



2022
ESG REPORT

20th
ANNIVERSARY
INNOLUX

Contents



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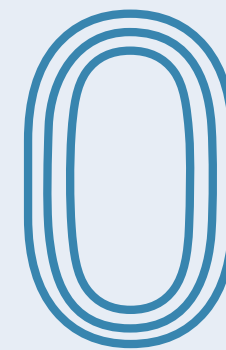
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0.1 About this Report

GRI : 2-2 、 2-3 、 2-5

This is the 15th ESG Report published by Innolux, it covers governance as well as our social and environmental goals and achievements. For presenting our performance, managerial approach, material topics to our stakeholders, this report is compiled with the comprehensive option of the 2021 GRI Sustainability Reporting Standards released by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) Standards, and the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.

Scope of the Report

This report discloses Innolux's sustainability performance from January 2022 to December 2022 and is divided into internal and external organizational sectors depending on topics:

- Internal: Major operational and manufacturing bases such as Innolux Taiwan Sites and China Sites, which include Ningbo Site (Ningbo Innolux Optoelectronics Co., Ltd., Ningbo Innolux Display Ltd., and Qunan Electronics Co., Ltd.), Foshan Site (Foshan Innolux Optoelectronics Ltd.), Nanjing Site (Nanjing Innolux Optoelectronics Ltd. and Nanjing Innolux Technology Ltd.), and Shanghai Site (Shanghai Innolux Optoelectronics Ltd.).
- External: Customers, suppliers, and local communities.
- The financial information is consistent with the information disclosed in the consolidated financial report.

Report Assurance

Sustainable Development Management(SD) Department collaborated to compile all information and data in this report with our editorial team, which consists of employees from the Human Resources, Legal Affairs, Intellectual Property, Stock Affairs, Finance, Facilities Engineering, Environmental Safety, General Administration, R&D, Automation, Procurement, Logistics, Information Technology, Quality Assurance, Sales, and Public Relations Departments as well as the Innolux Education Foundation. Prior to publication, the contents of the report were reviewed for authenticity and integrity through an internal administrative process and verified by a third party.

- This report was verified by SGS Taiwan under AccountAbility 1000 Assurance Standard (2018) Type 2 High-Level Assurance, GRI Standards 2021, and the sustainability indicators disclosure requirements of the Sustainability Accounting Standards Board (SASB). The independent assurance statement is included in the appendix of this report.
- Data concerning the greenhouse gas inventory were reviewed and verified by a third party under ISO14064-1: 2018.
- The cost and accounting information cited from our annual report was reviewed and verified by certified accountants.

Issue Dates

Innolux publishes ESG reports on an annual basis. The reports are available for download on our website in Chinese and English.

Current Issue: Publishing in June 2023

Previous Issue: Published in June 2022

Next Issue: Scheduled for publishing in June 2024



Report Download
Zone

Contact Us

If you have any questions about the contents of this report, please contact the ESG Report Editorial Team, Sustainable Development Management Department, Innolux

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The official website
of Innolux





0.2 A Message from the Chairman

GRI : 2-22

In 2022, the global economy was severely impacted by external factors such as lingering effects from the COVID-19 pandemic, the Russia-Ukraine war, and inflation, which had us facing the most difficult circumstances in our recent history. Nonetheless, Innolux confronted these challenges with resolving, proposing swift adjustments and changing to our operational strategies, taking steps to safeguard our core business in the face of adversity, upholding our principle of caring for employees, and making every effort to overcome obstacles to create value for our employees and stakeholders.

Innolux continues to play a prominent role in the global panel market. In addition to enhancing the value of our core business, we must maintain our adherence to international standards and advance sustainable corporate development. As of 2022, we have been named to the DJSI World Index and the DJSI Emerging Markets Index for 5 consecutive years, and we have been awarded the National Sustainable Development Award from the National Council for Sustainable Development, Executive Yuan. We have performed exceptionally well in earning both domestic and international honors.

In response to the impact of climate extremes and the global net-zero trend, Innolux has developed a strategy for attaining our net-zero carbon emissions goal by committing to a 25% annual greenhouse gas emissions reduction goal by 2030 compared to 2020 and achieving RE100 for China sites and RE20 for sites in the greater China region. Furthermore, we actively participate in net-zero initiatives by joining the Taiwan Alliance for Net Zero Emissions (TANZE) and pledging to use 100% renewable energy for our offices by 2030 to demonstrate our firm commitment to the net-zero goal. We have also taken the first step towards climate positivity and the construction of a green value chain by encouraging supply chain partners to collaborate in achieving a 20% reduction in carbon emissions from key suppliers by 2030.

Achieving corporate sustainability is impossible without creating social co-prosperity and co-benefits. To this end, we have proposed a pioneering Net-Zero carbon emissions environmental education program, which aims to lay the groundwork for sustainability in elementary school education and inspire students to understand climate and the environment, reflect on environmental issues, and come up with courses of action. We also continue to implement the Make Dreams Possible program with the participation of our employees, to help disadvantaged children experience the joy of learning and grow up happily, broaden the horizons of children in remote areas, realize community care, and extend love through corporate influence.

Innolux will celebrate our 20th anniversary in 2023. Given the instantaneous changes of environment, I chose the word “transition” as the future expectation for company. Change is never easy, but failing to change will only make matters worse. Our goal is to accomplish a successful second phase transition through reframing, conversion, and redirection in addition to adopting a diversified development strategy. Innolux will continue to maintain our core philosophy of More Than Panel and acquire insight into industry trends, while simultaneously seeking opportunities beyond panels and exploring applications in multiple fields. To attract and retain talent, we plan to create a Future Recruitment Center, and encourage the rotation of elite positions to help transcend conventional thinking in professional disciplines and foster interdisciplinary capabilities. Regarding social participation, we continue to encourage our employees and their families to engage in charity work, thereby fostering a culture of volunteering. To respond to the ESG tsunami, we will continue to strengthen corporate resilience and create sustainable corporate value.



Jim Hung, Chairman and CEO

0.3 Company Overview

GRI : 2-1 、 2-6 、 2-28

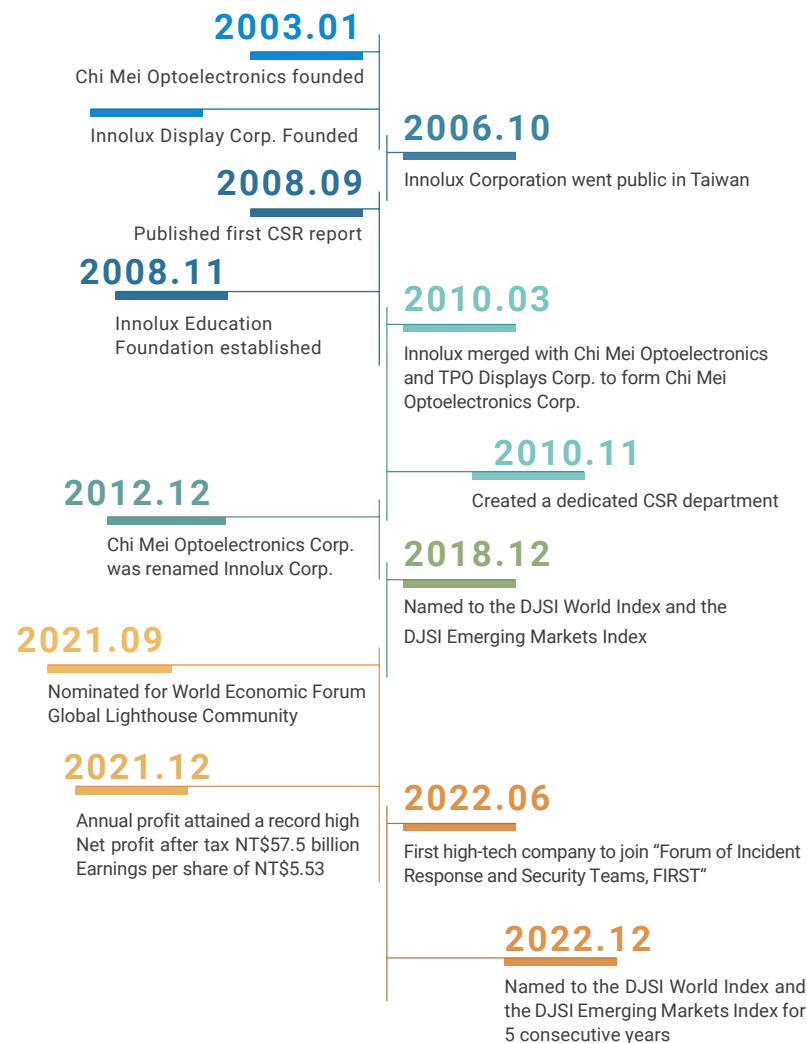
More than panel

Innolux was founded in 2003. As a TFT-LCD panel supplier, Innolux owns the most comprehensive, multi-generational production lines for 3.5G, 4G, 4.5G, 5G, 6G, 7.5G, 8.5G, and 8.6G, and is the world's only end-to-end panel display provider offering a complete range of small, medium, and large LCD and touch panels. Our R&D center, located in Taiwan, trains talented technical personnel to provide cutting-edge information and consumer electronics clients worldwide, with extensive product portfolios and solutions using a range of innovative and differentiated technologies, and we strive to be a comprehensive display solution provider. Innolux is headquartered in Taiwan. In addition to production sites in Ningbo, Foshan, Nanjing, and Shanghai in China, Innolux also has service locations in Japan, South Korea, Singapore, the Netherlands, Germany, and the United States to meet the needs of our global clients.

As the leader of the global optoelectronic supply chain, Innolux provides our clients with comprehensive solutions through innovative operations, which are based on our ingrained foundation and vertical integration in panel industry. In addition to our robust TFT-LCD capabilities, we employ an effective and streamlined approach to managing our process technologies and components. Furthermore, Innolux is firmly committed to our responsibility and mission not only to continuously develop cutting-edge technology and exceptional products, but also to use our "inimitable competitiveness" as a driving force for sustainable corporate management to achieve the satisfaction of our shareholders, clients, and employees, the greatest well-being of all stakeholders, as well as the objective of coexistence and shared prosperity.



Milestones





Company Profile

SASB : TC-HW-000.A

INNOLUX
群創光電

Company Name
Innolux Corporation

Date of Establishment
January 2003



Chairman
Jin-Yang (Jim) Hung

Capital
NT\$ **95.6** billion



Headquarters
No. 160 Kexue Road, Zhunan
Township, Miaoli County 35053
(Zhunan Science Park)



2022 Revenue
NT\$ **223.7** billion



Main Products
Full range of TFT-LCD panels,
TFT-LCD modules, and touch panel
modules



Stock symbol
3481



Number of Employees
42,154
employees globally



Production Capacity
Large panels (10 in. and above):
1.21 million pcs
small-medium sized panels
(10 in. and below) :
2.8 million pcs



Innolux Global Presence



*This report only discloses locations that are currently in operation. Locations which are not conducting any actual business operations are not listed.

Product Applications

Large Size



Monitor
Applications



LCD TV
Applications



Notebook
Applications



PID Applications

Small and Medium Size



Tablet Display
Applications



Automotive Display
Applications



Consumer Electronics
Applications



Smart Phone/
Mobile Applications

Others



Smart Medical
Applications



Industrial Display
Applications

Participation in Organizations

Through participation in various industry associations and societies, Innolux hopes to increase the sharing of industry experience and perspectives, while monitoring important issues including governance, technological innovation, environmental sustainability, supply chain management, and human rights. Furthermore, in response to the risks and impacts of climate change and cyber security, we have also newly joined relevant initiatives and organizations in 2022. All participation abides by Article 4 of the Innolux Code of Conduct Specifications, which prohibits us from engaging in campaign finance for commercial gain or transactional benefits. This ensures that our charitable donations do not potentially devolve into suspicions of bribery. In 2022, we spent a total of NT\$ 8.19 million on participation in non-profit organizations such as industry associations and societies.



Organization	Form of participation in 2022			Amount invested in recent years (NTD)				
	Role	Member	Project or committee participation	2022	2021	2020	2019	2018
Responsible Business Alliance (RBA)			✓	413,049	1,023,969	278,362	992,912	500,334
Business Council for Sustainable Development (BCSD) Taiwan Corporate Sustainability Forum (TCSF)		✓	✓	60,000	60,000	60,000	60,000	60,000
Taiwan Panel & Solution Association (TPSA)	President (Chairman)	✓	✓	3,680,000	960,000	1,200,000	1,200,000	1,200,000
Taiwan Listed Company Association		✓		100,000	100,000	100,000	—	—
The Allied Association for Science Park Industries		✓		810,000	810,000	810,000	—	—
CWS		✓		100,000	—	—	—	—
Taiwan Alliance for Net Zero Emissions (TANZE)		✓	✓	100,000	—	—	—	—
Taiwan Climate Partnership	Supervisor (President)	✓	✓	150,000	—	—	—	—
Forum of Incident Response and Security Teams (FIRST)		✓		77,450*	—	—	—	—
Total				8,190,499	2,953,969	2,448,362	2,252,912	1,760,334

*First year joined the Forum of Incident Response and Security Teams (FIRST); the fee for joining the organization was USD\$ 2,500 (based on the exchange rate on December 13, 2022).



Newly Joined Organizations and Initiatives in 2022



CWS was founded by Commonwealth Magazine in early 2022 to build a physical platform for the sharing and learning of corporate ESG practices, aim to lead society reaching co-prosperity. It focuses on governance, corporate commitment, social participation, and environmental sustainability.



Net Zero 2030/2050

Climate change has emerged as the greatest threat to global sustainable development, and we have a duty to contribute to efforts to mitigate the global climate emergency. Innolux anticipates to achieve the construction of self-generated energy systems, energy-saving, carbon-reduction equipment, and carbon offsets, realize the target of 100% net-zero emissions for office locations by 2030 as well as offices and manufacturing locations by 2050.



The Forum of Incident Response and Security Teams (FIRST) is the world's largest non-profit cyber security organization. Members include public sectors, private corporations, and academic research institutions across the Americas, Europe, Asia, and other regions. The Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC) is also a full FIRST member. Digital transformation has become a global trend in industrial development and is the driving force behind Innolux's transition to automation and INX4.0. Innolux is the first domestic high-tech company to join FIRST to ensure timely detection of threat information, early warning, as well as deployment of protection mechanisms and countermeasures.



Extreme weather and climate change may have caused a significant effects on future economic development. To avoid being excluded from international customers' supply chains, 8 major Taiwanese technology companies have formed the Taiwan Climate Partnership to lead Taiwan's supply chain aligning with global carbon reduction trends as well as engaging extensively with international organizations.

0.4 Sustainability Performance



- Total social investment amount **NT\$ 50 million**
- Established **Senior Development Department** to promote Youth-Senior Connections
- Provided cancer screening service at workplace for **53,244** persons
- SROI **2.8** "Go Green! Kickstart to Net Zero!" environmental education project
- Developed **2** sets of zero-emissions educational materials

- Process water recovery rate **97.3%**
- Power generated annually from renewable energy resources **3,642 kWh**
- FC emissions intensity per unit area reduced by **82.9%** compared to 2016
- **9.3%** absolute reduction of total power consumption at Greater China sites compared to 2021
- Water consumption per unit area reduced by **23.9%** compared to 2016



- Total Revenue NT\$ **223.7 billion**
- Intellectual Property Rights (IP) **12,700** assets
- R&D Expenditures NT\$ **13.05 billion**
- Key customers ranking up to target achievement **83%**
- Joined the Forum of Incident Response and Security Teams (**FIRST**)



0.5 Honors and Affirmations in 2022

Sustainability Evaluation

Dow Jones Sustainability Indices

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Named to DJSI World Index & DJSI Emerging Markets Index for **5 consecutive** years and ranked in top 10 % of industries

- ★ **Ranked top 1%** in the ITC Electronic Equipment, Instruments & Components Group

S&P Global

Innovative Corporation
Electronic Equipment, Instruments & Components
Top 10%
S&P Global ESG Score 2022

Named to The Sustainability Yearbook for **8 consecutive years**

- ★ Rated in the **top 10%** of the global Electronic Equipment, Instruments & Components Industry

CDP

CDP
DISCLOSURE INSIGHT ACTION

- ★ Rated **B**, **Management level** in Climate Change and Water Security
- ★ Rated **A-**, **Leadership** in Supplier Engagement Rating (SER)

Sustainalytics' ESG Risk Ratings

Rated
SUSTAINALYTICS

- ★ Received **Low-Risk** rating

EcoVadis

ecovadis

- ★ Received **Silver Level** in CSR assessment

MSCI ESG Ratings

MSCI
ESG RATINGS

- ★ Received **BBB** rating
- ★ Received the honor of **Leader** in Chemical Safety

RATED BY ISS ESG

Corporate ESG
Performance
ISS ESG Prime

- ★ Received **Prime** level rating

Awards



★ 2022 National Sustainable Development Awards

Awarded National Sustainable Development Award by the National Council for Sustainable Development, Executive Yuan

★ Taiwan Circular Economy Awards

Received Innovative Technology Award from the Chung-Hua Institution for Economic Research at the 3rd Taiwan Circular Economy Awards

★ Award of Excellence for Promoting the Employment of Middle-Aged and Elderly Persons

Received Award of Excellence for Promotion the Employment of Middle-Aged and Elderly Persons for large enterprises from the Ministry of Labor

★ Sports Enterprise Certification

Received Sports Enterprise Certification from the Sports Administration, Ministry of Education

★ Energy Saving Benchmark Award

Received a Silver Medal at the Ministry of Economic Affairs' Energy Saving Benchmark Awards

★ Excellence in Corporate Social Responsibility

Ranked 31st in the category of large enterprises

★ Circular Economy Leadership

Awarded the Circular Economy Leadership award by Asia Responsible Enterprise Awards (AREA) with high-performance circular green factory

★ Asia-Pacific Sustainability Action Awards (APSAA)

A total of 4 awards including 2 Golds and 2 Bronzes were awarded for Talent Transformation Digital Smart Manufacturing, Energy-Efficient Circular Factory, Collective Protection and Health Creation

★ Global Corporate Sustainability Award (GCSA)/ Taiwan Corporate Sustainability Awards (TCSA)

Received 2 GCSA awards and 8 TCSA awards, for a total of 10 awards

★ 31th Taiwan Excellence Award

- The Medical Volume N3D Display System and Smart Dimming LC Window were nominated by Taiwan Excellence Award for the first time, and received 1 Gold and 1 Silver respectively
- Received 9 Taiwan Excellence Awards





A Focus on Creating Sustainable Value

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1.1 Sustainable Development Management Operations

GRI : 2-9、2-12、2-13、2-14、2-16、2-23、2-24、2-25

1.1.1 Sustainable Development Policies

To achieve our vision of Innolux Sustainability DNA Co-creating a Better World, based on core business capabilities, Innolux incorporates the environment, society, and governance into decision-making, formulates three sustainable development approaches—Drive towards a cleaner environment, Nurture a co-prosperity, and Achieve optimal corporate governance.

We have also followed the Responsible Business Alliance (RBA) Code of Conduct to form the basis of Innolux's. To pursue sustainability and build competitiveness with a five-pronged sustainable development policy that covers governance, eco-protection, employee care, supply chain SER management, and community engagement.

/ESG Vision/

Innolux Sustainability DNA | Co-creating a better world



Drive towards a cleaner environment

Nurture a co-prosperity society

Achieve optimal corporate governance

/Innolux Code of Conduct Commitments/



Integrity

Integrity is the most important core value of Innolux. It consolidates Innolux's leading position in the display panel industry. Innolux pursues to acquire trust and respect from its customers, shareholders, employees, suppliers and the society.



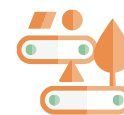
Compliance

Innolux respects and upholds democracy and the rule of law. It abides by the applicable laws and the standards agreed by the industry. Furthermore, it pursues the higher standards of operational excellence.



Respect for human rights

It is a universal value to respect for human rights. When facing up to the employees, customers, suppliers around the world, Innolux based on the Global Compact implements the principle of fairness and respectation for the individual differences.



Environmentally friendly

Deterioration of the living environment is human beings' common challenges. Innolux should use its capacity to reduce the environmental impact of the production process and product to attain the sustainable development of the global environment.



Community and social involvement

Innolux is not satisfied with its own growth and robustness. Innolux is willing to facilitate the development of nearby communities with the way of sharing its profits and public achievement.



Be the influential leader in supply chain

As the panel and display manufacturing leader, Innolux has a decisive influence on the client or supplier side; by clustering the supply chain strength, it has a greater impact on the improvement of the social and the global environment.



Balancing and continual improvement of financial, social and environmental performance

Innolux concentrates on the company operation, creating profiles for shareholders and employees. It then contributes to the improvement of the society and the environment.

1.1.2 Sustainable Development Committee and Promotion Organization

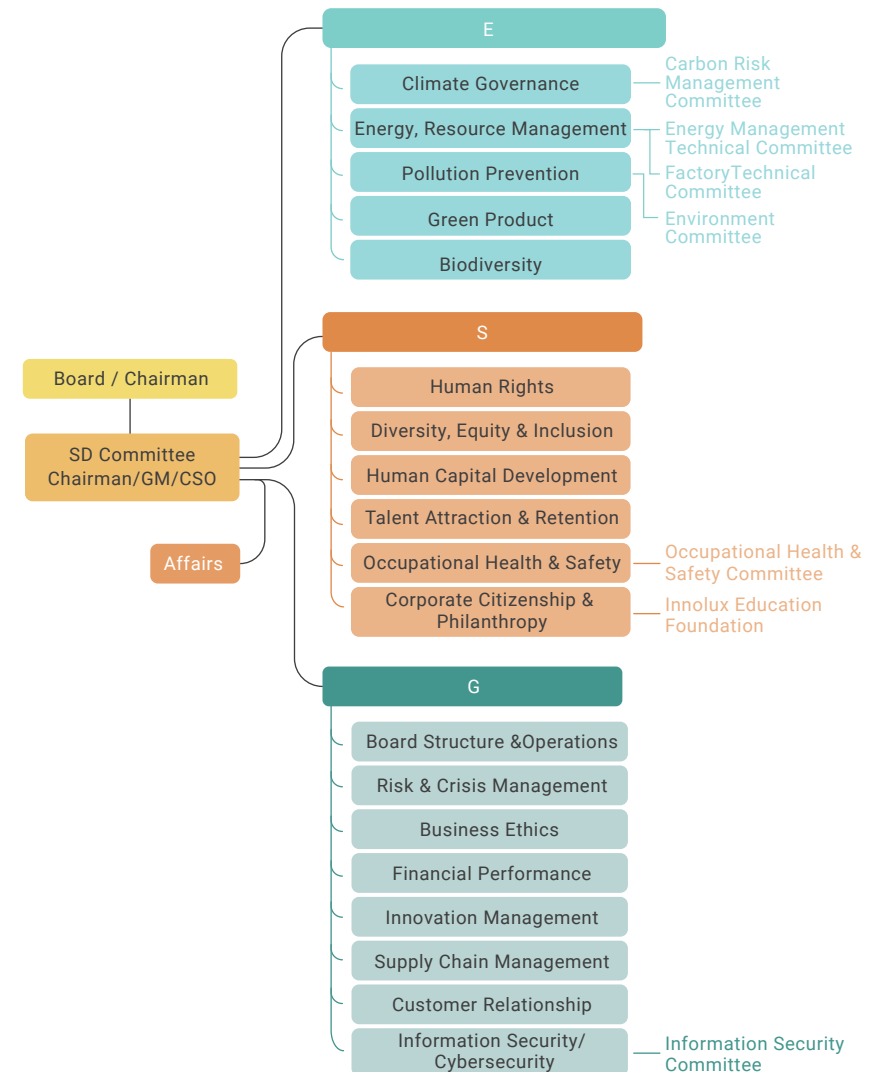
In 2011, Innolux established the Sustainable Development Committee, authorized by the board of directors as our primary ESG promotional body, responsible for implementing corporate sustainable development policies and strategies. Under the Materiality Principle, performing ESG issues risk assessments, formulating goals, and promoting strategies.

On February 2019, the Chief Sustainability Officer (CSO) was created, held by the director of the Sustainable Development and Human Resources Center, dedicated to promoting the culture and drawing a blueprint for sustainable development. Our Chairman serves as the chair of the Sustainable Development Committee, General Manager as vice chair, and the SD Department as the Secretariat. Members include the top executives from Taiwan and China manufacturing centers and top executives from functional departments.

Through annual management review meetings, quarterly committee meetings, and group meetings, the committee examines impacts, risks, and opportunities associated with material sustainability issues from the perspectives of ESG, discusses corresponding measures, and sets annual goals to ensure the implementation of sustainable governance in daily operations. To maintain close linkage with the board of directors, the Sustainable Development Committee presents an annual sustainable corporate management performance report that covers (1) major achievements, (2) communication with stakeholders, (3) ESG risk-related response policies and strategies, and (4) future implementation target planning. Among key environmental issues are energy and greenhouse gas management, water conservation, and waste reduction; key social issues are employee diversity and working hours; key governance issues are integrity and risk management. In 2022, the board reviewed and approved proposals to "2030 Net Zero Carbon Reduction Target", "Enhance Sustainable Supply Chain Management", and "Campus Net Zero Environmental Education Plan".

Under the leadership of the CSO, the SD Department serves as Secretariat within the Sustainable Development Committee, that responsible for understanding stakeholder needs, analyzing global sustainable development trends, assessing and managing potential impacts of materiality on operations, discussing and executing plans with other departments, and completing annual ESG Reports. In 2022, the Secretariat established Innolux ESG Control Tower as a platform to improve resource utilization efficiency and enhance internal decision-making and management.

/Sustainable Development Committee Structure/



2022 Sustainable Development Committee Management Review

Performance

Environment			Social			Governance		
Annual goals	Compliance status	Description of non-compliance	Annual goals	Compliance status	Description of non-compliance	Annual goals	Compliance status	Description of non-compliance
Setting Net-zero target	✓		Occupational safety	×	Disabling Frequency Rate (FR) fell short of the target	Corporate governance	✓	
SBTi application	✓		Overtime management	×	Work hours at Shanghai Site failed to meet RBA requirements	Sustainability assessment	×	CDP "Climate Change" and "Water Safety" fell short of the targets
Implementing internal carbon-pricing	✓		Employment for the disabled	×	Recruitment of the disabled fell short of the target	TCFD disclosure	✓	
Energy management	✓		Migrant worker placement fees	✓				
Power saving	✓		Conflict minerals management	×	Cobalt inventories for medium- and high-risk suppliers fell short of the target			
GHG emissions reduction	✓		Supply chain carbon reductions	✓				
Water resources management	×	Failed to acquire ISO 46001 certification.	Social engagement	✓				
Waste reduction	×	<ul style="list-style-type: none"> Reduction in organic sludge removal at 2 plant sites fell short of the target. Output intensity of waste lye at 1 plant site fell short of the target. 						

Tracking

- Complete 2030 Sustainable Development target-setting
- Complete the establishment of ESG Control Tower system

EGS X Digital transformation=INNOLUX ESG Control Tower

As an effective powerhouse for internal sustainability, the ESG Control Tower analyzes 76 topics and 483 issues based on domestic and international mainstream sustainability evaluation indicators, disclosure standards, and regulatory requirements, identifies key items and potential future topics, converges and integrates into INX ESG indicators ensuring our sustainability direction aligns with current trends. Across the sustainable indicator dashboard, existing information system can be connected as needed, accumulated long-term big data can be visualized ESG status and performance; Real-time monitoring and allocation of limited resources can effectively reduce decision-making time. Benchmarks against the industry evaluation results, maximize advantages and improve weaknesses to facilitate continuous monitoring and improvements, links sustainable initiatives to the UN Sustainable Development Goals (SDGs).

1.2 Stakeholder Communication and Material Topics

GRI: 2-26, 2-29, 3-1, 3-2, 3-3

Innolux has adopted the Global Reporting Initiative (GRI) Standards 2021 and the AA1000 AccountAbility Principle: 2018 to create a materiality analysis and management framework based on factors of inclusivity, materiality, and responsiveness. Our annual materiality analysis built on communication and engagement with stakeholders alongside a corporate sustainability impact assessment to identify material topics, examine long-term SDGs, take action in response to risk impacts, as well as track progress and performance. The Sustainable Development Committee presents a report on stakeholder communication and material topics to the board of directors on an annual basis.

Employees

Communication/ Frequency

- Labor management meeting/ quarterly
- Department seminars/occasional
- Employee care hotline and mailbox/ occasional
- Satisfaction surveys/ occasional
- APP-Employee assistance programs (EAPs) / occasional

Issues of Concern

- Talent recruitment and retention
- Human rights
- Talent development and training
- Diversity and equality
- Workplace digital transformation

Communication in 2022

- 240 labor management meetings
- 1,225 cases handled through internal communication channels

Customers

Communication/ Frequency

- Customer satisfaction survey analysis
- Voice of the customer system
- Customer complaint handling and review/ occasional
- Customer meetings/ occasional
- Customer audits/ occasional

Issues of Concern

- R&D for product and technology innovation
- Financial performance
- ESG risk management
- Air pollution control
- Water resources management

Communication in 2022

- >10 key account cooperative development and quality meetings
- 100 VIP customer quality evaluation meetings
- >1,000 daily operations meetings
- Key issue: refund of migrant worker placement fees

Shareholders / Investors

Communication/ Frequency

- Shareholder meetings/ annual
- Institutional investor conferences/ biannual
- Investment forum/ quarterly
- Company annual report and ESG report/ annual
- Investor-analyst communication meetings/ occasional
- Investor hotline and mailbox/ occasional

Issues of Concern

- Financial performance
- GHG emissions
- Waste and circular economy
- Talent recruitment and retention
- Community participation and care

Communication in 2022

- 1 shareholders meeting
- >40 investor communication meetings
- 95 responses to investor hotline and mailbox

Social media platforms for stakeholder communication



Facebook



Instagram



LinkedIn



Youtube

Stakeholders

1.2.1 Stakeholder Communication

Innolux maintains regular communication and engagement with six major stakeholder groups—employees, customers, shareholders/investors, suppliers/contractors, government/industry associations, and society (academies, communities, media, and NGOs) through multiple channels to understand topics that affect stakeholders and ensure timely public disclosure of information on our progress and future sustainable management goals. The Sustainable Development Committee presents a report on stakeholder communication to the board of directors on an annual basis.

Suppliers / Contractors

Communication/ Frequency

- Regular supplier meetings/ bi-weekly and monthly
- Supplier conference/ annual
- Supplier self-assessment questionnaire/ annual
- Anti-corruption whistleblower mailbox/occasional
- On-site audits and assistance/occasional

Issues of Concern

- Talent recruitment and retention
- Talent development and training
- Occupational safety and health
- Diversity and equality
- Human rights

Communication in 2022

- 508 supplier CIP meetings
- 545 supplier communication meetings
- 25 external reports processed
- Key issue: supply chain carbon reduction commitment

Society (Academies, Communities, Media, NGOs)

Communication/ Frequency

- Volunteer service/ occasional
- Media (press conferences, news releases, interviews)/ occasional
- Project involvement and visits/ occasional
- Neighborhood communication/ occasional
- Hosting events and forums/ occasional
- Innolux Sustainability DNA (Facebook and Instagram)/ occasional
- Media and hotline/ occasional

Issues of Concern

- Financial performance
- GHG emissions
- Waste and circular economy
- Community participation and care
- Talent recruitment and retention

Communication in 2022

- 7 Net-zero Carbon Reduction environmental education initiative
- 300 plus texts and calls for media communications
- 66 press releases
- 14 media events (press conferences/ guided tours)
- 9 media interviews

Government / Public associations

Communication/ Frequency

- Official documents and correspondence/ occasional
- Meetings (seminars, briefings, public hearings, forums)/ occasional

Issues of Concern

- Air pollution control
- Water resources management
- GHG emissions
- Waste and circular economy
- Occupational safety and health

Communication in 2022

- 4 government meetings
- 8 industry association meetings



1.2.2 Material Topics

Innolux has established a three-stage (identification, analysis, and confirmation) impact-based materiality analysis procedure under GRI 3: Material Topics 2021, the AA 1000 Stakeholder Engagement Standard (SES), and the Environmental Profit & Loss (EP&L) impact valuation method with reference to the RBA audit results. Through the 3-stage procedure, we identify material sustainability issues and determine boundaries and scope of sustainability information disclosure to set medium- and long-term targets.

stage 1 Identification

Innolux employs the five AA1000 SES principles to identify priority stakeholders with the highest operational relevance as key communication targets for the ESG Report. After taking international sustainability standards and regulations, ESG assessments, stakeholder communication, as well as industry and internal business goals into account, a total of 23 sustainability issues were identified including biodiversity in the environmental aspect newly added in 2022.

1 Identifying key communication targets

6 key stakeholders

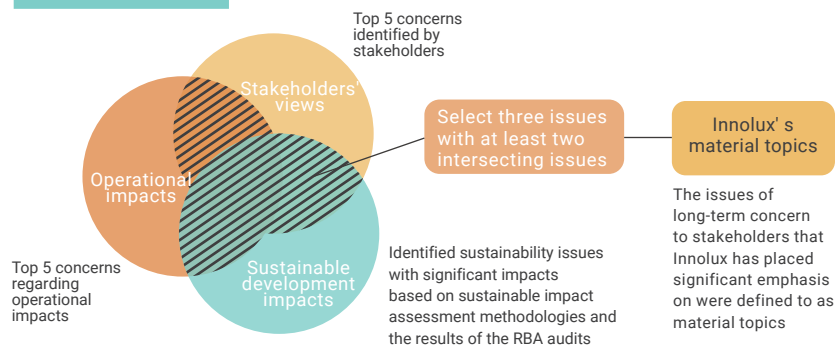
Innolux has identified 6 stakeholders as key communication targets—employees, customers, shareholders/ investors, suppliers, the government/industry associations, and society (academies, media, communities, NGOs)—under AA1000 SES.

2 Selecting sustainability topics

23 sustainability issues

Based on global sustainability standards and regulations (RBA, the SDGs, the GRI Standards, ISO26000), sustainable investment organizations (DJSI, CDP, MSCI ESG Index), and past sustainability topics and communications with stakeholders, a total of 23 sustainability topics were determined to be of material interest.

stage 2 Analysis



3 Determining stakeholder's concerns

2,039 stakeholders

Stakeholders were determined based on interactivity, significance, and influence with online and paper surveys administered to assess their level of concern. A total of 2,039 stakeholders participated including 1,914 employees, 79 suppliers/vendors, 11 investors, 2 customers, 16 government officials/industry associations, and 17 community members.

4 Identifying operational impacts

12 senior executives

12 senior executives participated in the survey to identify the operational impacts of sustainability issues based on four factors: revenue growth, customer satisfaction, risk reduction, and employee loyalty.

5 Assessing sustainability impacts

14 impacts

Profit and Loss management methodologies and the RBA audits were employed to identify positive and negative, potential and actual, long- and short-term, as well as direct and indirect impacts on the economy, environment, and social well-being throughout the upstream supply chain, manufacturing, and business operations, and downstream product sales.

6 Determining sustainability issues

15 sustainability issues

We analyzed stakeholders' views, operational impacts and sustainable development impacts before submitting 2 intersecting issues to the Sustainable Development Committee for deliberation, along with other significant issues. Consequently, 15 material issues were determined.

stage 3 Confirmation

Before being categorized to the 12 material topics, 15 sustainability issues impacts on the value chain (upstream, company operations, and downstream) were identified under the GRI Standards. In addition to the internal sustainability information, data, and management policies were collected and compiled under reporting requirements.

7 Determining disclosure boundaries

3 stages

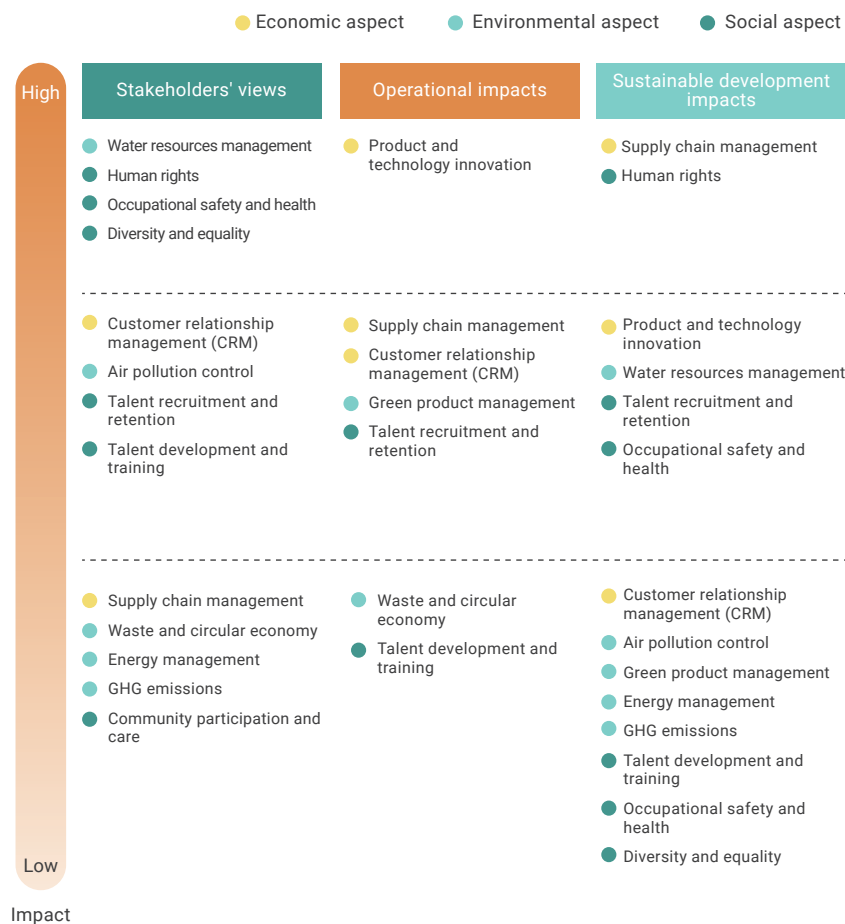
Innolux's sustainability information disclosure was extended to include procurement, display manufacturing, and customer product use in order to assess the impacts of sustainability issues on the up-, mid-, and down-stream stages.

