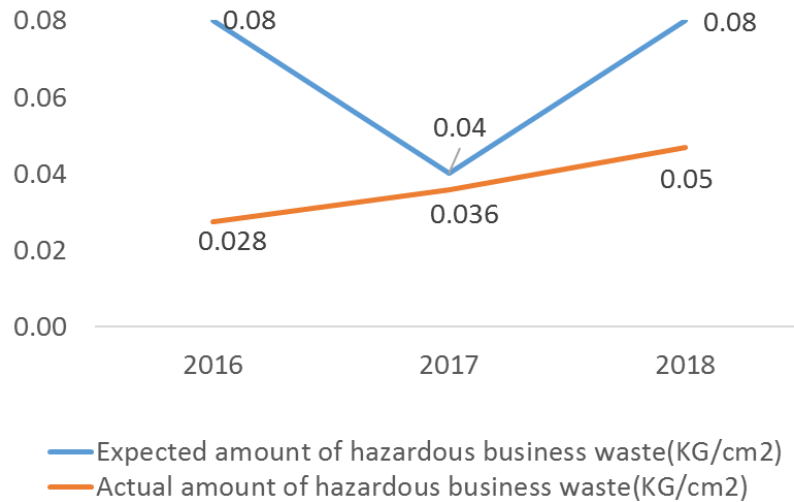
LandMark observes the ISO 14001 management procedure and established designated managing unit. It also established the “Regulations for Waste Management and Treatment” that aims to reduce the waste to establish recycling procedure and grasp the whereabouts of wastes to prevent environmental pollution and fulfill the corporate social responsibility. The wastes from manufacturing procedure of LandMark include the general business waste and the hazardous business waste.

- There are recycling depots for general business waste to be collected, sent to, and stored. The waste is entrusted to the recycling center of Southern Taiwan Science Park Bureau for periodic removal and treatment.
- There are recycling depots for hazardous business waste to be collected, sent to, and stored, and it is entrusted to certified companies to send to qualified waste processing plant for further treatment.

● Generation and Treatment of wastes during the last three years.

Amount of the waste treated (unit: tons)					
Item		2016	2017	2018	Treatment
Hazardous Business Waste	Waste containers	1.07	1.21	1.75	Cleaning
	Waste solutions (Aqua regia, Hydrofluoric acid)	5.57	2.22	5.16	Chemical treatment
	Waste organic solvent	2.78	3.07	2.97	Incineration
	Arsenic-containing sludge	28.75	24.60	-	Chemical treatment
	Arsenic-containing sludge	-	33.74	108.42	Solidification
	Flammable waste	0.97	1.20	1.31	Incineration
	Waste activated carbon	2.56	1.24	1.57	Incineration
	Yellow phosphorous	0.39	0.62	0.61	Incineration
	Waste SiC tray	-	0.12	0.27	Solidification
	Total	42.09	68.02	122.06	
General Business Waste	General waste	19.63	18.19	23.49	Incineration
	Total	19.63	18.19	23.49	
Total		61.72	86.21	145.55	

- **The waste generated per product area during the last three years.**



Note: The hazardous waste produced per product area is on the increase mainly because of the increase in production of items including arsenic-containing substances, which has consequently caused the increase in arsenic-containing wastewater. LandMark has introduced the arsenic removal system to turn arsenic-containing wastewater into arsenic sludge. Over the past three years, the company has completed the goal for reducing hazardous substances set each year by the management review meeting.

- **Management of Hazardous Substances**

To fulfill the requirement of HSF hazardous substance management and avoid environmental pollution and damage on human health, LandMark observes the international standard of IECQ QC080000 to establish a hazardous substance management system, which fulfills the restrictions of the EU RoHS, the ECHA

REACH regulation on chemicals, PFOS/PFOA restrictions, and clients' norms.

Title of Legal Regulation	Required Standard of the Legal Regulation	Fulfillment
European Union RoHS	Regulations on hazardous substances Cadmium (Cd) and its chemical compound < 100 ppm, lead (Pb) and its compound < 1000 ppm, mercury (Hg) and its chemical compound < 1000 ppm, Hexavalent chromium (Cr6+) and its chemical compound < 1000 ppm, Polybrominated biphenyls (PBBs) < 1000 ppm, Polybrominated diphenyl ethers (PBDEs) < 1000 ppm, Dibutyl phthalate (DBP) < 1000 ppm, Phthalates (BBP) < 1000 ppm, Diethyl (2-ethylhexyl) phthalate (DEHP) < 1000 ppm, Diisobutyl phthalate (DIBP) < 1000 ppm	V
ECHA REACH	Refer to the latest version of SVHC published by ECHA https://echa.europa.eu/candidate-list-table According to the announcement on Jun. 27 th , 2018, the threshold density of 191 highly concerned substances is < 1000 ppm (0.1%)	V
PFOS/PFOA	PFOS Perfluorooctanesulfonic acid < 0.001% (10 ppm) PFOA perfluorocaprylic acid < 25 ppb	V

4.Friendly Workplace and Social Participation

4.1 Labor Rights

4.2 Talent Recruitment and Cultivation

4.3 Safe and Healthy Workplace

4.4 Social Welfare and Public Art

Friendly Workplace and Social Participation

4.1. Labor Rights

LandMark observes relevant laws of labor rights and respect the internationally recognized labor right guidelines to establish and implement management system and procedure to protect employees' legal rights and adopt policy of equal employment opportunity. It provides fair and adaptive job opportunities for all applicants and employees, eliminating all forms of discrimination. The principle applies to all practices of recruitment, appointment, training, promotion, remuneration, and welfare. The company observes local laws & regulations, practices "Human Right Policy," and forbids all forms of forced labor; it never forces or coerces any involuntary personnel to work. In 2018, no complaint cases for forced labor, infringement of employees' rights or human rights were filed in Landmark.

● Labor policy

Labor Policy of Landmark Optoelectronics

- No forced, debt bonded, indentured or involuntary labors shall be used.
- No child labor is allowed.
- Working hours and recess time shall be in compliance with the Labor Standards Act.
- Wages and benefits paid to employees shall be in compliance with all applicable laws and regulations.
- All employees shall be respected and fairly treated. There is to be no inhumane treatment including any harsh punishment, humiliation or abuse.
- Equal job opportunities are provided to both the candidates and each employee. We shall not engage in discrimination based on race, color, age, gender, sexual orientation, national origin, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment.
- We respect the right of all workers to form and join union in conformance with laws, to openly communicate with management regarding working conditions without fear of reprisal, intimidation or harassment.

● Remuneration System

- Landmark observes the Labor Standards Act and RBA . As to the system and welfare of employee, of the company shall not discriminate between the ethnicity, religious beliefs, political stances, genders, marital status, or other conditions in the starting salary.
- The company adopts a competitive remuneration and compensation system. The salary standard is determined according to the individual conditions of each employee, including the education background, professional skills, professional work experience, and performance regardless of employee's special condition, and the starting salary of different job will not be different because of the genders.. To keep a competitive remuneration system, through regular policy review and assessment of market salary standard and macroeconomic indicators, the company would use the market value of employee's professional skills and his/her contribution as the basis along with the performance management system to determine employees' initial emolument, adjust salary, make promotion, appoint positions, and offer

training sessions for better incentive plans.

- The managerial level would adjust annual bonus according to the operation results, and the sum distributed to each employee is determined with consideration of individual job responsibility, contribution, and performance evaluation outcome. A bonus system is established to offer premium for outstanding employees to motivate the staff for better operation.
- In 2018, the average annual salary of non-managerial employees was NT\$ 937,000 which was ranked 6th among the public listed companies in the same industry and was also higher than the industry average which was NT\$ 714,000.

● Performance Evaluation

The company conducts performance evaluations for the first half and second half of the year. The work objective and development plan would be established by both the managerial staff and common employees and evaluated with a procedure that is fair and transparent to both parties. In 2018, the completion rate for performance evaluation is 100% (the number of employees actually evaluated

/the number of employees to be evaluated), with the namelist excluding contract workers and novice employees who have taken the position for less than three months and staff on leave of absence.

● Insurance Measure

Landmark observes the law and enrolls each employees in employment insurance program and national health insurance coverage. It also includes the employees in the group comprehensive insurance (life insurance, casualty insurance, health insurance, etc.) on the day they take office, offering the employees intact workplace assurance. Family members of the employees can enjoy premium discount when they enroll in the company's comprehensive insurance program that provides better insurance coverage.