8 Reviewing disclosure content

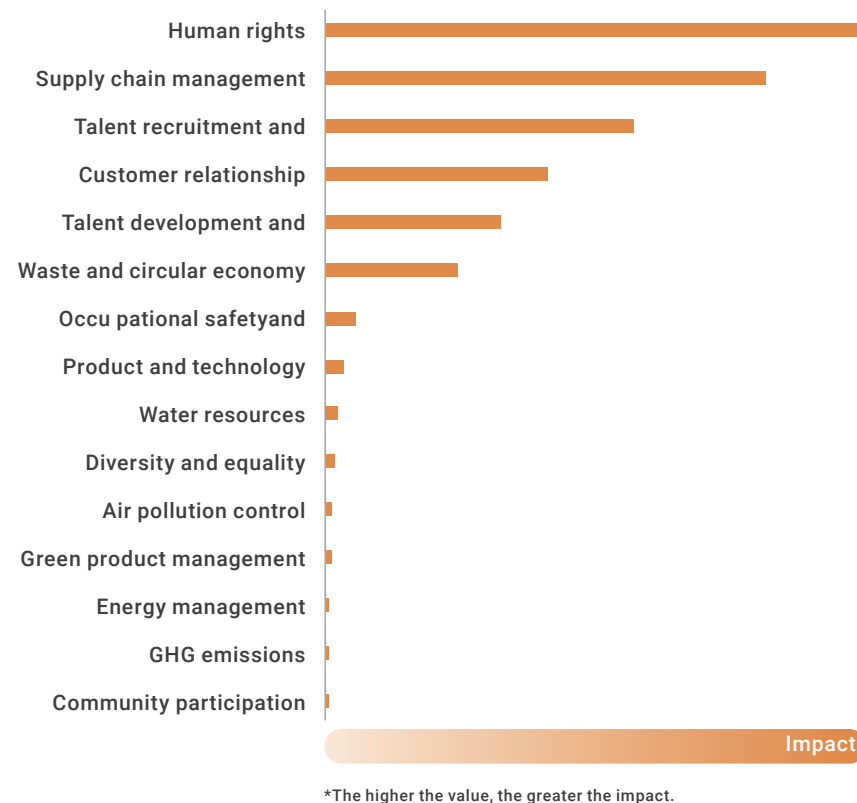
12 material topics

12 material topics in the GRI standards derived from the 15 corresponding sustainability issues, along with the sustainability issues reviewed and adopted by the Sustainable Development Committee were disclosed.

/ The Impact of Innolux's Sustainability Issues /



/Ranking of Innolux's Material Issues/



Sustainability Issues and the Value Chain

Aspect	Sustainability Issue	GRI Standards Topic	Significance to Operations				Value Chain Stage and Relationship				Corresponding Chapter
			Revenue Growth	Customer Satisfaction	Operational Risk	Employee Loyalty	Procurement	Manufacturing	Customer Use	Society	
Economy	Product and technology innovation	R&D of product and technology innovations*	✓	✓				●	▲		3.1 Innovation & Research
	Customer relationship management (CRM)	Customer privacy GRI 418	✓	✓					▲		3.2 Customer Relations
	Supply chain management	Procurement practices GRI 204, supplier environmental assessment GRI 308, supplier social assessment GRI 414		✓	✓		▲				3.3 Supply Chain Management
Environment	Water resources management	Water and effluent GRI 303			✓			●		○	5.3.2 Water Resources Management 5.4.1 Water Pollution Control
	GHG emissions	Emissions GRI 305			✓			●		○	5.2.3 Greenhouse Gas Management
	Energy management	Energy GRI 302			✓		▲	●	▲		5.2.4 Energy Management
	Green product management	Green product management		✓			▲	●	▲	○	5.5.3 Green Products
	Air pollution control	Emissions GRI 305			✓			●			5.4 Pollution Control
	Waste and circular economy	Waste GRI 306			✓			●			5.5 Green cycle
Society	Occupational safety and health	Occupational safety and health GRI 403			✓	✓	▲	●			4.4 Safety and Protection
	Talent recruitment and retention	Employment GRI 401				✓		●		○	4.1 Talent Recruitment and Retention
	Talent development and training	Training and education GRI 404				✓		●			4.1.2 Diversity and Inclusiveness 4.2 Talent Cultivation and Development
	Human rights	Human rights*				✓	▲	●			4.3.1 Respecting Human Rights
	Community participation and care	Community participation and care*				✓				○	4.5 Working for the Common Good of Society
	Diversity and equality	Diversity and equal opportunity GRI 405				✓		●			4.2 Talent Cultivation and Development 4.1.3 Compensation and Benefits

* Topic created by Innolux.

● Direct impact ○ Indirect impact ▲ Direct relevance

Development Goals for Material Topics

	Impact	Commitment	Strategy	Goal	Responsible Department	Management Mechanism
Research and Innovation of Products and Technologies	Due to lack of new product R&D, we are unable to keep up with market trends and demand, resulting in a loss of corporate competitiveness, which has a negative impact on performance and profits	Transform and reengineer to lay the groundwork for a leap in value	<ul style="list-style-type: none"> • Increase the competitiveness of small and medium panels, and move towards super large panels • Develop high-niche products and increase customer stickiness • Actively promote and develop low power- consuming and power- saving products 	<ul style="list-style-type: none"> • Actively engage in low-carbon product R&D, increase recycled materials, and move towards sustainable products • Exploit new application domains and grasp market opportunities for emerging applications 	Product development, marketing	Customer satisfaction surveys, feedback, external assessments
Customer Relationship Management	Recent compliance with net zero carbon emissions and human rights issues would secure orders and customer loyalty, preventing negative impact on our revenue and reputation	Increase customer satisfaction and deepen customer trust	Improve CQ situation room platform functions to satisfy customer requirements	<ul style="list-style-type: none"> • Develop comprehensive, intelligent quality management, improve the decision-making support system of QA dashboard, and construct a value-added intelligence center • 75% of key clients have achieved targets 	QA, sales	Customer satisfaction surveys, feedback
Supply Chain Management	We manage and control our supply chain through CSR audits. In light of deficiencies uncovered, suppliers may be exposed to legal and ethical risks, which will negatively impact our material supply and public image	Value creation for the common good	<ul style="list-style-type: none"> • Manage carbon reduction targets for key suppliers • Continue dedication to responsible procurement and exercise due diligence to ensure products meet conflict-free mineral requirements • Annually expand the range of supplier management, help introduce and construct low-carbon value chains 	<ul style="list-style-type: none"> • Certification rate of conflict mineral 3TG dynamic conformant smelters of medium- and high-risk suppliers reached 90% • Inventory rate of conflict mineral cobalt and mica of medium- and high-risk suppliers reached 90% • A 20% reduction in GHG emissions from key suppliers by 2030 (vs. 2020) 	Procurement, QA, and product compliance	DJSI, SQPR
Water Resources Management	With our high-water consumption, frequent shortages in recent years have resulted in inadequate water resources and a decrease in production capacity	Improve water utilization efficiency and diversify development	<ul style="list-style-type: none"> • Improve water resource management and obtain ISO 46001 Efficiency Management Systems certification • Actively implement water management and shortage adaptations in response to climate crisis 	<ul style="list-style-type: none"> • Reduce water consumption per unit area by 30% by 2025 (vs.2016) • Actively develop new water-saving technologies to increase reuse rate 	Factory operations, ESH	DJSI, CDP, RBA audits
GHG Emissions	Future overseas transactions may incur carbon border tax due to customer demand, resulting in higher operating costs	Improve low-carbon competitiveness and reduce external operational risks in the finance sector and the market	<ul style="list-style-type: none"> • Carbon Risk Management Committee evaluates and plans net zero targets, strategies, and technologies • Promote carbon reduction business, achieve GHG goals, and mitigate the impacts of climate change • Encourage proposals for energy action plans on processes and periphery facilities • Implement Internal Carbon Pricing management to facilitate investment in reduction schemes 	<ul style="list-style-type: none"> • Reduce emission intensity per unit area of TFT process FCs by 49% in 2025 (vs.2016) • Reduce Scope 1 and 2 GHG emissions by 25% in 2030 (vs.2020) 	ESH, manufacturing	DJSI, CDP, customer requirements, RBA audits



Development Goals for Material Topics

	Impact	Commitment	Strategy	Target	Responsible Department	Management Mechanism
Energy Management	If renewable power generation system is less than 10% of contracted capacity electricity are installed before 2025, we will be fined, resulting in higher operating costs due to regulatory terms governing high electricity users	Increase corporate competitiveness in both operating costs and eco-protection	<ul style="list-style-type: none"> Promote energy-saving businesses, practices, technical performance evaluations, and system development Expand and purchase renewable energy equipment to boost consumption 	<ul style="list-style-type: none"> Achieve an average annual electricity savings rate of $\geq 1\%$ between 2022 to 2026, and strive for $\geq 1.6\%$ By 2025, generate 60 million kWh of electricity annually through renewable energy installations Achieve 20% renewable energy use by 2030 (RE20) 	Factor operations, ESH, manufacturing	DJSI, CDP, customer requirements, RBA audits
Green Product Management	Most customers and international investors have specified green product requirements to manage prohibited and restricted substances with a minimum percentage of recycled materials, which affects market share and competitiveness	Implement hazardous substance management, reduce impacts on the environment and ecosystem	<ul style="list-style-type: none"> Monitor regulatory trends, industry standards, and consumer demand to respond and control materials and products in time Enhance product design and explore potential carbon reductions to lessen environmental impacts 	<ul style="list-style-type: none"> Implement comprehensive green product management through intelligent greening, source control, eco-friendliness, and global certification 	QA, product compliance and development	DJSI, customer requirements
Air Pollution Control	Air pollution causes negative impacts on human health and the environment	Implement air pollution controls to minimize environmental burdens	<ul style="list-style-type: none"> Improve control of air pollutants 	<ul style="list-style-type: none"> Promote reduction of air pollutants 	Factor operations, ESH	Air pollution testing reports, RBA audits
Waste and circular Economy	With previously fined for illegal waste disposal, resulting in eco-pollution	Implement the "Innolux Green Manufacturing = Recycling x Zero Waste x Low Carbon" formula on green factories	<ul style="list-style-type: none"> Assess the potential of integrating raw and packaging materials for circular economy to improve the efficiency Conduct recycling verification on end of life liquid crystals to ensure recycling quality 	<ul style="list-style-type: none"> Maintain waste landfill rate below 2.0% by 2025 Promote circular economy and improve material recycling efficiency 	Factor operations, ESH, liquid crystal extraction center	DJSI, customer requirements, RBA audits
Occupational Health and Safety	The lack of sufficient safety auxiliary facilities led to work-related accidents, which increased risks to personal	Construct a safety and health culture to reduce occupational hazards	<ul style="list-style-type: none"> Improve the intelligent management of environment, safety, and health Achieve occupational safety and health management indicators Foster a corporate culture of risk management for occupational safety and health 	<ul style="list-style-type: none"> Disabling Injury Frequency Rate (FR) ≤ 0.22 Reduce chemical risks, improve classification and hazard prevention management Promote balanced wellness development and create a healthy and friendly workplace 	ESH	DJSI, RBA audits

Development Goals for Material Topics

	Impact	Commitment	Strategy	Target	Responsible Department	Management Mechanism
Talent Recruitment and Retention	Talent gap could create manpower shortage	Improve human resources systems and planning to acquire adequate numbers of qualified talent in time	<ul style="list-style-type: none"> External: on-campus recruitment and cultivation Internal: create streamlined career paths, promote cross-domain transfers, and encourage job rotation to achieve retention 	<ul style="list-style-type: none"> Achieve a 90% personnel allocation rate by 2025 (vs. 2019) Maintain turnover rate of exceptional key talents at 5-10% in 2025. (vs. 2019) 	HR	DJSI, satisfaction surveys, RBA audits
Talent Development and Training	Absence of comprehensive training programs may result in employees with obsolete skills and rigid mindsets	Create interdisciplinary and diversified development opportunities through digital transformation and an intelligent promotion strategy	<ul style="list-style-type: none"> General Education Center offers Chinese courses for foreign workers to help adapt to working and living environment Each department continues to design courses for a variety of subjects and themes 	<ul style="list-style-type: none"> Achieve a 100% completion rate for annual training plans by 2025 Implement group performance evaluations to ensure objectivity and impartiality of evaluations 	HR	DJSI, satisfaction surveys, RBA audits
Human Rights	Failed to comply with international standards regarding repayment of placement and other fees for migrant workers	Ensure equal employment opportunities without discrimination, inhumane treatment, or harassment in compliance with international labor standards	<ul style="list-style-type: none"> Internal situation is examined through external RBA SAQ self-assessment questionnaires, VAP audits, labor risk assessments, CSR internal audits, etc. Supply chain (customers, suppliers, and communities): Evaluated through conflict minerals inventories, CSR risk assessments, and contact mailbox (csr@innolux.com). Quarterly refunds on placement, service, and other fees for migrant workers since 2022 	<ul style="list-style-type: none"> No major violations (fines exceeding NT\$1 million) Labor and human rights RBA SAQ self-assessment questionnaire scores for each site to reach 90 points (inclusive) by 2025 Adopt a zero-fee policy for all migrant workers and strive to comply with international labor conventions and RBA regulations 	Sustainable management, HR	DJSI, RBA audits
Community Engagement and Care	Brand image is a vital indicator of corporate operations	Allow strengths to shine, kindness to spread, and happiness to be shared	<ul style="list-style-type: none"> Collaborative efforts with the Foundation contribute to eco-education and net-zero programs are actively promoted Interact with all sectors; combining strengths of Innolux, employees, and charity groups to maximize corporate influence and fulfill our commitment 	<ul style="list-style-type: none"> Promote on-campus eco-education Strengthen volunteer work and services Provide learning support through our Rural Children and Youth Study Aid Program and lay the foundation for local culture education 	HR, ESH, general affairs, foundation	Satisfaction surveys, collaboration partner feedback
Diversity and Equality	As a employee of the technology industry with males outnumber females, resulting in gender inequality	A friendly workplace with gender equality	<ul style="list-style-type: none"> Maintain a friendly workplace that implements gender equality for female colleagues to have peace of mind with career advancement Provide care for migrant workers Employ the disabled 	<ul style="list-style-type: none"> Disability employment rate reaches 1.2% Annual rate of employee complaint resolution reaches 100 % 	HR, general affairs	DJSI satisfaction surveys, RBA audits

1.3 Sustainable Development Blueprint

Innolux is well aware that sustainable governance is one of the key indicators for corporate operations. To become a benchmark corporation for sustainable development, we have adopted the UN SDGs and our sustainable development strategy to integrate SDGs into our organizational culture and daily operations to create the "Innolux Sustainability on the Go" blueprint, whose three major approaches include Drive Towards a Cleaner Environment, Nurture a Co-prosperity Society, and Achieve Optimal Corporate Governance. On our 20th anniversary, Innolux will formulate the 2030 sustainable development targets, to demonstrate our commitment to pursuing sustainability to our stakeholders.

/Innolux Sustainability on the Go/

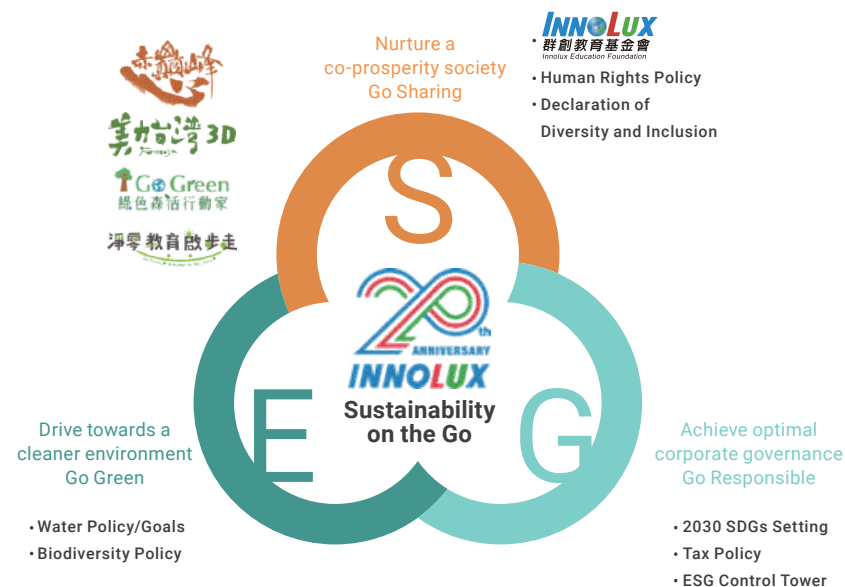


1.3.1 Sustainable Development Goals (SDGs)

The UN SDGs consists of 17 core goals based on major aspects of economy, the environment, and society dedicated to attaining co-prosperity of humanity and Earth as well as working to ensure sustainable development. To co-create a sustainable world, Innolux has comprehensively reviewed our sustainability strategy, international benchmark cases, the material issues of concern to stakeholders, and our core industry capabilities to determine 11 core SDGs after internal deliberation, which are implemented through inter-departmental collaboration with regular review of achievement status.

As 2023 is the year of our sustainable transition, we have set our sustainable development targets for 2030 and improve the ESG Control Tower digital integration platform. We will continue to collaborate with the Innolux Education Foundation on eco-education projects such as "Go Green! Kickstart to Net Zero!" and the "Green Forest Action Campaign." We are firmly committed to working toward sustainable transformation and contributing to society.

/2023 Transition to Sustainability/





SDG6 Clean Water and Sanitation

- Water withdrawal intensity at 0.257 m³/m², a decrease of 23.9% (vs. 2016)
- Process water recycling rate at 97.3%, best year yet

SDG7 Affordable and Clean Energy

- Clean energy implementation with annual power generation of 36.42 million kWh from solar energy and biogas
- A 9.3% absolute reduction in total power consumption at sites in Great China region (vs. 2021)
- Achieved 52.05 million kWh power saving with the ISO 50001 action plan, or approximately 31,000 tons of carbon reduction

SDG12 Responsible Consumption and Production

- Waste landfill rate at 0.99%, reducing environmental impacts
- Steady operations of the chemical recycling system with a total recycling rate of 76.8%
- Zero major violations

SDG13 Climate Action

- An 19.3% absolute reduction in Scope 1 and Scope 2 GHG emissions (vs. 2020)
- A reduction of 82.9 % in FCs emissions from TFT-LCD processes (vs. 2016)
- An annual carbon reduction of 4.25 million tons due to low-carbon logistics and optimal transportation



SDG3 Good Health and Well-Being

- Health promotion activities were unaffected by the pandemic. Over 7,233 participants.
- Disability injury frequency at 0.4%, far better than the industry average.
- Established Senior Development Department to promote the youth-senior connection

SDG4 Quality Education

- 2,662 OHS education sessions with a total of 157,764 trainees
- Developed 2 Net-zero educational programs and launched "Go Green! Kickstart to Net Zero!" initiative
- Founded Innolux University to cultivate talent and offered 20 academic programs or 17,500 courses in 2022

SDG5 Gender Equality

- 19.61% of management positions are held by women
- For 3 consecutive years, female promotion rate has surpassed males and not subject to gender restriction, offering equal opportunities to all employees
- 11 sexual harassment cases were filed and all resolved and closed

SDG17 Partnerships for the Goals

- 100% completion rate of medium- to high-risk supplier 3TG and Co inventory checks
- Urge suppliers to join carbon reduction initiative, with a 20% reduction goal for key suppliers by 2030



SDG8 Decent Work and Economic Growth

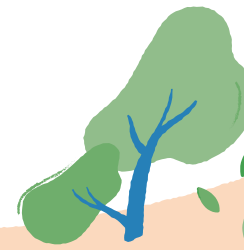
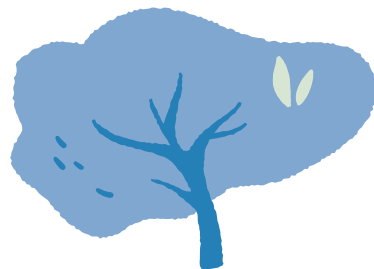
- NT\$ 223.7 billion in revenue
- Recruited 885 disabled employees in 2022, recruitment rate at 2.1%
- Zero fee policy for all migrant workers. Fees paid previously will be refunded in stages

SDG9 Industry, Innovation and Infrastructure

- 430 new global patents have been added, 12,700 total patents currently granted
- Obtained Level A Taiwan Intellectual Property Management (TIPS) certification
- NT\$ 13.05 billion invested in R&D, accounting for 5.83 % of total revenue

SDG16 Peace, Justice and Strong Institutions

- 98% completion rate of the course "Prevention of Insider Trading, Trade Secrets, Personal Data Act, and Anti-Corruption Overview"
- Anti-corruption case closing rate of 76 %
- No customer complaints have been filed regarding privacy violations or breaches of highly confidential information, nor have any fines been levied.
- First high-tech company to join Forum of Incident Response and Security Teams (FIRST)



1.4 Sustainability Impacts GRI : 203-2

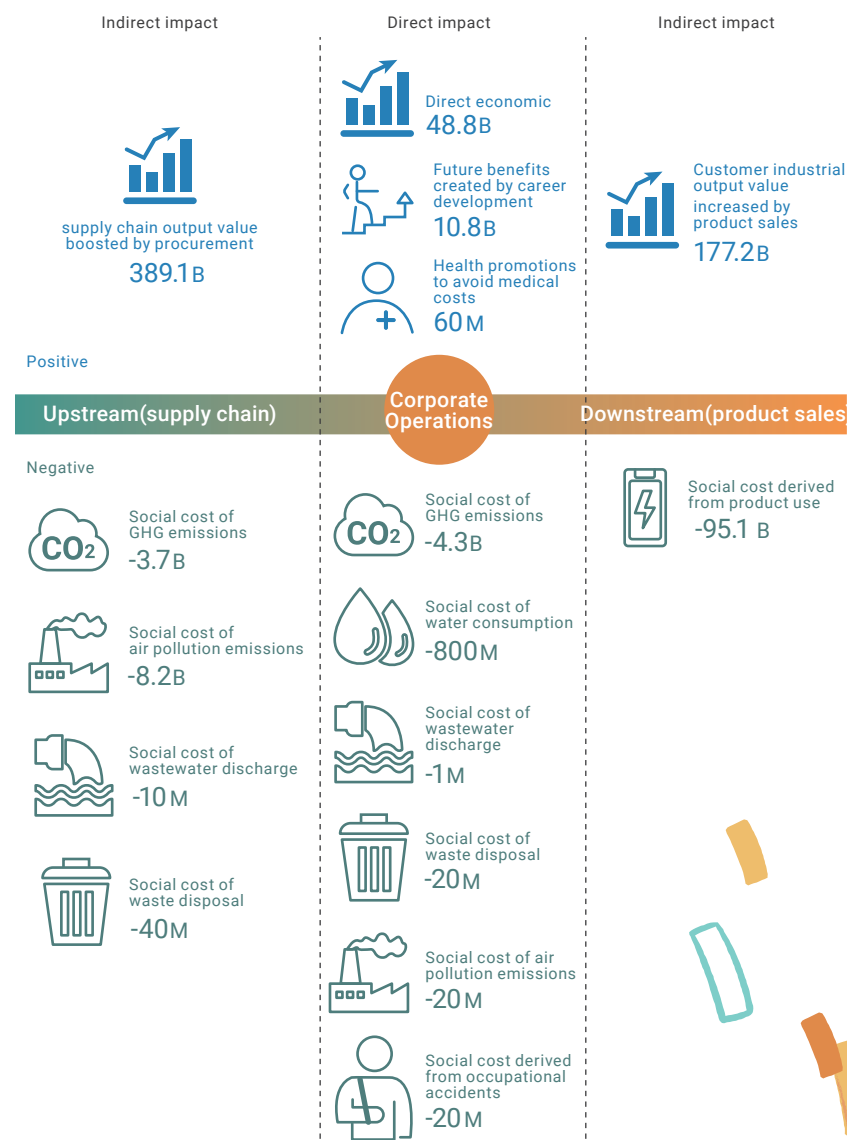
Creating long-term value for its stakeholders has always been our objective in pursuing corporate sustainability. Innolux has incorporated the profit and loss approach and the triple bottom line (TBL) concept of profit, people, and the planet to measure the positive (performance) and negative (cost) impacts our value chain activities have on human well-being and the social economy.

In 2022, Innolux generated a total of NT\$223.7 billion in operating revenue and reported NT\$87.9 billion in taxes, dividends distributions, employee compensation, depreciation, and amortization, which not only had a positive impact on stakeholders, but also promoted the social economy. However, occupational accidents brought about a social cost of NT\$15.52 million, and the eco-footprint and resource consumption resulting from the production process led to an environmental cost of NT\$5.2 billion. While the upstream supply chain generated a value of NT\$389.1 billion, an environmental cost of NT\$12 billion was incurred, although no social cost from occupational accidents was recorded. In the downstream, a total output value of NT\$177.2 billion in customers' industries was created by Innolux product applications in TVs, desktop computer monitors, laptops, mobile phones, and other commercial end products, but an environmental cost of NT\$ 95.1 billion was derived from end-product use.

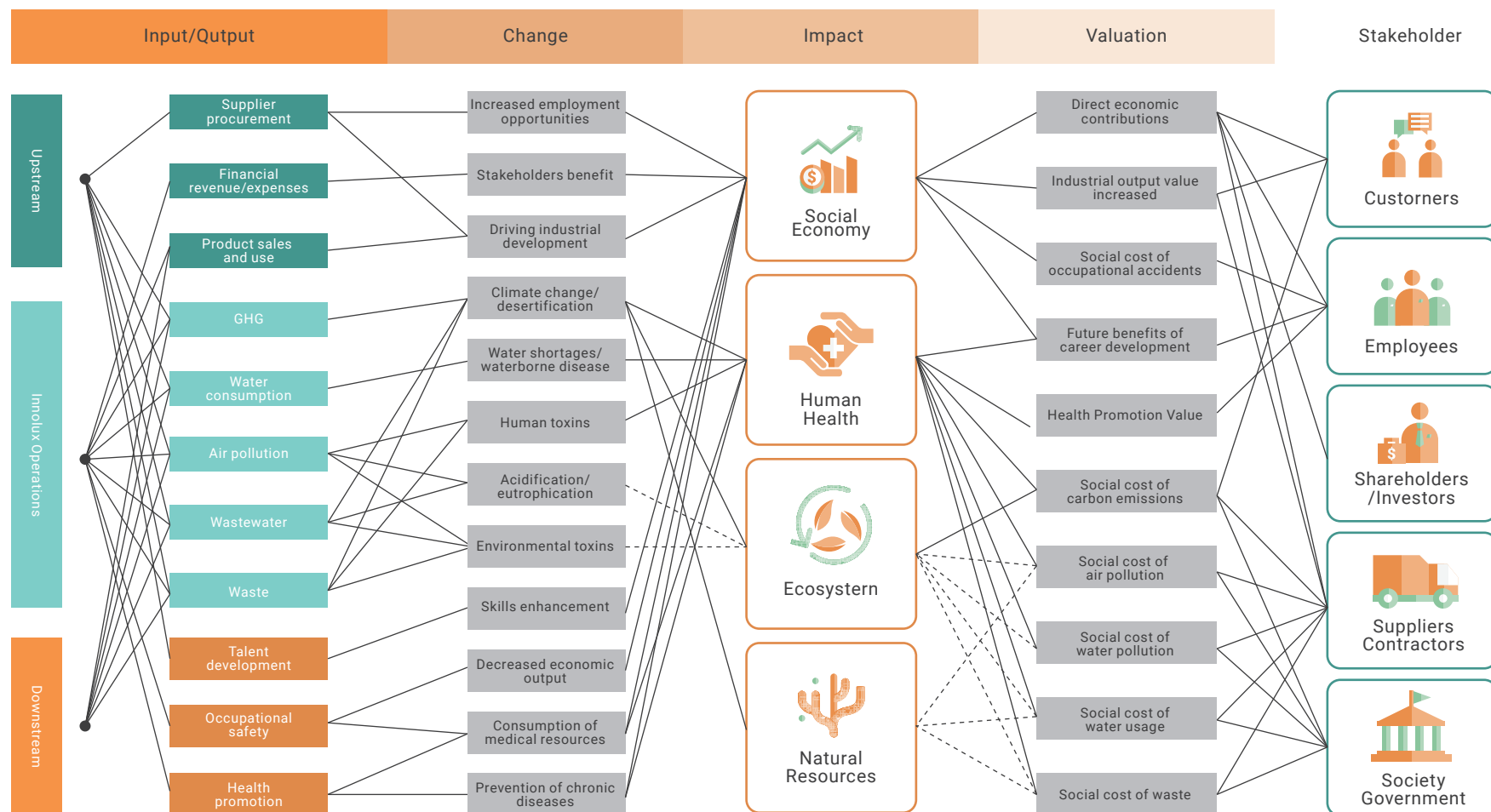
Overall, Innolux created a NT\$626 billion positive impact in 2022, with procurement and product sales in the upstream supply chain and the output value of downstream industries accounting for the most significant impact. However, the resulting eco-footprint and occupation incidents generated a NT\$112.2 billion negative impact, among which the external environmental cost of energy consumption derived from end-product use had the largest impact. In the future, besides continuously optimizing and strengthening the sustainability impact management framework, identifying opportunities for reducing environmental impacts, and increasing social well-being, Innolux will further engage in supply chain transformation and energy-efficient product development to drive sustainability impacts and create more significant positive value for society.

566.3billion Upstream/downstream supply chain output value boosted by procurement	95% External environmental costs occur up- and down-streamment
Procurement demand boosted industrial supply chain development and created 3 times the economic value and 1.4 times the output value	The environmental impact from supply chain and product use highlights the importance of Innolux's efforts to promote green supply chain management and green products to mankind and social well-being

/ 2022 Innolux Sustainability Impact /



/Innolux Sustainable Impact Evaluation Framework/



----- Methodology under development, not included in evaluation

/Description of Impact Valuation/

Description of Impact Valuation	Aspect	Driven Factors	External Effect	Methodology	References
Upstream	Economic		Supply chain value	Input-Output Analysis was applied to assess the indirect economic value created by the interdependency between procurement activities and the industry chain. External cost per unit pollutant from Innolux operations was applied to evaluate environmental impacts such as supply chain GHG emissions, water pollution (COD), waste (incineration), and air pollution (PM2.5, NOx, SOx, NMHC, Pb).	DGBAS (2015) DGBAS (2020) BOE (2020)
	Environmental	Supplier procurement	Social cost of carbon Human health loss		US EPA (2016) UNEP/SETAC (2017) PwC UK (2015)
	Society	Occupational safety (contractors)	Social cost of occupational accidents		He, Junjie (2005)
Innolux Operations	Economic	Financial revenue and expenses	Direct economic contributions	Assessed the socioeconomic benefits created for stakeholders by operating activities. In addition to revenues, expenses such as employee compensation, dividends for shareholders and investors, government taxes, and supplier depreciation were also considered as positive economic value.	Innolux annual report
	Environmental	GHG emissions Water usage Air pollution emissions Wastewater discharge Waste output	Social cost of carbon Human health loss	Evaluated human health loss and possible social cost of water consumption, GHG, air pollutants, wastewater emissions, and waste, but excluded degradation of ecosystem and resource depletion.	US EPA (2016) ReCiPe (2016) UNEP/SETAC (2017) PwC UK (2015) EPA (2017) USEtox (2017)
	Society	Career development (employees)	Future benefits increase	Due to the wide range in social aspects involved and immature methodology of most issues, only the social cost of occupational accidents, future benefits of career development, and health promotion activities that reduce employee health risks were considered.	Ecomatters (2016)
		Occupational safety (employees)	Social cost of occupational accidents		He, Junjie (2005) Lee, Jiexian (2009) WHO (2008)
Downstream	Economic	Product sales	Customer industrial value	Considering the relationship between sales revenue and customer demand, the four major LCD panel end applications industries (i.e., TVs, desktop computer monitors, laptops, and mobile phones) were included to determine the indirect economic value of product sales and the environmental impact of product usage and disposal. Considering the difficulty in obtaining information, the downstream social externalities have not been included in the valuation for the time being.	DGBAS(2015) DGBAS(2020) BOE(2020)
	Environmental	End product usage	Social cost of carbon Human health loss		US EPA (2016) UNEP/SETAC (2017) PwC UK (2015)

Note 1: Main methodology reference: ISO 14008:2019 and White Paper: Operationalizing Impact Valuation (2017) framework.

Note 2: All currency value conversions are based on the 2017 inflation rate and NTD-foreign currency exchange rate.





2

A Win-Win Situation for Corporate Governance and Integrity

2.1 Governing Body	29
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2.3 Integrity Management and Legal Compliance	44
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2022 Achievements



DJSI

Featured on DJSI World Index and Emerging Market Index for 5 consecutive years

Silver

Awarded a silver medal by EcoVadis for CSR rating

>50%

5 independent directors, accounting for 56% of the board of directors

1

One female director, accounting for 11% of the board of directors

First

Joined international cyber security organization FIRST as the first high-tech manufacturing member

76%

Upheld integrity in an orderly manner; closed 76% of reported corruption cases

100%

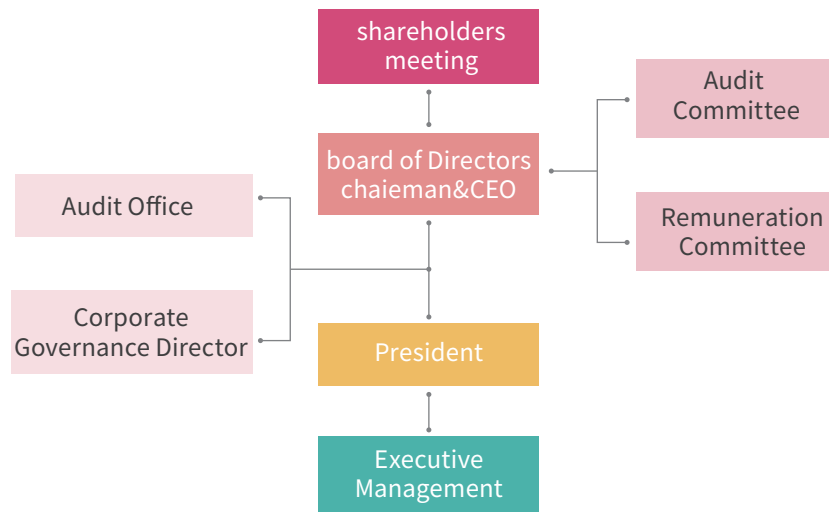
100% completion of the RBA training for new employees, in compliance with RBA code of conduct requirements

2.1 Governing Body

GRI: 2-9、2-10、2-11、2-12、2-15、2-16、2-17、2-18、2-19、2-20、405-1

Innolux has cultivated an effective corporate governance culture in accordance with the Corporate Governance 3.0- Sustainable Development Blueprint published by the Financial Supervisory Commission, OECD's Principles of Corporate Governance, Company Act, Securities Exchange Act, and other applicable regulations. We are committed to achieving corporate sustainability by protecting our shareholders' rights and interests, strengthening the functions of the board of directors (BOD), accommodating stakeholders' concerns, promoting information transparency, and continuously improving business resilience and market competitiveness. Innolux has been featured in the DJSI World and DJSI Emerging Markets indexes for 5 consecutive years and ranked 6% to 20% in the 9th Corporate Governance Evaluation for TWSE listed companies. For details on corporate governance, please refer to the company's 2022 Annual Report.

/Corporate governance structure/



2.1.1 Board of Director (BOD) and Its Operations

Innolux's BOD is accountable to the company and its shareholders for overseeing corporate strategies, supervising management executives, planning and implementing corporate governance systems, and exercising its functions and powers in accordance with laws and regulations, company rules, and shareholder decisions, as well as maximizing shareholders' rights and interests. The company has established the Rules of Procedure for BOD Meetings, which stipulates a recusal system in the case of a conflict of interests, to build a sound governance system for BOD, enhance its supervisory role, and strengthen its management functions. To preserve interests, directors should recuse themselves from situations involving personal interests. The BOD has at least one board meeting per quarter, and ad hoc sessions are held in the case of emergencies. In 2022, a total of 6 board meetings were held with 97.2% attendance.

Innolux Rules and
Procedures for Meeting
of the Board of Directors



Nomination and Selection of Directors

Innolux's Articles of Incorporation specifies that company directors (including independent directors) are selected through a candidate nomination system. Professional qualifications, shareholding, concurrent serving restrictions, nomination and selection procedures of independent director candidates are all administered under the Company Act, Securities and Exchange Act, and other applicable laws and regulations. The current directors were selected on June 24, 2022 for a 3-year term and entirely consisted of natural persons, aligning with the principle of accountability and corporate governance trends. It is worth noting that 5 of the 9 directors are independent directors, or 56%, which is higher than the standards proposed in the Corporate Governance 3.0-Sustainable Development Blueprint and governance codes. In addition, a female director was appointed to ensure gender equality in the BOD structure.

Innolux Election Rules
of Directors



Diversity and Independence of BOD

Article 20-3 of the Innolux Sustainable Development Best Practice Principles outlines policies on BOD diversity: the BOD member composition should take diversity into account and formulate appropriate guidelines on BOD operations, corporate operations, and development requirements, including but not limited to the following 2 major aspects:

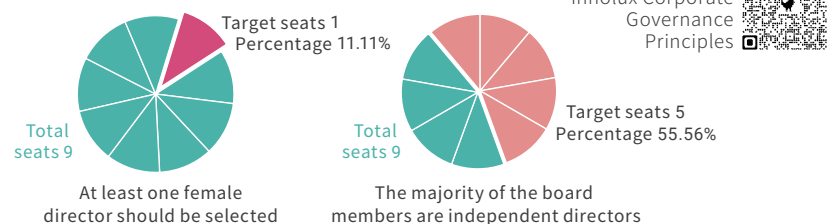
- (1) Basic qualifications and values: gender, age, nationality, culture, etc.
- (2) Professional expertise and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experiences.

The current INX BOD consists of 9 directors, including 4 non-independent directors and 5 independent directors, their identifications comply with Article 3-3-4 of the Securities and Exchange Act, additionally all of whom have acquired

/Board Members /

expertise in finance and banking, business operations, industries, and perspectives in international markets, as well as capabilities in leadership, operational judgments, business management, and crisis management. Directors with employee status account for 22.22%, while independent directors account for 55.56% and female directors account for 11.11%. 4 independent directors have served for less than 3 years, and 1 has served for 9 years. 1 director is aged 40-49, 4 are aged 50-59, 3 are aged 60-69, and 1 is aged 70-79

/Diversity in directors/



Gender& Name& Male/Female	Tenure of Independent Director (years)	Functional Committee		Professional Knowledge & Skills			Age	Employment Status
		Audit Committee	Remuneration Committee	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Depart- ment Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, Accounting, or Otherwise Necessary for the Business of the Company		
Chairman & CEO								
Jin-Yang (Jim) Hung/M						✓	50-59	✓
Director - President								
Chu-Hsiang Yang/M						✓	50-59	✓
Director								
Jyh-Chau Wang/M						✓	60-69	
Chin-Lung Ting/M						✓	50-59	
Independent Director								
Chi-Chia Hsieh/M	9+	✓ Convenor	✓ Convenor			✓	70-79	
Chih-I Wu/M	3	✓		✓		✓	50-59	
Chih-Wei Wu/M	3	✓	✓			✓	60-69	
Shin-Bei Shen/F	3	✓			✓	✓	40-49	
Chi-Mo Huang/M	3	✓	✓			✓	60-69	

Please refer to the Market Observation Post System or page 19 of the 2022 Annual Report for more detailed information on the BOD members.

BOD Performance Evaluation

On November 8, 2019, BOD adopted the Regulations for Performance Evaluation of Board of Directors and Functional Committees, which provides that the performance of the BOD, individual directors, and functional committees should be evaluated annually. The external performance reviews by professional and independent organizations, experts, and academics should be performed at least every 3 years. In 2022, Innolux undertook an external review of the BOD's performance, and the findings are as follows:

1. The scope of BOD evaluation included involvement in corporate operations, decision quality, BOD composition and structure, selection, appointment, continuing education of directors, internal control, and participation in sustainable management, etc. The evaluation result was "Excellent".
2. The scope of performance evaluation of individual directors included comprehension of goals and missions, knowledge of directors' responsibilities, involvement in corporate operations, internal relationship management and communication, professional backgrounds and continuing education, internal controls, etc. The evaluation result was "Excellent".
3. The performance evaluation of functional committees included the involvement in corporate operations, comprehension of the responsibilities of functional committees, decision-making quality of functional committees, structure of functional committees, selection of members, internal controls, etc. The evaluation result was "Outstanding".

The aforementioned results were presented to the BOD in the first quarter of 2023 and will be used as a benchmark for the performance, remuneration, nomination and reappointment of members of the BOD and functional committees.

Innolux Rules for Evaluating Board of Directors
and Functional Committee Performance



Enhancement of BOD Professional Competencies

Innolux organizes a minimum of 6 hours of advanced training courses for directors annually to enhance their professional competencies and knowledge. In 2022, the directors received an average of 14 hours of training on diverse topics such as Case Studies on Disclosure of Material Corporate Information and Director's Responsibilities, Digital Transformation, Foresights into the Future, and New Thinking on Risk Management, Corporate Net-Zero Sustainability Planning and Prospects,

Global Tax Reform and Corporate Tax Governance: Perspectives from ESG Trends and the Pandemic, covering corporate governance, risk management, information security, and sustainable development. Please refer to page 69 of 2022 Annual Report for information on continuing education for directors.

2.1.2 Structure and Operations of Functional Committees

To strengthen the structure of the BOD, Innolux has established functional committees under the BOD, including the Remuneration Committee and Audit Committee, to exercise duties and powers in accordance with applicable laws, Articles of Incorporation of the company, or shareholder resolutions. All functional committees are composed of independent directors of Innolux to ensure the independence, professionalism, and objectivity of the committee's decisions and proposals, as well as to effectively oversee corporate operations, strengthen BOD's functions, and advance stakeholders' interests and corporate value.

Audit Committee

In July 2016, Innolux established the Audit Committee to exercise responsibilities and powers in accordance with the Securities Exchange Act, Company Act, and other applicable laws and regulations. The audit committee is responsible for assisting the BOD in supervising and strengthening internal control mechanisms, ensuring the adequate disclosure of financial statements, appointments, dismissals, and remuneration of CPAs, as well as the effective implementation of internal controls, regulatory compliance, and management of current and potential risks.

Following the requirements of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Audit Committee is composed exclusively of independent directors with a 3-year term. Independent director Chi-Chia Hsieh currently serves as the convenor as elected by members. The Audit Committee convenes at least one meeting per quarter. In 2022, a total of 5 committee meetings were held with 100% attendance. Please refer to the Market Observation Post System (MOPS) or page 43 of the 2022 Annual Report for more information on the operations of the Audit Committee.

Innolux Audit Committee Charter



Remuneration Committee

In August 2011, Innolux established the Remuneration Committee to assume responsibility for the formulation and regular review of performance evaluations for directors and executives, as well as policies, systems, standards, and organizational structures pertaining to remuneration and compensation. The BOD appoints 3 independent directors to serve on the Remuneration Committee in accordance with the Remuneration Committee Organization Charter. Independent director Chi-Chia Hsieh is the current convenor as elected by all members. The remuneration committee holds at least 2 meetings annually. The remuneration committee holds at least 2 meetings annually. In 2022, a total of 3 Remuneration Committee meetings were held with 100% attendance. Please refer to the MOPS or page 55 of the 2022 Annual Report for more information on the operations of the Remuneration Committee.

Innolux Remuneration Committee Charter



/Remuneration Committee. /

Committee	Number of meetings		Attendance
	Scheduled	Convened	
Audit Committee	4	5	100%
Remuneration Committee	2	3	100%

2.1.3 Internal Audits

In compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and considering the actual status of operations, Innolux has established an internal audit mechanism and created the Audit Office under the BOD to take responsibility for conducting on-site inspections and document reviews based on audit plans approved by the BOD. The Audit Office performs audits and verifications on legal compliance, process design, system compliance, financial reporting accuracy, and operational efficiency. Advising concerned departments with timely recommendations to reasonably ensure the consistent and effective implementation of internal controls, as well as to provide a benchmark for assessment and improvement. The chief auditor is required to periodically report audit results to the Audit Committee and BOD, whereas the Audit Office supervises and assists concerned departments in conducting self-assessments on internal control systems, thereby instituting the company's self-monitoring mechanism.

Purpose of internal controls: ① Ensure that the BOD and executives are informed

of the effectiveness and efficiency of company operations (including profits, performance, assurance of asset security). ② Ensure the reliability, timeliness, transparency, and regulatory compliance of financial statements. ③ Ensure the company's compliance with applicable laws and regulations.

/Internal Audit Flow Chart/

1. Annual audit plan

① Based on items specified by the Financial Supervisory Commission ② Parent-subsidiary governance ③ Key points of the annual plan/risk assessment

2. Audit notification

① Confirmation of audit items with auditee units ② Risk assessment and examination items preparation

3. On-site audits

Immediate report to the Chairman and Board of Directors: ① In case of major violations ② Danger of serious harm to the company

4. Audit proposal and response

Auditee units should respond improvement plans and due dates within one week

5. Audit report

Audit reports are submitted for approval to the Chairman/Independent directors as required

6. Continuous tracking and improvements

7. Annual declaration

① Actual implementation of the audit plan ② Internal control statement ③ Correction status of the findings

8. Board report

Actual implementation of the audit plan is reported to the board on a quarterly basis in accordance with relevant laws

2.1.4 Executive Remuneration and Sustainability Performance

In accordance with Innolux's remuneration policy for the BOD, CEO, and senior executives, the Remuneration Committee examines corporate operational performance, individual performance and duties, industry trends, and the standard remuneration for comparable positions in the industry before submitting the proposed amounts and forms of remuneration for final approval by the BOD. The financial aspect of the performance evaluation consists of key indexes such as operating revenue and EPS, whereas the non-financial aspect covers environmental, social, and governance (ESG) sustainability achievements. In 2022, it was decided to incorporate 0-5% weighted DJSI performance adjustments into the evaluation. Please refer to the MOPS or page 55 of the 2022 Annual Report for more information on the operations of Remuneration Committee.

2.2 Risk Management

GRI: 2-23、2-24、2-25、203-2、403-7

In response to changes in the internal and external operating environment including the international political and economic situation, and society, Innolux has established a comprehensive risk management mechanism to monitor and assess its risk tolerance from the perspectives of the economy, environment, and society. Through our response strategies and management procedures, we seek to reduce potential risks, promote corporate sustainability, and establish a more resilient operating environment.

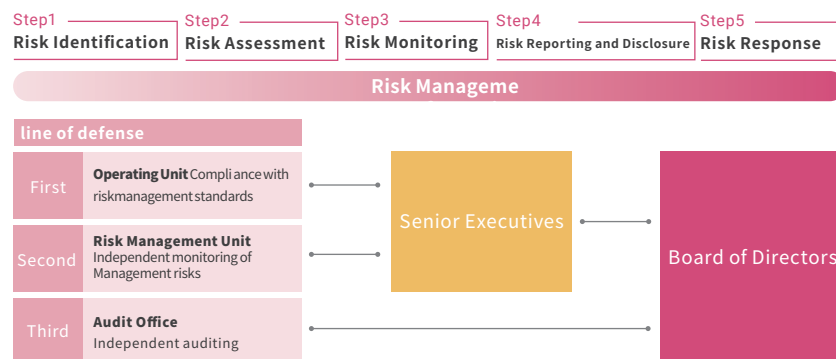
2.2.1 Risk Management Policies and Procedures

In October 2020, Innolux adopted the Risk Management Policies and Procedures to strengthen its risk management mechanism, designating the BOD as the highest-level risk management governing body responsible for approving general risk management policies and major decisions to ensure consistent operations and sustainable development. Innolux has established "3 lines of defense for risk management" with clearly defined organizations, responsibilities, and roles for each line of defense. The objective of this mechanism is to achieve early identification, accurate assessment, effective supervision, and stringent control to manage losses within the acceptable risk range. We adopt constant adjustments and improvements in response to internal and external changes to ensure the best risk management practices, protect the interests of our employees, shareholders, partners, and customers, advance the value of the company, and achieve the optimal allocation of company resources.



Innolux Risk Management Policy and Procedures

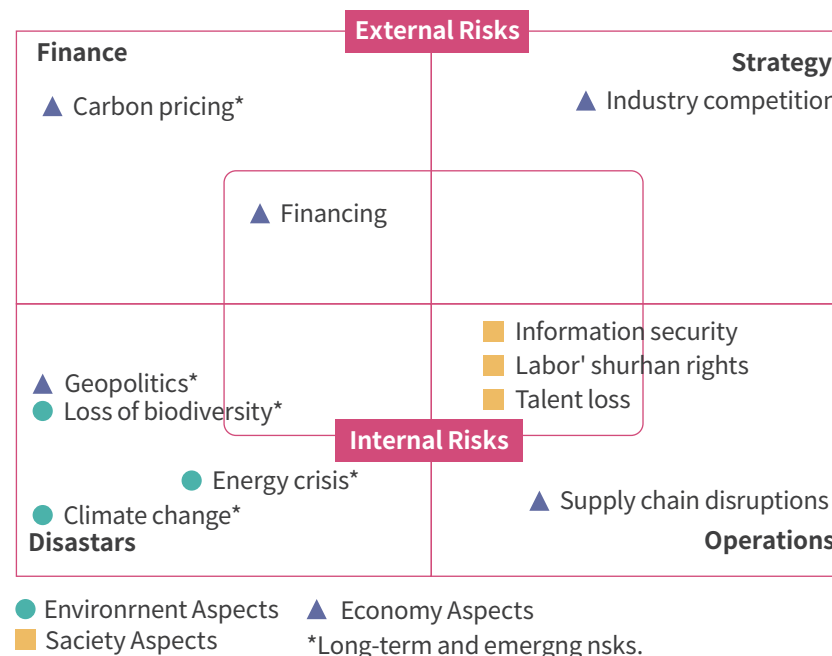
/Risk management procedures and 3 lines of defense/



2.2.2 Risk Identification and Analysis

The impacts of the COVID-19 pandemic have destabilized the global supply chain; geopolitical risks are rising due to the deterioration of US-China relations and the subsequent increase in competition between great powers and neighboring countries. The Russia-Ukraine war has also caused an energy crisis, food shortage, and inflation. As a member of the supply chain for the electronics industry, Innolux pays close attention to The Global Risk Report issued by the World Economic Forum (WEF) and global trends and initiates timely risk responses.

Innolux identifies material risks and formulates responses based on 4 material risk categories of strategies, operations, finance, and disasters, as well as ESG risk issues associated with operations. 11 risk topics, 4 of which are internal risks and 5 long-term and emerging risks, have been identified. Concerned departments are responsible for monitoring risks within their jurisdictions and proposing mitigation measures and responses to ensure business continuity.



Long-term and Emerging Risks

The types and possibilities of emerging risks have increased due to the advancement of emerging technologies, ongoing social changes, natural disasters, and the evolution of traditional risks. Innolux identifies emergent and long-term risks and incorporates them into corporate risk management. In 2022, we identified 5 long-term emerging risks, namely carbon pricing, geopolitics, biodiversity loss, climate change, and energy crisis.

/Types of risk/ *Long-term and emerging risks.

Aspects	Risk categories	Risk topics	Responding mechanisms	Links to detailed management information
Economy	Strategy	Industry competition	Based on the principle of "transforming and reengineering for a quantum leap in value," we are committed to delivering integrated panel manufacturing services. The objective is to strengthen the value chain of the niche market to increase profits and establish a foothold in the blue ocean market by leveraging our highly profitable technologies, rapid market responsiveness, and the creation of new ventures in emerging markets. Our strong supply logistics management and financial stability have enabled us to fulfill the vision of parallel management, vertical integration, and unity, enhance our overall competitiveness, and achieve sustainable operations.	P.54
	Finance	Financing	To effectively manage external (global economic situation and financial market developments) and internal (status of operations and strategic guidelines) risks, Innolux conducts periodical assessments to formulate risk management strategies and implement hedging transactions within our authorities. The results are presented to the Audit Committee and BOD on a regular basis.	P.37
	Finance	Carbon pricing*	As the era of carbon pricing approaches, nations around the world are gradually launching carbon pricing mechanisms and carbon markets; in October 2023, the EU will implement the Carbon Border Adjustment Mechanism (CBAM). In addition to monitoring global trends in carbon pricing, Innolux has transformed CO2 emissions from a cost-free commodity into a valuable cost that impacts operations and growth. Internal carbon pricing (ICP) was enacted by the company in 2021 and is subjected to annual review.	P.123
	Operations	Supply chain disruptions	As the substantial impacts of the COVID-19 pandemic continue to affect the global economy, it is evident that interruptions in the supply chain are inevitable. Innolux seeks to prevent interruptions in production lines using raw material, unanticipated surges in materials demand, and increased transportation costs by securing at least 2 production facilities or sources of products and requiring our suppliers to raise inventory safety level. Moreover, we monitor the status of suppliers through the supplier interaction platform to minimize the risk of supply chain disruption.	P.66
Environment	Disasters	Climate change*	In light of the challenges surrounding carbon reductions and energy trends, Innolux has developed a Net-Zero Roadmap and committed to reducing GHG emissions by 25% in 2030. We have also established a carbon risk management committee to explore the carbon reduction potentials of respective departments and create and convert net zero benefits into corporate competitiveness.	P.122
	Disasters	Energy crisis*	In response to the energy crisis, we are accelerating energy transformation and enhancing corporate resilience. We are developing the 2030 Innolux Renewable Energy Usage Goal in an effort to build renewable energy power generation facilities, increase energy-saving benefits, and acquire green electricity certificates. We are committed to a 100% (RE100) utilization rate of renewable energy at sites in China and a 20% (RE20) utilization rate at sites in Greater China by 2030.	P.130
	Disasters	Loss of biodiversity*	Innolux has long been concerned with issues of natural sustainability and recognizes the importance of preserving biodiversity and preventing deforestation. A "Biodiversity and Zero Deforestation Policy" is anticipated to be formulated and made public in 2023, with the BOD as the highest governing body, to declare position on protecting the natural environment.	P.136
Society	Operations	Labor's human rights	Innolux highly values the importance of human rights issues. We have formulated various guidelines, in compliance with applicable laws and regulations, to protect the human rights of our employees, contract or temporary employees, customers, suppliers, and societies around the globe, and ensure that all of our daily operations and business activities meet the requirements. Our commitment to the protection of employees' human rights entails regulatory compliance, freedom of employment, fair treatment, prohibition of discrimination and harassment, and integrity of grievance procedures.	P.96
	Operations	Talent loss	Innolux has established a dual-track transformation approach to cultivating talent, provided its employees with management training, and implemented a welfare system that transcends legal requirements and flexible work hours. In addition, the company has implemented foresighted HR planning through the "INNOSTAR" program to attract and retain talent, thereby expanding its talent pool.	P.78 P.93
	Operations	Information security	We have developed the Information Security Management System (ISMS) in accordance with ISO 27001:2013 to ensure confidentiality, integrity, and availability of information properties, in an effort to protect customers, suppliers, and employees, as well as intellectual property that is vital to our competitive edge. In 2022, we joined the Forum of Incident Response and Security Teams (FIRST), an international cyber security incident response organization, to obtain timely threat and early warning information and deploy appropriate protection mechanisms and response measures accordingly.	P.39

/ Geopolitical risks/

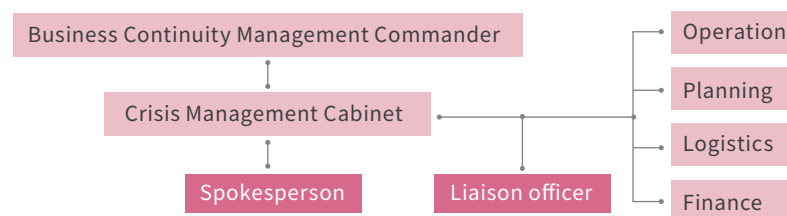
Topic	Geopolitics
Description	The deterioration of US-China relations has created tensions in cross-strait relations and induced regulatory or legal interventions in business activities. The Ukraine-Russia war has also affected supply chain operations and increased transportation costs, leading to a rise in business operating costs.
Potential impacts	Affecting revenues, deliveries, and costs ① The political and economic tension across the Taiwan Strait has affected the delivery dates of suppliers. ② The significant fluctuations in the interest rate and foreign exchange rate may lead to a rise in operating costs.
Response measures	① Monitor external developments in laws and regulations, politics, etc., identify the origin countries of our raw materials and their proportions, evaluate their effects on the supply chain, and respond in a timely manner. In addition, the implementation of a dual-source procurement policy has increased the adaptability of our supply chain to mitigate potential impacts. ② Interest rate variations: Interest rate variations on the market create fluctuations in the effective interest rates of deposits and loans. Innolux adopts a liquidity principle with favorable interest rate conditions to prevent the escalation of operational interest rate risks. ③ Exchange rate variations: The majority of exchange rate risks derive from fluctuations in the exchange rates of foreign currencies such as the U.S. dollar and the Japanese yen. To prevent economic losses caused by fluctuations in exchange rates, we continue to hedge our foreign currency exposure positions.

2.2.3 Business Continuity Management

As global risks continue to rise and considering the production interruptions induced by different risks and natural disasters, Innolux has integrated business continuity management (BCM) into its daily operations to ensure uninterrupted operations. We intend to strengthen our crisis response capabilities, improve the operational management of our factory sites, and achieve sustainable business operations.

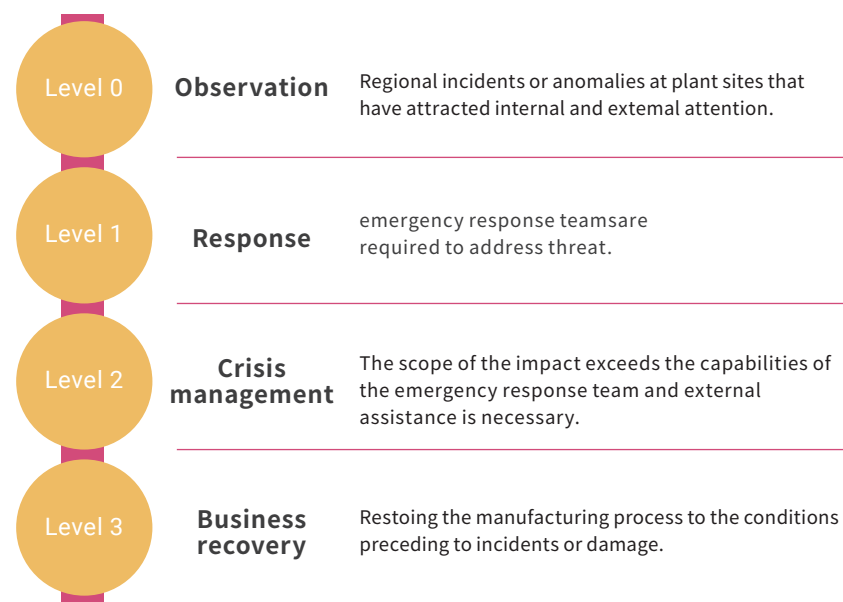
The company has established a "business continuity management team" where the CEOs or top executives of the plant sites serve as commanders and the senior executives of functional departments as members of the crisis management cabinet. The team is responsible for making strategic decisions and developing recovery plans to safeguard the rights and interests of all stakeholders in the event of operational interruptions.

/Organizational chart for business continuity management /



2.2.3.1 Business Continuity Management Plan

Prior to the occurrence of a risk, there are always warning indications. Our analysis of recent global developments revealed significant environmental, economic, and technological risks. These risks are becoming increasingly interconnected, making their identification and management more challenging. Innolux has categorized the risk levels on a scale of 0 to 3, in total of 4 levels based on the severity and timing of the damage to ensure smooth operation while minimizing the impacts caused by interruptions in production operations and raw material supply as well as other abnormalities.



Achievements of Business Continuity Management Operations

To ensure the sustainable operation of the business continuity management mechanism, Innolux holds annual meetings to review the existing systems and processes for constant improvement and rolling management. The company also undertakes routine drills, education, and training based on potential risks and disasters to ensure the swift recovery of operations following incidents.

In 2022, the company conducted 3 BCM drills involving scenarios such as the COVID-19 pandemic, water shortage, and drought relief.



Covid-19 Pandemic drill



Water shortage relief exercise

Based on its core philosophy of "coexisting with the epidemic with the aid of international standards," Innolux has invited industry experts and scholars to lecture on the concept of BCM risk management and raise employee awareness on the topic. 5 lectures were presented to a total of 1,840 participants, including our suppliers, highlighting our joint efforts to apply classroom concepts to the creation of scenario-based exercises and electronic systems for mitigating supply chain disruptions and achieving sustainable management.



Dr. Shih-Yun Kuo from the Academia Sinica gave a lecture titled "Reflect on Extreme Climate and Natural Disasters"



BSI General Manager Peter Pu gave a lecture titled "Digital Transformation and Supply Chain Resilience Management in the Post-Pandemic Era"

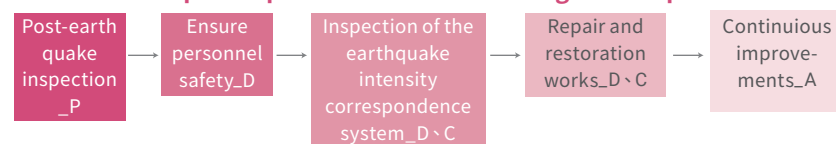
2.2.3.2 Management of Disaster Risks

Deeply aware that natural and man-made disasters have a significant impact on business operations, Innolux maintains a firm stand on disaster risk management. We comply with all regulations and strive to enhance employee safety awareness to protect the personal safety and health of our employees and other personnel, as well as to safeguard critical assets at the plant sites.

Post-Earthquake Protection and Management

According to the Taiwan Seismological Center, Taiwan is situated at the intersection of the Eurasian plate and the Philippine Sea plate, leading to frequent seismic activity. Innolux has strengthened its post-earthquake risk management, disaster prevention planning, and response measures through the development of grading systems in line with the seismic intensity standards issued by the Taiwan Central Meteorological Bureau of Ministry of Transportation and assessments of the emergency response mechanism of the factory area. In 2022, Innolux undertook another comprehensive review of the scope and mechanism of post-earthquake inspections of critical systems, including factories, buildings, factory operation systems, process equipment, fire-fighting systems, and solar energy systems, for the purpose of achieving risk management based on local circumstances.

/Post-earthquake protection and management procedures /

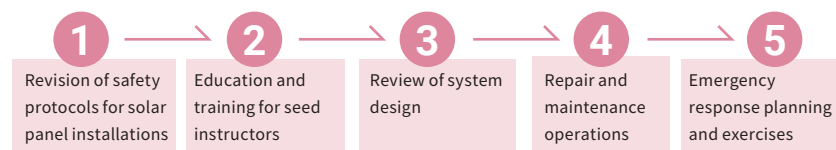


Process Safety Management on Special Gas Pipelines

Factories of high-tech sectors have harsher requirements for the safety design of special gas pipelines compared to that of other industries. Innolux collaborates with external experts to strengthen mechanical integrity management, pipeline classification, and inspection mechanism management based on international standards on pipeline safety, in addition to implementing existing passive and active risk mitigation measures. We apply API 570 standards on pipeline risk level assessments including non-destructive testing for flammable and fire-explosive chemical substances (silane, natural gas, etc.), and API 571 standards on inspections of corrosion degradation mechanisms, including erosion corrosion, atmospheric corrosion, microbial corrosion, mechanical fatigue, and soil corrosion. Furthermore, non-destructive testing techniques (visual, ray, ultrasonic and guided wave, etc.) are employed to identify and assess pipeline damage and risks resulting from material characteristics, operational conditions, environment, and other external factors. The company has formulated a "pipeline inspection procedure" as the guideline for pipeline inspections to protect employees' safety, eliminate risks, and ensure stable operations.

Green Energy Safety Management

In 2022, BloombergNEF (BNEF) published the Power Transition Trends 2022 report, which stated that in 2021, governments around the world continued to promote green energy policies, and the proportion of global wind and solar power generation surpassed 10% for the first time, setting a new record. Innolux has modified its management systems in the spirit of source management and established a 5-step plan to ensure the safety of its photovoltaic systems:



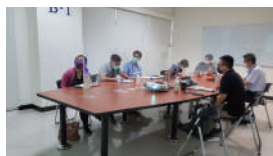
Education and training for seed instructors



Inspections during system construction



Emergency response drills on solar panel fire incident



Classes held simultaneously at several plant locations

Risk Mitigation and Prevention Training for New Processes and Green Energy

Innolux has effectively incorporated risk mitigation and prevention into management, facilitating our employees to identify risks in their daily work, assess the potential losses of various risk factors, adopt and manage appropriate strategies, and implement prevention plans. In 2022, we collaborated with the Yunlin-Chiayi-Tainan Branch of the Labor Development Agency, Ministry of Labor to implement a 2-year talent development program by relocating classrooms to factories. 2 courses, the "SEMI Equipment Safety Standard" and "New Plant Building Green Energy Fire Management", were offered with a total of 29 sessions and 378 participants.

2.2.4 Financial Risks

Innolux is fully committed to the technological R&D, product manufacturing, and marketing of its core businesses. Nonetheless, risk identification, assessment, and the enhancement of response capabilities have emerged as operational management priorities in light of the market's rapid change. Our financial department regularly evaluates and formulates risk management strategies and executes hedging transactions within its authority, while the Audit Office monitors internal controls and legal compliance and periodically reports the results to the Audit Committee and BOD, to effectively manage risks in the external environment (global economic situation and changes in the financial market) and the internal environment (company's operating conditions and strategic developments).

/Financial risk management procedures/



Risk identification

Risk identification of legal compliance, industry standards, and international trends.

Risk assessment

Risk levels are determined by severity and possibility.

Risk response

Formulate management measures and response plans according to risk levels. Guidelines for evaluating management plans comprises effectiveness, feasibilities, and costs.

Efficacy of risk management procedures

Hedging transactions are conducted within authorization. The finance department evaluates risks and performance, while the audit department oversees internal controls and legal compliance to report to the Audit Committee and BOD regularly.

Major Financial Risks and Management Measures

Innolux categorizes financial risks into market, credit, liquidity, asset and business interruptions, and corporate investment, and elaborates the potential impacts and responses for each risk category.

	Risk category	Potential impact	Response
Short-term (2023)	Market	<ul style="list-style-type: none"> ● Variation in interest rates causes fluctuations in the market, affecting revenue or expenditures. ● Since the majority of revenue-related transactions are conducted in US dollars and other foreign currencies, and capital expenditure and manufacturing cost transactions are conducted in US dollars and Japanese yen, significant fluctuations in foreign exchange rates will affect financial profit and loss. 	<ul style="list-style-type: none"> ● Assess risks of fluctuations in foreign exchange rate and interest rate, formulate hedging strategies, and execute hedging transactions. ● Reduce or avoid potential economic losses by hedging foreign currencies generated through operations.
	Credit	<ul style="list-style-type: none"> ● Financial market volatility may have an impact on operations and lead to financial liquidity risks, which in turn affects ability to make payments. 	<ul style="list-style-type: none"> ● Assess customers' credit transaction methods and amounts with credit evaluation mechanisms, continuously monitor the payment status of accounts receivable, and execute collection operations following transactions.
	Liquidity	<ul style="list-style-type: none"> ● Changes in the global economy and unexpected events in the financial market may cause systemic liquidity risks. 	<ul style="list-style-type: none"> ● In response to the economic uncertainty in 2023, the primary objective of capital allocation is to maintain stability and liquidity while continuing to expand long-term and short-term financing opportunities to maintain adequate funding sources. ● Utilize the capital market to raise funds at the optimal moment to enhance the capital structure and operating capabilities.
	Asset and business interruptions	<ul style="list-style-type: none"> ● Natural disasters, force majeure, and unexpected incidents result in property damage to plants, equipment, and products, as well as business interruptions. 	<ul style="list-style-type: none"> ● After evaluating various risk management costs, insurance expenses, and self-retained risk limits, the company has purchased a variety of insurance policies to transfer risks to third parties (risk-bearing institutions).
Long-term (3-5 years)	Corporate investment	<ul style="list-style-type: none"> ● The reinvestment businesses and the company are situated in a similar industrial environment and geographic region, and thereby exposed to operational fluctuations and financial risks resulting from global political and economic conditions such as conflicts, supply chain adjustments, inflation, and interest rate hikes. The performance and value of investment portfolio are expected to remain volatile. 	<ul style="list-style-type: none"> ● We will continue to assist and monitor individual investment targets to ensure their consistency with set strategy and financial goals. ● Withdraw from investment targets with no strategic value or high risk at the appropriate time, and recover capital for future investment opportunities.
	Market	<ul style="list-style-type: none"> ● Since the majority of revenue-related transactions are conducted in US dollars and other foreign currencies, and capital expenditure and manufacturing cost transactions are conducted in US dollars and Japanese yen, significant fluctuations in foreign exchange rates will have an effect on financial profit and loss. 	<ul style="list-style-type: none"> ● Formulate internal management regulations and operating procedures in compliance with applicable laws and regulations. ● In the medium term, the internal management regulations serve as guidelines for managing risks associated with foreign exchange rate and interest rate.
	Credit	<ul style="list-style-type: none"> ● Changes in the global economy and unexpected events in the financial market may cause systemic liquidity risks. 	<ul style="list-style-type: none"> ● In the medium-term, the customer credit management regulations provide guidelines for managing risks in product sales.
	Corporate investment	<ul style="list-style-type: none"> ● Existing equity investments are concentrated on upstream and downstream industrial chains. The majority of the reinvested operating and economic cycles are comparable to those of the core business, therefore subject to the same operating and financial risks with leverage effects. 	<ul style="list-style-type: none"> ● Due to the maturity of the core business and industrial chain, a conservative investment strategy will be adopted. ● Examine the vertical integration synergy between the investment portfolio and primary business on a regular basis and make the most optimal position adjustments. ● Invest in innovative transformation, high-end technology, and horizontal integration in line with medium- and long-term goals to assist the company in achieving its targets and diversifying its business operations and equity investment portfolio.

2.2.5 Information Security

Innolux is committed to protecting the confidential information of the company, customers, suppliers, and employees, as well as the intellectual property that is essential to its competitive edge. We have enhanced our corporate governance by developing the Information Security Policy in accordance with the ISO/IEC 27001 information security management system framework, which serves as the highest management guidelines for regulating information assets. In June 2022, we joined the Forum of Incident Response and Security Team (FIRST) as the first high-tech manufacturing company member to ensure timely access to threat information, early warning, and deployment of protection mechanisms and response measures, demonstrating emphasis on information security.

Information Security Policy

Based on the principles for "strengthening personnel awareness, preventing data leaks, implementing self-supervision, and ensuring service availability," Innolux has formulated the Information Security Management System (ISMS) to ensure the confidentiality, integrity, and availability of information assets, while strengthening information security management by creating a dedicated information security organization to ensure a safe and reliable operation environment for electronic information. In addition, we have established an information security management framework and relevant policies and management plans and routinely assessed their performance to ensure the integrity and sustainability of corporate operations and business continuity.

/4 implementation aspects /

1

Strengthen personnel awareness

Conduct education and training on information security, promote employees' awareness of information security, and strengthen their sense of responsibility.

2

Prevent data leaks

Protect operational information, prevent unauthorized access and modification, and ensure the accuracy and integrity of information.

3

Implement self-supervision

Conduct regular internal audits to ensure that relevant requirements are met.

4

Ensure service availability

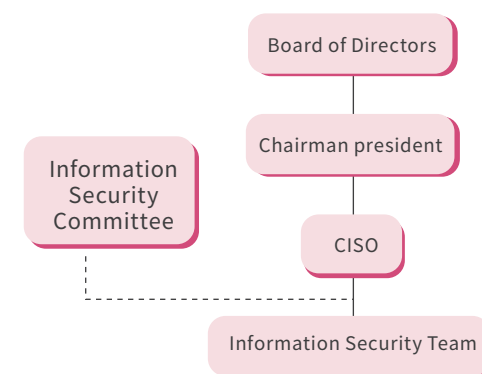
Maintain a certain level of availability for critical core systems.

Dedicated Information Security Organization

The director of information management at Innolux also serves as the chief officer and head of the dedicated organization; the role's responsibilities include planning and reviewing policies, formulating governance structure, and assessing risks of operations, as well as reporting the status of governance to the BOD to ensure its relevance.

As the leader of the team, the chief officer coordinates and promotes, performs risk assessment, conducts regular internal meetings to implement and improve policies, and reports on planning and implementation results of governance to ensure effective internal control of information operations, protect the confidentiality, integrity, and availability of information, and enhance employees' awareness. Additionally, we continue to strengthen internal management through the establishment of an active detection and defense framework to minimize data breach or leaks resulting from unauthorized access.

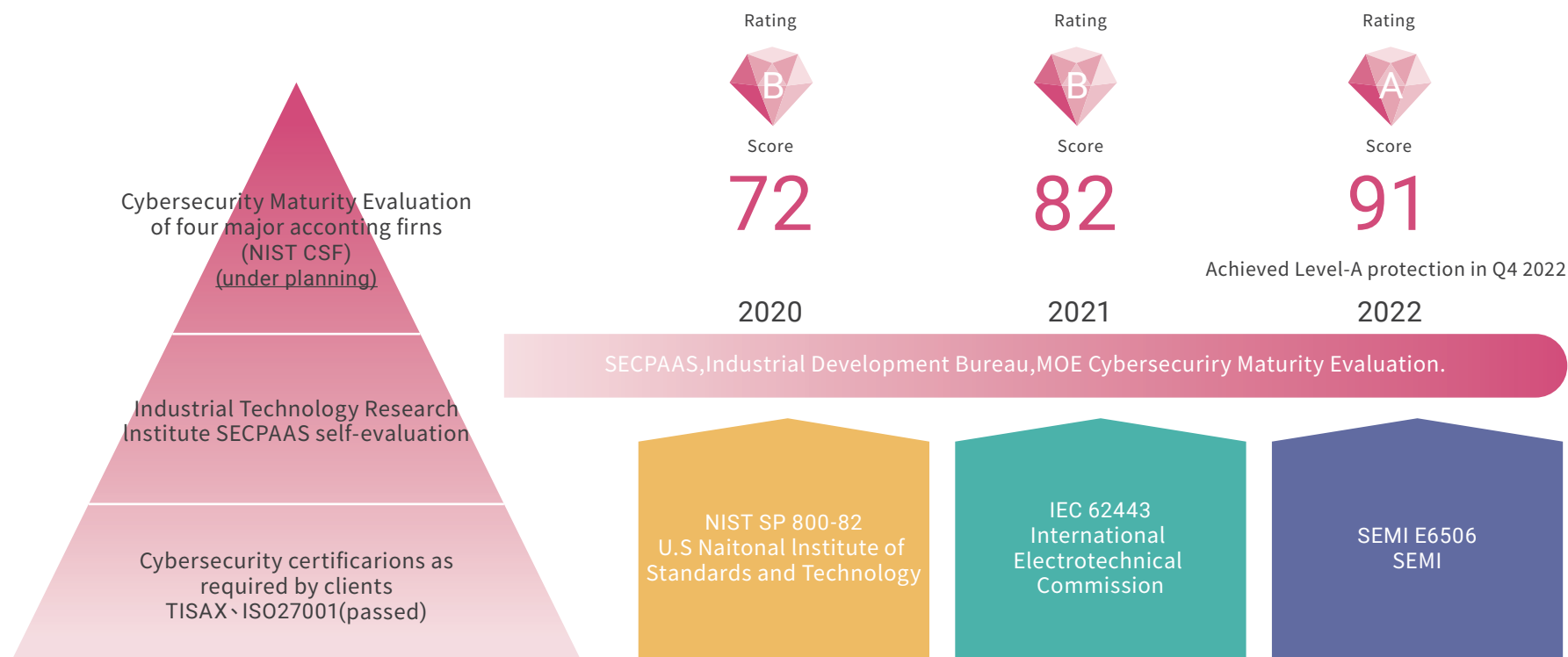
/Organizational structure/



Maturity

As a result of digital transformation, the company is continuously targeted by threats; indeed, information security management has emerged as one of the most pressing concerns for corporate sustainability. In addition to identifying internal and external risks and formulating response measures, Innolux introduced the SECPAAS maturity assessment issued by the Industrial Technology Research Institute in 2020 to assess vulnerabilities and promote, adjust, and improve ne2rk security planning at the plant sites to boost the dynamic and maturity of different aspects, as well as prevent and reduce the impact of incidents. In 2022, our score of the maturity assessment increased by 26% from 72 to 91 points, and the protection rating was elevated from level B to level A, demonstrating the significance placed on management. We strive to continuously strengthen defense capabilities and increase the confidence and satisfaction of stakeholders by improving resilience and achieving sustainable operations and UN SDG9 (building resilient infrastructures, promoting inclusive and sustainable industries, and accelerating innovation).

In the future, Innolux plans to implement the NIST CSF maturity assessment framework to evaluate its defensive level and capabilities across 5 aspects: identify, protect, detect, respond, and recover. Self-assessments will be used to prioritize risks and a comprehensive management plan will be developed to increase overall maturity



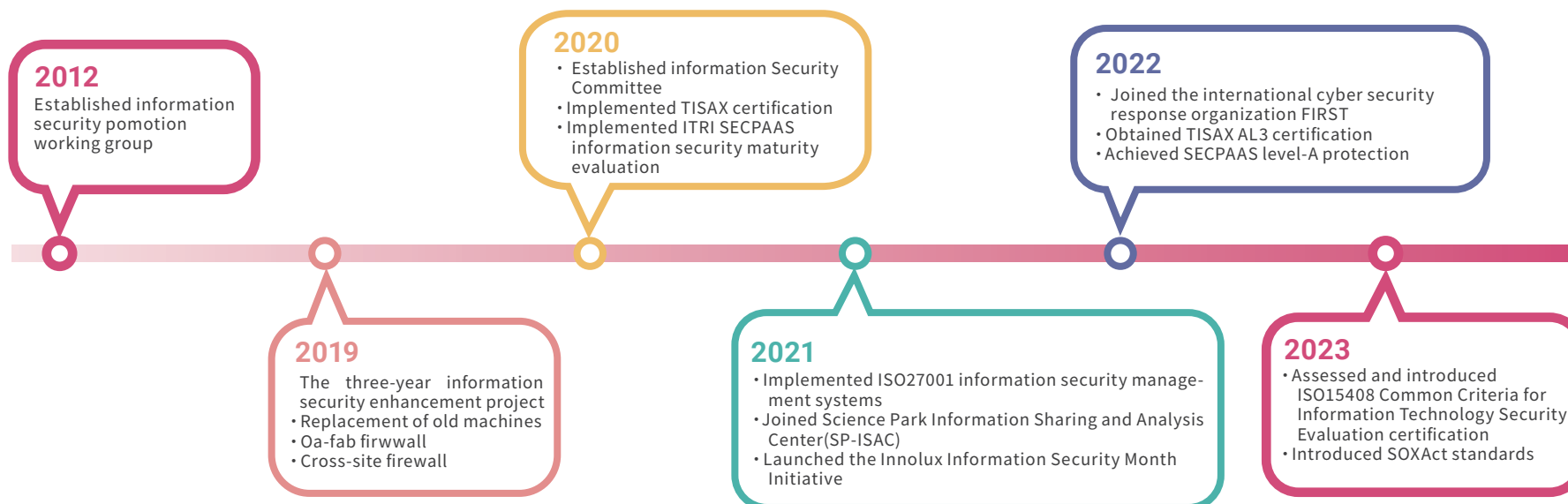
Risk Management

Digital transformation is an inevitable trend in global industrial development and the driving force behind Innolux's pursuit of automation and INX4.0. However, the advancement of information technologies increases cybersecurity risks, which not only exposes the company to the threats of data breaches and cyberattacks but also results in operational losses and reputational damage due to production interruptions. In 2022, Innolux has not experienced any major incidents, nor has it been fined by government authorities for violations.