● Pension System

Landmark follows the legal regulations to allot pension fund to employees. One hundred percent of the employees have participated in the pension system. According to Labor Standards Act and Labor Pension Act, employees could keep their old pension system seniority prior to June 30, 2005 and continue to accumulate their old pension system

seniority until they choose to switch to the new pension system which they need to do within 5 years starting from June 30, 2005. As to the old pension system seniority, 2% of the monthly salary would be distributed to the retirement reserve funds of Taiwan Bank by the employer only; as to the new pension system seniority, 6% of each employee's pension ranking would be allotted to the individual pension account. In addition to pension fund (which equals to 6% of the salary) distributed by employers, employees can also choose to allot another 0% ~ 6% of their pension ranking to their individual account for pension fund.

Monthly allotment of labor pension		
Pension System	Proportion of monthly wage allotted to pension	Participation rate of pension system
Old labor pension system (Workers' retirement reserve fund)	Employer 2% Employee 0%	100%
New labor pension system (Individual labor pension accounts)	Employer 6% Employee 0~6%	

● Leave System

Landmark adopts the leave system according to Labor Standards Act and follows legal regulations such as Act of Gender Equality in Employment. Employees can apply for leave of absence for child nursing or recovery from major injury or illness and resume to the position at the end of the leave, which caters to the needs of employees and their family.

● Implementation of Unpaid Parental Leave

Item	2018	
	Female	Male
Number of employees qualified the criteria of unpaid parental leave in the current year	16	40
Number of employees applying for unpaid parental leave in the current year	5	2
Number of employees expected to resume his/her post in the current year	5	2
Number of employees actually resumed his/her post in the current year	3	1
Number of employees who resumed his/her post in the previous year and remain in office for one year	2	0
Application rate (as to unpaid parental leave)	31%	5%
Return-to-work rate (as to unpaid parental leave)	60%	50%
Retention rate of the return-to-work employees (as to unpaid parental leave)	67%	0%

● Committee of Employees' Welfare

The company has organized "Landmark Committee of Employees' Welfare" (hereinafter referred to as 'LMOC welfare committee') according to relevant laws to take care of the laborers, remain harmonious labor-employer relation, enhance connection among colleagues, maintain their mental and physical health, as well as encourage appropriate recreations. Members of LMOC welfare committee are from different departments of the company, with the number of representatives determined by the size of each department and are elected by employees. Regular meetings are convened every season and relevant welfare policies and company activities would be resolved on the meetings. The committee also promotes welfare for all employees, including holiday bonus, subsidies for travel, childbirth, wedding, funeral, and the club activities like sports and recreational events.

- Total amount of subsidies from welfare committee in 2018

Item	Total Amount of Subsidies	Number of Applicant
Wedding subsidies	71,800	15
Childbirth subsidies	101,000	21
Funeral subsidies	4,200	2
Sum	177,000	38

Note: Employees can apply to the welfare committee for cash gift or subsidies. Husband and wife who are both employees of the company can apply for the subsidies individually.



PHOTOS OF
JOGGING
ACTIVITIES



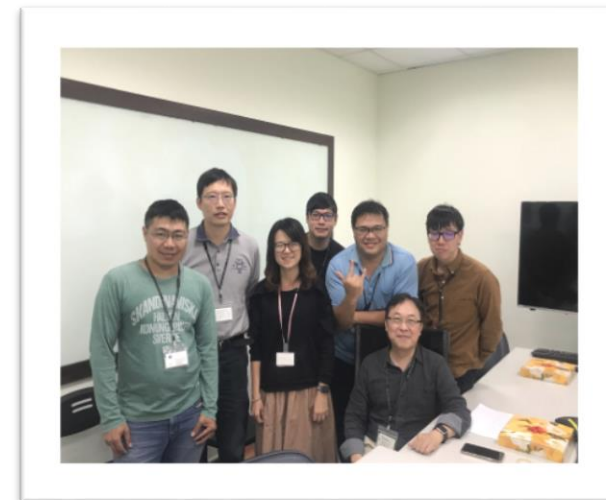
- **Labor-Management Communication**

The company considers all employees partners in the business and respects the opinions and feedbacks of each employee. To encourage direct labor-management communication, an internal proposal system was established so that the employees can reflect their thoughts about the corporate operation. Guidelines for labor-management meetings have been established, and the meetings are convened regularly by five representatives of the managerial level and five representatives of labors from each department. On the meeting, the employees and managerial staff can have direct discussion on welfare system, employment condition, workplace improvement, labor-management corporation, and other issues, which can ensure effective communication. In 2018, 4 labor-management meetings have been convened to discuss issues including human right policies, adjustment of work principles, and amendment of regulation. The resolved regulations would be implemented by responsible units. Also, the company holds “An appointment with GM” on an irregular basis. Employees are invited to have lunch with the general manager, to offer suggestions or share life and work