/Information incident reporting and response procedures/



Implementation Efforts and Achievements



/Implementation results in 2022/

*TISAX (Trusted Information Security Assessment Exchange) is an information exchange platform for vehicle safety

Introducing certification standards	<ul style="list-style-type: none"> TISAX* certification: Obtained AL3 label for the Netherlands, Shanghai, Ningbo, and Taiwan sites. ISO 27001 information security management systems: Taiwan site obtained the ISO 27001 certification and expanded its scope to include server facilities in 2022.
Continued promotions and exercises	<ul style="list-style-type: none"> Continuous promotion of information security concepts through the implementation of the Innolux Information Security Month initiative. Completed the Online Course for Establishment and Promotion of IT Information Security with a 100% completion rate. Conducted drills on social engineering email attacks to raise employee awareness.
Strengthening defense capabilities	<ul style="list-style-type: none"> Net security management: Completed cross-site, OA-FAB, and high-risk critical machinery firewalls in the Greater China region. Replaced all Windows XP computers and removed related domains in the OA area, upgraded Windows operating systems. Information asset management: Constructed log management and file cleaning systems. Protection of system access: Constructed container and webpage vulnerability scanning and deception systems, as well as next-generation antivirus systems. Endpoint protection: Installed endpoint protection software in vital equipment at server facilities to prevent attacks from unknown files. Constructed Mail APT systems Expansion of backup software and hardware: Strengthened ServerFarm backups to avoid ransomware damage, expanded scope of equipment backups, and strengthened management mechanism for backup operations.
Defense against information security risks	<ul style="list-style-type: none"> Joined domestic and international information security alliances to form a joint defense to report malicious information in real time and obtain the latest Indicators of compromise (IOCs), in conjunction with established global protection platform. Purchase information security insurance to prevent financial losses resulting from major incidents, and to safeguard the rights and interests of value chain partners. Innolux has developed management procedures including the Information Security Incident Management Standard and the Recovery Mechanism and Standards, to establish an automatic alarm mechanism for incidents, and conducted annual tests, inspections, and drills of said mechanism.
Legal and regulatory compliance	<ul style="list-style-type: none"> Review applicable laws and regulations regularly, monitor current events, and continuously modify defense measures to ensure legal and regulatory compliance. Implement management policies, establish quantitative objectives, and conduct rigorous reviews of the status of implementation.
Improving supply chain information security management	<ul style="list-style-type: none"> Signing confidentiality agreements and complying with information security regulations. Conducted mandatory inspections of the information equipment of personnel entering plant sites to avoid leaks.

/Targets for 2023/

Introducing and assessing certification standards	<ul style="list-style-type: none"> ISO 15408 Common Criteria for Information Technology Security Evaluation: Assess and obtain ISO15408 certification. ISO 27001 Information Security Management Systems: Maintain the validity of the ISO 27001 certificate. SOX Act (Sarbanes-Oxley Act): Implement SOX Act-IT information cycles.
Continued promotions and exercises	<ul style="list-style-type: none"> Conduct information security reporting drills to enhance employees' emergency response capabilities. Continue social engineering email exercises to reduce the risks of employees' opening phishing emails.
Strengthening defense capabilities	<ul style="list-style-type: none"> Net security control and management: Continue the construction of machinery firewall. Continue the construction of the web application firewalls in the DMZ area. Continue to complete the Windows operation system upgrade by the end of 2024. Introduce penetration testing toolkits to identify loopholes in information security boundaries. Information asset management: Establish file cleaning center to filter the risks resulting from transferring external files to internal systems. Establish the Log Server log management system to store equipment system logs and implement log maintenance and management. Introduce the Sheltered Harbor project to ensure the enhanced and effective protection of important data backups in the event of unexpected incidents. Endpoint protection: Introduce next-generation anti-virus systems to enhance endpoint protection.
Defense against information security risks	<ul style="list-style-type: none"> Participate in information security organizations such as TW-CERT, SP-ISAC, FIRST, and the Taiwan Chief Information Officer Alliance to exchange cybersecurity information. Establish an information security incident monitoring and reporting platform, and perform association analysis on hacker footprints.
Improving supply chain information security management	<ul style="list-style-type: none"> Signing confidentiality agreements and complying with information security protocols. Conduct mandatory inspections of the information equipment of personnel entering plant sites to avoid leaks.

Professional Competency Enhancement

Innolux participates regularly in external information security professional training, enhances cooperation with SP-ISAC*, conducts information exchange and personnel education and training, and encourages employees to obtain certifications. In addition, we believe that it is essential to recruit fresh talent from external sources to keep up with the latest trends and improve the professionalism of our personnel. This not only strengthens the professional competencies and implementation efficiency of our information security workforce, but also brings in up-to-date defense concepts to enable the flexible adaptation of our defense policies in response to cyber-attack trends. In accordance with the Information Security Management Act, Innolux must obtain professional certificates corresponding to the matters administered by government agencies with level-A responsibilities. Currently, information security professionals have obtained the following certifications: EC-Council CEH(Certificated Ethical Hacker), EC-Council CSA (Certified SOC Analyst), EC-Council CHFI(Computer Hacking Forensic Investigator), CCSK(Certificate of Cloud Security Knowledge), ISO/IEC 27001:2013 Information Security Management System(ISMS) Lead Auditor, ISO/IEC 20000 Information Technology Service Management, CompTIA Security+, CIW Security Analyst, and ITIL Foundation.

*Science Park Information Sharing and Analysis Center

Cross-border Collaboration and Exchange

Innolux shares its experiences and accomplishments with the industry through industry-government-academia collaboration. We participate in domestic and international information security alliances to establish joint defense and exchange malware information in real-time, while collaborating with educational institutions through the Ministry of Education's smart manufacturing cross-school alliance initiative to cultivate future talent.

In 2022, we joined 4 information security organizations. We are also the first high-tech industry member from Taiwan to join the Forum of Incident Response and Security Teams (FIRST).

Industry

- Participated in the Cases of Strengthening Information Security in Smart Manufacturing exhibition at the Shalun HQ, Tainan.
- Joined the international information security organization FIRST as the first high-tech manufacturing industry member
- Exchanged and shared information security experiences with Siliconware, Unimicron Fii, TSMC, and Quanta.

Government

- Joined TWCERT information security alliance.
- Joined Taiwan Chief Information Security Officer Alliance
- Shared malware information with SP-ISAC and implemented joint information security defense at Science Park.
- Participated in information security instructor courses hosted by IDB of the Ministry of Economic Affairs at Shalun.

Academia

Collaborated with aching Yuan Christian University's College of Electrical Engineering and Computer Science to conduct an online information security course based on an interdisciplinary collaborative model for talent cultivation.

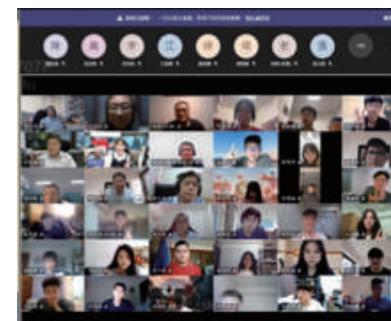
Industry joint defense:

Science Park Information Sharing and Analysis Center (ISAC-SPISAC)
Taiwan Chief Information Security Officer Alliance

Cross-domain joint defense:

International information security response organization (FIRST)
Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC)

As part of the Ministry of Education's smart manufacturing cross-school alliance initiative, Innolux collaborated with Chung Yuan Christian University's College of Electrical Engineering and Computer Science to conduct an on-line information security course based on an interdisciplinary collaborative model, hoping to cultivate talent through industry-academia collaboration. The course was attended by a total of 94 students.



2.3

GRI : 2-23、2-24、2-25、2-27、205-1、205-2、205-3、418-1

Integrity Management and Legal Compliance

Innolux is committed to managing regulatory risk and integrity and pursuing sustainable corporate operations through the formulation of corporate governance regulations and protocols that specify requirements for integrity management and legal compliance, in accordance with applicable domestic and international laws and policies.

2.3.1 Integrity management

Integrity is the cornerstone of Innolux's operations. The company has developed the Innolux Integrity Management Code, Code of Ethics for Directors and Executives, and Code of Conduct for Employees for senior executives and all employees, all of which are based on the Responsible Business Alliance Code of Conduct (RBA), the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and other applicable laws and regulations. To ensure that the corporate integrity policy is fully implemented by its employees and suppliers, the company requires new hires to sign the Employment Agreement and the Integrity and Intellectual Property Protection Statement, while suppliers must adhere to the Supplier Corporate Social Responsibility Code of Conduct Operation Standard and sign the Supplier's Undertakings.

/Innolux' s eight integrity codes/

- 1 Conduct business operations with integrity
- 2 Prohibition of offering and accepting bribery
- 3 Prohibition of unlawful political contributions
- 4 Prohibition of inappropriate charitable donations or sponsorships
- 4 Prohibition of excessive gifts,entertainment, and other improper benefits
- 4 Prohibition of intellectual property rights infringements
- 7 Prohibition off fair competition
- 8 Prevent products or services from causing damage to stakeholders



Anti-corruption Management

Innolux values the principles of integrity and fairness in its business operations. Directors, executives, and employees are all required to strictly adhere to anti-corruption policy, which prohibits the offering, requesting, or accepting of improper benefits and acts that violate integrity. According to the Innolux Corruption Incident Investigation and Management Protocols, anyone can report corruption incidents directly to the company via the reporting mailbox (speak-up@innolux.com). The company conducts thorough investigations into allegations of misconduct, and whistleblowers are protected from retaliation.

By distributing the Employee Code of Conduct - Greater China Area Anti-Corruption Questionnaire to all indirect employees, Innolux aims to achieve effective management and corruption prevention by expanding and enhancing its anti-corruption policy implementation. The purpose of the questionnaire is to periodically remind employees to comply with anti-corruption policy, as well as to obtain feedback on the policy's implementation and prevent potential corruption. In 2022, over 85 percent of the questionnaires were recovered, according to our statistics.

/Procedures for corruption reporting and complains/

- 1 **Filing reports and complains**
 - Report corruption cases
Email: speak-up@innolux.com
 - Report workplace violations
Email: 67885.tw@innolux.com
Hotline: #67885
- 2 **Case acceptance**
 - The reported case is accepted
- 3 **Case assignment**
 - Designate responsible personnel Notify supporting units
- 4 **Case investigation**
 - Gather evidence
 - Interview interested parties
- 5 **Case ruling**
 - Determine if the case is established
 - Assess disciplinary measures

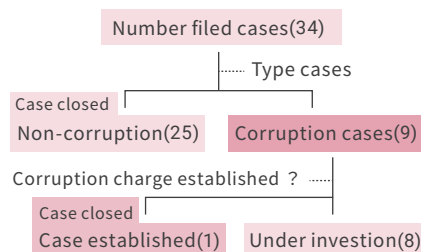
Corruption cases reported via mailbox in 2022

Innolux establishes an interdepartmental investigation team consisting of the legal affairs, HR, and audit departments to respond to the reported incidents and conduct intensive and confidential investigations. In 2022, we received a total of 34 reported cases, 25 of which were determined to be unrelated to corruption and referred to the responsible organizations, while the remaining 9 corruption-related cases were forwarded to the investigation team for further investigation. Except for 8 cases that are still under investigation as of the statistical data, all other cases have been resolved.

/Reported cases and complaints in 2022/

Category	Case number	Under investigation	Case closed
Internal reporting*	9	1	8
External reporting	25	7	18
Total	34	8	26
Processing rate	100%	24%	76%

* Allegations from employees or claimed employees.



Analysis of corruption cases reported in 2022

The company takes appropriate disciplinary actions for valid cases, strengthens its management and internal control procedures, and informs all employees of the incidents to prevent their recurrence.

/Analysis of cases and complaints reported in 2022/

Case category	Case number	Cases reported	Cases established	Investigation completed	Under investigation
Corruption and bribery		9	1	0	8
Discrimination, confidentiality obligation, conflict of interest, and fair dealing		0	0	0	0

/Handling of violations/

Incident	Case description	Results
1	Employees take advantage of their positions to obtain improper benefits from suppliers.	The company has terminated employment and discontinued ties with the supplier.

Confidential Information and Privacy Protection

Innolux acknowledges the significance of confidentiality and privacy protection for customers, suppliers, and the company itself. We publicize our privacy protection policy on our website and formulate the Code of Conduct for Employee, Innolux Corporate Social Responsibility Best Practice Principals, and Supplier Corporate Social Responsibility Code of Conduct Operation Standard to fulfill our management responsibilities. We ensure that internal operations and the value chain comply with government regulations and customer requirements, as well as the full implementation of the confidentiality and privacy protection. In addition, Innolux requires all employees to carefully protect the confidentiality of customer information, conduct regular education and training to raise the awareness of all employees regarding data protection, and apply information security technology to minimize the risk of data breach or theft. In 2022, no complaints about violations of confidentiality and privacy protection were reported.

/ Innolux's protection of confidential information and privacy/

1

Legal compliance / Innolux mandates that the collection, use, and management of data comply with local personal data protection laws and customer requirements, and has established relevant standards for all employees.

2

Internal education and management / ● Enforce hierarchical management and control based on employee authorization, implement confidentiality protection, and restrict and record the retrieval and storage of confidential manufacturing and transactional data. ● Conduct annual education and training on the protection of personal data for employees; the completion rate was 98.66 percent for 2022.

3

Strengthen information security technology / ● In accordance with the ISO/IEC 27001 information security management systems framework, the Information Security Policy was formulated as the highest guideline for information asset management and to protect the confidentiality of the company, its customers, suppliers, and employees. ● Invest in information security insurance to prevent and avoid financial losses caused by major incidents, and to safeguard the rights and interests of our value chain partners. ● In 2022, we continued to strengthen the deployment and update of protection software and hardware to bolster defense capabilities, and join relevant domestic and international alliances to implement joint defense against risks.

4

Enhance external management mechanism / ● Signing nondisclosure agreements with consumers to define the scope, timeline, and responsibilities of parties involved in data exchange between Innolux and third parties. ● The Innolux code of conduct stipulates requirements for confidentiality and privacy protection. Allegations of any violations will be investigated in accordance with the applicable company regulations and, if found to be true, will be handled in accordance with the circumstances and relevant risk mitigation procedures.

2.3.2 Legal Compliance

Innolux's legal affairs department is responsible for ensuring compliance with domestic and international laws and standards agreed upon by the industry, as well as the management and implementation of applicable laws and regulations. In 2022, Innolux reported no penalty fines for violations of anti-corruption, personal information protection, trade secret protection, and anti-trust laws, etc., but was fined NT\$130,000 for violation of Article 6-1 and Article 37-2 of the Occupational Safety and Health Act.

/Violations and fines over the past 2 years /

	2021	2022
Major incidents of legal violations *	3	0
Total violation cases	8	2
Total amount of penalty fine (in NT\$)	2,169,955	130,000

*A major incident is a single violation of applicable laws or regulations that results in a fine exceeding USD\$ 10,000.

/Risk management procedures/

Policies and Procedures	Innolux has established the "Ethical Corporate Management Best Practice Principles for Innolux Corporation", "Code of Ethics for Directors and Officers", and "Code of Conduct for Employees" to define the responsibilities of employees engaging in business activities and to achieve a company culture of integrity. The above regulations are published on the corporate website, MOPS and the intranet GLOBAL DCC system, enabling anytime access for our employees.
Regulatory Identification	Besides keeping track of laws, regulations, and legal amendments that may significantly impact the company and regularly identifying new laws and regulations that may affect the company, Innolux also reviews and updates internal regulations accordingly and thereby ensures legal compliance when conducting business.
Risk Assessment	Innolux regularly assesses the risk of implementing business ethics management, reduces the risk of harm to labor rights and unethical business action, and establishes corresponding management goals and plans.
Education and Training	Innolux employs training courses, posters, etc. to further enhance employees' understanding of laws and regulations. Training courses touch on important issues such as corruption, personal data security, business secrets, antitrust and prevention of insider trading. They are incorporated into the annual legal course to improve employee's compliance awareness.

Education and training

Innolux has established a multidisciplinary training system that strengthens employees' awareness of legal compliance which is communicated via online courses, website, and computer startup screens. The company will continue to promote its anti-corruption and integrity policies to the top 20 suppliers/customers in each application category, as well as maintain the 98% course completion rate on business secrets, the Personal Data Protection Act, anti-corruption policies, and insider trading prevention.

/Education and training achievements in 2022/

Subject	Category	Business secrets, Personal Data Protection Act, anti-corruption policies, and prevention of insider trading	Antitrust	RBA education
Employees	Target number	13,584	3,685	14,573
	Completion number	13,400	3,625	14,573
	Completion rate*	98.65%	98.37%	100%
	Target of completion rate	98%	98%	100%
	Target achievement	V	V	V
Suppliers/ customers	Completed the promotion of Innolux's anti-corruption and integrity policies to the company's top 20 suppliers/-customers.			

* The legal department implements risk management by keeping track of employees who have failed to complete training.

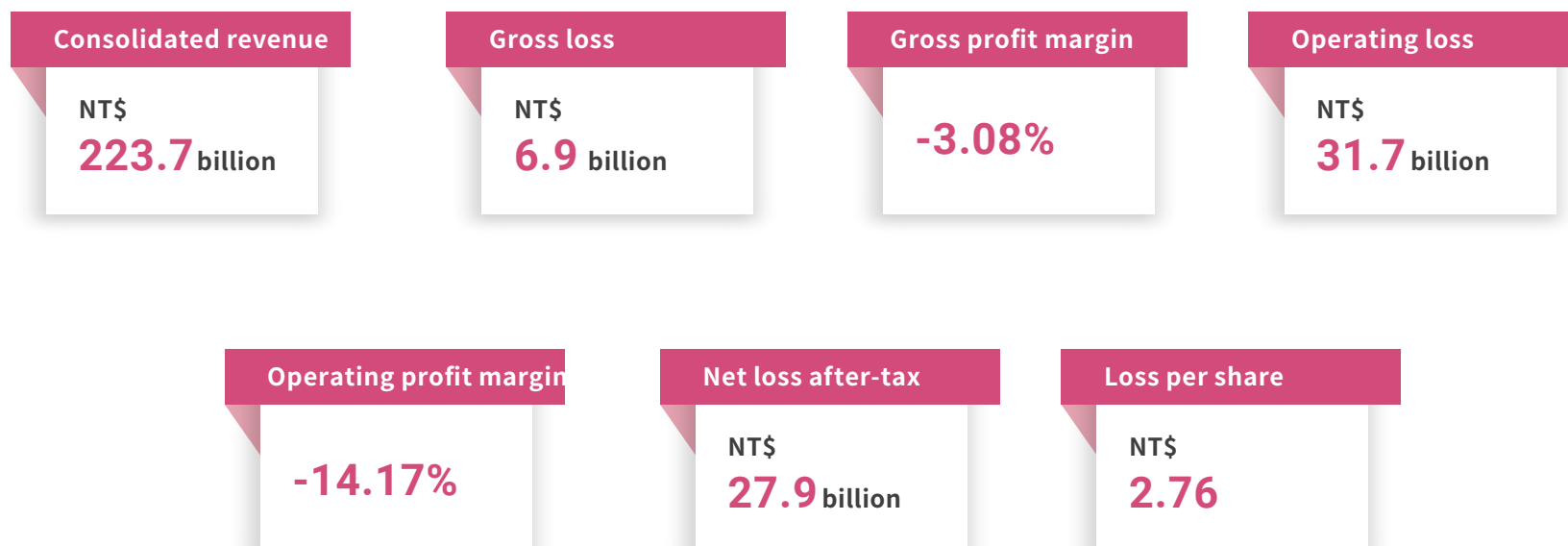
2.4 Financial Performance and Tax Governance

GRI : 2-23、2-24、2-25、201-1、201-4、203-2

Financial performance and tax governance are indispensable to the sustainability of corporate operations. In the face of economic downturns, Innolux maintains an optimistic outlook, adapts its business strategy actively, and initiates a transformation to optimize and upgrade its manufacturing capacity and processes in collaboration with its strategic partners. We have attained solid financial stability and proven the value of our transformation with the improvement of operating capacities.

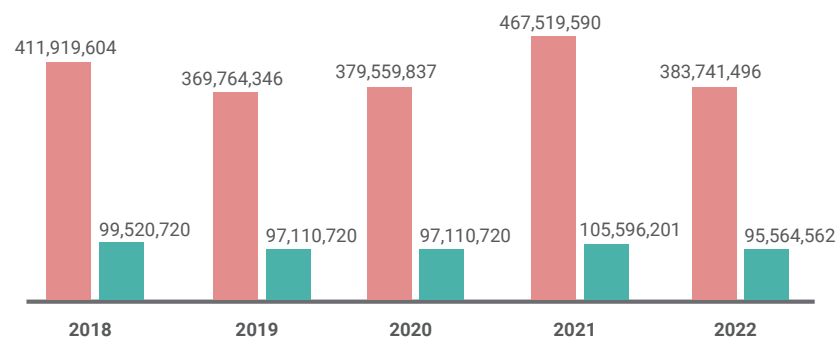
2.4.1 Financial Performance

The inventory accumulation of panel factories, triggered by the external environment, has placed the company in its most critical situation in recent years. In 2022, the total consolidated revenue was NT\$223.7 billion, the lowest since the 2010 merger.

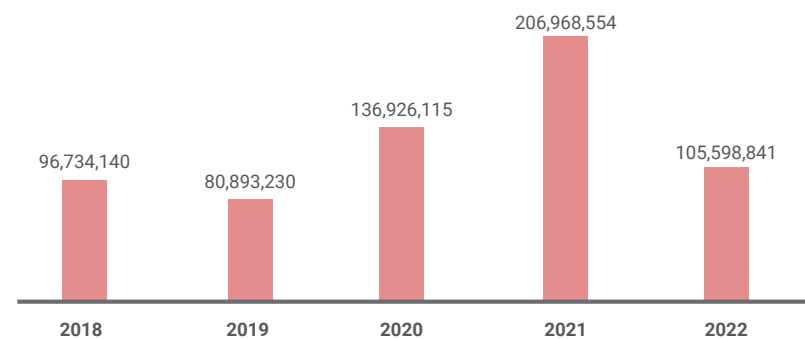


Operating performance over the years

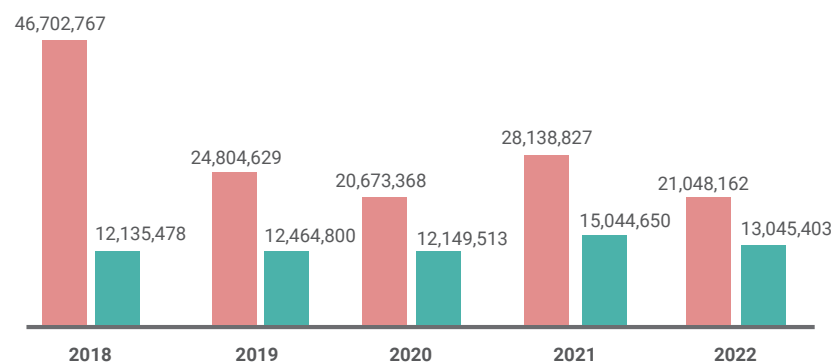
■ Total assets (year-end) ■ Total capital (year-end) Unit: NT\$1,000



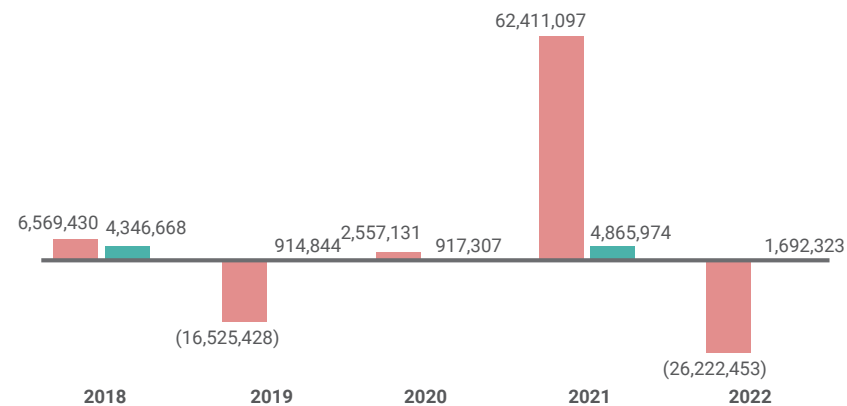
■ Total market value of equity (year-end) Unit: NT\$1,000



■ Capital expenditures ■ R&D expenditures Unit: NT\$1,000



■ Net profit before tax ■ Income tax expense Unit: NT\$1,000



2.4.2 Tax Governance

Integrity is the cornerstone of Innolux's business practices. The company has formulated the Innolux Tax Policy to fulfill its commitment to transparency, sustainable development, and social responsibilities.

/Innolux Tax Policy/

- Comply with tax regulations, accurately calculate and file taxes, execute Arm's Length Principle.
- Promptly assess the impacts of all aspects of changes in local and international tax laws, and formulate countermeasures.
- Disclose tax data to the public in financial statements and annual reports to maintain information transparency.
- Maintain good relations with tax authorities, get the most updated tax information and continuously strengthen tax expertise.

Tax risk management

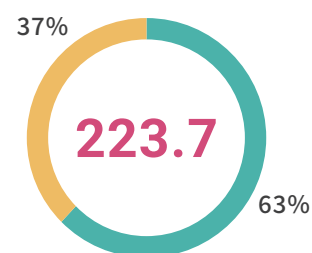
Innolux operates across multiple countries. The company complies with local tax laws and regulations and monitors the tax information of the countries involved to assure timely responses to any risks, formulation of countermeasures, mitigation of tax risks, and protection of operations.

Risk	Control Method
Complicated tax laws and systems of different countries may affect Innolux's tax cost in transnational investment and operations.	Analyze tax cases for regulatory compliance, accurately calculate taxes, and effectively improve the operating results of organizational resources.
In transnational operations, the tax authority of each country oversees its own comprehensive tax data and information. Without learning the tax laws and regulations of the country, Innolux may be unaware of certain tax risks.	Actively gather information regarding changes and reforms to local and international tax regulations, assess their impacts, and formulate countermeasures immediately.

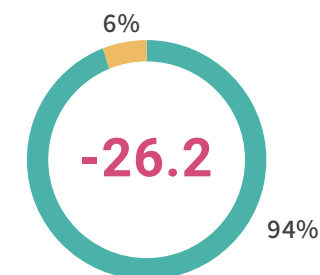
The majority of Innolux's operations and manufacturing facilities are located in Taiwan and China. Therefore, headquarters in Taiwan and its manufacturing subsidiary in China are the primary contributors to the operating income, net profit before taxes, income tax expenses, and income tax paid in 2022, with the tax rates of 20% and 25% respectively. In addition, our Taiwan headquarters retains the prior loss deduction, which is sufficient to deduct income tax payment.

The following charts illustrate the operating income, net profit before taxes, income tax expense, and income tax paid in 2022, based on operating facilities:

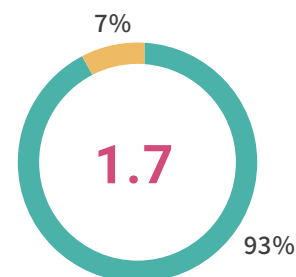
/ Operating income /



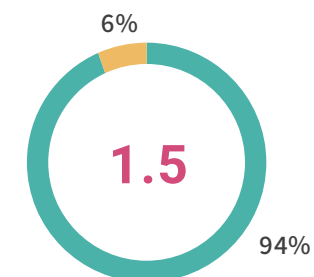
/ Net profit before tax /



/Income tax expense /



/Income tax paid/



■ Taiwan&China ■ Other Unit: Billion

2.4.3 Shareholder and Investor Communication

Innolux has established departments dedicated to investor relations and stock affairs. The investor relations department is responsible for serving domestic and foreign legal persons and institutions, functioning as a bridge between the company and the investment market, and delivering transparent and timely information. We hold legal person briefings every 6 months, and participate in domestic and foreign investor forums and non-deal roadshows held by securities companies every quarter to brief our shareholders and investors on industry overview, new products and technology development plans, long-term and operating strategies, and financial performance. In 2022, we held 2 briefings for legal persons and participated in over forty investor and analyst meetings.

The investor relations pages on the Innolux corporate website are available in both Chinese and English. From these pages, users can instantly access vital company information, download financial reports, annual reports, and other important financial data, and browse investor conferences, shareholders' meetings, and other relevant information.

To improve its communication, Innolux highlights its performance in financial reports on a quarterly basis and distributes information on the company's main activities and events to nearly 6,000 website members by email. In addition, the company has set up a dedicated contact window for investor relations to facilitate instant communication with investors

email. In 2022, a total of 95 inquiries were received and answered through the investor hotline and mailbox. The company also collects feedback and suggestions from investors which are forwarded to the management as a reference for future policy-making.

The company will continue to improve its services to domestic and foreign investors and institutions, and deliver accurate, timely, and transparent information to the investment market on the company's operating status to increase overall shareholder value.

40

Communication meetings
with investors /analysts



95

Responses to investor
hotline and email



Investor Relations link : <https://www.innolux.com/tw/ir.html>
Investor Relations mailbox : ir@innolux.com

/Shareholder Structure / Note: Reference date is April 2, 2023.

Type	Government Entity	Financial Institution	Other Juridical Person	Individual	Foreign Institution & Individual	Total
Number						
Number of people	8	29	677	627,234	1,411	629,359
Shareholding ratio (%)	0.79%	2.48%	10.38%	64.90%	21.44%	100.00%



3

Innovative Transition in Hand with Procurement

3.1 Innovation & Research	54
3.2 Customer Relations	58
3.3 Supply Chain Management	64



2022 Achievements



5.8% Invested \$13.05 billion NTD in R&D, 5.8% of total revenue

12,700 patents Applied for approximately 430 new global patents;
12,700 patents in total

A rating Received Class A certification of Taiwan Intellectual
Property Management System (TIPS)

100% 100% inventory rate of medium to high-risk supplier sourcing
of conflict minerals (3TG) and cobalt

83% Key customer ratio reached 83%, which surpassed our annual goal
and showed a 2% increase compared to 2021

76K tons Inventoried greenhouse gas emissions of 126 suppliers;
accumulated carbon reduction 76K tons CO₂e

Material Issue Management Guidelines for this Chapter

	Strategic Goals for 2022	Implementation Results in 2022	Main Goals for 2023	Commitments to Medium- and Long-Term Development
R&D and Innovation of Products and Technologies	<ul style="list-style-type: none"> • Increase our production capabilities of ultra-large-sized panels in response to recent trends. • Strive for high added value in products. • Make a complete blueprint of new generation panel applications to solidify our leading position in the industry. • Secure technologies with potential through early patent deployment and create basic and valuable patents. 	<ul style="list-style-type: none"> • Large panels achieved a market share of 9.5% in total shipped surface area. • Applied for 430 new global patents, pushing our total number of global patents to 12,700 as we continue with patent deployment and bolstering our competitiveness. • Taiwan sites obtained Class A certification of Taiwan Intellectual Property Management System (TIPS). • Accumulated innovation capital by allocating 5.8% of total revenue to R&D funding and 10.8% of our staff to R&D activities. 	<ul style="list-style-type: none"> • Continue to increase our competitiveness in small and medium panels and develop in ultra-large-sized panels. • Increase the developments of high niche products and strengthen customer stickiness. • Actively promote and develop low-power and energy-saving products. • Implement risk prevention measures for R&D technologies to prevent confidential information from being leaked, accumulate R&D capital. 	<ul style="list-style-type: none"> • Continue to refine technology and process optimization to create high-performance products that target niche markets and increase product value. • Actively develop low-carbon products, increase the use of recycled materials, and move toward sustainable products. • Increase the number of novel applications and gain access to novel application markets. • Continue to improve our understanding of intellectual property, develop diverse strategies, and expand our patent strategy blueprint.
Customer Relations Management	<ul style="list-style-type: none"> • Strengthen main business activities and innovative applications while achieving digital transformation, continue to optimize and integrate digital tools to satisfy the needs of customers. 	<ul style="list-style-type: none"> • Key customer ratio reached 83%, which surpassed our annual goal and showed a 2% increase compared to 2021. • Adopted PDCCCR (Pricing-Demand-Capacity-Capital-Cost-Return) framework and Business Model Canvas (BMC) to strengthen the proposition of Digital Transformation 3.0: Interdisciplinary empowerment/ Profit contribution 	<ul style="list-style-type: none"> • Improve the functionality of the CQ Situation Room platforms to satisfy the needs of customers. • Achieve a key customer ratio of 75%. 	<ul style="list-style-type: none"> • Establish a comprehensive and intelligent quality management system, improve the quality monitoring based decision support system, and build a data center that creates values. • Maintain a key customer ratio of 75%.
Supply Chain Management	<ul style="list-style-type: none"> • Manage source of materials to achieve sustainable environmental management. • Conduct a 3-year (2021–2023) 1% carbon reduction plan for suppliers with cumulative purchasing expenses in the top 91%. • Strengthen supply chain carbon management and adopt the DCIRN net zero management strategy. • Introduce a decision assistance platform, and continue to conduct investigations of medium- to high-risk supplier sourcing of conflict minerals. 	<ul style="list-style-type: none"> • Complete the annual goal of supplier inspections and reduce greenhouse gas emission by 9.6% for early target achievement. • 100% inventory rate of medium- to high-risk supplier sourcing of conflict minerals (3TG) and cobalt to achieve responsible procurement • Optimize the decision assistance platform and keep track of smelter conformance. 	<ul style="list-style-type: none"> • Continue to manage the carbon reduction goals of key suppliers. • Ensure that 90% of smelters are certified to source conflict minerals (3TG) for medium- to high-risk suppliers. • 90% inventory rate of medium- to high-risk supplier sourcing of conflict minerals, cobalt, and mica. 	<ul style="list-style-type: none"> • Expand the scope of supplier management on a yearly basis and assist suppliers in introducing low carbon value chain, thereby creating a low carbon supply chain. • Continue to strive for responsible procurement and due diligence to ensure that products are free of conflict minerals. • 20% reduction in key suppliers' greenhouse gas emissions by 2030 (vs. 2020).

Transition and Rebuild to Increase Value

In 2022, the Russian-Ukraine War, soaring energy prices, rising inflation, and interest rate hikes had a disruptive impact on the global economy, resulting in weak consumer spending which triggered inventory accumulation in panel factories. Affected by the headwind of oversupply again, panel makers were prompted to cope with the fast-changing market by lowering their capacity utilization. In 2023, as interest rate hikes come to an end and consumer product prices drop sharply, the market is expected to resume growth, while China sites slowly increase their capacity and move toward producing ultra-large-sized panels. Taiwan and Korea sites will also actively increase their productive capacity for ultra-large-sized panels in preparation for an increasing competition. Innolux will continue to control capacity utilization to curb panel supply and accelerate price rebound until it returns to a healthy level and market sentiment transitions from oversupply to market equilibrium. In the face of an increasingly fierce competition in the global market, Innolux is committed to its core value of "Transitioning and Rebuilding to Increase Value" by moving toward automated production, optimal product portfolios, and higher yields. In doing so, we increase production capacity for profitable products with the goal of generating stable profits, leveraging product differentiation to target low-volume high-profit markets, and activating production capacity to maximize profits. Going forward, Innolux will be committed to developing integrated service solutions for panels and expanding the value chain of the niche market to increase profitability, thereby realizing the vision of parallel management, vertical integration, and solidarity through effective supply logistics management and financial stability. We hope to enhance our overall competitiveness and achieve sustainability.



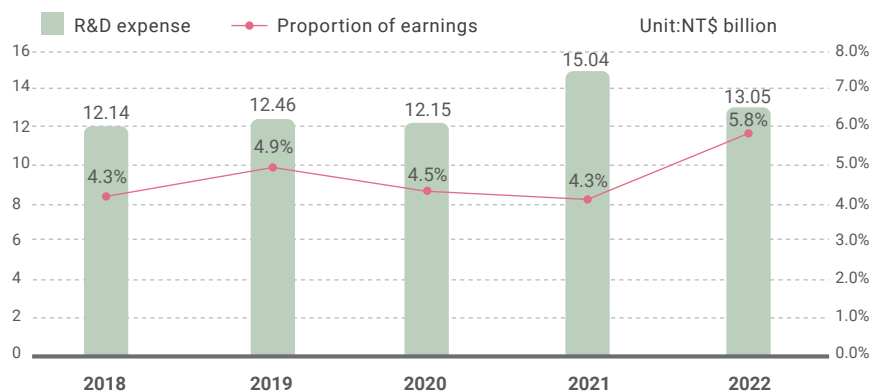
3.1 Innovation and Research

GRI : 2-6、2-23、2-24、2-25

In the face of the impact from China's massive production capacity and the development of OLED technology in Korean sites, Innolux is committed to its core value of "Transitioning and Rebuilding to Increase Value." Specifically, we not only increase the value of our panels by pushing for higher added value, but also leverage our strong high-gold content R&D technology capability to develop multiple ultra-high-performance products that target niche markets and shift our development direction toward value-added products. In recent years, we have invested in non-display fields and explored new application fields to increase our competitiveness in the industry.

3.1.1 Breakthrough Innovative Technologies




Innolux is committed to developing new technology and exploring new fields. By capitalizing on our strong capability to develop high-gold-content technologies, we created numerous new-generation panel technologies and high-value products. Riding on the wave of smart manufacturing and digital transformation, Innolux keeps abreast of the latest trends in health care solutions and sets foot in smart healthcare to facilitate business diversification and stake our claim in emerging panel technologies. In 2022, Innolux invested \$13.05 billion NTD in R&D funding, which is equivalent to 5.8% of our total revenue, and fields a staff of 4,559 researchers or 10.8% of total employees.



Innovation Highlights

Attributed to our powerful R&D technology capability, Innolux won 9 awards at the 31st Taiwan Excellence Award. Our “17.3” Medical Volume N3D System” and “Smart Dimming Liquid Crystal Window” were nominated for the Taiwan Excellence Silver Award for the first time, fully demonstrating Innolux’s R&D capability. Highlights for 9 products are described below:


/Large Panels/

Product Name	Product Name
 <p>Smart Dimming Liquid Crystal Window</p>	<p>This product includes features that enable smart dimming, natural lighting, no color shift, immediate response (<1 sec), zero size restrictions, in addition to energy savings, consumption reduction, anti-glare, shading and UV blocking substantially diminish building energy consumption and lower greenhouse gas emissions, can be used in a variety of settings including green buildings, smart homes, and large open public spaces, thereby facilitating environmental substantially.</p>
 <p>36" Double Side with Dynamic Slim Display Signage</p>	<p>Innolux utilized an exclusive technology to integrate a single backlight module with dual displays, successfully creating a thin, power-saving, and visually attractive digital billboard which replaces traditional paper advertisements. It offers the advantages of being paperless, eliminating the need to manually replace advertisements and allowing real-time replacement of advertisements which greatly reduces environmental pollution and waste of resources.</p>
 <p>65" Outdoor TV</p>	<p>The outdoor TV features a thinned reinforced glass, meets the high-standard international protection level (IP65), which can reach the highest level of international impact protection (IK10), and a fully sealed design that is waterproof, dustproof, insect-repelling, and impact-resistant. This product boasts 2,000 nits peak brightness and an anti-glare design that creates the best viewing experience under sunlight.</p>


/Small and Medium Panels/

Product Name	Product Name
 <p>2.27 inch VR LCD without screen door effect</p>	<p>With the adoption of microminiaturized pixel and circuit design, the device features 2016 ppi ultra-high resolution, which effectively alleviates problems with existing VR products (e.g. bulkiness, screen-door effect, and motion blurring). Other excellent features such as 100 degree FOV, reduced panel size, high refresh rate, and high color saturation enable users to immerse themselves in the virtual world.</p>
 <p>2.56" miniLED VR LCD</p>	<p>The exclusive miniLED backlight control technology improves both the quality and brightness of highly dynamic contrast images, generating pictures that feature pure black and authentic colors. The product also boasts excellent features such as high color gamut and low power consumption, greatly optimizing immersive visual experience and taking the visual imagination that consumers have for VR to a whole new level.</p>

/Curved Panels/

Product Name	Product Name
 <p>34" WQHD AAS Curve Gaming Monitor</p>	<p>The “34” WQHD AAS Curve Gaming Monitor” features a 21:9 ultra-wide screen, which is 30% larger than the conventional 16:9 screens. In addition, the 3440 X 1440P ultra-high resolution enhances details of video games on screen and the curved design greatly elevates immersive experiences. The monitor is not only used to fulfill the needs of esports players but also to provide the best viewing experience for grandiose, movie-like 3A animations.</p>

/Panels for Special Use/

Product Name	Product Name
 <p>17.3" Medical Volume N3D System</p>	<p>Traditional 3D systems use binocular disparity to produce 3D visions, which cause dizziness when viewed for a prolonged period of time. Innolux’s exclusive Volume N3D patented technology solves this problem as it can be applied in medical education and preoperative evaluations and used as an auxiliary tool during surgical operations or for assessing surgical information. This product will also drive the development of naked-eye 3D displays in surgery rooms.</p>

Interdisciplinary Collaboration

/Biometric/

Product Name



FAP20 Thermal Type Fingerprint Chip

Product Name

Developed in collaboration with NEXT Biometrics, the FAP20 thermal fingerprint chip is designed and produced using the TFT process technology. An active thermal sensor is used for live fingerprint detection. The large-area and 500 dpi resolution sensor can increase recognition accuracy, strengthen information security, avoid false acceptance, and enhance the convenience and security of access control.

/Smart Healthcare/

Product Name



Smart Vaccine Dose Distribution Instrument

Product Name

Driven by the resurgence of the COVID-19 pandemic, Innolux and Chi Mei Medical Center collaborated to develop a "Smart Vaccine Dose Distribution Instrument," which uses a robotic arm and automated mechanism to extract vaccine solutions, manages vaccine content by using optical liquid level detection, resets dispensing needle operation, and classifies product output. The Smart Vaccine Dose Distribution Instrument is safe and easy to operate, measures contents accurately, ensures consistent production time, and prevents ergonomic hazards. Because of these features, this product won the Smart Display Application Award in 2022 and the 31st Taiwan Excellence Award. This collaborative effort cultivated an advanced pandemic prevention technology through which we hope to demonstrate our determination to work with the medical community in combating the pandemic and the challenges arising thereof. We will also utilize our core competencies to continuously optimize the instrument, design modules for automated vaccine extraction operations, and ultimately develop a smaller vaccine extractor to increase product use.

Product Market Share

According to Omdia market statistics, Innolux's market share of large panels in 2022 was 9.7%, which makes us the world's fifth largest LCD panel supplier. Based on product shipping volume, the market distribution of large-sized and small to medium-sized display panels are as follows:

/2022 Market Share for Large Display Panels/

Product (by application)	Global Market Share	Global Ranking
LCD TV panels	13.6%	4
Display panels	9.8%	6
Notebooks (excl. laptops)	19.0%	2

/2022 Market Share for Small to Medium-Sized Display Panels/

Product (by application)	Global Market Share	Global Ranking
Tablet display panels	14.8%	2
Automotive display panels	7.9%	6
Smartphone display panels	13.7%	2

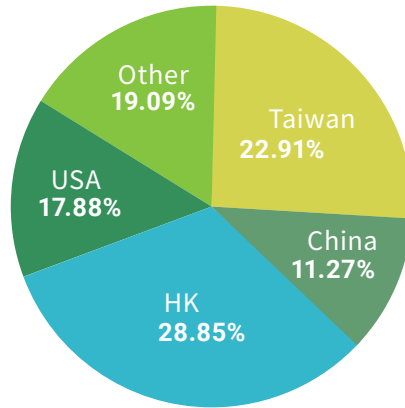
3.1.2 R&D Patent Deployment

Innolux strives to inspire R&D initiatives and improve our patent quality. Therefore, our Intellectual Property Department works closely with the R&D Department starting from the moment a project is launched to secure technologies with potential through early patent deployment. The Intellectual Property Department also keeps abreast of the progress of technological R&D to create basic patents that are valuable and enable our patents to fully realize their value. Through internal meetings that review patents and adjustments to our feedback mechanism, we continue to improve patent management system by establishing a digitized management system and regularly reports the status of implementation to the Board of Directors.

In 2022, Innolux was awarded roughly 430 patents worldwide; has accumulated a total of 12,700 global patents, ranking 6th in Taiwan in patent application, granted over 200 U.S. patents, placing us in the top 300 holders of U.S. patents. To protect our high-value patents, Innolux will take countermeasures for the fruits of our R&D activities, safeguard our confidential information, and continue to closely monitor the pulse of products in the global market, formulate patent application strategies, and actively expand our patent strategy blueprint.

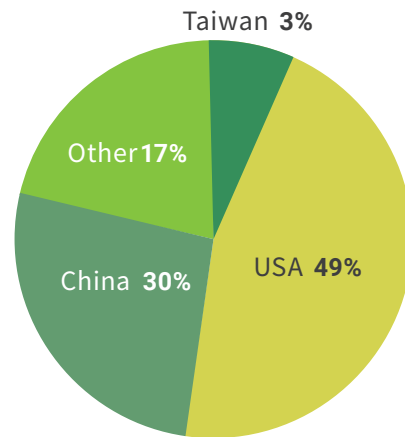
/2022 Sales Regions for Major Products /

Unit : NT\$1,000	
Area	Amount of Sales 2022
Taiwan	51,261,767
China	25,219,962
HK	64,529,052
USA	39,995,184
Other	42,709,793
Total	223,715,758



/Number of Patents/

Area	Number of Patents in 2022
Taiwan	15
USA	210
China	130
Other	75
Total	430



Intellectual Property Management

Intellectual property is vital in managing innovations. In encouraging the organizational use of intellectual property to create advantages and value, Innolux has formulated the "Intellectual Property Management Policy" in alignment with our business strategies and built a systematic management system that is linked with our business goals. In 2022, we adopted the Taiwan Intellectual Property System (TIPS) and obtained TIPS Class A certification. Through patent education and training, a proposal judging system, an award system, post-patent approval evaluations, and patent activation strategies, we showcase the capacity of intellectual property, increase our competitiveness, raise the threshold of industry competition, and strengthen our corporate image.

/Innolux IP Policy/

- 1 Continue to expand our intellectual property portfolio globally.
- 2 Attach great importance to the protection of R&D results.
- 3 Strengthen the commercial use of intellectual property.
- 4 Strengthen staff training on the knowledge of intellectual property.
- 5 Strengthen the management of intellectual property portfolio.

/Schematic diagram of IP operations/



1. Set goals

Stage one:
Growth in number of patents
Stage two:
Emphasize patent quality and continue to accumulate effective patents



2. Provide resources

Develop key technologies, lower operational risks, improve R&D and intellectual property deployment



3. Establish management system

Execute patent proposal review, patent attainment process, and provide adequate rewards
Procedure document:
Taiwan Intellectual Property System, TIPS Patent Management Regulations



4. R&D and intellectual property empowerment

Increase company competitiveness, raise threshold of industry competition, and improve corporate image

3.2 Customer Relations

Achieving customer satisfaction is the foremost principle with which we operate our business at Innolux. To meet the needs of global customers, we offer high-quality products and services. Through digital transformation, we thoroughly integrate digital tools that are aligned with our business philosophy and sales strategies, provide instant, transparent, one-stop, and flexible global services as well as the most valuable solutions, create new business models that aim to improve product quality and customer satisfaction, and continue to foster customers' trust in Innolux, thereby forging sustainable and strong partnerships.



Vision Quality Makes Competency

Mission Strive for optimal quality, Improve customer satisfaction, Lower cost of quality, Increase company profits

Strategy Continue to refine technologies and management—and with the assistance of intelligent tools and methods—strike first to empower

3.2.1 Quality Management

Amidst the wave of smart manufacturing and digital transformation, Innolux demonstrates our overarching expertise in technological R&D. Aside from developing panel-related products, we are actively expanding our reach of new technologies and fields as we strive to become customers' most trusted and indispensable partner. Not only have our original panel products met quality management system requirements, our Intelligent Integration Automation and aerospace products also obtained ISO 9001 Quality Management System and AS9100 Aerospace Quality Management System certifications in 2022, respectively. Innolux will adopt the IATF 16949 Global Automotive Quality Management System for our panel-level packaging (PLP) in 2023 to meet customer expectation and requirements.

/Management Systems and Certifications/

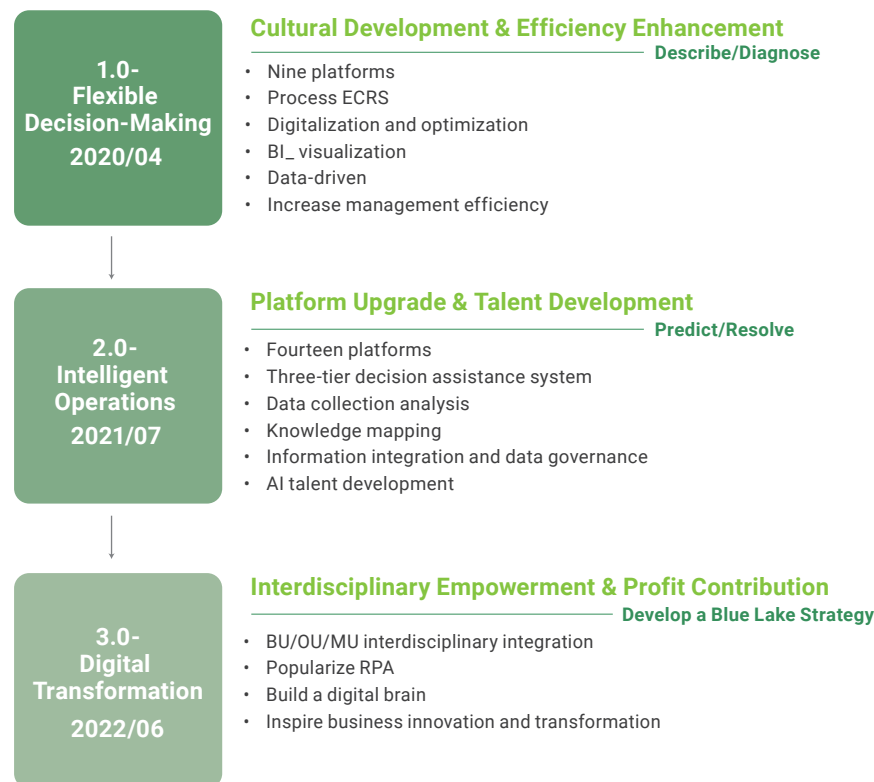
Management System	Certifying Body	Certified Sites					
		Jhunan	Tainan	Ningbo	Foshan	Nanjing	Shanghai
ISO 9001 Quality Management Systems	Bureau Veritas	●	●	●	●	●	●
ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories	DQS	●	●	●	●	●	●
IATF 16949 Automotive Quality Management Systems*	Bureau Veritas	●	●	●			●
AS 9100 Aerospace Quality Management Systems	Bellcert	●	●				
QC 080000 Hazardous Substance Process Management System	SGS	●	●	●	●	●	●
ISO 45001 Occupational Health and Safety Management Systems	TW(SGS)/CN(CQC)	●	●	●	●	●	●
ISO 14001 Environmental Management Systems	TW(SGS)/CN(CQC)	●	●	●	●	●	●
ISO 50001 Energy Management Systems	DNV	●	●	●	●	●	●
ISO 14064-1 Greenhouse Gas Inventory	Taiwan(bsi)/ Ningbo (ICAS)/ Foshan (CQC)/ Nanjing (CQM)/ Shanghai (Ti Group)	●	●	●	●	●	●
ISO 27001 Information Security Management System	Bureau Veritas	●	●				

*Innolux' s T3 Plant in Jhunan and FAB A, B, C, and D plants in Tainan have been certified by the IATF 16949 Global Automotive Quality Management System.

Digital Transformation 3.0 - QM Value Up

Innolux always puts customers first. As we transition from 2.0–Intelligent Operation to 3.0–Digital Transformation, we continue to strengthen our main business focus and innovative applications, comprehensively integrate digital tools in alignment with our business philosophy and sales strategies, establish the “Integration/Improvement/Innovation + Intelligent” improvement cycle, and engage in inter-platform process integration and cooperation through departmental collaboration on information sharing and quality processes. We hope to strengthen interorganizational operations in decision-making, enhance organizational performance, and make higher-quality decisions faster, thereby facilitating interdisciplinary empowerment and profit contribution.

/Digital Transformation/



To effectively address quality problems, the Quality Management (QM) Center trains employees to treat quality control very seriously, formulates the most appropriate quality policy and goals, and employs the QM4.0 Intelligent Decision System to identify problems and make improvements, thereby ensuring higher product quality and customer satisfaction levels that will sustain and strengthen customers' trust in Innolux.

In 2022, QM4.0 transitioned to become an integral part of our daily culture and is now a forerunner to INX4.0 as evidenced by the significant results it has achieved in the areas of digital and smart development. In continuation of the 2.0-Intelligent Operation in 2021, Innolux adopted the PDCCCR (Pricing-Demand-Capacity-Capital-Cost-Return) framework and Business Model Canvas (BMC) in 2022 to strengthen the proposition of 3.0-Digital Transformation: Interdisciplinary Empowerment and Profit Contribution. We also continued to steer our innovation and business model in a direction that advocates for customer value. We continue to achieve digital transformation while we re-engineer business processes. Our implementation results are as follows:

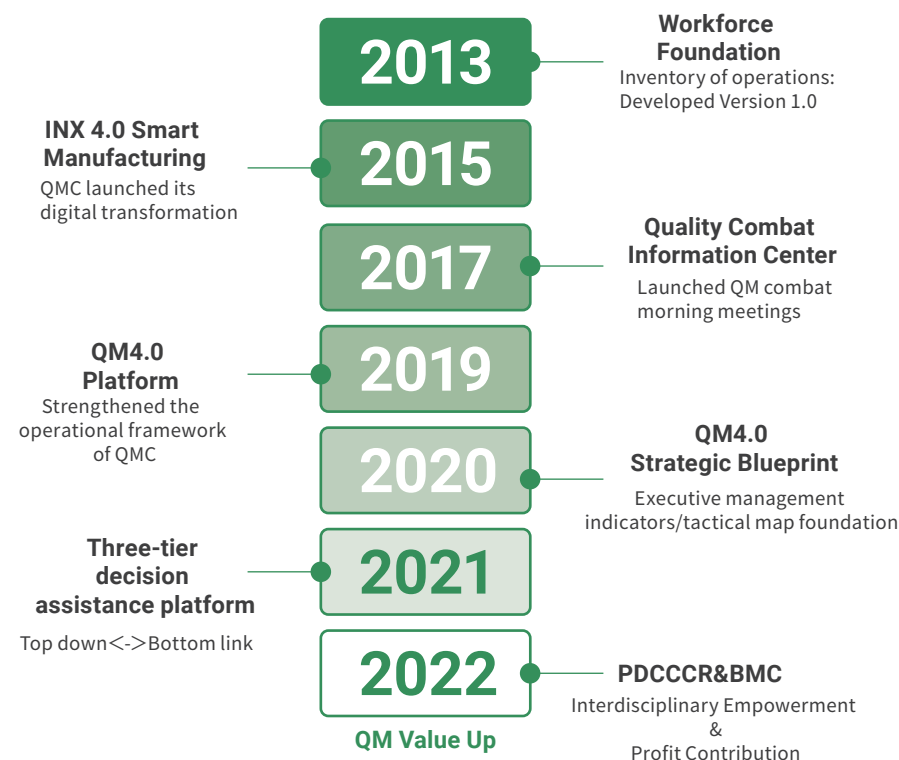
Three-tiered decision assistance system:

- Management Situation Room: 100% completed. This room has been officially used in Quality Combat Information Center-QM combat morning meetings. It continues to provide cost of poor quality (CoPQ) and customer rankings which serve as operational indicators for better management.
- Thematic Decision Assistance System: 87% completed, which surpasses the target of 80% completion by 2022.
- Personal Situation Room: 100% completed, which surpasses the target of 80% completion by 2022.

Knowledge Map/improvements to data collection, analysis, and application/information structure and data governance/prediction & resolution:

- Incorporate the Knowledge Map/Data Collection and Analysis into the 5 main projects of INX3.0: New Product Development/Intelligence Center to elevate the fruit of our labor.

/QM4.0 Development Process/



Upskilling: Building a Family of Enthusiasts in QM

To help employees more quickly understand the process of digital transformation in quality management and improve their competencies and professional literacy, we organize a series of learning programs and activities for new and existing employees. Employees are encouraged to become an active member of the community and build solidarity through interacting with others, thereby forming a family that is enthusiastic about quality management.

QM Seminar for New Employees

To help new employees assimilate, the QM Center regularly organized seminars for new hires. In 2022, three seminars were held to an audience totaling 68 participants. The seminars covered the seven major functions of QM and information about AI & TC laboratories to inform new employees on how the Quality Center operates and its future directions to facilitate better teamwork in technological/intelligent applications. Questionnaires are also administered through these orientation seminars to collect feedback and work-related problems; all issues are addressed by the manager of the concerned platform. This grants new employees the opportunity to interact and communicate with their managers, which in turn strengthen team bonding and cultural exchange within the organization.

Book Club

Fostering cultural literacy of a knowledge-based organization facilitates consensus among employees. Each of our QM platform regularly organizes a book club to share and exchange information, broaden employees' knowledge, cultivate critical thinking and respect for different opinions, and enhance their ability to improve and self-reflect. In 2022, the QM Center hosted four Book Club sessions, encouraging employees to discuss what they learned from books and interact with colleagues and managers. The Book Club aims to create a team that works cohesively together and incubates knowledge.

Digital Tool Interaction Activity:

Robotic Process Automation (RPA) Competition

Robotic process automation (RPA) automates mundane tasks, frees employees from performing repetitive tasks, and improves productivity. We organize competitions and rewards to encourage submission of proposals which helps employees better understand the benefits of RPA and encourages them to

utilize RPA tools. In 2022, 8 major platforms competed against each other and were rated on four scoring criteria: platform-based inventory of automatable tasks, mechanism for encouraging voluntarily proposal submission, innovative application, and performance in per-capital contribution. Three division scored in the top three, namely, Quality Management Division of each overseas plant (Q), Quality System and Product Compliance Division (QS), and After-Sales Strategy and Quality Operational Management Division (RQ). Monetary rewards were granted to the winning platforms to encourage employee participation.



3.2.2 Customer Service

Innolux has developed a comprehensive data collection system that is supported by intelligent analysis and diagnosis to quickly implement improvements and satisfy customer needs. Quality indicators are used for early risk warnings, and customers relations are improved to accurately predict customer ratings and satisfy customers, which together makes us a value-creating intelligence center.

CIA

Customer Intelligence Analysis

Customer satisfaction create win-win scenarios



Execute improvements



Customer management



Intelligent diagnosis



Data collection



Customer rating prediction



Quality execution



Anomalies handling



Key Customer* Rating Results

Annual Goal: Reach a Key Customer Ratio of 75%

Innolux periodically collects information on key customers' ratings of suppliers and sets the target of ranking top 2 in customer rating. In 2022, our key customer ratio reached 83%, surpassing our annual goal of 75% and showing an improvement compared with the 81% in 2021, which is a testament to our continuous efforts in securing a competitive edge. Innolux will continue to optimize customer service, increase product competitiveness, and strengthen customer trust to ensure customer satisfaction.

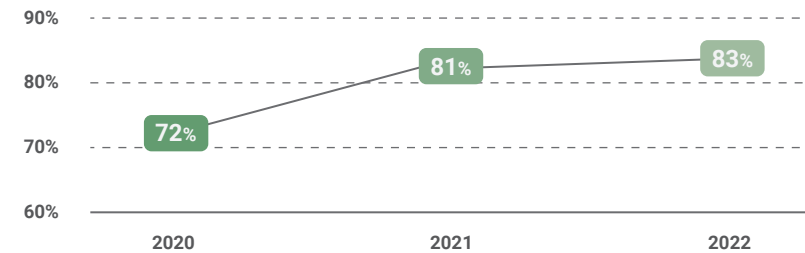
*Key customers refer to 1) benchmark brand customers who leaders in their respective field and 2) brand customers who show potential for further development and whose products contain high gold content.

Customer Satisfaction Survey

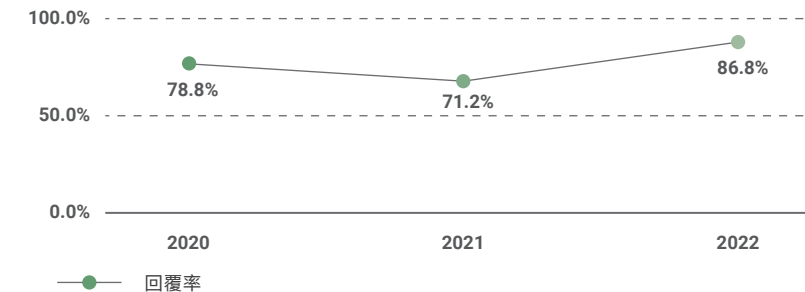
Innolux conducts surveys on customer satisfaction each year to determine the needs and expectations of customers. The survey is conducted primarily on brand customers in our strategic customer management system, customers with high shipment volume, and original equipment manufacturers. We periodically evaluate customers with development potential or customers who are leaders in their respective fields of application and set annual goals accordingly. In 2022, 2 customers were included, bringing the total to 38 customers in our satisfaction survey. The response rate was 86.8%, reflecting a significant increase in the past 2 years. In addition, Innolux attaches importance to protecting customers' confidential information and privacy. In 2022, we were not a subject of nor fined for any complaints for invasion of privacy or loss of confidential data.

In 2022, overall customer satisfaction was 83.2%, down 3.2% from the 86.4% in 2021. An analysis of this survey result revealed that the comprehensive, quality, technical, and service indexes both received lower scores compared to 2021 primarily because COVID-19 restrictions prevented staff from readily handling quality issues or incidents for customers. To mitigate the risks resulted from COVID-19, we adjusted our customer service strategy and put our regional customer quality engineers (RCQE) on standby so that they can promptly address and resolve quality issues that customers encounter. After the pandemic restrictions were lifted, associate customer quality engineers (ACQE) gave customers a quarterly report in person to debrief them on the progress of quality improvement. We will continue to pledge our commitment to customers and provide higher-quality services to sustain customer satisfaction and strive for corporate sustainability.

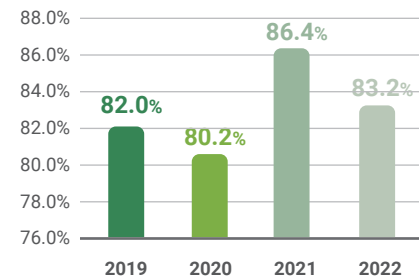
/Key customer ratio in the past three years/



/Rate of response to customer satisfaction survey/



/Annual customer satisfaction/



/Customer satisfaction survey analysis/



2022 Customer Recognition

Our excellent product quality and services are strongly recognized by customers. As of March 2023, we have received quality awards from multiple customers, including a Certificate of Appreciation for Quality & Services from EPSON, which serves as an expression of gratitude for our timely delivery and strict quality control in the face of difficulties during the impact of COVID-19 on global supply chains. We will continue to improve the quality of our products and customer services to create mutually beneficial outcomes and strive toward corporate sustainability.

/Awards received in 2022/

ELEGOO

Best Quality Award

TCL

Quality Contribution Award

EPSON

Certificate of Appreciation for Quality & Services

Lenovo

2022 Supplier Climate Action Star

Qisda Corporation

Supplier Sustainability Award



3.3 Supply Chain Management

GRI : 2-6、2-23、2-24、2-25、203-2、204-1、303-1、308-1、308-2、403-7、414-1、414-2

Innolux manages sustainable supply chains responsibly by not only attaching importance to product quality, delivery, and price, but also encouraging our suppliers to monitor their social and environmental impacts, safeguard human rights, achieve mutual prosperity in society, and co-create values of sustainability.

3.3.1 Procurement Management

Digital transformation is a focus of Innolux. To effectively manage our purchases from supply chains, Supply Chain Map is used as a visual platform that provides instantaneous warnings and data feedback on the status of disasters and supplies. The platform allows for prompt response such as launching an investigation immediately, facilitates swift situation analyses, avoids the risk of supply chain disruptions, and realizes digital and smart management.

Supply Chain Overview

Our supply chain mostly consists of suppliers and contractors that provide equipment, essential components*1, energy resources, transportation services, outsourced services*2, and waste disposal services. Innolux's optoelectronic suppliers locate in Taiwan, China, the United States, Japan, and South Korea; our production lines are mostly based in Taiwan and China.

*1 Suppliers of essential components supply glass substrates, color filters, polarizers, backlight modules, driver IC's, printed circuit boards, and materials.

*2 Outsourced contractors provide manpower and services including security, cleaning, and catering.

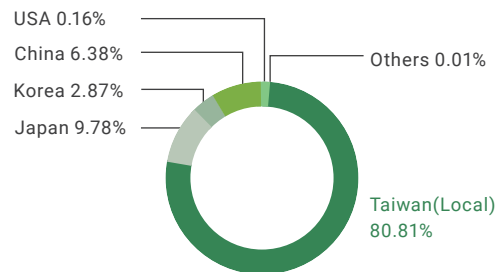
/Supplier distribution/



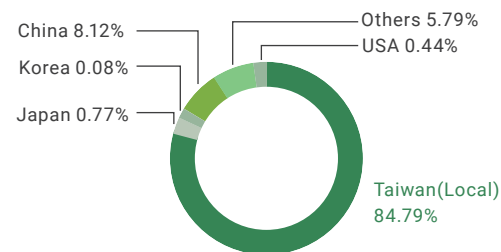
Local Procurement*

Innolux actively promotes the formation of industry clusters to strengthen the localization of production and supply chains, which not only shortens product delivery to reduce transportation costs, but also reduces the carbon footprint of transportation, thereby boosting the development of local economy. We conducted procurement analyses on front-end and back-end processes in Taiwan sites, with manufacturing in the front-end and modules in the back-end, and determined that on average, 82.80% of our purchases are made locally. Our sites in China are mainly involved in back-end modules, making 22.82% of their purchases local, which is lower primarily because of changes to product portfolios. Innolux will continue to promote the localization of supply chains in hopes of increasing our local procurement and building a green supply chain in partnership with local suppliers.

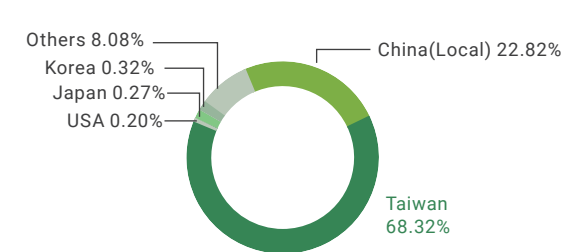
/Front-End Manufacturing Plants in Taiwan/



/ Back-End Module Plants in Taiwan /



/ Back-End Module Plants in China /

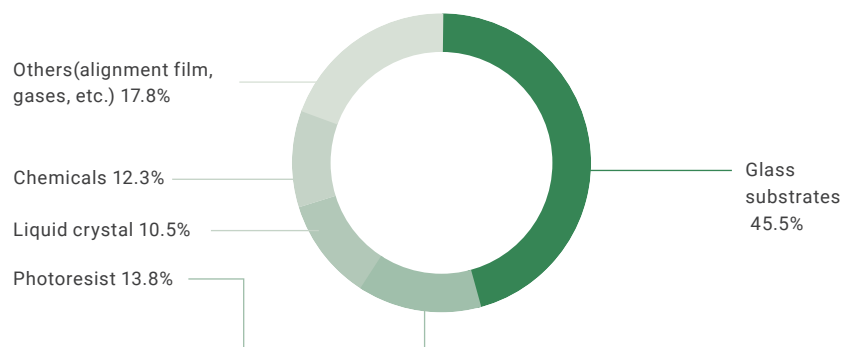


*Conducted Ratio analysis of procurement amount to determine degree of localization

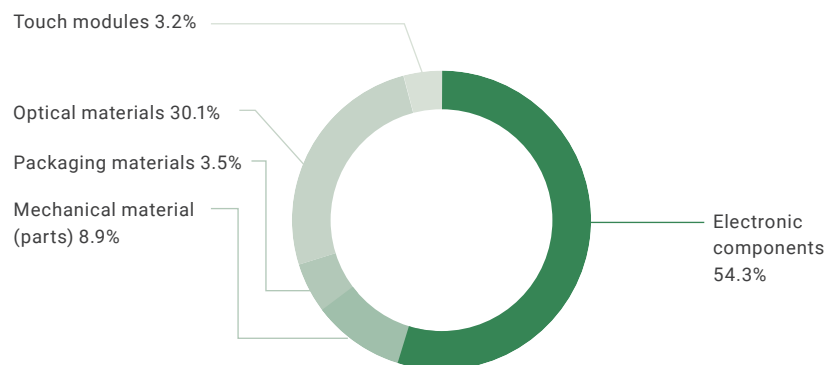
Analysis of Essential Component Procurement

Essential components are classified into front-end and back-end materials. Our procurement of essential components is analyzed below:

/Front-End Materials*1 Procurement Amount /



/Back-end Materials*2 Procurement Amount/



*1Front-end materials include materials for use in the manufacturing of TFT, CF, and LCD.

*2Back-end materials include materials for use in the manufacturing of LCM modules.

3.3.2 Sustainable Supply Chain

Effective supply chain management is integral to improving business competitiveness. In addition to quality and costs, the sustainable development of supply chains is also important to Innolux.

We abide by the Responsible Business Alliance's Supplier Corporate Social Responsibility Code of Conduct Operating Standards and requires all suppliers to do the same in hopes they, too, will value environmental, social, and governance (ESG) practices with respect to ethics, labor, health and safety, environment, and supply chain management, improve their sustainable management, and more effectively control business risks to build a partnership in which we may grow and prosper together. In 2022, we shared our ESG experiences with partnering suppliers and also worked with key suppliers to set the goal of cutting carbon emissions by 20% by 2030 and spread the influence of our sustainability actions.

Supply Chain Risk Management

Innolux implements the following measures to mitigate the risks of supply chain disruption:

Description of Risk

- The ongoing resurgence of COVID-19 has had a strong economic impact which made us realize the inevitable risk of supply chain disruption. In addition to COVID-19, extreme weather and the intensifying geopolitical tension between China and the United States may also directly or indirectly affect supply chain production lines, cause sudden surge in demand for materials, and lead to increased transportation costs.

Potential Impact

- Revenue, cost, delivery time, and reputation.
- Overall operating cost of Innolux increased because of surge in demand for materials and increase in transportation costs.
- Disruption to supply chain production lines caused delay in delivery, affecting revenue and reputation.
- Policy intervention or laws in various countries affected business activities, which in turn increased business costs; regional wars affected supply chains.

Risk Mitigation

- Secure at least 2 manufacturing sites, preferably in different counties/cities; ensure at least 2 sources of raw materials and request suppliers to have at least 2 sources of supply.
- If none of the above can be achieved because of the nature of material or technology, request suppliers to increase their safety stock so as to avoid affecting deliveries to customers.
- In the event of an unexpected disaster, automatically send a disaster survey and directly confirm the status of impact on the delivery, production, and transportation of finished products on the supplier interaction platform; request real-time report of damages and actions from suppliers if delivery is affected.
- Use the supplier interaction platform to obtain relevant information on the affected product, thereby shortening response time and increasing the effectiveness of counterstrategies; and keep track of suppliers' progress to recovery and changes in supply status.
- Analyze the relevant laws and policy trends of various countries, understand the country of origin and availability of raw materials, keep abreast of and evaluate impact on supply chains, and take actions in a timely manner.

A Cross-Industry Supply Chain Risk Control System for a Resilient Supply Chain

During the global pandemic, Innolux has developed a sound business continuity plan and backup system to protect against risks; however, we realized that ensuring the business continuity and backup systems of our partnering suppliers are just as important, as it helps both the company and suppliers cope with uncertainties in the external environment. To build a stronger system of cooperation for business continuity, Innolux collaborated with the Corporate Synergy Development Center to participate in a resilient supply chain program organized by the Industrial Development Bureau. We invited partnering suppliers, including equipment supplier Contrel Technology Co., Ltd., a key player in the product application R&D/sales market CarUX Technology Inc., and strategic medical organization Chi Mei Medical Center, to join us in establishing a cross-industry supply chain risk control system that responds to changes in the external environment. The system uses various methods including risk analysis and simulation, fast reporting and response, and standard modeling, to reduce the impact on supply chains and create a resilient supply chain that is capable of controlling risks and producing agile responses. We hope that this system will be widely used and become a benchmark for industries to Taiwan in the future.



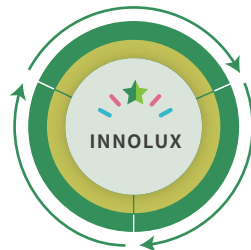
/Framework of a resilient supply chain/

Supply chain early-warning risk management mechanism (enhanced)

1. Creation of supply chain risk early-warning target
2. Establishment and analysis of supply chain disruption impact/risk indicators
3. Risk/threat identification and analytical methods
4. Mechanism of providing suppliers with guidance on risk assessment operations and review of early warnings

Business continuity management mechanism

1. Determine suppliers' current status; establish business management goals and policies
2. Organize and host a series of lectures and courses
3. Launch, review and improve Supplier Business Continuity Plan (BCP) drills/exercises



Develop an Intelligent business continuity system

1. Plan system architecture and operating procedures
2. System operations analysis report
3. System testing and induction training: Innolux, Suppliers

Supplier Identification

Tier-1 Suppliers	Defined as suppliers who provide transactions directly; there were 585 tier-1 suppliers in 2022.
Tier-1 Key Suppliers	Defined as either (1) suppliers who are irreplaceable, (2) suppliers who are designated by customers, or (3) suppliers of raw materials with annual procurement amount in the top 90%; there were 130 tier-1 key suppliers in 2022.
Non-Tier-1 Key Suppliers	Defined as distributor-designated suppliers or suppliers who engage in transactions with upstream vendors; there were 19 non-tier-1 key suppliers in 2022.

/Schematic diagram of suppliers/



Supplier Sustainability Management Framework

Innolux established a supplier RBA management mechanism which implements three processes: supplier evaluation, audit and verification, and continuous improvement. The objective of this mechanism is to control supply chain sustainability risks, encourage suppliers to make continuous improvement, and strengthen their sustainable practices. Supplier sustainability is managed annually to ensure that suppliers observe and comply with Innolux's regulations.

/Supplier Sustainability Management/

Evaluation

1. Sign "Statement of Commitment to Supplier's Undertakings"
2. Complete "CSR Risk Self-Assessment Questionnaire"

Audit and Verification

1. Review the complete "CSR Risk Assessment Form" and rate suppliers' risk accordingly
2. Conduct on-site audit on high-risk suppliers
3. Request improvement actions

Continuous Improvement

1. Schedule a restriction/prohibition meeting to decide which suppliers is flagged as restricted use
2. Provide guidance to restricted suppliers
3. Conduct follow-up examinations
4. Case concludes if supplier is qualified; supplier is flagged as prohibited if unqualified

Supplier Evaluation and CSR Risk Assessment

100% suppliers must comply with Innolux's Supplier Corporate Social Responsibility Code of Conduct Operation Standard and sign the "Statement of Commitment to Supplier's Undertakings" before they are subject to the review and approval of our Legal Department to become approved suppliers of Innolux. Key suppliers must complete the CSR Risk Self-Assessment Questionnaire (SAQ) each year, which assesses their compliance with the 5 main aspects (labor, health and safety, environment, business ethics, and management systems) of the RBA Code of Conduct. By reviewing the completed SAQ and any supporting documents, Innolux assesses the suppliers' sustainability risks, launches on-site audits on high-risk suppliers, and continues to keep track of improvement actions. Since the adoption of this mechanism in 2010, a total of 1,257 suppliers were subject to risk assessment, and none of the suppliers had flagged as restricted use. In 2022, 85 SAQs were retrieved, and 2 suppliers were assessed as high risk that required on-site audits. In 2023, we will conduct CSR risk assessments on tier-1 key suppliers and non-tier-1 key suppliers to continue creating a resilient supply chain for sustainability transformation.

On-Site Audit on Supplier Compliance with RBA Code of Conduct

SASB : TC-HW-430a.1 \ TC-HW-430a.2

Innolux has established an annual on-site audit mechanism for high-risk suppliers to determine their compliance with the RBA Code of Conduct. In 2022, 2 high-risk suppliers were audited on-site which achieves 100% completion rate and accounts for 0.34% of all suppliers. In total, 14 non-conformances were identified, including 3 priority non-conformances, equivalent to 1.5 issues per each audit, and 11 other non-conformances, equivalent to 5.5 issues per each audit. Suppliers are required to submit a Correction Action Report (CAR) for their risks within 30 days after receiving the result. Innolux review the CAR, then keeps track of whether the suppliers have carried out relative improvement as planned by the specified deadline. As of December 31, 2022, both audited suppliers have submitted their CAR; six of the non-conformances have been corrected, including 1 priority and 5 other. The remaining issues still under the specified deadline.