experience. In 2018, such events have involved 34 employees.



An appointment with GM



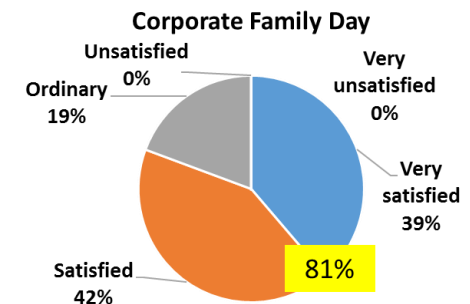
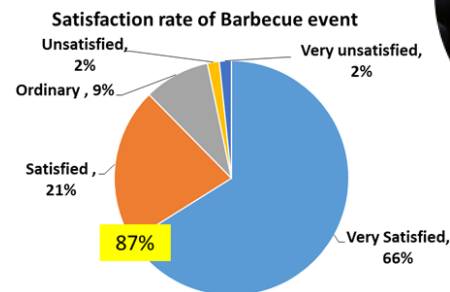
- **Events to enhance relationship among employees—emphasizing work-life balance**

Landmark considers talents to be the most important asset of the company. Happy employees is the prerequisite of a productive corporate. The company considers the employees' perspective and offers a secure, hygienic, and pleasant working environment. With various activities, employees can cultivate creativity and regain energy at work.

FAMILY DAY AT EDA WORLD



MID-AUTUMN
FESTIVAL
BARBICUE PARTY



4.2. Talent Recruitment and Cultivation

● In-service Staff

At the end of 2018, the company employs a staff of 305. The average age is 35, and the majority of the employees (68%) are 31~50 years old. Lanmark does not hire child labor under 16.

Item		Number of Employees	Percentage (%)
Under 30 (including 30)	Male	65	29%
	Female	24	
	Total	89	
31 - 50 (including 50)	Male	159	68%
	Female	47	
	Total	206	
Above 51	Male	10	3%
	Female	-	
	Total	10	
Gender proportion	Male	234	77%
	Female	71	23%
	Total	305	100%
Type of employment	Full time	305	97%
	Part-time	8	3%
	Total	313	100%

● Education

The majority staff in Landmark have bachelor's degree. One hundred and sixty eight employees have a bachelor's degree, taking up 55%; eighty-two employees have master's degree, taking up 27%. Overall, 261 employees have degrees higher than college, taking up 85.57%.

Item	Educational attainment	Number of people	Percentage (%)
Education	High School /Vocational High School	20	6%
	Junior College	24	8%
	Bachelor	168	55%
	Master	82	27%
	Doctor	11	4%
	Total	305	100%

● New Employees

The company hired 90 new employees in 2018 . Most of the new employees (57%) are 31~50 years old. What follows next is the group of employees under 30 years old, taking up 40%.

Composition of new employees in 2018		
Age	Male	Female
Under 30 (including 30)	25	11
31 ~50 years old (including 50)	40	11
Above 51	3	-
Total	68	22

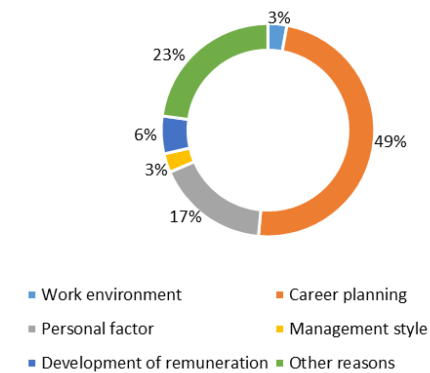
Item	Area	Percentage
Household Address	Southern Taiwan	73%
	Central Taiwan	11%
	Northern Taiwan	16%
	Eastern Taiwan	-
Total		100%

● Employee Turnover

In 2018, 35 employees resigned with the turnover of 11.17%, most of them are 31~50 years old (taking up 71.4%). Based on the interview with the resigned employees, most of them would transfer to other industries or work at the town near home to take care of their family.