/Non-conformances identified during supplier auditing/

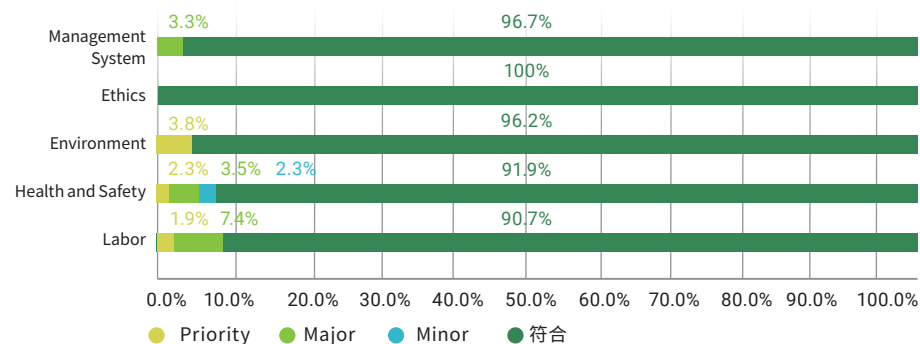
Audited Item		Labor	Health and Safety	Environment	Business Ethics	Management Systems
Non-conformance rate*	Priority non-conformances	1.9%	2.3%	0%	0%	0%
	Other non-conformances	7.4%	5.8%	3.8%	0%	3.3%
Corrective action rate**	Priority non-conformances	0%	50.0%	NA	NA	NA
	Other non-conformances	0%	80.0%	100%	NA	0%
	Total non-conformances	0%	71.4%	100%	NA	0%

*Non-conformance rate=(Number of non-conformances/Number of issues audited in each aspect)*100%

**Corrective action rate=(Number of non-conformances corrected/Number of non-conformances)*100%

Analysis of Results of On-Site Audit on Supplier Compliance with RBA Code of Conduct

An analysis of the on-site audit results for 2022 reveals that suppliers' business ethics was most aligned with the RBA Code of Conduct, followed by their management systems, environment, health and safety, and labor practices.



/Non-conformances in RBA audit and corrective actions/

Aspect	RBA Provision	Non-Conformance Identified in the Audit	Corrective Actions
	Freely Chosen Employment	Foreign workers had to pay certain fees (agency fee and service fee)	Request suppliers to provide no-placement-fee plans and schedules
Labor	Working Hours	1. Weekly working hours exceeded 60 hours 2. 7 consecutive working days	1. Provide manpower according to production schedule 2. Use a system to monitor personnel attendance and send a reminder when an irregularity occurs
	Occupational Safety	Electrical panels were not partitioned	Take an inventory of all electrical panels and partition those that were not
Health and Safety	Emergency Preparedness	Failure to provide training on risky/dangerous high-altitude works) Emergency exit was blocked	Plan and provide training programs Conduct regular inspection to ensure that emergency exits are unobstructed
	Sanitation, Food, and Housing	Drinking water dispenser in housing was not regularly tested for water quality	Include water dispenser in routine testing
	Health and Safety Communication	Failure to train foreign workers on safety and health in a language that they can understand	Plan and provide training programs
Environment	Hazardous Substances	1. Failure to properly mark the waste disposal area and install anti-leak device in the area 2. Waste liquid containers are not properly labeled	1. Install anti-leak valve and ensure that it is used correctly 2. Label containers properly
Management Systems	Company Commitment	Failure to establish valid policies/statements with respect to labor ethics, occupational health and safety, and environmental management	Produce an RBA Management Handbook that is aligned with the company's commitment after consulting and training by relevant personnel

Conflict Mineral Management

SASB:TC-HW-440a.1

Innolux strictly observes international environmental laws. We formulated the Regulations Governing Controlled Substances in adherence to the principle of not using conflict minerals, incorporated banned conflict minerals into routine management, verified the source of materials used, and conducted yearly inventory on high-risk suppliers. In 2022, we supported the promotional efforts of the Responsible Minerals Initiative (RMI) by expanding the scope of conflict minerals to include mica and lithium, in addition to tantalum, tungsten, gold, tin, gold, and cobalt. We continue to optimize our management systems in line with the scope of inventory, and also introduce a decision assistance platform that integrates information on critical materials and list of areas that are approved by RMI for mining conflict minerals. Such information can be visualized on the platform to keep abreast of the conformance of smelters, thereby reinforcing supply chain management to procure non-conflict materials responsibly.

/Conflict Mineral Risk Management/

Management Strategy	Medium-to-Long-Term Development Directions	2022 Results	2023 Goals/Implementation Highlights
1.Implement non-conflict minerals policy 2.Select approved suppliers 3.Select conforming materials 4.Monitor smelters in real-time 5.Conduct annual inventory on smelters	Continue committing to responsible procurement and due diligence to ensure that products are conflict-free.	Medium-to-high-risk* supplier 3TG ** inventory rate=100% Medium-to-high-risk supplier cobalt inventory rate=100%	1. ≥90% of smelters approved for mining 3TG for medium-to-high-risk suppliers 2. Medium-to-high-risk supplier cobalt and mica inventory rate ≥90%

*High-risk suppliers refer to those that use 3TG and both non-certified and certified smelters; medium-risk suppliers refer to those that use 3TG and only certified smelters.

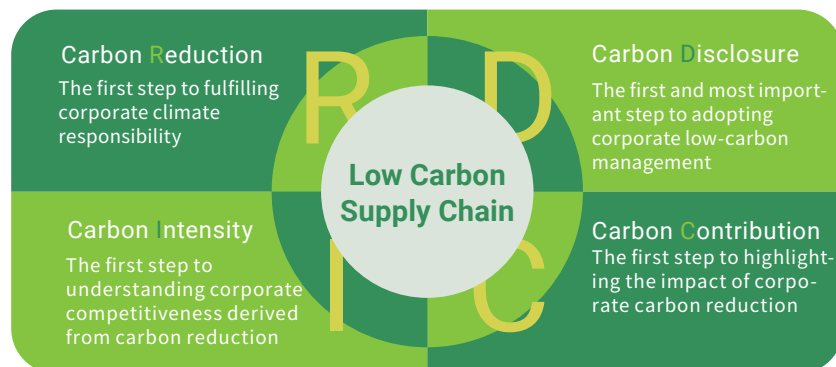
Suppliers meeting none of the criteria above are considered low-risk.

**3TG stands for tantalum, tungsten, tin, and gold.

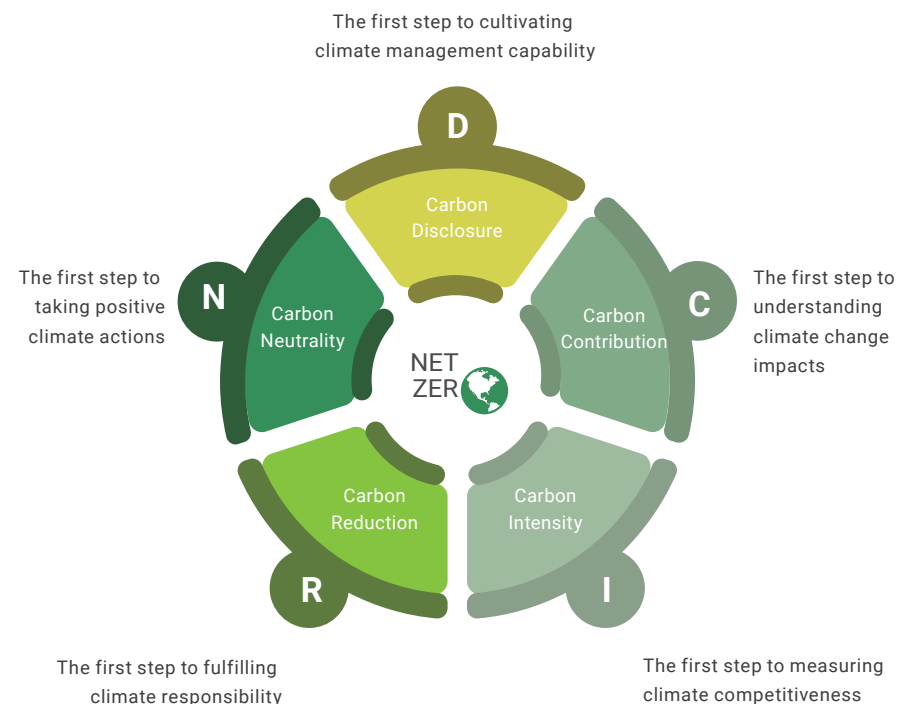
Greenhouse Gases (GHG) Management Promotion Strategy: DCIRN (Disclosure, Contribution, Intensity, Reduction, Neutrality)

In 2012, Innolux launched a supply chain low-carbon management strategy, called DCIR (Disclosure, Contribution, Intensity, Reduction), to mitigate global climate change and meet the expectations that stakeholders and international organizations have for greenhouse gas (GHG) management. As climate change intensifies and net zero emissions becomes a global trend in recent years, we revised our DCIR strategy to form the DCIRN (Disclosure, Contribution, Intensity, Reduction, Neutrality) strategy which now includes carbon neutrality, shifting our goal from low-carbon transformation to net-zero transition. Together with 32 key suppliers, we set the target of reducing our carbon emissions by 20% by 2030, thereby taking positive climate actions.

/Low Carbon Management
Strategy in 2021-DCIR/



/Net Zero Management
Strategy in 2022-DCIRN/



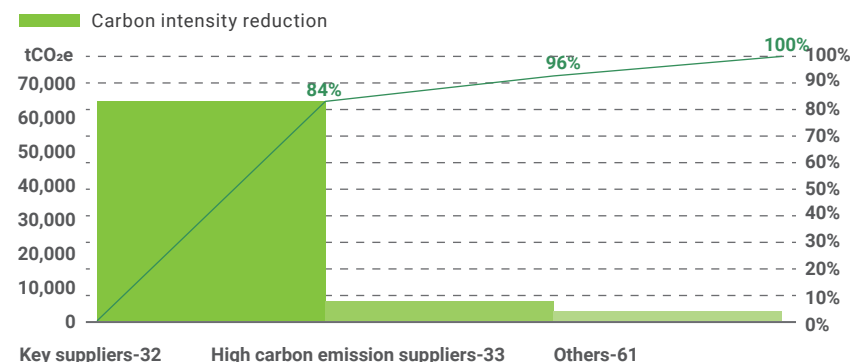
Innolux took an inventory of the GHGs emitted by our suppliers throughout the year, targeting suppliers whose procurement amount ranked in the top 91%. To ensure the quality of GHG data provided by suppliers, Innolux accepts only ISO 14064-1-certified data, government-approved data, or data sources disclosed on official websites or in sustainability reports. When suppliers report their GHG emissions, they must also provide a Carbon Management Risk Form, their GHG reduction plan, and water usage. In 2022, GHG inventory was conducted on 126 suppliers, and the results showed a carbon intensity of 75,976 t CO₂e. For the first time, we investigated suppliers' use of renewable energy, and our results revealed that 23 suppliers (20%) are using renewable energy. In addition, we examined the water usage of 123 suppliers. In the future, Innolux will continue to promote supplier inventory to ascertain the suppliers' status quo and seek opportunities for carbon reduction during this process.

Let's Reduce Our Carbon Footprint Together for a Zero-Carbon Future: A Green Commitment Conference

The intensified climate change has made carbon reduction a global consensus. For this reason, Innolux is sparing no effort in taking carbon actions and calling our green partners to join us on this journey. In 2022, we hosted a Green Commitment Conference themed "Let's Reduce Our Carbon Footprint Together for a Zero-Carbon Future." Under the leadership of our Chairman, President, and Chief Procurement Officer, key suppliers were invited to declare their commitment to carbon reduction. We hope that our key suppliers can achieve the goal of reducing carbon emissions by 20% by 2030, and together, we can reduce both costs and carbon emission, thereby bolstering the competitiveness of the entire supply chain. As a major panel manufacturer, Innolux materializes the idea of circular economy by using recycled glass from discarded panels to make trophies. In doing so, we hope to set an role model for others and demonstrate our determination to become a green, eco-friendly enterprise.

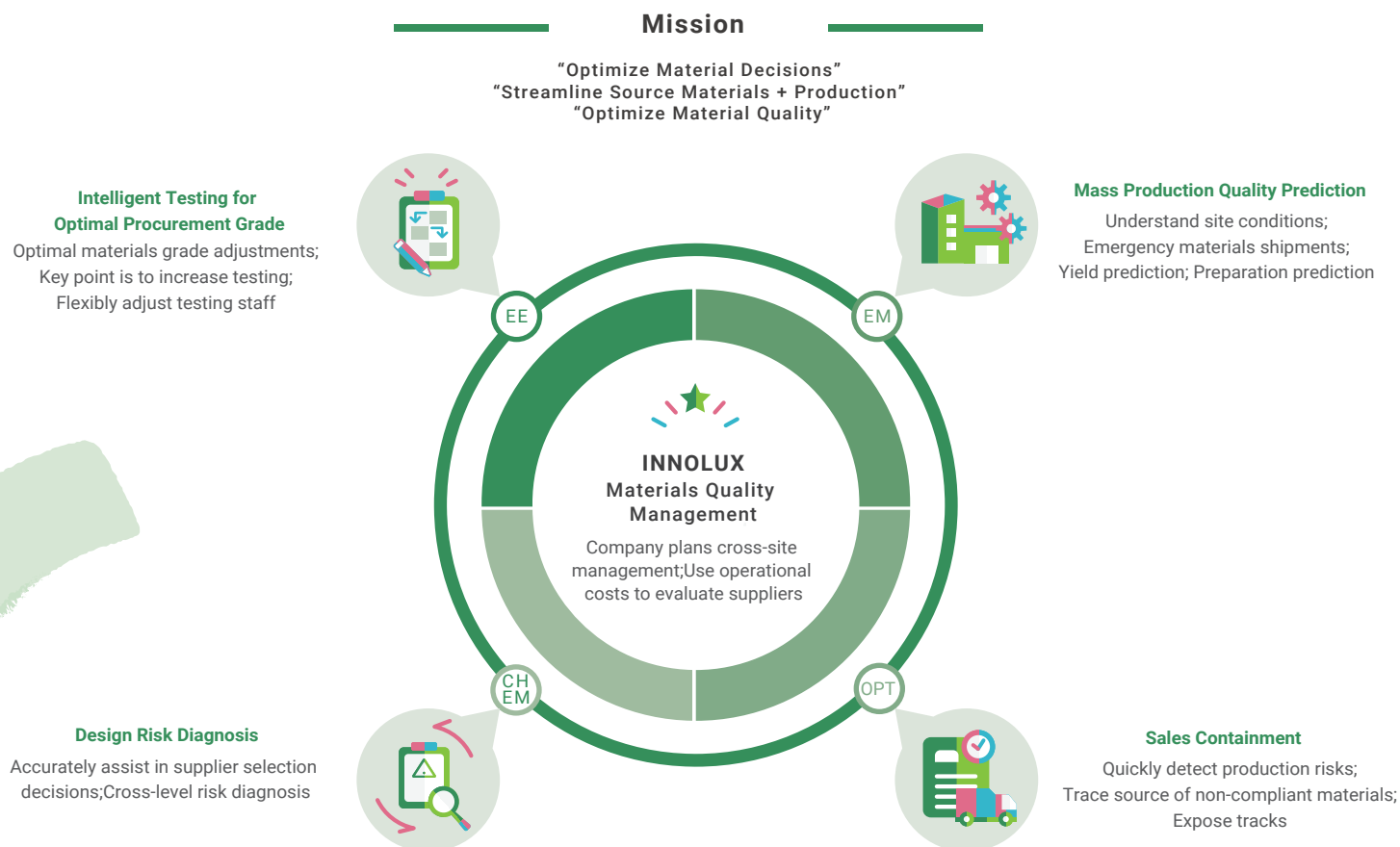


/Reduction in suppliers' GHG emissions/



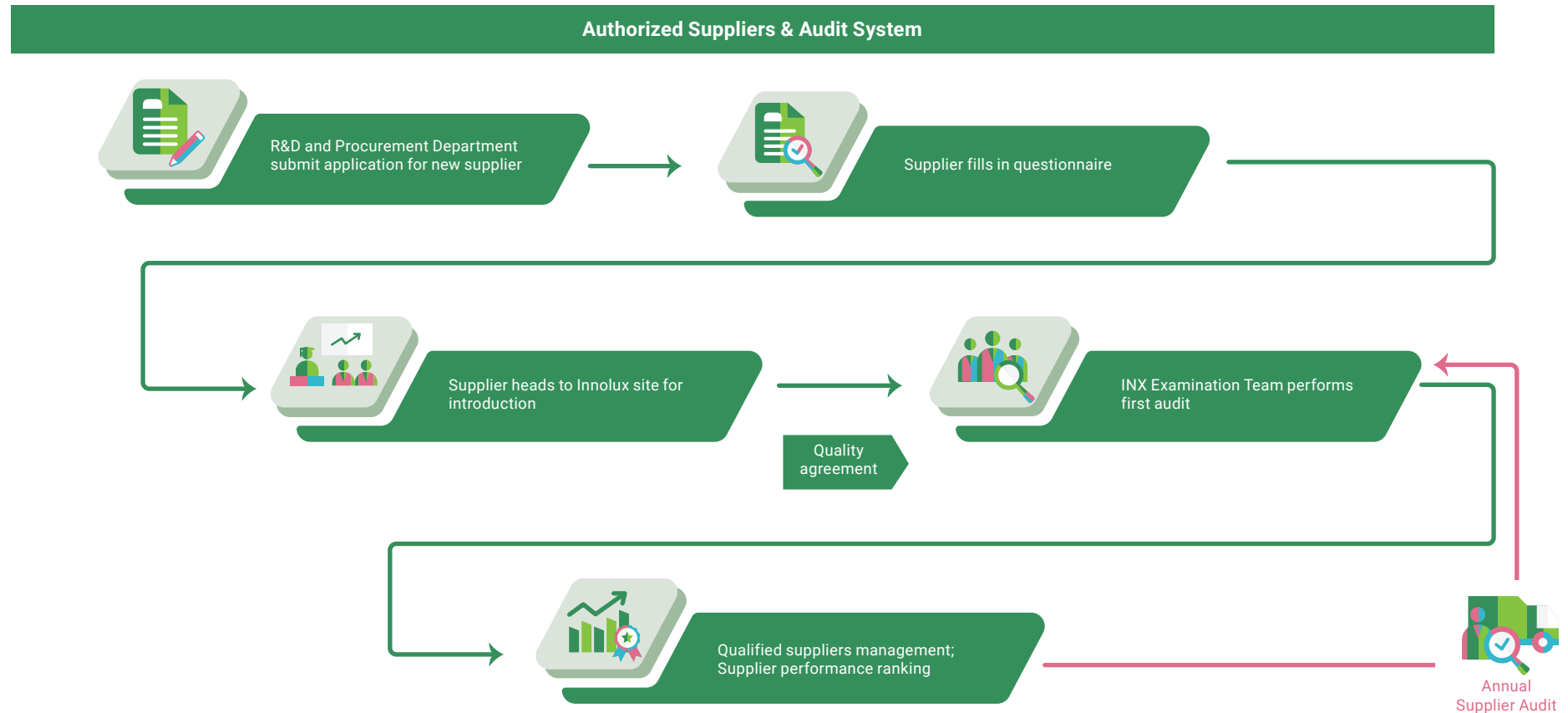
3.3.3 Supply Chain Quality Management

Innolux strengthens supply chain quality management by adopting strategies in various aspects of the supply chain, including equipment, procurement, production, sales, and management. These strategies include utilizing professional wisdom, actively diagnosing development risks, making dynamic adjustments to optimal testing, predicting and preventing irregularities in real time, and implementing early-stage quality control. The ultimate objective is to achieve “optimal decisions about materials,” uninterrupted supply and production” and “optimal material quality.” We collect information on suppliers’ rating, consolidate it with information generated from supplier selection system, and accordingly make accurate decisions on supplier selection for design risk diagnosis. We adjust optimal material specifications and set up key points to achieve flexible staff deployment and facilitate smart testing for optimal procurement rating. We adopt local management to strengthen the use of data in yield estimation and material prediction, reduce the risk of material shortage, and form the basis for predicting the quality of mass-produced products. Finally, we develop a system that quickly detects production line risks, simulates input yield, and quickly traces non-conforming materials so that the entire process of product manufacturing, from raw materials to end users, is controlled and managed to prevent the sale of defective products, facilitate problem-solving, and ensure total quality management.



The criteria for screening new suppliers include aspects that pertain to finance, technology, quality, price, and green energy. By rating potential suppliers on these aspects, we identify those that perform well and are qualified to be our supplier. Suppliers are audited annually to ensure compliance with supplier-related regulations. In 2022, we rated 65 new suppliers, nine of which were conditionally approved to be our supplier. One supplier was disqualified and flagged as prohibited.

/Flowchart of screening and management of new suppliers/



Supplier Quality Assessment and Guidance

Each month, Innolux uses the Supplier Quality Performance Ranking (SQPR) system to assess supplier quality in terms of dead-on-arrival rate, service quality, online rejection rate, and customer complaints. The system rates and classifies suppliers according to their quality score, and provides timely and comprehensive supplier quality information, giving both parties an overview of general quality problems and status. We arrange meetings with suppliers that performed poorly in the aforementioned aspects request a correction report from them, which is then reviewed to determine its effectiveness. We keep abreast of their implementation outcome in an effort to grow and thrive with our suppliers. Suppliers are given an A-tier, B-tier, C-tier, or D-tier rating*. Suppliers who receive A- or B-tier rating are approved. Suppliers with C- or D-tier rating are placed on the Warning Supplier List (WSL) and will receive guidance from Innolux; they are subsequently evaluated to determine whether they should be placed on the List of Banned/Restricted Suppliers, which will affect our decision to purchase supplies from them. Between 2020 and 2022, the suppliers have maintained a performance of 98.8±0.3%**. In 2022, supplier performance averaged at 98.82%, guidance was provided to 25 suppliers, and 48 meetings were held.

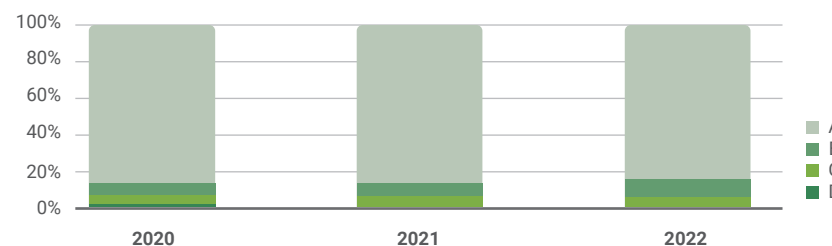
* A-tier: Score ≥ 95 ; B-tier: $95 > \text{Score} \geq 85$; C-tier: $85 > \text{Score} \geq 65$, flagged for guidance; D: Score < 65 , flagged for guidance and procurement adjustment. Data included suppliers of TVs, notebooks, monitors, and touch panels.

**Data included suppliers of TVs, notebooks, monitors, and touch panels.

/Aspects rated in the SQPR system/



/Supplier quality assessment results over the past three years/



Annual Supplier Audit

Innolux conducts supplier quality risk assessment each year. An audit plan is formulated annually based on the nature of the materials being supplied. Suppliers are then audited on-site. For any non-conformances, Innolux requires suppliers to submit an appropriate corrective action plan and set clear goals and deadlines to meet our expectation. In 2022, annual audit was conducted on 148 suppliers in Taiwan and overseas; 5 of the suppliers were conditionally approved to be our supplier provided that they undergo a second review after 3 months; 1 supplier was disqualified and was flagged as prohibited.

/Results of annual supplier audit/

Item	Approved	Conditional	Disqualified	Total
Annual Audit	142	5	1	148

Approve: score ≥ 80 ;
 Conditional Approve: $80 > \text{score} \geq 70$, marked as re-approval;
 Disqualified: score < 70 , marked as not used.





4



A Harmonious Workplace and a Prosperous Society

4.1 Talent Recruitment and Retention	78
4.2 Talent Cultivation and Development	93
4.3 Labor Rights and Relations	96
4.4 Safety and Protection	100
4.5 Working for the Common Good of Society	110



2022 Achievements



Reimbursement of Fees

Starting from 2022, migrant workers may be reimbursed for agency fees and service fees before and after starting date on a quarterly basis.

53,244 participants

Our cancer screenings at workplace served 53,244 employees, establishing health checkups as part of their regular routine.

0.4

Disabling Frequency Rate was 0.4, far below 0.84, the average rate for the electronic component manufacturing industry.

15%

Facilitated professional development by increasing training hours by 15% (compared with 2021).

20%

Female management ratio reached 20%.

A First in Taiwan

Introduced Taiwan's first "net-zero" themed eco-education courses.

2.8

Social Return on Investment of net-zero eco-education projects was 2.8.

NT\$50 million

Referenced the LBG Framework to quantify contribution to social welfare, which amounts to NT\$ 50 million.

Management Approaches to Material Social Issues

Material Issue	Strategic Goals for 2022	Implementation Results in 2022	Main Goals for 2023	Commitments to Medium- and Long-Term Development
Human Rights	<ul style="list-style-type: none"> Abide by international labor standards for equal job opportunities that eliminate discrimination, inhumane treatment, and harassment. 	<ul style="list-style-type: none"> No major legal violations (with a penalty of over NT\$ 1 million). Labor rights score of 95.3 or above in all site's RBA SAQ (from 94 to 97.1). Migrant workers may be reimbursed for agency fees and service fees before and after starting date on a quarterly basis. 	<ul style="list-style-type: none"> Review Innolux Human Rights Policy to comply with the Universal Declaration of Human Rights and customer requirements. Reimburse migrant workers for agency fees and service fees before and after starting date. Review external RBA SAQ and VAP audits, internal workers' rights risk assessments, and CSR audits to safeguard human rights. 	<ul style="list-style-type: none"> Protect human rights. Labor right score of 90 or above in all site's RBA SAQ in 2025. Stay free of major legal violations (with a penalty of over NT\$ 1 million) in 2025.
Diversity and Equality	<ul style="list-style-type: none"> Create a gender-equal and friendly workplace. Diversify communication channels for employees. Recruit the disabled. Care for migrant workers. 	<ul style="list-style-type: none"> Female management ratio reached 20%. Hired 885 disabled persons, accounting for 2.10% of the workforce 100% grievance resolution rate. Planned Chinese language learning courses to help migrant workers assimilate and identify with Taiwan and Innolux. 	<ul style="list-style-type: none"> Create a gender-equal and friendly workplace. Recruit the disabled. Care for migrant workers. 	<ul style="list-style-type: none"> Reach 1.2% disabled recruitment rate. Achieve 100% grievance resolution rate.
Talent Recruitment and Retention	<ul style="list-style-type: none"> External focus: Recruit and train talent from campuses. Internal focus: Provide mobile opportunities and encourage interdisciplinary integration for talent retention. 	<ul style="list-style-type: none"> Manpower recovery rate increased over 5%, reaching 81% (compared to 2021). 1.53% talent turnover rate. 86.5% of managers promoted internally. 	<ul style="list-style-type: none"> Ramp up efforts with campus talent cultivation programs to enhance corporate image and forge stronger ties with academia. Create a stronger social media presence to expand talent pool. 80% of managers promoted internally. 	<ul style="list-style-type: none"> At least 90% manpower recovery rate (compared to 2019). 5–10% talent turnover rate until 2025. Invite talents to participate in industrial transformation.
Talent Development and Training	<ul style="list-style-type: none"> Implement group performance evaluations to assure fairness and impartiality. Introduce various Innolux Academy resources, actively promote upskilling and interdisciplinary learning. 	<ul style="list-style-type: none"> Female promotion rate between 2020 and 2022 were higher than that of males, showing unbiased career development opportunities. Annual training completion rate reached 100%, and employee training hours increased by 15% compared to 2021. 	<ul style="list-style-type: none"> Design courses and lectures covering management and other topics for Innolux Academy departments. Strengthen resources for sustainability education to promote mutual prosperity with society. 	<ul style="list-style-type: none"> 100% annual training completion rate until 2025. Complete 400 professional learning blueprints by 2025 to facilitate talent development, fulfil CSR and gender equality.
Social Engagement and Care	<ul style="list-style-type: none"> Exert corporate influence to spread love and happiness. 	<ul style="list-style-type: none"> Contributed NT\$ 50 million to social welfare based on the LBG Framework. Introduced Taiwan's first "net-zero" themed eco-education course. 2.8 SROI of net-zero eco-education projects. 	<ul style="list-style-type: none"> Focus on eco- and rural education. Expand educational scope by visiting more schools to promote eco-sustainability, amplifying social impact through educational empowerment. Encourage volunteer training, participation, and attendance. 	<ul style="list-style-type: none"> Implement campus-based eco-education. Provide tutoring for rural schools and preserve local cultures. Encourage employees to volunteer in community services.
Occupational Health and Safety	<ul style="list-style-type: none"> Increase the depth of smart environmental health and safety management. Strengthen efforts to identify, eliminate, and mitigate occupational risks. Implement Covid-19 control and preventive measures. 	<ul style="list-style-type: none"> No occupational fatality and major accidents. No cases of occupational diseases. 0.4 Disabling Frequency Rate, far below the 0.84 average of the electronic component manufacturing industry reported by the Occupational Safety and Health Administration in 2021. Established occupational safety and health management indicators to fulfill commitment. Adopted Hierarchy of Controls for Chemical Hazard Assessment and Management. 	<ul style="list-style-type: none"> Establish occupational safety and health management indicators with other dimensions to effectively ensure the safety and health of employees and sites. Strengthen accidental and near-miss incident management to reduce occurrences. 	<ul style="list-style-type: none"> ≤0.22 Disabling Frequency Rate (FR) by 2025. Reduce chemical risks by improving the rating system and hazard-prevention management. Promote well-being for a healthy and inclusive workplace

4.1 Talent Recruitment and Retention

With our belief in talent as the foundation of corporate sustainable development, our sound human resources system and strategy ensure sufficient and suitable talent at any given time. The retention of outstanding employees gives us a key competitive edge to implement objectives and achieving goals.

4.1.1 Talent Deployment

Innolux, the only one-stop global supplier for large, medium, small LCDs and touch panels, operates sites in Taiwan, China, Japan, South Korea, Singapore, U.S.A., Netherlands, and Germany with 42,154 employees. With our recruitment policy characterized by diversity and inclusiveness, we pledge for zero discrimination against gender, age, race, nationality, religion, political stance, or sexual orientation.

Our recruitment strategies are based on local political landscape and culture as well as job characteristics. Our diverse employment and marketing tools including recruitment events, online job banks, social media, and online live-streams transcend time-space constraints and expand the scope of our recruitment. Additionally, we strengthen our connections through on-campus recruitment events, long-term industry-academia collaborations, employment of R&D Substitute Services draftees, advance offer reward plan, and scholarships; in 2022, we recruited over 4,691 employees.

/2022 Employee Distribution Across the Globe/

	Taiwan	China	Other Locations	Total
Number of Employees	24,685	17,185	284	42,154

GRI: 2-7、2-8、2-21、201-3、202-1、202-2、203-2、401-1、401-2、401-3、404-3、405-2

Recruiting on Metaverse

In 2022, we organized an on-campus recruiting event by pioneering Taiwan's first Future Recruitment Center, in which AR/VR solutions create a virtual space that offers immersive experiences, simulation of sites, and real-time tours. Integrated with product showroom, social media platforms, and interview rooms, the Center enables job seekers to learn about Innolux and participate in online interviews anywhere at any time with essentially borderless zero-contact services. It has accumulated over 15,000 visitors.

The Center is also integrated with our one-stop Line@Mobile Recruitment 2.0 Platform, which features a cloud-based virtual assistant and chatbot that delivers contactless services for job seekers to attend online interviews at their desired time and place as well as quickly inquire about job vacancies, application progress, and interview results.



Future Recruitment Center

Maximum Unicorn Program

Innolux is committed to cultivating digital transformation talents to attain coexistence and shared prosperity through sustainable management as a part of our 3Vs (create, drive, share value) business strategy. In striving to develop talents and deepen our cooperation with the academia, we launched the Innolux Talent Equation program in Taiwan as part of the Maximum Unicorn Program in 2022, through which we promoted talent cultivation collaboratively with universities and colleges to develop dual-track professional practices and create a sustainable talent pool. The Maximum Unicorn Program offers career options including NT\$50,000 scholarships for third-year students, access to practical courses, internship opportunities for 4th-year students who passed interviews, and immediate transition to the workforce following performance evaluations and learning development. The Program aims to encourage graduates to take the career path as a full-time engineer at Innolux by counting their internship toward their seniority and entitling them to a retention bonus 2 years after graduation. Our NT\$240,000 bursary to undergraduates covers all 4 years of tuition for first-year students to study and learn at ease and explore their career paths early at Innolux. In 2022, the bursary was awarded for the first time to 55 students from Cheng Shiu, Kao Yuan, Far East, and Wu Feng University.



Maximum Unicorn Program

A Diversity of Recruitment Channels

Campus Ambassadors

Since its inception in 2021, the Innolux Campus Ambassadors invite students from Taiwan universities and colleges annually to sign up for an audition, from which 5 students will be selected as a school representative. The 8-month program serves as an introductory guide to Innolux and our products for better understanding and opportunities to meet with executives while giving us a point of entry into campuses to learn from their perspective. The ambassadors are granted the autonomy to complete a solo project during campus recruitment activities, interschool competitions, corporate lectures, and event sponsorship to build experience and confidence.

Industry-Academia Cooperation

Innolux strives to inject a new stream of talent in the panel tech industry and forge deeper ties with the academia. We donated advanced packaging COG machines worth over a million NTD to Kun Shan University with 3-year software and hardware technical support. Their Innolux Advanced Packaging COG Laboratory hopes to enhance capacity for talent cultivation and a new landscape for industry-academia cooperation.



Sponsorship

Summer Internship

To discover interdisciplinary talents with potential in AI, big data, R&D, optoelectronics, and smart manufacturing. The scope of the 2022 InnoStar Plus summer internship program includes technological development, quality and manufacturing engineering, as well as business administration. Students participate in a wide range of projects with 2-to-1 mentoring with managers, who teach various topics covering latest technical applications, necessary work skills, as well as ESG and sustainability practices. The incorporation of gamified learning methods with visits to the Chimei Museum and problem-solving group activities all serve to facilitate teamwork, strengthen communication and coordination, foster problem-solving skills, optimize team dynamics, and enhance soft power in the workplace.

Scholarships

Innolux endeavors to make a positive impact on industrial development and contribute to society. To recruit promising R&D talents, Innolux continued to offer scholarships in 2022, awarding NT\$300,000 to Master's students and NT\$600,000 to Ph.D. students for them to focus on studies and research. Internship opportunities prepare them for a smooth transition from academic to working environment at Innolux after graduation to help them complete career plans.

Business Lectures

As a member of the tech industry, Innolux is committed to developing high-end technologies. We are also over-willing to furnish universities with a rich foundation to cultivate high-tech talents. In 2022, we gave lectures at National Tsing Hua, Chiao Tung, Central, Kaohsiung, and Feng Chia universities to integrate education and industry practices into partner schools and youth career development centers, organize Metaverse forums and experiential camps, as well as invite executives to share work experiences, practices, and research during Q&A sessions with students.

Sponsorship

While fulfilling our CSRs, we actively support student-organized activities including the Optoelectronic Open House at National Tsing Hua University in 2022. In this event, different technologies present research results and immersive interactive experiences for junior and senior high school students to get a closer look at the tech industry through theories and practices. In addition to advanced technology, as a certified sports enterprise, we hope to create a dynamically and statistically balanced workplace. Aside from our multitude of sports clubs and funds, we established our presence on campuses by sponsoring the 2022 EOE Cup for universities and colleges nationwide for students to enjoy competitions, embrace challenges, and strive for a healthy life together.

4.1.2 Diversity and Inclusiveness

We abide by local regulations, the Innolux Code of Conduct, and the RBA Code of Conduct in protecting and respecting employee rights worldwide. We refuse to use child or forced labor and require employment agencies not to charge migrant workers with a broker's fee. Our equal, transparent, inclusive, and diverse workplace supports personal development, respects differences, and encourages collaborative learning in hopes to facilitate better teamwork that propels Innolux forward.

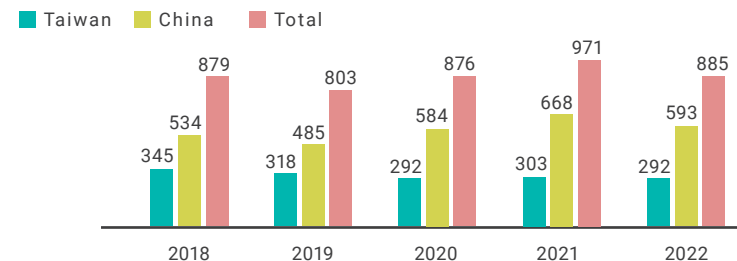
Continuing to Hire the Disabled

As a tech industry leader in recruiting the disabled, Innolux was the first to let the disabled work in the cleanroom. We went beyond complying with regulatory guidelines to steadily improve output quality with the disabled. We arrange work based on physical conditions for them to achieve the same level of performance as others to enhance team cohesion. Starting from 2010, Innolux introduced "job redesigning" to the tech industry, adjusting work equipment to recruit the disabled and breaking down barriers to operation management. Our SOPs for the disabled deep-dived into categories of disability for full use of their strengths to compensate for weaknesses and realize their value in the cleanroom.

Our China sites were outstanding in hiring the disabled. As a model for other Guangdong sites, our Foshan site hired a higher number of the disabled than required by law, and works closely with local organizations to improve accessibility for better living and working environment. In winter, we ensured their well-being by sending generous gifts to all 180 of them and commending the top 10 with excellent performance.

The weighted number of the disabled hired in 2022 was 292 for Taiwan sites and 593 for China sites, which accounted for 1.18% and 3.45% of all employees respectively. Both exceeded local government requirements.

/Total number of disabled employees/



Career Paths and Care for Female Employees

When recruiting employees, Innolux upholds the principle of equal treatment, which guarantees fairness in recruitment, salary, and promotion opportunities regardless of gender, race, nationality, religion, age, physical condition, political stance, marital status, or union participation. We welcome the career development of all with different gender identities for a safe and friendly workplace. Our range of grievance mechanisms and sexual harassment prevention measures encompass women's care plan to ensure work-life balance. Among full-time employees, women account for 19.61% of managers and 7.69% of executives in 2022, both exhibiting an increase from previous year records.

/Percentage of Female Employees*/

Percentage of Female Employees by Position	2018	2019	2020	2021	2022
All employees	40.43%	40.69%	39.84%	40.54%	40.65%
STEM employees**	20.58%	20.74%	20.53%	21.53%	21.52%
All management	17.87%	17.95%	18.81%	19.47%	19.61%
Executives management	0.00%	5.26%	6.25%	6.25%	7.69%
Junior management	19.14%	19.30%	20.30%	20.96%	20.89%
Management of Sales function	33.33%	35.71%	41.03%	41.30%	30.43%

Statistics include all female employees in Taiwan and China.

*'All employees' refers to all female employees; 'All management' refers to all female managers; 'Executives management' refers to female executives 2 levels below the CEO; 'Junior management' refers to all female junior managers; 'Management of sales function' refers to female managers of top, intermediate, junior levels in sales departments.

**'STEM employees' refer to chief, senior, deputy, and other engineers.

Care and Retention of Migrant Workers

Approximately 4,100 of our employees are from the Philippines and Vietnam. In 2021, we implemented a "zero-fee" policy to remove concerns for migrant workers in Taiwan. Starting from 2022, we began reimbursing the fees before and after the starting date, including agency, registration, medical exam, service, residence permit, and other fees. We comply with international labor conventions and RBA rules to actively provide daily, physical, and mental care, as well as support labor protection and overseas employment.