Composition of Resigned Employees in 2018		
Age	Male	Female
Under 30 years old (including 30)	5	4
31 ~50 years old (including 50)	20	5
Above 51	1	-
Total	26	9
Percentage	74%	26%

Analysis of Reasons for Resignation 2018



- **Recruitment of Interns**

Landmark offers internship programs for students. The company staff serves as mentor for the students so that they can put theories into practice as well as getting integrated into Landmark. In 2018, the company initiated an internship program with Southern Taiwan University of Science and Technology (STUST). A total of 48 students participated in the seminar and interview, and 6 students joined in the internship program. They would continue to work at Landmark after the program.

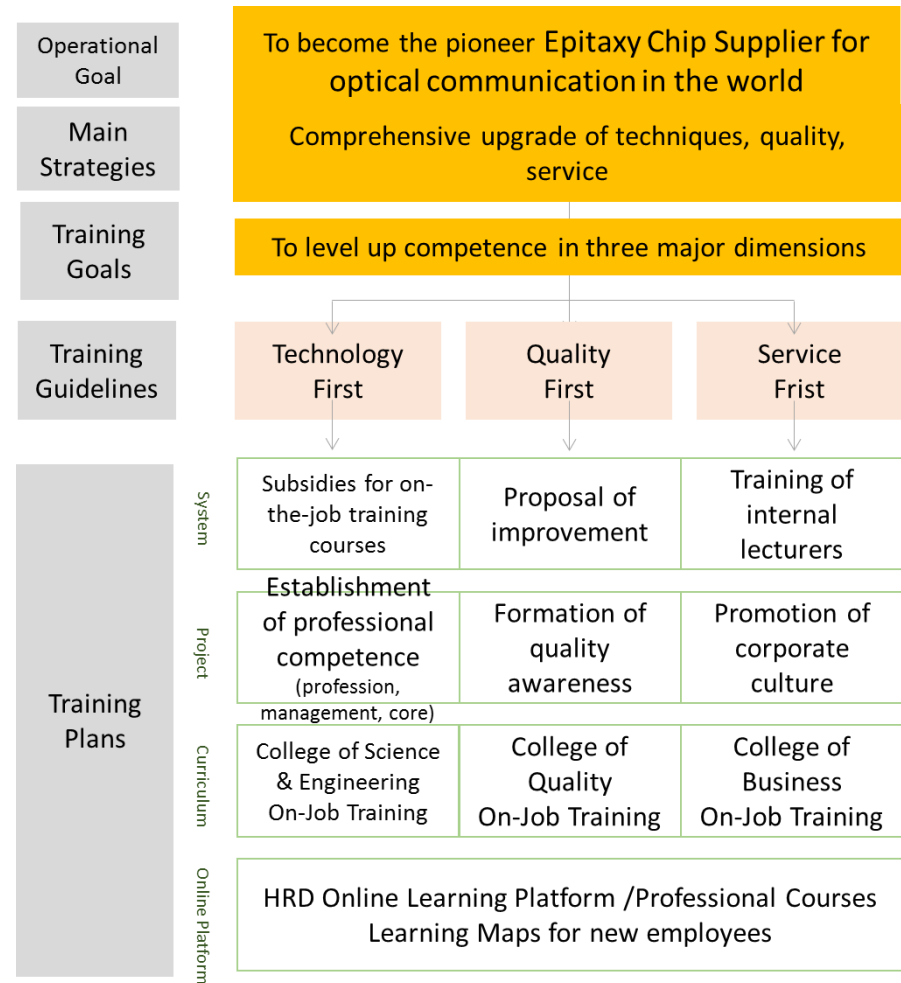
Seminar at STUST



LMOC mentor, STUST teacher and students

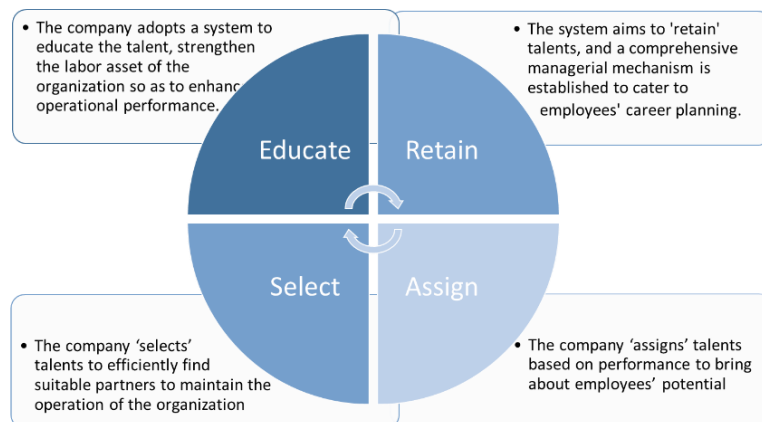
● On-the-job training

Landmark has set up three major goals for on-the-job training according to the operation strategies of the company. The fundamental competence and learning map have been made. Meanwhile, the company integrates and distributes learning resources to employees regardless of their gender and hierarchical ranking to cultivate key competences of the employees. The staff and the corporation can therefore grow together.



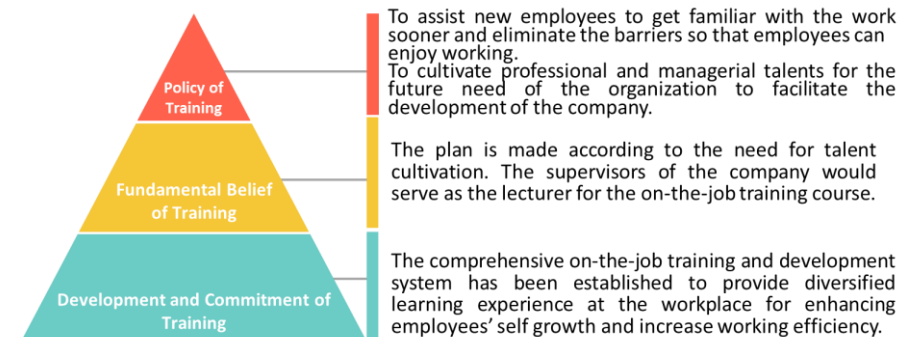
● Learning and development

Talents are the most important asset and the foundation for corporate development. The devotion for on-the-job training is essential for the competitiveness of the company. Landmark emphasizes cultivating talents and improving competence of the staff. The company also provides individualized and sustainable work environment and upgrades professional competence of the staff. Each employee could win recognition for his devotion, gain confidence, and get the sense of achievement from work.



● Policy for Training Development

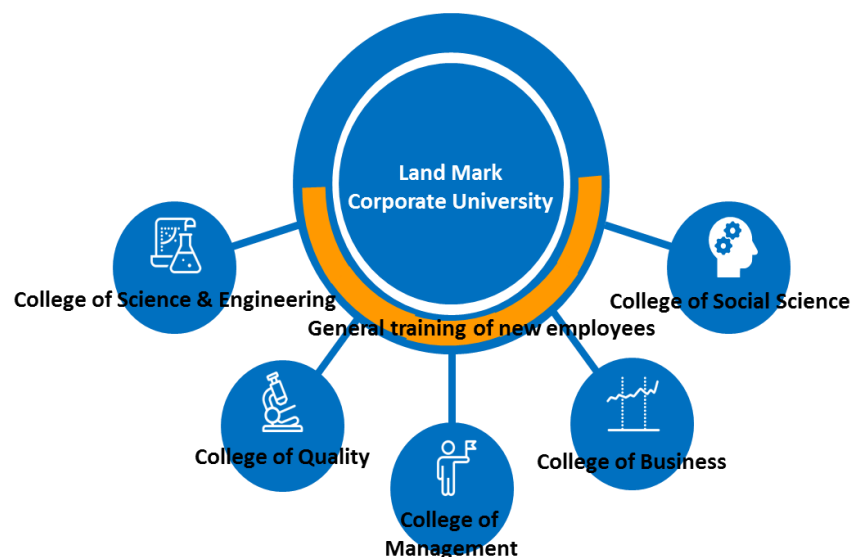
Development of the staff is closely related to the company. So, the company is devoted to establish a sustainable and diversified leaning environment. It has the “Staff Education and Training Procedure” to systemize training scheme, integrate internal and external resources, enhance the motivation and competence of the staff, increase individual performance, so as to reach the company’s goal.