Human Rights and Job Security

- Zero-fee: all the overseas entry and domestic acceptance fees, including that required by laws in Taiwan (agency, regular medical exam, document fees).
- Reimbursement: Migrant workers will be reimbursed for fees before and after their starting date, including agency, registration, medical exam, service, residence permit, passport replacement fees, etc.
- Zero fees after ending date: Air fares are entirely covered.
- Strengthened pandemic prevention measures: Contactless hiring approach with video interviews.

Encouraging Learning of Local Language for Zero Communication Barrier

To facilitate localization, we encourage migrant workers to learn with our 2022 Chinese language learning course and a reward system to motivate participation and help them bond with the local community and Innolux. Physical and interactive learning activities focused on pronunciations, life, work, and culture have pronunciation practices as well as daily and workplace conversations that improve listening and speaking skills to minimize inequality and cultural conflicts.



Diverse Range of Mental Well-being Activities

Each year, various dorm activities celebrate foreign cultural traditions with a taste of home in Taiwan. Police officers are invited to educate road safety and fraud prevention to ensure their safety. In addition to employee assistance programs (lifeline available in foreign languages), post-pandemic traveling tips prepared for home visits to reunite with family and friends.



A Halloween party



A police officer educating foreign workers on road safety

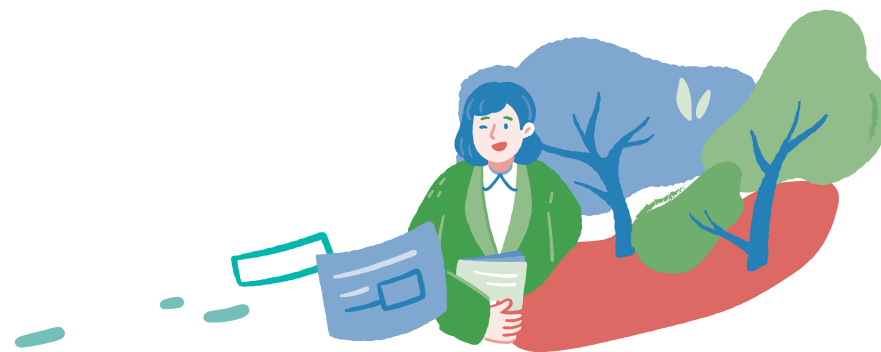
To combat COVID-19, we distribute free face masks, set up vaccination sites, and offer paid vaccination leave with conditions better than required by regulations. As a result, 98.4% of our migrant workers have received a third dose, which demonstrates our utmost effort in safeguarding employee health.

For those who tested positive for COVID-19, immediate assistance was extended including quarantine visits, video consultations, medications, COVID care packages, and regular health checkups.



Innolux Safeguards Your Health

Dormitories for migrant workers follow social distancing policies during the pandemic. Our Filipino store planned different time slots for migrant workers to shop in-store separately to reduce the risk of exposure to COVID-19. Dorm layouts were rearranged to partition areas and reduce the living capacity to 4–6 people/room, thereby enhancing the quality of living. Mobile health vehicles and nurses are stationed to regularly monitor chronic illnesses for early discovery and treatment. Education on pandemic prevention, health, and hygiene practices is also routinely provided.



/Employee Diversity/

Item		2022	
		Number of People	Percentage
Taiwan	Disabled	292	1.18%
	Migrant workers*	34	0.17%
China	Disabled**	593	3.45%
	Minority***	3,358	20.31%
	Migrant workers****	104	0.63%

Note:

*Migrant workers' refers to full-time, non-Taiwanese workers in Taiwan.

**Number of the disabled is calculated after adding moderate to heavy weights.

***Minority refers to non-Han ethnic groups from China.

**** Migrant workers refer to full-time non-Han workers in China.

/Nationality/

Site Year	2022	
	Percentage of Employee*	Percentage of Managers**
Taiwanese	48.72%	69.99%
Chinese	40.80%	29.33%
Other Nationalities***	10.48%	0.68%

Statistics include all employees in Taiwan, China, and other areas.

*Percentage of employees = Number of employees of a certain nationality / number of all employees.

**Percentage of managers = Number of junior, intermediate, and senior managers of a certain nationality / number of junior, intermediate, and senior managers.

***Other nationalities include countries in Asia (except Taiwan and China), the Americas, Europe, and Africa.

/Gender and Race/

Gender	Female	Male	Race*	
			Asian	Others
Intermediate Management and Above	28	268	268	5
Technicians	13,474	14,648	28,122	0
Other	3,634	10,102	13,559	177
Total	17,136	25,018	41,972	182

*Due to difficulty of acquiring statistics on ethnicities, nationalities are used for categorization; 'other' refers to non-Asians.

/Employment Categories at Taiwan Sites in 2022/

Item	Permanent – Full-Time Workers		Regular-Basis Contract Workers*		Dispatch Workers		Outsourced Workers**	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of People	7,239	13,255	3,384	807	0	0	376	533
Percentage of Employees	83.02%		16.98%		0.00%		0.00%	
Total	24,685		0		909			

/ Employment Categories at China Sites in 2022/

Item		Permanent – Full-Time Workers		Regular-Basis Contract Workers*		Dispatch Workers		Outsourced Workers**	
		Female	Male	Female	Male	Female	Male	Female	Male
Number of People	Ningbo	2,122	4,257	0	0	65	188	132	140
	Foshan	1,922	3,654	0	0	0	0	111	98
	Nanjing	1,040	1,415	0	0	3	28	42	58
	Shanghai	1,156	864	0	0	170	301	41	37
Percentage of Employees		100%		0.00%		0.00%		0.00%	
Total		16,430				755		659	

*Regular-basis contract workers include foreign workers, interns, and student participants of cooperative education.

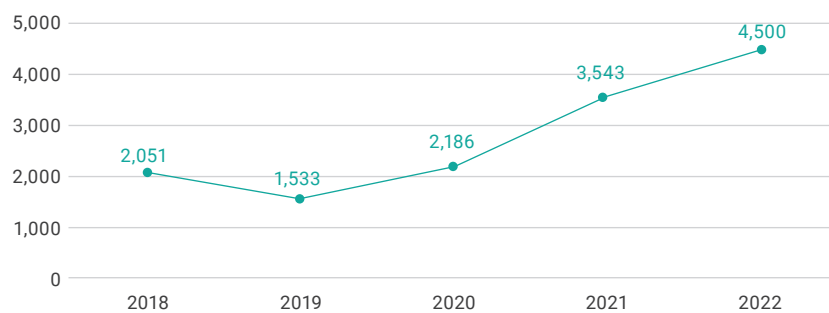
**Outsourced workers refer to security guards, cleaning staff, and kitchen staff.

/Percentage of Local Managers in 2022/

Site	Local Manager*	Non-Local Manager	Percentage of Local Manager
Taiwan	1,769	1	99.94%
China	Ningbo	28	92.39%
	Foshan	33	88.58%
	Nanjing	16	89.68%
	Shanghai	1	97.56%

*'Local managers in Taiwan' refer to Taiwanese section, department, deputy, and managers above; 'local managers in China' refer to Chinese supervisors and managers above.

/ Average Hiring Cost per FTE/



Note: Cost of recruitment/number of employees hired during the year.

/Employee Turnover (by age)/

	Item	Taiwan	China	Other*	Total
2018	<30 years-old	1,780	23,486	-	25,266
	30–50 years-old	2,268	5,192	-	7,460
	>50 years-old	25	16	-	41
	Total	4,073	28,694	-	32,767
2019	<30 years-old	1,736	22,395	-	24,131
	30–50 years-old	2,324	6,349	-	8,673
	>50 years-old	31	5	-	36
	Total	4,091	28,749	-	32,840
2020	<30 years-old	1,500	22,287	-	23,787
	30–50 years-old	2,227	6,992	-	9,219
	>50 years-old	34	18	-	52
	Total	3,761	29,297	-	33,058
2021	<30 years-old	989	23,843	-	24,832
	30–50 years-old	1,698	7,882	-	9,580
	>50 years-old	45	6	-	51
	Total	2,732	31,731	-	34,463
2022	<30 years-old	1,277	13,728	7	30,010
	30–50 years-old	1,996	6,013	10	16,018
	>50 years-old	55	28	8	166
	Total	3,328	19,769	25	23,122

*Data on "Other" overseas locations were collected beginning in 2022.

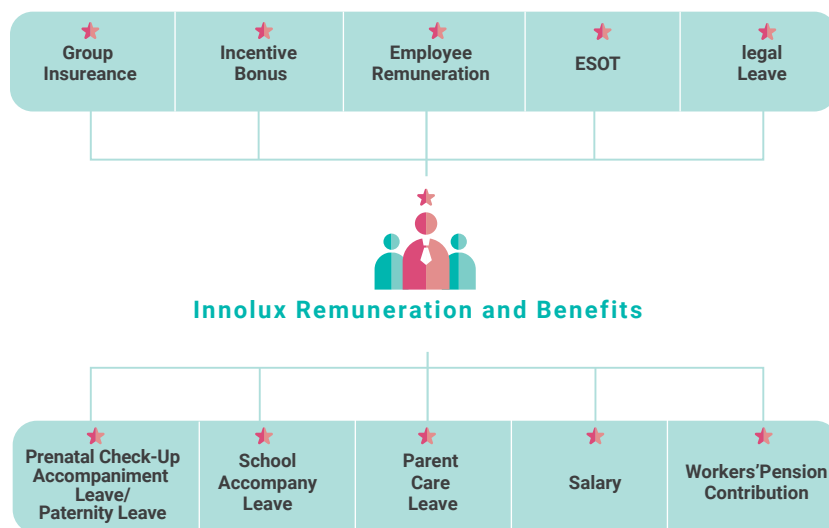
4.1.3 Compensation and Benefits

Employee treatment and benefits are crucial to us. Good salary and benefits facilitate talent recruitment and retention and improve performance, which in turn influence organizational performance and costs. Therefore, our compensation system is reasonable on the inside and competitive within. We strive to build a beneficial and excellent working environment by conducting market surveys regularly and reviewing and revising our salary policies.

Talent Retention Practices

At the beginning of 2022, we revised the salaries of direct and indirect labors, raising structure- and performance-related pay by over 5% after comparing with market standards and the overall economy. We continue to plan benefits superior than required by law, draw up competitive salary and talent retention plan for a happy workplace where employees can have a good life.

/Excellent compensation system/



A Leave Policy that Facilitates Work-Life Balance

Innolux ensures work-life balance by introducing flex time/place in 2022 to grant employees the freedom to choose their desired work time (when) and location (where). Our Taiwan sites grant more paid leaves in advance than stipulated by the Labor Standards Act. Our China sites offer paid leaves as per local regulations. In 2022, our welfare leaves with more flexibility than stipulated by law include 1 day for school accompany, 2 days for prenatal check-up accompaniment (excluding 7 days of statutory leave), 1 day for parental care, and 3 days for paid vaccination. Employees may plan their leave as necessary and achieve work-life balance.

Insurance and Retirement Care

Our carefree work environment improves employee well-being. Taiwan employees are enrolled in social (labor, National Health, and Labor Pension Fund) and group (life, liability, health, and cancer) insurance. They can choose to purchase plans for themselves or families at a discounted premium. We help them prepare for retirement by contributing monthly pension to individual accounts at Bank of Taiwan and Bureau of Labor Insurance. Those who qualify for retirement receive their pension with a trophy as a show of our gratitude for their dedication.

Smart Compensation Management Platform

By using the WingHR app, Taiwan employees can inquire about compensation packages, work schedules, remaining leaves, and individual income tax as well as clock out, apply for leave, enroll or withdraw spouse from the NHI program, adjust pension contribution rate, change their salary account, or adjust dependents for income tax purposes. New functions include an e-coupon system and a 24/7 online learning platform for a smarter workplace. The new compensation inquiry interface in 2022 provide easier access to information on salary, bonus and benefits received throughout the year.

/Extra Benefits in addition to Those Stipulated by Law in 2022/

Item	Statutory Standards	Benefits that are Superior to Statutory Requirements
Flex place	None	Employees may apply to work wherever for 10 days per year that suits the nature of work and personal needs.
Flex time	None	1. Employees may apply to work whenever in the event of emergencies that require care for immediate family or spouse. 2. We allow for adjustment of working hours according to workers' individual needs.
Paid vaccination leave	None	Employees are entitled to 3 days of paid vaccination leave during the Covid-19 pandemic.
Paid parent care leave	None	Employees with parents aged 75 years or older are entitled to 1 day of paid parent care leave to make arrangements and spend more time with parents.
Paid prenatal check-up accompaniment leave	None	Employees with pregnant spouses are entitled to 2 days of paid leave for prenatal check-ups to ease their concerns and welcome the birth of their baby.
Paid school accompany leave	None	Employees are entitled to 1 day of paid leave, which is better than statutory requirements, to accompany their child on the first day of kindergarten or elementary school to ease anxiety in the new environment and create fond memories.
National Judges Act	Employees shall be granted leave for statutory reasons for duties as a citizen judge. We determine eligibility for those who need to attend a regional citizen judge mock trials during transition before the enforcement of a new law	While it is not stipulated by law, we still grant employees leaves to attend citizen judge mock trials for them to actively participate in local affairs and contribute to the society.
Insurance	Employees are enrolled in labor insurance, NHI, and labor pension system on their starting date.	1. Employees are enrolled in social and group (life, liability, health, cancer, and overseas business travel) insurance with special premium rates for spouses. 2. Group insurance will remain effective even during unpaid leaves for injury or illness to protect medical rights.
Annual leave	Employees are granted annual paid leaves after reaching a certain level of seniority.	On the starting date, new employees are granted the same amount of annual leave as those who have worked for 6 months; then the same as those who have worked for a year after 6 months, and so forth.

Employee Share Ownership Trust (ESOT)

Employees are highly valued at Innolux, which is why we offer benefits that are better than stipulated by law. We implemented an employee share ownership trust (ESOT) plan to share the fruits of our labor with our Taiwan employees. Fixed deposits for China employees help plan finances. They have continuously expressed their support with employee retention rate reaching 95%. Our long-term incentive measures strengthen solidarity within the organization to work together and achieve mutual prosperity and sustainability.

Site	Number of employees in ESOT/fixed deposit plan in 2022	Number of employees in ESOT/fixed deposit plan who remained in service in 2022	Retention rate of employees in ESOT/fixed deposit plan in 2022
Taiwan: ESOT plan	10,067	9,655	95.9%
China: Fixed deposit plan	1,998	1,914	95.8%

Pension Contribution and Status

Site	Taiwan	China
Pension Contribution	<p>The old pension system complies with the Labor Standard Act, which stipulates that 2% of total monthly wages shall be appropriated and deposited to employees' labor pension account at Bank of Taiwan.</p> <p>The new pension system complies with the Labor Pension Act, which stipulates that 6% of monthly salary shall be contributed to employees' individual labor pension account at the Bureau of Labor Insurance with the accumulated funds to be collected upon retirement.</p>	<p>1. The Social Insurance Law of the People's Republic of China and local government regulations stipulate that we shall make monthly contributions equivalent to 14~16% of wages to old-age insurance pension.</p> <p>2. Starting from November 2022, employees may voluntarily participate in government-supported private pension plans as per Measures for the Implementation of Private Pensions (No. 70 [2022] of the Ministry of Human Resources and Social Security) on top of social insurance benefits.</p> <p>3. Aside from the statutory retirement insurance pension, our fixed deposit plan (savings trust) for employees to choose the limit of contribution at individual levels or below are made by both us and them with funds equivalent to monthly salary in advance every year given upon retirement.</p>
Pension Status	Each year, pursuant to IAS19R, we commission an actuary to calculate and report on pension funds. Before the year-end, we assess the balance in designated reserve funds account. Insufficiencies are made up in one appropriation to ensure rightful access to pension.	In addition to government social insurance benefits, fixed deposits help employees plan for early retirement.

/Rate of pension in 2022 as part of locally stipulated social insurance law/

Site/Item	Rate of Contribution by Innolux	Rate of Contribution by Employee
Taiwan	6%	0~6%
Ningbo	14%	8%
Foshan	14%	8%
Nanjing	16%	8%
Shanghai	16%	8%

Note:

1. Pension funds in Taiwan are contributed as per the Labor Standards Act and Labor Pension Act.
2. Social insurance is purchased and paid for employees of China sites as per the Social Insurance Law of the People's Republic of China, Opinions on Implementation of the People's Government of Zhejiang Province on Standardizing Provincial Pooling for the Basic Pension Insurance System for Enterprise Employees, Notice of Foshan Municipal Human Resources and Social Security Bureau, Foshan Municipal Bureau of Finance, State Administration of Taxation, and Foshan Municipal Taxation Bureau on Adjusting Unit Payment Ratio of Basic Pension Insurance for Enterprise Employees in Foshan City, No. 78 of the Jiangsu Province Healthcare Security, and Notice of Upper and Lower Limits of Social Insurance Premium Payment for 2021.

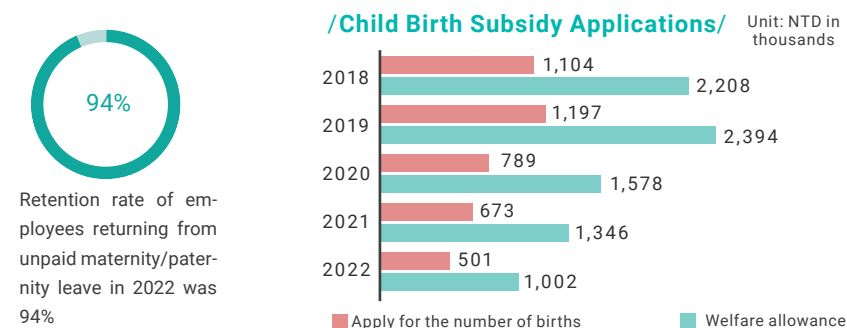
Encouragement and Support for Parents

Innolux understands employees' needs for child care and is an ardent advocate of parental leave. After working at Innolux for 6 months, employees become eligible for parental leave as per the Act of Gender Equality in Employment and the Regulations for Implementing Unpaid Parental Leave for Raising Children. Primary and non-primary caregivers could also apply for up to 24 weeks of childcare allowance (calculated on the basis of 60% of the average insured salary in the past 6 months). In 2022, 241 Taiwan employees applied for unpaid parental leave with 279 expected to return in the same year, 157 of whom either returned to work early or on time, resulting in a 56% reinstatement rate. Of the 177 reinstated in 2021, 166 had served over one year, resulting in a 94% retention rate. These figures show that we effectively helped returning employees in readjusting to the workplace.

/2022 Analysis of Maternity/Paternity Leave in 2022/

Taiwan Sites	Female	Male	Total
Employees eligible for leave in 2022	948	1,795	2,743
Employees who applied in 2022	176	65	241
A: Expected reinstatements in 2022	214	65	279
B: Reinstatements in 2022	114	43	157
C: Employees who continued working for a year after reinstatement in 2021.	141	25	166
D: Reinstatements in 2021	148	29	177
Reinstatement rate (%) = B/A	53%	66%	56%
Retention rate (%) = C/D	95%	86%	94%

Note: Employees eligible for maternity/paternity leave was calculated based on those eligible in 2022 among applicants from 2020 to 2022.



Compensation of Full-Time Non-Managerial Employees

We have abided by oversight regulations in adjusting the disclosure of annual compensation of full-time non-managerial employees since 2018 and calculating the difference between the highest and median compensation in 2022 and 2021. Due to industrial changes and macro environment factors in 2022, compensation was conservatively adjusted, resulting in a reduced difference between the highest and median compensation compared with that of 2021. As part of the changes to business growth and compensation policy, the highest compensation at our Taiwan and China sites was 23.5 times and 98.3 times over the median compensation, respectively.

/Analysis of Compensation Ratios/

Site/Year	Ratio of Highest to Median Compensation		Extent of Change in Highest and Median Compensation*
	2021	2022	
Taiwan	116.9	21.7	23.5
China	15.8	9.7	98.3

Note: Formula → ratio of extent of change in compensation = A/B

A: 2022 (highest compensation) – 2021 (highest compensation) / 2021 (highest compensation)

B: 2022 (median compensation) – 2021 (median compensation) / 2021 (median compensation)

/Analysis of Compensation for Full-Time Non-Managerial Employees/

Site	Item	2021	2022	2022 (YoY rate of change)
Taiwan	Non-managerial full-time employees	26,399	25,080	-5.0%
	Average compensation of non-managerial full-time employees	1,122	892	-20.5%
	Median compensation of non-managerial full-time employees	747	709	-5.1%
China	Non-managerial full-time employees	15,350	13,491	-12.1%
	Average compensation of non-managerial full-time employees	440	412	-6.4%
	Median compensation of non-managerial full-time employees	380	379	0%

Note:

1.YoY shows the rate of change between the year of disclosure and its previous year and calculated as follows: (disclosure year–previous year)/previous year).

2.The scope of disclosure stipulated by the competent authority was adopted with accrual basis accounting to calculate regular earnings including base salary, monthly meal allowance, and shift allowance as well as non-regular earnings including OT pay, non-monthly rewards, and employee bonuses based on corporate profits in the given year as per Article 235-1, paragraph 4 of the Innolux Act and our Articles of Incorporation.

We reviewed female to male compensation ratios based on employee category, which varies depending on factors including seniority, position, or job attributes excluding gender.

/Female–Male Employee Compensation Ratio/

Site	Position		Female	Male
Taiwan	Indirect Labor	Executive	0.89	1.00
		Manager	0.89	1.00
		Specialist	0.88	1.00
		Assistant	0.98	1.00
	Direct Labor	Technical	0.94	1.00
China	Indirect Labor	Manager	0.95	1.00
		Specialist	0.92	1.00
		Assistant	NA	None
		Direct Labor	Technical	0.98

Notes:

1.Executive' refers to executives 2 levels below the CEO; 'manager' includes junior managers or above (excluding executives); 'technician' refers to local technicians. We reviewed female to male compensation ratios based on employee category with compensation varying depending on factors including seniority, position, or job attributes excluding gender.

2.There are no China executives.

/Ratio of Innolux's Standard Compensation for Junior Employees and the Basic Wage Stipulated by the Law for the Current Period/

2022	Taiwan Sites	China Sites			
		Ningbo	Foshan	Nanjing	Shanghai
Female	1.28	1.47	1.72	1.47	1.37
Male	1.36	1.50	1.76	1.48	1.42

Note: Standard compensation for assembly line workers includes base salary, food allowance, and shift allowance.



4.1.4 Performance Management and Development

With respect to the diversity of and differences among global employees, our performance management system and evaluation process are free of discrimination based on gender, race, nationality, religion, age, physical disability, political stance, marital status, or union participation. They consist of 3 stages – beginning-of-the-year goal setting, mid-year review, and year-end performance evaluation – as well as daily management. We incorporate 6 major competencies with year-end performance evaluation as a part of our daily management to actively push for the diversified talent development. In consideration of macro environment factors, we set a dynamic Performance Management and Development-oriented goal-setting framework, namely, objectives and key results, to achieve agile performance management. Our clustered evaluation increase accuracy and reduce errors for fairness and justice in a friendly workplace. In 2022, we completed performance evaluation of all our full-time global employees.

Content and Framework of Performance Evaluations	Employee Performance Evaluation Methods in 2022				
Annual goals	Method	Target	Eligible Employees	Frequency	Description
<ul style="list-style-type: none"> Describe the completion rate of annual goals established at the beginning of the year Add a link to the employee's performance report to demonstrate his/her performance 	Management by objectives (evaluated by the employee's supervisor/manager)				Once a year Performance evaluations cover 3 areas: annual work objectives, behavioral competency indicators, and individual development plans; annual objectives are set by employees in the beginning of the year with year-end reviews.
Indicators of competence behavior					
<ul style="list-style-type: none"> Description of competence behavior See if the employee demonstrates Innolux DNA 	Multidimensional performance appraisal	All employees	100%	Once a year	First a self-evaluation reviewed and assessed by superior. Compared to evaluations by managers, multidimensional evaluation generates more precise results.
Individual development projects					
<ul style="list-style-type: none"> Based on the results of performance evaluation, we establish individual development projects that correspond to the ability of the employee and meet the needs of the company 	Performance evaluation rating				4 system ratings by superiors based on the employee's annual performance.

Dual-Track Career Development

- Employees of Innolux could align career development plans with individual performance, personal aspirations, and the organization's strategic development. They may choose to work on management skills or expertise or both accordingly.
- In doing so, we ensure all employees can exert their strengths and have a bright career path, which helps us improve overall competitiveness and achieve technological breakthroughs and continuous development.

Promote Talent Development and Encourage Job Rotation

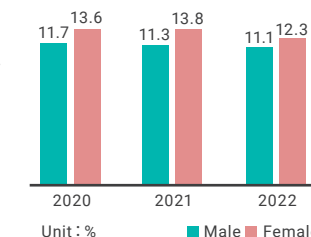
- Innolux offers a wide range of learning courses to broaden career path and facilitate interdisciplinary development.
- Job rotation is included as a factor for promotions. For job transfers, performance in the first year is exempt from evaluation. We hope employees could file for transfer without concerns and help boost talent mobility.
- A wide range of learning courses is offered to encourage interdisciplinary learning and diversification of professional skills.

Safeguard Equality in the Workplace and Achieve Gender Equality

- We have seen annual increases in the percentage of female employees promoted as managers or above. In both 2021 and 2022, the percentage of females promoted as assistant manager or above was higher than that of males with a 1.27:1 ratio in 2021 and 1.18:1 in 2022, indicating females received fair and equal treatment in terms of promotion opportunities.
- Innolux is male-dominated due to the nature of the tech industry and current trends in the job market. However, between 2020 and 2022, the percentage of female employees promoted was higher than that of males for 3 years in a row, showing that all employees enjoy equal promotion opportunities regardless of gender.

/Job promotion rate/

Note: In this calculation, male employees were counted separately from females; denominators are the average numbers of males and females respectively; numerators are employees promoted in that year.



Results of PMD implementation

/2022Employee Performance Evaluations in 2022/

Item	Female	Male	Subtotal by Group	
	Employees Applicable for Evaluation	Employees Applicable for Evaluation	Employees Applicable for Evaluation	Employees Subjected to Evaluation
Executives	1	11	12	100%
Intermediate Management	32	321	353	100%
Junior Managers	652	2,415	3,067	100%
Technicians	1,421	2,265	3,686	100%
Other	16,533	20,802	37,335	100%
Total	18,639	25,814	44,453	100%

Note:

1. Evaluated employees excludes those in service under 4 months and those on paid or unpaid leave for over 240 days.

2. Applicable employees were all subject to evaluation and acquired a rating for 2022.

4.1.5 A Warm and Friendly Workplace

Employees are a company's foundation for continual growth. For this reason, we actively concern ourselves with employees' well-being, which echoes SDG 3 (Good Health and Well-being). We hold cultural and recreational activities, promote club and group events, and develop optimization projects for food, housing, transportation, education, and recreation to achieve a healthy work-life balance.

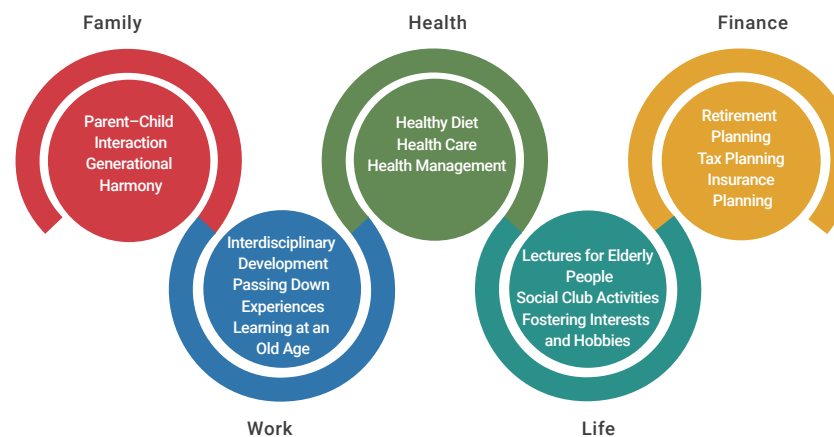
/Care Packages and Child Care Assistance for Mothers/

Pre- and Post-natal care	<ul style="list-style-type: none"> •Evaluation and health protection measures based on the principles of Maternity Protection for Women Workers and other applicable guidelines. •Priority parking spots, meal reminders, seats, and elevator services, among other care measures. •Employees are eligible for prenatal check-up accompaniment leave (to accompany spouses). •Pregnancy risk assessments and ratings for female employees who are pregnant or have given birth within the past year; 697 assessed in 2022 with 22 rearrangements and a 96.70% management rate, more to be completed in due course.
After returning to work	<ul style="list-style-type: none"> •Breastfeeding rooms, childcare measures, family activities, leisure space, and childcare lectures. •Child accompaniment leave (to accompany children on first day in kindergarten or elementary school to ease anxiety).
Contracted Kindergartens	<ul style="list-style-type: none"> •Contracted kindergartens for shuttle buses to drop children off at Innolux sites to save hassle and stress of pick-ups.
Innolux Children's Room	<ul style="list-style-type: none"> •Child drop-off/pick-up service and an after-school waiting room for employees to focus on work without worries.
Unpaid Parental Leave	<ul style="list-style-type: none"> •Before an employee's unpaid parental leave ends, we contact them to learn whether they plan to return to work; if so, we will begin making arrangements and deciding on suitable positions/shifts to facilitate their transition back to the workplace. •94% retention rate of employees reinstated after unpaid parental leave who worked for Innolux for at least a year. In 2022, 241 employees applied for unpaid parental leave.
Child Birth Allowance	<ul style="list-style-type: none"> •In 2022, Innolux employees gave birth to 501 children with birth allowances exceeding NT\$ 1 million in total.

A New Life of Active Aging



In addition to taking care of employees, our pioneering Senior Development Department (SDD) was the first in the industry and specifically launched on the 1st of May, the International Labors' Day. This innovation integrates sustainability issues and indicators to envision "safeguarding the work, life, health, family, and wealth for employees to live lives to the fullest." Various age-friendly care measures in the 5 dimensions of "work, life, health, family, and finance" include early pension collection under the old system, continued employment, green meals, free X-ray scans, lectures, and workplace, etc. We strive to achieve corporate sustainability and foster talents by looking out for retirement life, a senior-friendly workplace, and a comprehensive ESG-integrated care.



/Our pioneering Senior Development Department received, from the Ministry of Labor, the Performance Award for Excellence in Middle-Aged and Elderly Employment Promotion for Large Enterprise Category/

In October 2022, Innolux received the Performance Award for Excellence in Middle-aged and Elderly Employment Promotion from the Ministry of Labor. As the only large enterprise representing the tech industry, we stand at the forefront of the industry. Innolux celebrated its 20th anniversary in 2023, when most workers who have started young are becoming seniors. As Innolux transforms into a green enterprise, our Board of Directors decided to task the SDD with overseeing age-friendly carbon management to safeguard employee well-being: "Active aging is only achieved when employees are physically and mentally prepared for issues related to aging and illnesses."



Tetralogy for Active Aging

Part I: Age-Friendly Retirement Planning / Mindset Transitioning

- Part III: Succession / Continuation
- Healthy diet
 - Age-friendly lectures
 - Auxiliary tools for work
 - Consultation services
 - Handbook on elderly learning

Part IV: Retire Peacefully, Emotionally Fulfilled, and Healthily

- Handover and succeed with peace of mind
- Reunions for retirees
 - Rehire retirees as consultants
 - Re-employment platforms
 - Retirement trust consultation
 - Retirement housing consultation
 - Social contribution/volunteering
 - Information on long-term care

Training and Development

Employee Care

Placement and Care

Part II: Upskilling / Hands-on Practices

- Talent Value Addition
- Career development
 - Job redesign
 - Successor training program
 - Generational harmony
 - Talent activation

Retention and Succession

Part III: Succession / Continuation

- Handover and succeed with peace of mind
- Encore Fellowship Program
 - Slash careers
 - Internal entrepreneurship
 - Delayed retirement
 - Flexible working hours
 - Labor pension regulations
 - Years of service awards
 - Pension claim

Through interdepartmental cooperation and integration of internal resources, we take progressive steps to incorporate age-friendly elements in our systems, environment, health care, and welfare, etc.

Creating an Excellent Work Environment

Green meals

Our meal menus are improved to alleviate top 10 health problems prevalent among middle-aged and elders with low-calorie and sugar options on Tuesdays and Thursdays. Our ESG-based lunch box certifications and labeling regulations had over 8,500 signed up. To cater to dietary preferences, we conduct surveys and optimize the statistical analysis of employee satisfaction with a 3.65 score (out of 5).



Red Meat-Free Mondays

Excess meat consumption causes diseases and damages health. Our Red Meat-Free Mondays is healthy and raises environmental awareness. The UN Food and Agriculture Organization indicated that animal husbandry is the largest producer of carbon dioxide; greenhouse gas emitted from 1 kg of beef is equivalent to driving 71 km with 1 kg of pork equal to 26 km. Oxford University's Our World in Data platform describes GHG emissions from the food supply chain with red meat having a considerable amount. Therefore, our Red Meat-Free Mondays can reduce consumption and indirectly mitigate the negative environmental impacts.

Green Lifestyle

As of 2022, 10 sites have been certified as Green Restaurant, and 5 sites (JOC/HQ/FAB2/FAB3/FAB8) as Green Office. We plan to obtain certifications for other sites too. Monthly sampling inspections of ingredients at every site regularly update tracing, supplier profiles, and information to ensure food safety and quality



Find certified green restaurants and offices

Organic Vegetable Meals

Grown without chemical pesticides and fertilizers, organic vegetables are safe, high in nutrients, and eco-friendly with a lower carbon footprint, which have been periodically purchased since 2015 from local farmers in Tainan, Zhunan, and Kaohsiung. In 2022, we bought 866,809 kg of organic vegetables, an increase of 2,653 kg compared to 2021, to boost the health of our employees and the planet.

Alcohol Interlocks

To ensure the safety of commuters by shuttles and pedestrians, our Taiwan shuttles are equipped with alcohol interlocks and real-time video surveillance systems. Our Tainan site has 3 green electric shuttles as part of our effort to reduce environmental impact and carbon emissions.

A Warm and Friendly Workplace

Caring about employee well-being, family, and work entails a harmonious, thoughtful, healthy, and safe workplace where the fruits of labors are shared. We are invariably committed to a healthy and comfortable workplace as well as a safe and clean environment with comprehensive health care that raises awareness on the importance of health management. Designed to ensure a healthy and balanced life, our competitions, family activities, art and cultural events, and team building meet employees' need to exercise, relax, and share interests to help achieve work-life balance that is happy without concerns.

Our recreational rooms host various sports and club activities for them to exercise, relax, share interests, and cultivate interpersonal relationships. We also organize or participate in external competitions to forge stronger ties with other communities for a workplace rich with vitality, creativity, love, and joy.

Since 2011, we have hired 7 full-time visually impaired masseurs, a first in the industry, in a safe and stable workplace with company benefits.



Innolux Market for Lunar New Year Shopping
(6,300 participants)



Mother's Day Celebration (4,413 participants)



Interdisciplinary SING
(28,000 participants, both online and in person)



INX Sports Festival (6,863 participants)

Fun Club Activities

Having been awarded the iTaiwan iSports Certification organized by the Sports Administration of the Ministry of Education, we have always been proactive in promoting sports and associated benefits to employees. In addition to giving full support to organizers or participants in club activities, we also host competitions or lectures with subsidies and resources from the Employee Welfare Committee. In 2022, our Taiwan sites incorporated 9 new clubs, an increase of nearly 40%; we make playing sports an enriching part of our employees' lives; we actively facilitate consistent club operations to meet needs and interests. Our employees can exercise, relax, and share interests; we can consequently build a workplace rich with vitality, creativity, love, and joy.



Taiwan site (badminton club)



Ningbo site (soccer club)



Foshan site (Charity Club)

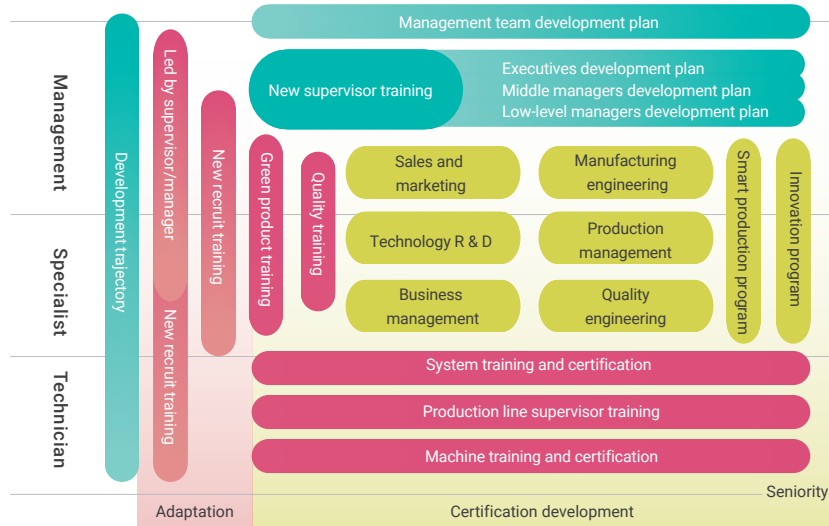


4.2 Talent Cultivation and Development

GRI:404-1、404-2、405-1

The innovative capability, passion, and competency of employees are the driver of corporate sustainability. Our Innolux Academy focuses on the development and cultivation of digital and interdisciplinary talent. In 2022, we completed over 8.84 million training hours, equivalent to 211 hours per employee on average and NT\$2.712 billion in expenses, with an average of NT\$ 64,781 per employee. Our investment in training hours and expenses increased average learning hours in 2022 by 15% compared to 2021.

Our Career Development Plan has customized and systematic courses as well as talent cultivation programs based on a structured talent development strategy, employment period, roles, and career development needs. We aim to help employees achieve the best career outcomes and maximize corporate growth. Our employees exerted strengths and developed skills, maintaining the percentage of managers from internal promotions at above 80% for the past 5 years.