● Corporate Education System

The corporate education sytem includes three main aspects: LandMark University (Off-JT), on-the-job training (OJT), and Self Development (SD). The company offers talent training programs as well as internal/external training resources while encouraging staff to keep improving professional

knowledge and cross-field knowledge at the same time. There are five sections: College of Science & Engineering, College of Quality, College of Management, College of Business, and College of Social Sciences, each of which designs corresponding courses for the R&D , manufacturing, quality control, managerial positions, and all staff respectively. The division directors serve as the dean of each college to organize the curriculum collectively, ensure the implementation quality, and establish a superior team which can respond rapidly to changes on the market.



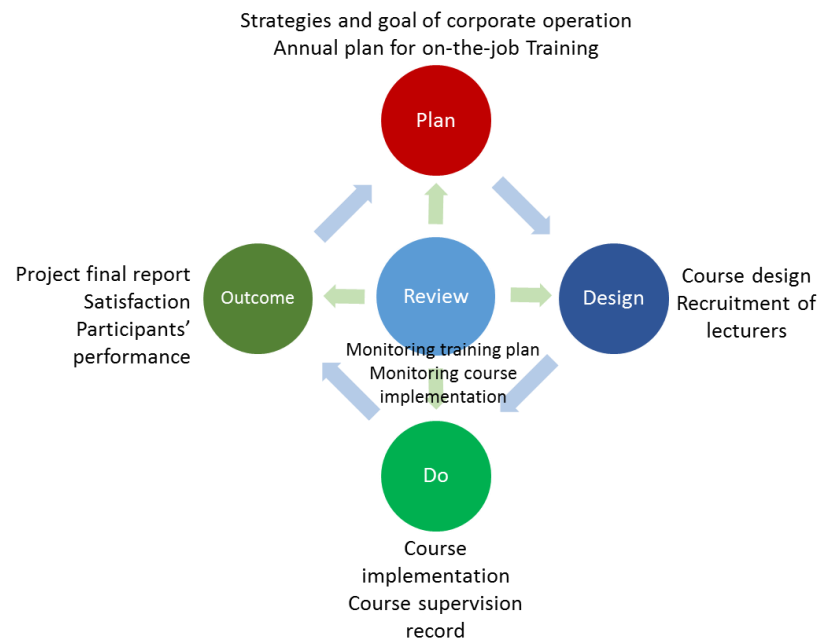
Land Mark Corporate University	Number of Courses	Total Number of Hours
College of Science & Engineering	9	307
College of Quality	11	208
College of Management	2	368
College of Business	1	20
College of Social Science	3	162

● Strengthen the system

The 'Human Resource Development System' has been established to serve as a platform for employees to search and register for various courses. A scheme has been established for strengthening supervisor review and the transfer of external courses into internal programs. Also, external and internal ISO review system is adopted to review the implementation of the training.

● Outcome of training

The company periodically reflects on and reviews the training system through on-the-job training quality review system PDDRO. It generates a training input and outcome procedure of diversity training to review company's training effect so as to keep making continuous improvement.



● 2018 Education Training outcome

In 2018, the company offers 4,105 hour of training courses in total, and 332 people joined the training course, with an average of 12.4-hour training received by each employee, which is 1.6 times of that in 2017.

Average Training hours per employee	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
	5.7	2.9	7.6	8.3	12.3	12.5
	2016		2017		2018	
Total hours of training	811		1,967		4,105	
Average Training hours per employee	5.1		7.7		12.4	

4.3. Safe and Healthy Workplace

There are potential threat for security and health in the work environment, so Landmark periodically entrusts certified institutions to inspect operation environment. It also conducts regular examination on the fire prevention facilities, evacuation route, and equipment security and files reports accordingly. The company would improve, maintain and repair the operation areas with potential threat. Limited assess is applied to the highly dangerous areas to avoid entry of irrelevant people. The company established guidelines for chemical usage and offers S.D.S for staff to make them have full understanding about features and hazards of the chemicals.

From 2016 to 2018, 0 cases of injuries from occupational accidents (traffic accidents are excluded) occurred in Landmark, and the disabling injury severity rate was no higher than 0.

Goal of 2018	Outcome of Implementation
Disabling Injury Severity Rate \leq 12	Disabling Injury Severity Rate \leq 0

● Regulations for work security

Item of Operation	Hazardous nature	Protective measures
Replacement of Gas Cylinder	Inhalation of hazardous gases	<ul style="list-style-type: none"> The workers should wear oxygen respirators. Employees should work in pairs.
Operation of X-Ray Equipment	Radiation hazards on human health	<ul style="list-style-type: none"> The equipment passed the radiation safety test. The task should be performed by operators certified to deal with radioactive equipment. Operators should be equipped with dosimeter.
Operation of dealing with chemicals	Skin exposure/ Inhalation of hazardous gases	<ul style="list-style-type: none"> Operators should wear protective gears. The operation should be conducted in the fume hood. The company should entrust professional institutions to conduct inspection of the operating environment.
Cleansing operation of the equipment parts	Skin exposure/ Inhalation of hazardous gas	<ul style="list-style-type: none"> The cleansing area is equipped with hazardous gas detector. The siren would go off when density of hazardous gas exceeds the standard. The cleansing task is operated in negative pressure room to keep the gas from spreading to the surrounding area. The operators should wear protective gloves, aprons, and oxygen respirator. The operation should be conducted in the fume hood.

● Workplace Safety Measures

Workplace Safety Measures
The drinking water should undergo the E. Coli test every two months.
Monthly inspection is conducted for firefighting equipment (for example: Fire extinguisher, emergency light, fire detector, fire alarm broadcasting systems, etc.)
The company entrusts certified inspecting institutions to conduct inspection of workplace environment (including the chemicals, noises, CO2, and illumination) every six months.
The regular emergency evacuation drill is held every six months.
The mosquito (vector) control and sterilization measures are conducted every six month.
The company conducts regular safety inspection on the firefighting equipment and evacuation of the building every year and submits reports to authorities concerned.
The gases room, electrical control room, and cooling tower should have access control to keep irrelevant people out.

● On-site medical service

Landmark hires specialist doctors to offer on-site medical service, including health consultation, health care, analysis on dangerous operation, evaluation and consultation on health check items, and other work for health management and health promotion. In 2018, about 24 employees enjoyed such services.

● Prevention of sexual harassment

The company protects employees from workplace sexual harassment. It observes Act of Gender Equality in Employment and has established 'Measures of Prevention, Corretion, Complaint, and Punishment of Sexual Harrassment at Workplace.' Employees can file complaints about sexual harassment cases through dedicated line and email. With these measures, the company offers a work and service environment without seexual harassment. The company also adopts appropriate measures for prevention, correction, punishment, and treatment, so as to protect the right and privacy of the victims. In 2018, no cases of sexual harassment occurred in Landmark.

4.4. Social Welfare and Public Art

● Social Welfare

Landmark aspires to do its part for improving the society. In 2018, the company worked with Tainan Home of Philanthropy in the campaign 'Landmark Sharing.' After asking children about their wishes for Christmas, the staff devoted themselves in realizing such wishes and sent the gifts to the kids. Thirty one kids received the gifts, which were mainly stationaries, clothes, and shoes. Landmark staff manifested the principle "giving is better than sharing."



Thank-you cards



● Public Art

An artist was invited by Landmark to manifest the indium phosphide as an art craft 'Stream,' which was awarded with the Sixth Public Art Awards by Ministry of Culture (public art work subsidized by private sectors).

The art work involves the product manufacturing element, digital application images, and the spirit of research and development of science specialists. The components of chemical equation of InP ($\text{In}(\text{CH}_3)_3 + \text{PH}_3 \rightarrow \text{InP} + 3\text{CH}_4$) are manifested in a 3D model, which displays the corporate features. Meanwhile, the spheres and lines in the artwork represent the individual issuers and recipients of the messages as well as the optical fiber transmitting the messages. The connection of the two symbols in this artwork represents how the epitaxy chips of LandMark for optical fiber communication are applied. The spheres in the artwork represent the hubs for streaming, indicating that LandMark aspires to connect the local and international perspectives; the company can keep up with the current trend and face the challenge of the future.



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聯亞光電工業股份有限公司
LandMark Optoelectronics Corporation