Training Statistics for 2022

/By employee category/

Average training (hours)		Management (Section Chiefs and above)		Indirect Labor		Direct Labor	
		Female	Male	Female	Male	Female	Male
Taiwan sites		35.6	34.8	36.7	35.3	2.7	4.5
China sites	Ningbo	21.5	22.8	18.0	23.2	9.2	12.0
	Foshan	30.5	24.6	21.1	21.5	3.4	4.7
	Nanjing	26.9	28.6	17.8	24.0	7.3	11.8
	Shanghai	23.7	45.3	29.9	34.2	22.7	30.7

/By types of courses/

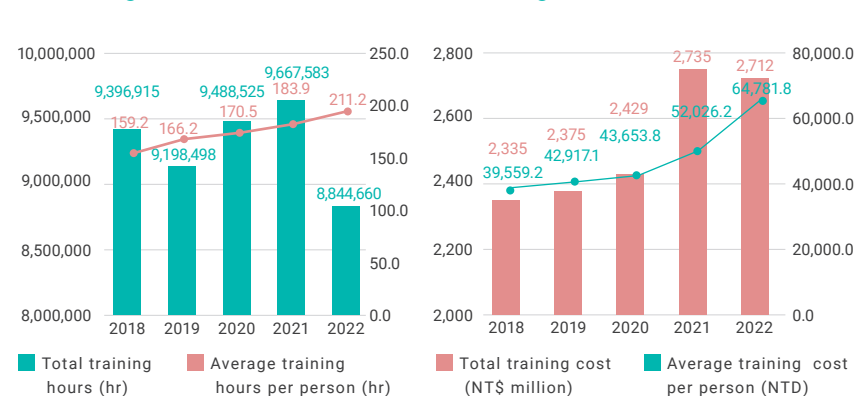
Number of trainees	Taiwan sites	China sites			
		Ningbo	Foshan	Nanjing	Shanghai
Orientation training	2,976	5,244	1,212	1,567	3,247
Pioneer Faculty	9,952	674	536	272	68
Management Faculty	14,003	3,618	1,871	673	121
Technology Faculty	107,639	42,523	7,418	3,872	1,246
Center for General Education	130,078	22,615	11,266	7,925	22,948
Training for production line supervisors /on RBA and care for the disabled	209	38	45	35	0

Note:

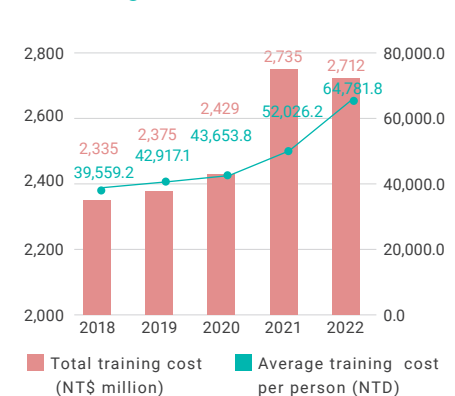
1.Trainees decreased due to the COVID-19 pandemic. Training at Shanghai site was suspended in 2022 due to lockdown measures.

2.Production line supervisors continue to be trained in 2023 (Shanghai site resumed)

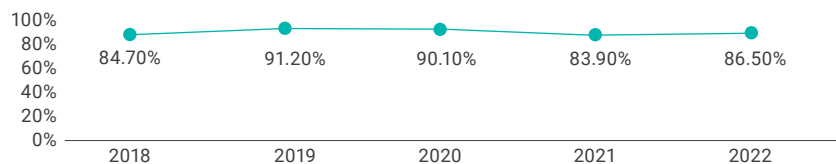
/Training Hours/



/Training Costs/



/Percentage of Managers from Internal Promotions/



Note: This was calculated as the percentage of promoted managers among them and newly employed managers

Training Efficacy Assessment

Example taken from quality management course

Course Content	Assessment Framework and Efficacy				
Course Content Quality and technology (basic tools and Green/Black Belt). The objective is to improve understanding of quality and relevant skills.	Level 1 Satisfactory	Level 2 Examination	Level 3 Behavior	Level 4 Result	Level 5 ROI
Training Target R&D, engineering, quality control, customer service, and manufacturing. In 2022, 36,827 passed the courses.	Satisfaction survey	Analysis of test scores	Raising of quality awareness and skills improvement	Cost reductions	27.8
Training Benefits Improve understanding of quality and skills needed to decrease product return rates..					

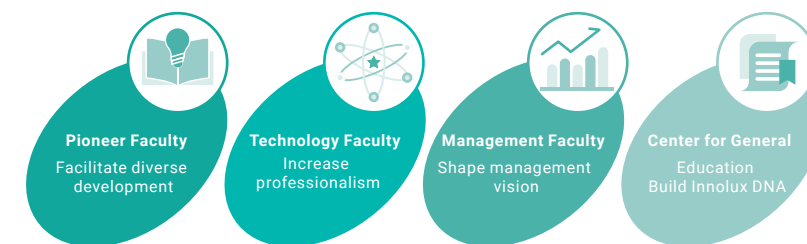
Effectiveness of Training

We are committed to promoting upskilling and interdisciplinary learning through multifaceted resources that align with our 3Vs (Create Value, Drive Value, Share Value) business strategy.



Innolux Academy

Integrating learning resources, Innolux Academy has 20 learning programs and 17,500 courses this year focused on cultivating management literacy, empowerment, mentoring practices, and training for section managers and above to strengthen perspectives and methods. The Stress Management and Stress Reduction Course covers theories and practices on confronting and coping with stress, identifying risk factors, and listening to others. Our professional competency courses ensure that everyone has equal access to inclusive education as well as learning opportunities and resources.



Faculty /Center	Feature	Attendance in Lectures/Courses
Pioneer Faculty	AI/BI, education, and liberal arts programs	22 courses 11,502 participants
Technology Faculty	Engineer Plus events	053 courses 16,000 participants in Engineer Plus
Management Faculty	Empowerment, mentoring practices, and training for section managers and above.	29 courses 20,286 participants completed training
Center for General Education	General education, theory of policies, and local language learning for migrant workers; English learning platform and IET certification.	16,332 courses 195,000 participants completed training

Featured Courses

Management Courses

In 2022, the Management Faculty of Innolux Academy introduced empowerment programs and mentoring practices aimed at improving literacy through crises awareness and skills that help with properly handling situations and managing emotions. Priority was given to a Stress Management and Reduction Course which teaches ways to monitor well-being, confront and cope with stress, identify risk factors, and listen to others. 729 were trained with an average of 4.6 satisfaction score.

E+/D+ Talent Enhancement Project

In 2020, our E+ Talent Enhancement Project encouraged in-house employees to enroll in EMBA at a top-rated university or obtain a relevant degree with 19 managers as a result. In 2022, this was integrated into the Maximum Unicorn Program as we introduced a D+ Talent Program to foster diverse talents. An EMBA or relevant degree coupled with interdisciplinary thinking skills will foster strategic partners who can help achieve goals for digital transformation and incubate entrepreneurship. Potential candidates are currently taking their entrance exams.

i-Learning

In 2021, we created a mobile learning platform called i-Learning with both soft and hard power requirements. Soft power is associated with 3 learning resources (e-Lectures, e-Library, and Language Learning), encompassing business management and finance, career and mental development, and English language learning. Hard power often supports digital transformation and is integrated with learning blueprints, My i-Creation, and other resources that facilitate effective learning through a fragmented framework and enhance relevant capabilities. The platform features a gamified interface that awards learners who passed the certification with a medal. In addition to saving over 90% of learning costs, i-Learning accelerates knowledge transfer by over 80%. In other words, a course that initially takes a year can now be achieved with an 80% completion rate within a month. In 2022, over 65,000 complete learning courses with a rate exceeding 90%.

AI and BI Programs and Lectures on Digital Transformation offered by Pioneer Faculty

Our INX4.0 realizes smart manufacturing and operations, enhance operational performance, and accelerate the process of transformation. We planned talent training programs with a panel of experts to encourage employees to begin digital transformation and create greater value. Our AI and BI programs aim to “deliver value that help achieve flexible decisions and sustainability.”, through which previous learning goals of managers, digital researchers, and experts were defined. This year, sustainability issues were included for the first time. Furthermore, digital transformation lectures are held every 3 months with basic training to learn from iconic companies and academic experts. In total, 4,761 were trained this year.

Active Aging Lectures

To show our care for senior employees and encourage them to prepare for retirement, we organize various lectures on active aging lifestyles and retirement planning. Professor Hui-Chuan Wei, finance specialists, and retired employees were invited to discuss relevant topics and share experiences. Interactions, experience-sharing events, in-depth discussions, and practical demonstrations help familiarize concepts of learning at an old age and envision a new life after retirement.

Diverse Partnership and Collaboration

·We introduced a new course series, Resilient Supply Chain, which focused on living with covid, learning from international practices, working with suppliers and core company departments to manage risks, address climate change impact, protect and use resources, as well as build a sustainable enterprise that is inclusive, safe, and disaster-resilient. In total, 1,840 completed training.

·We invested in industry-academia collaboration and joined forces with the government to launch a youth flagship program that aims to build a professional talent pool for the industry and help employ young learners to apply their knowledge. In 2022, a total of 118 completed training and joined Innolux. Moving forward, our professional training programs can diversify career paths and support young employees. The youth flagship program has received NT\$4.49 million in funding from the government.

·To provide quality education for students at Ren'ai Junior High School in Nantou County, we donated e-readers, built an e-reading platform, and purchased educational books on eco-protection and sustainability, which are accessible on the platform.



4.3 Labor Rights and Relations GRI : 2-23、2-24、2-25、2-26、406-1

4.3.1 Respect for Human Rights

We attach importance to human rights issues by safeguarding the rights of employees, contract or part-time workers, clients, suppliers, and members of the society by complying with the Global Compact, United Nations Guiding Principles on Business and Human Rights (UNGPR), Responsible Business Alliance (RBA), International Labor Organization (ILO), and local regulations. For fair treatment and respect for individual differences, we formulate various basic rules for daily operations and business activities to meet necessary requirements.

The Innolux Code of Conduct, Employee Handbook, Work Rules, Recruitment/Employment Rules, Code of Practice for Complaints Management and Sexual Harassment Prevention Measures, Principles for the Prevention of Wrongful Harm During the Performance of Duties, and Greater China Code of Practice for Employee Care and Assistance, among others all clearly state our commitment to protecting employee rights including those stipulated by law, freely chosen employment, humane treatment, prohibitions against discrimination and harassment, and filing grievances. Incorporated through human resources management and specifically manifested in our action plan, we formulated a Supplier Corporate Social Responsibility Code of Conduct for suppliers and service providers to abide by. In light of a growing interest in international human rights issues, we will re-examine Innolux's Human Rights Policy in 2023 to comply with the Universal Declaration of Human Rights and relevant customer requirements.

Area	Goals and Action
1 No human trafficking, forced labor, or child labor	Prohibition of the use of enslaved/trafficked people, forced labor, child labor, or any other form of involuntary labor.
2 Protection of the right to freedom of association and collective bargaining	Abide by local regulations; respect employee organizations and employees' right to participate in unions, collective bargaining, and peaceful assembly.
3 Equal employment opportunity and non-discrimination	Innolux is committed to embracing diversity, ensuring equal opportunity, and eliminating discrimination in recruitment and compensation based on race, skin color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political stance, group membership, or marital status.
4 No inhumane treatment and harassment	Innolux prohibits the harsh or inhumane treatment of employees, including sexual harassment/abuse, physical punishment, mental/physical oppression, verbal abuse in any form, or threats to display any of the above behaviors. The company offers a grievance channel (employee care mailbox: 67885.tw@innolux.com) for employees to submit grievances involving human rights, labor relations, or sexual harassment, and the human resources department accepts these complaints and exercises oversight of the responsible departments to address them and propose improvement plans. For grievances involving sexual harassment, the Sexual Harassment Committee determines whether the case is confirmed and imposes disciplinary measures on those responsible based on the severity of the violation.
5 Provision of a safe and healthy workplace environment	We have adopted international environmental safety management systems to build a safe and healthy working environment to reduce the chance of occupational injuries.
6 Compliance with customers requirements	We regularly review and evaluate systems and actions related to customers' requests and contents- to make appropriate updates to our management methods.

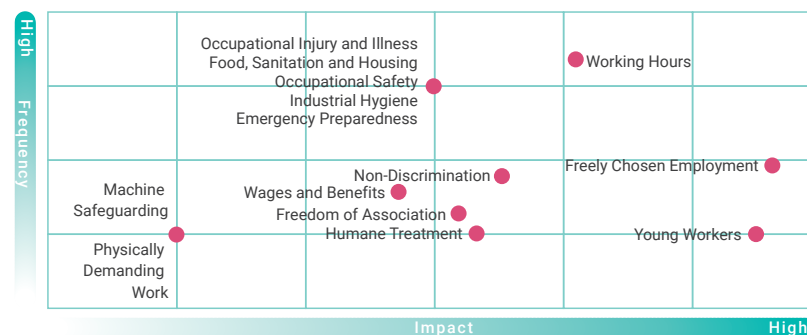
Human Rights Risk Management Process



Human Rights Due Diligence

By following the RBA Code of Conduct, Innolux identifies and manages human right risks in operations. We address 14 issues including freely chosen employment, young workers, working hours, wages and benefits, human treatment, non-discrimination, freedom of association, occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, and food, sanitation, and housing. Annual human rights due diligence assesses risks borne with results regularly reported to our Sustainable Development Committee.

/Human rights risk matrix/



Item/Target	Employee*	Employee of Affiliated Company**	Supplier***	Customer	Community
Human rights issues	Freely chosen employment, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association, occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, food, sanitation and housing	Freely chosen employment, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association, occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, food, sanitation and housing	Occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding	Freely chosen employment, young workers, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association, occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, and food, sanitation, and housing	Emergency preparedness, food, sanitation and housing
Due diligence approach	•Annual internal CSR audit •RBA SAQ and VAP audit	•Annual internal CSR audit	•Annual inventory of conflict minerals •Annual supplier CSR risk assessment	•RBA VAP audit •Sustainability questionnaire survey	•Continued monitoring of air pollution and wastewater discharge
Grievance mechanisms	•Employee care mailbox/helpline (#67885) •WingHR app, internal grievance channel		External CSR mailbox: csr@innolux.com		

Notes:

*Including Taiwan, foreign, female employees, ethnic minorities, youth workers, child laborers

**Including consolidated, acquired, or joint ventures.

***Including suppliers of key components, employment agencies, and on-site service providers

Human Rights Risk Mitigation Measures

In 2022, we completed human rights due diligence by performing matrix analysis and taking inventory of issues with considerable impact on sites and of frequent occurrence. Following a general risk impact assessment, we identified 2 main issues concerning human rights (working hours and freely chosen employment) and prioritize them by administering training, communicating information, and publishing educational materials. Our risk mitigation measures as summarized below:

Item/Target	Employee	
Issue	Working Hours	Freely Chosen Employment
Risk Mitigation	<ul style="list-style-type: none"> Remind relevant working hour standards during orientation and education training for managers/supervisors. Measure production requirements in advance every quarter and adjust manpower as needed. Review the effectiveness of working hour management during annual internal CSR audits. 	<ul style="list-style-type: none"> All fees incurred from employment of migrant workers will be covered by Innolux. Organize lectures on the rights of migrant workers and job security and inform workers of relevant policies and rights.
Compensatory Measure	<ul style="list-style-type: none"> Systematic management of attendance and working hours Systematic reminders for supervisors/managers on overtime issues 	<ul style="list-style-type: none"> Comply with international labor conventions and RBA rules; reimbursement of fees before and after starting date, including agency, registration, medical exam, service, residence permit fees.

/Human Rights Management Results in 2022/

Orientation	Workplace Bullying and Sexual Harassment Prevention Promotion	Lectures on the Rights of Migrant Workers and Job Security	Audits
14,573 hours	5,750 hours	44 sessions	6 internal and 2 external audits (85 supplier questionnaires)

4.3.2 No Gap in Communication with Employees

We are deeply aware that employees are the cornerstone of corporate sustainability. Therefore, we strive for employee care as evidenced by our round-the-clock grievance mechanism for major incidents involving occupational disaster, serious injury or illness, or a natural disaster. We offer emotional support for the injured and their families to help apply for labor, health, or group insurance. Since 2021, external experts integrated our Employee Assistance Programs into our WingHR App platform for 24/7 counseling and professional consultation services to help deliver stable job performance in a healthy work environment.

Employee Assistance Programs (EAPs)

To address employees' physical and mental health or family issues, we collaborate with external groups to incorporate EAPs into the Wing HR app for 24/7 counseling services. We hope counseling and legal consultation services can help reduce and solve problems in life and at work for focus on work with a healthy mind and body. A total of 389 people used it in 2022 with a 5.7 satisfaction score (out of 6).

We acknowledge harmonious labor relations and smooth communication as an active supporter of workplace equality. All local and foreign employees at Taiwan sites can report (anonymously or not) human rights, labor relations, and sexual harassment issues through the 24/7 Employee Care Helpline, the Employee Care Mailbox, or the I Have a Grievance app to seek help and resolve problems including infringement of personal rights or unfair treatment. Our department dedicated to accepting grievances oversee responsible units to address issues and propose improvement plans to protect employee rights. An analysis of complaints filed in 2022 showed that main inquiries include overtime, provident funds, dorm facilities, and other administration problems.



/Employee Grievance Analysis/

Type/Analysis	Sexual Harassment	Human Rights Issues	Work Conditions
Grievances	11	665	549
Response Rate	100%	100%	100%

/Statistics on Employee Grievances in 2022/

		Taiwan Sites			China Sites			Total		
		Grievances	Responded	Rate	Grievances	Responded	Rate	Grievances	Responded	Rate
Aspect 1: Human Rights Issues	Recruitment/Hiring	33	33	100%	349	349	100%	382	382	100%
	Sexual Harassment	10	10	100%	1	1	100%	11	11	100%
	Leadership and Management	130	130	100%	153	153	100%	283	283	100%
Aspect 2: Work Conditions	Compensation/Leave	103	103	100%	406	406	100%	509	509	100%
	Health and Safety	31	31	100%	2	2	100%	33	33	100%
	Labor Disputes	4	4	100%	3	3	100%	7	7	100%

/Grievance Handling Procedures/

General Cases

We register received complaints in the Employee Care System for processing by the responsible unit, who may interview individuals involved as necessary to better understand the case and respond if not filed anonymously.

Sexual Harassment

We register received complaints in the Employee Care System. The HR department is responsible for managing and submitting it to the investigating committee to review evidence, interview parties involved and witnesses, collect information, then schedule a meeting to verify the case and decide on disciplinary measures and other conditions.

Zero tolerance for sexual harassment

Innolux respects the rights of every employee and works to protect them from discrimination, sexual harassment, or bullying in any form. To achieve this goal, we have established a complete training and management mechanism.

Item	Management Mechanism			
Standard	Code of Practice for Complaints Management and Sexual Harassment Prevention Measures			
Training	Disseminate knowledge and practice of workplace etiquette and zero-tolerance policy during trainings for new hires and production line supervisors to acquaint them with communication channels.	Workplace Bullying and SexualHarassment Prevention courses in 2022		
		Courses	Participants	Total hours
		635	54,316	13,036
Awareness Campaign	Post flyers and information on computer desktop screens to raise awareness of workplace etiquettes for an inclusive workplace to reduce discrimination, sexual harassment, and bullying.			
Grievance Channel	Employee care helpline/mailbox/Wing HR app			
Handling Mechanism	1.Ad hoc department receives complaints and supervises the responsible unit to address them in time and propose improvement. 2.The ad hoc department abides by the principles of confidentiality, protection, and privacy during investigation and reports results to the Sexual Harassment Committee for a final decision. 3.Sexual harassment (alleged) cases must be reviewed by the ad hoc Committee for a resolution; who must adhere to the principle of recusal due to conflicts of interest and consist of 5 to 7 members with over half of members as women. 4.If confirmed to be true, disciplinary actions will be decided based on level of severity as per Reward and Punishment Regulations. 5.In 2022, 11 grievances involved sexual harassment, 7 of which were confirmed and responded at 100% rate.			
Internal Remediation Measures	1.System: Rearrange work duties, station, or shift depending on the situation. 2.Mental state: Provide counseling resources.			

Prevention of Wrongful Harm in the Workplace

In 2022, Innolux implemented a site-wide Program for Prevention of Wrongful Harm in the Workplace. Implementation outcome has been reported to each Occupational Safety and Health Committee. Environmental safety and HR units have conducted an overall assessment of improvement inspection results to identify and examine risks. We have managed and reduced latent risk factors with education and training on friendly practices at all sites, achieving a 100% completion rate. We will strive for a safe work environment with zero tolerance for wrongful doings.

Labor-Management Communication

/Face-to-Face Communication/

Taiwan	Communication Channel	Labor Management Meeting*	Employee Welfare Committee	Direct Labor Seminars	Appointments with Management
	Session	36	6	20	2
Ningbo	Communication Channel	Direct Labor Seminars		Appointments with Management	
	Session	108		2	
Foshan	Communication Channel	Labor Management Meeting	Employee Representative Meetings	Appointments with Management	
	Session	1	12	2	
Nanjing	Communication Channel	Appointments with Management			
	Session	2			
Shanghai	Communication Channel	Employee Representative Meetings		Appointments with Management	
	Session	55		2	

Note:

*Employees are informed of locations of labor-management meetings and trade union representative elections. Representatives are elected online. Issues are compiled one month before each quarterly meeting to be discussed with minutes published.

Trade unions: According to the law and the RBA policy, employees are entitled to the freedom to organize trade unions. In 2022, no employees organized a trade union at Taiwan sites, while China sites in Ningbo, Foshan, and Shanghai have trade unions.

Innolux E-Newsletter

Our Innolux e-Newsletter communicate effectively with in-house employees to document major events for each season and delve into their extraordinary lives with a detailed account of their views on Innolux. As an avenue for policy and a crucial medium to strengthen affections, we also converse and maintain a positive relationship with resigned/retired employees. Recent events keep them informed of latest industry news and trends; exclusive interviews and photos rekindle their affections and fond memories; words of blessing invite them to charity events. The e-newsletter redefines and deepens our bonds with opportunities to interact and reconnect with them.



Employee Engagement

Starting in 2023, engagement surveys will identify management problems, determine organizational climate, and collect feedback on thoughts and expectations to help identify gaps in company strategies and employee perceptions as well as implement target-specific improvements with limited resources. This knowledge helps lower turnover, reduce replacement cost, and show our care for employee mental well-being. Ultimately, our goal is to enhance engagement and drive a positive management cycle, thereby achieving maximum performance.

Employee Satisfaction

We value employees' opinions. Each year, we collect feedback to understand and improve the quality of future events. In 2022, every site conducted surveys on annual health check-up, site management, and various workplace friendly activities, and scored on a five-grade scale, with 4 or above representing satisfaction. 11 events garnered 10,890 responses (male: 6,611; female: 4,279; age < 30: 1,652; 30-50: 8,789; >50: 449), with 87% (9,512 in total; male: 5,750; female: 3,762; age < 30: 1,276; 30-50: 7,818; >50: 418) satisfied or very satisfied with events.

Satisfaction Survey for 11 events	10,890 employees	Male	Femal	Total	<30 years-old	30-50 years-old	>50 years-old
		6,611	4,279	10,890	1,652	8,789	449
	87% Of employees were satisfied or very satisfied with the event	Male	Femal	Total	<30 years-old	30-50 years-old	>50 years-old
		5,750	3,762	9,512	1,276	7,818	418

4.4 Safety and Protection GRI : 403-1、403-2、403-3、403-4、403-5、403-6、403-7、403-8、403-9、403-10

We have established an Environmental Health and Safety Policy for a corporate culture that lay a solid foundation for risk management. By adopting 23 systems, 18-item operations, and 8 management platforms, we promote and implement systematic management of environmental safety and health to monitor capabilities. Light indicators signaling operating status ensure compliance with law and goals. We will strengthen smart environment and health and safety management systems for processes, employee healthcare, and the environment (EMS). We will add to employees' knowledge through static multimedia promotions or by activities to demonstrate our determination and commitment to protecting workers and promoting their well-being. We strive for the complete eradication of occupational disasters and diseases.

In 2022, Innolux obtained the ISO 45001 Occupational Health and Safety Management System certification for all sites in Taiwan and China. The scope includes all workers involved in R&D, design, raw material procurement, production and manufacturing, waste disposal, and transportation; 93.9% were employees and 6.1% were not (contractors and construction developers, etc.). All Taiwan sites passed the Taiwan Occupational Safety and Health Management System (TOSHMS) verification. To foster professional competencies, we conduct annual training on internal and chief auditor with 236 and 27 passed in 2022, respectively. Our Plan-Do-Check-Act cycle in ISO 45001 periodically conduct hazard identification and risk assessments, regularly monitor procedures, analyze work safety to eliminate potential factors, thereby enhancing the safety and health of the workplace and workers.

/INX Safety and Health management Dimensions/



We acknowledge the importance of employee safety and health. Apart from maintaining unobstructed communication, we convene quarterly Environmental Health and Safety (EHS) Committee meetings with the head of each production site, responsible departments, and labor representatives to discuss issues. A Greater China EHS Committee meeting with the heads of each site is held biannually with headquarters invited for progress on concerns.

/Issues of Concern During Committee Meeting/

Meeting	Frequency	Participant	Issues of Concern
EHS Committee	Quarter	Head of each production site, departments, and labor representatives	policy, internal/external issues, management plan, occupational disease prevention and health-promotion activities, pandemic prevention management, performance evaluations
Greater China EHS Committee	Biannual	Head of each production site	goals, performance, operations, hazards, environmental impact and action plans, stakeholder concerns, project report

/2022 EHS Committee Meetings/

Taiwan Sites	China Sites
637 labor representatives, accounting for 37% of all required attendees	243 labor representatives, accounting for 45% of all required attendees

Communicating Health and Safety Issues

We encourage employees to take the initiative in improving EHS practices with internal communication systems to report operational and environment problems for on-site EHS performance management. In 2022, 1,376 cases were completed with a closure rate of 99.4%. In addition, improvement proposals were submitted voluntarily by each department, outlining plans, measures, and suggestions for improving operational and EHS facilities hazardous to well-being of workers. In total, 187 proposals on safety (hazard prevention) and health (promotion) aspects were submitted in 2022.

4.4.1 Health Care

By raising awareness with an innovative management e-system and professional healthcare, we hope to encourage employees, who in turn might inspire members of society, to manage their well-being. To realize the vision of achieving work-life balance, we allocate annual health budgets, assess needs, and plan health promotion activities, medical exams, and management training. In 2022, our China sites spent a total of NT\$45 million on healthcare.

/Innolux's Health-Promotion Strategies/

Environmental Health Management

- Food Safety and Health
- Sports Environment Construction
- Hazardous Factors Management

Healthy Lifestyle Habits

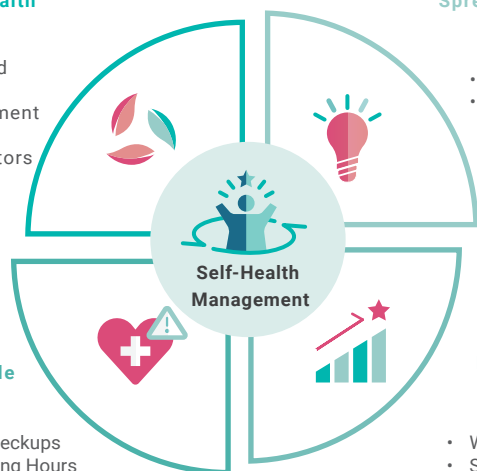
- Regular Health Checkups
- Reasonable Working Hours

Spread Knowledge of Health

- Health Seminar
- Health Information

Roll Out Annual Events

- Weight Management
- Sports Competition



Occupational Health Risk Management

Referencing ISO 45001 and TOSHMS, WHO guidelines, international literature, relevant laws and regulations, we comprehensively identify all occupational risks and hazards, conducts nature-based assessment, and classify risks according to severity, frequency, and probability. Then, control measures formulated include orientation and on-the-job training, procedure monitoring, operational environment monitoring/measurement, health checkups, and hazard prevention controls for management to reduce risks. Our Taiwan sites use a digital health platform with Internet of Things technology to integrate personal information including daily activity records, medical exam reports, and risk assessment results with real-time knowledge and personalized advice for immediate, convenient, and comprehensive management. Additionally, employees can import medical records and X-ray images into their health bankbook to make doctor appointments more convenient. As per the Personal Data Protection Act, we obtain signed consent for the collection, processing, and use of personal health data.

Health Management

We subject employees to medical exams and consultations to prevent occupational illness and serious illnesses, safeguarding their well-being. Their spouses are also eligible for special medical exam packages, which shows our concern for their families, who are encouraged to undergo regular health checkups for effective health management. The scope includes on-site non-employees. Kitchen staff are required to submit an annual medical exam report and are permitted to enter sites only if free of any notifiable disease confirmed by a nurse from labor health services. Workers who engage in tasks with special health hazards (aloft or in confined spaces) must have blood pressure within normal range before they can start on a job. Anyone working for Innolux (employee or not) who needs healthcare or breastfeeding are all entitled to use our health facilities and services.

Occupational illness, healthcare measures, and results in 2022:

Measure	Description	Result	
		Taiwan	China
General medical exam	Annual employee medical exams are organized to ensure health and prevent major illnesses.	<ul style="list-style-type: none"> •In consideration of the 10 leading causes of death, Taiwan sites added liver function to the 2022 health checkup. •22,211 were eligible and 22,179 underwent general health checkup for a participation rate of 99.84%. 	<ul style="list-style-type: none"> •In consideration of local dietary habits, common illnesses, leading causes of death, and previous exam results, liver, gallbladder, spleen, and thyroid ultrasound was added. •13,517 were eligible and all 13,517 underwent general health checkup, for a participation rate of 100%.
Value-added health services	Value-added cancer screenings are arranged during medical exam period.	•A total of 53,244 had cancer screenings for a participation rate of 72.57%.	
Care for employees who engage in special tasks	Proper health management measures for workers who engage in tasks with special health hazards.	<ul style="list-style-type: none"> •2,445 employees received special medical exam with 100% rate. •692 with health issues were subject to continuous management for a 86.56% rate. •9 with work health issues were subject to management, for a 100% rate. 	<ul style="list-style-type: none"> •Special medical exam: 100% of 1,600 transferred to a special job post; 100% of 2,237 involved in hazardous tasks; 100% of 1,214 left special job post •44 with health issues subject to management for a 100% rate. •2 with work health issues were subject to management, for a 100% rate.
On-site services by health professionals	Health tips and consultations for those with abnormal test results.	<ul style="list-style-type: none"> •On-site medical service with a physician: 861 times from 19 occupational medicine specialists (physician, therapist, general practitioner). •Nurses in labor health services: 23 	•Nurses in health services: 7
Health management for anomalies	Individual consultation with physicians and health management for those with moderate to serious abnormal test results.	•Individuals managed: 2,759 of 7,165 completed by a health center professional; 1,173 one-on-one consulting with a doctor; and no follow-up with a 100% rate.	
Cerebral and cardiovascular disease management	As per Guidelines for Prevention of Ailments Induced by Exceptional Workload under the Occupational Safety and Health Act, health management for high-risk groups (rotations, at night, and long hours) at Level 2 or higher.	•Individuals managed: 923 accounting for 6.97% of high-risk groups (rotations, at night, and long hours); 360 personalized.	
Prevention of occupational musculoskeletal disease	Annual medical exam and musculoskeletal disease symptom questionnaire concurrently identify those at risk and suspected with symptoms for education and physical improvements.	<ul style="list-style-type: none"> •373 suspected guided on alleviating symptoms. •2 received physical improvement (new office chair and shoe sizes for the cleanroom). 	
Maternal health protection	Risk assessment and classification on female employees that are pregnant and have given birth in the past year.	•22 of 697 pregnant rearranged with a 96.70% rate.	
Community health care	Blood donation activities organized to contribute and show our care for communities.	•607 gave blood.	•Blood donation drive cancelled due to COVID-19.
Self-inflicted injury prevention and management	Reinforce self-inflicted injury prevention and management with risk inventory, improvement actions, and routine inspections on facility functions to review crisis intervention during emergencies (courses and exercises that improve skills and knowledge of front-line workers) and revises procedures in time.	<ul style="list-style-type: none"> •Trained managers of occupational safety and health, officers of employee care, and shift team leaders. •Trainees: 168 	
Care for elderly employees	Middle-aged and seniors with hazard identification, risk assessment, and job suitability assessment for job hired.	<ul style="list-style-type: none"> •263 of 2,222 subject to job suitability assessment were “frail” doctor consultation and assistance will be arranged •0 required rearrangement. 	

/Medical exam Statistics/

Site	Participants in 2022			Number who received follow-up management in 2022							
	Recommended	Participated	Rate	Minor issue	Management	Moderate issue	Management	Serious issue	Management	Management and follow-ups from nurses	Doctor consultation
Jhunan	4,173	4,169	99.90%	2,908	2,908	1,964	1,964	853	853	853	Pending in 2023
Tainan	18,038	18,010	99.87%	4,394	3,831	2,253	1,567	1,577	1,274	999	838
Ningbo	5,263	5,263	100.00%	328	328	15	15	10	10	353	NA
Foshan	4,821	4,821	100.00%	NA	NA	203	203	54	54	257	257
Nanjing	2,076	2,076	100.00%	139	139	162	162	74	74	297	78
Shanghai*	1,357	1,357	100.00%	NA	NA	141	141	18	18	159	NA

Notes:

*We abide by legal requirements for annual health checkups; employees who reaches the re-examination year without health checkups will have recorded requests submitted by the environmental safety committee to their supervisors. There are no health checkup regulations for employees in China.

*Health checkups postponed due to Covid-19, Shanghai site was unable to conduct analysis or follow-ups. We will monitor in due course.

/Cancer Screening/

Item	Legal Requirements		Taiwan			China				Total
			Jhunan	Tainan	Expat / Manager	Ningbo	Foshan	Nanjing	Shanghai	
Cervical: Pap smear	Stipulated by law	Not stipulated by law	NA	NA	6	107	431	471	20	1,035
Breast: ultrasound/mammogram	Stipulated by law	Not stipulated by law	NA	NA	6	116	431	471	5	1,029
Uterine, oviduct, and ovarian: ultrasound	Not stipulated by law	Not stipulated by law	NA	NA	2	1,086	1,097	471	20	2,676
Colon: Fecal occult blood test	Stipulated by law	Not stipulated by law	4,088	14,644	93	310	283	156	NA	19,574
Liver: Abdominal ultrasound	Not stipulated by law	Not stipulated by law	35	440	106	2,510	2,415	1,512	67	7,085
Thyroid: ultrasound	Not stipulated by law	Not stipulated by law	NA	260	NA	NA	NA	NA	NA	260
Malignant tumor marker test*	Not stipulated by law	Not stipulated by law	4,088	14,576	106	389	283	2,076	67	21,585
Total										53,244

*NA means that the item was not planned for the 2022 checkup.

Mental Health

We have established a mental health management system based on the “5 levels in 3 stages” of illness prevention.

Management System	Description	Management results in 2022
Primary	Lectures and activities that help learn about mental health and achieve well-being.	30 organized and attended by 10,803
Secondary	Distribution of health surveys to understand stress levels, identify high risks, assign 4 professionals, and establish suicide/crisis lifelines.	Annual survey conducted with 364 of 42,610 at moderate/high risk with 100% completion rate of counseling and follow-ups.
Tertiary	Following up on, identifying, and assisting those at high risk of mental health issues or suffering from mental illnesses.	All of 88 counseled received follow-ups.

Physical and Mental Health Management

In recent years, high blood pressure, lipid, and glucose levels have become prevalent in Taiwan, which are closely related to cerebral and cardiovascular diseases. Annual monitors of blood pressure/lipid/glucose levels with surveys of well-being help us effectively manage employee well-being, improvement status, and productivity.

/Trends of physical and mental health issues in the past 3 years (Number of People)/

Blood	2020*	2021	2022
Physical Health			
Pressure	12,802	14,659	17,978
Lipid	7,815	7,565	11,204
Glucose	4,511	3,559	4,023
Mental Health			
Moderate to High Risk	1,738	1,268	1,077

*Medical exam was not arranged for Shanghai site in 2020 due to COVID-19; therefore, data for that year did not include Shanghai site.

Occupational Disease*

Occupational Disease Rate at Innolux in 2022 was 0.

* Occupational disease is defined as stipulated by local competent authorities.

/Occupational Disease Statistics/

Item/Year	2018	2019	2020	2021	2022
Number of Cases of Occupational Disease	0	0	2	0	0
Occupational Disease Rate*	0%	0%	0.2957%	0%	0%

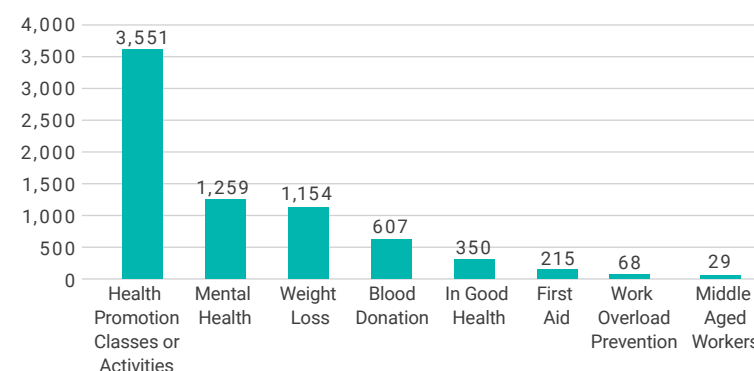
* Occupational disease rate (ODR) =
Occupational diseases cases x 200,000//Hours worked (based on 200,000 hours)

Health Promotion

We promote health awareness among employees by holding lectures, physical activities, free clinic services, quit-smoking campaigns, and others. In 2022, we organized 39 activities with 7,233 participants. Weight-loss events at Taiwan sites helped 177 employees lose a total of 444.6 kgs after adopting a healthy diet and lifestyle.

- Taiwan sites were publicly commended for delivering excellent performance according to indicators during the 2022 Workplace Sustainability, Health and Safety Development Program organized by the Occupational Safety and Health Administration, Ministry of Labor.
- The Tainan site (A/B/D/F/T6/ Tree Valley Branch) was awarded a Badge of Accredited Healthy Workplace by the Health Promotion Administration, Ministry of Health and Welfare.
- Tainan site (Fab C) received the 2022 Excellent Healthy Workplace Vitality Award organized by the Health Promotion Administration, Ministry of Health and Welfare.
- Nanjing site was awarded the title A Municipal Healthy Enterprise in Jiangsu Province.
- Ningbo Innolux Optoelectronics Co., Ltd and Ningbo Innolux Display Ltd. of our Ningbo site were placed on a whitelist (covid-free factory) by the bonded area for being the only enterprise to operate as normal during the closed-loop management period.

/Number of Health-Promotion Activity Participants by Category/



Implementing Pandemic Prevention Measures to Create a Safe Workplace

We have invested considerable effort and money in pandemic prevention measures during the past 3 years, expending approximately NT\$423 million in Taiwan and RMB 39.6 million in China. As of 2022, with 29.75 million masks distributed for a safe and healthy work environment and business continuity.

The resurgence of COVID-19 in 2022 prompted regulatory authorities to revise policies. In response, we changed our pandemic prevention measures to safeguard employee health and ensure business continuity. We purchased over 100,000 at-home Rapid Antigen Test kits for Taiwan sites and 46,000 kits for China sites for them to work without concerns.

4.4.2 Occupational Safety Management

Envisioning a workplace completely free of occupational hazards and diseases, we are committed to ensuring our environment complies with safety standards to protect employees from injuries or harm, thereby fulfilling our promise of building a safe and healthy workplace in line with the UN SDGs. In 2022, targets were reached for all 4 management indexes of occupational safety and health. In 2023, we will continue to improve our performance and establish other indexes to strengthen the safety and health of our employees and production sites.

Occupational safety and health management index		Jhunan	Tainan	Ningbo	Foshan	Nanjing	Shanghai
Item	Target						
Refrained from Group 1* agents classified by 2020 IARC** Monographs in processes	0	0	0	0	0	0	0
Pre-starting safety check rate of Equipment Sign-Off Level 1*** for machines	100%	100%	100%	100%	100%	100%	100%
Employee mental healthcare rate	95%	100%	100%	100%	100%	100%	100%
Annual self-initiated health checkup rate****	80%	100%	100%	100%	100%	100%	100%

Notes:

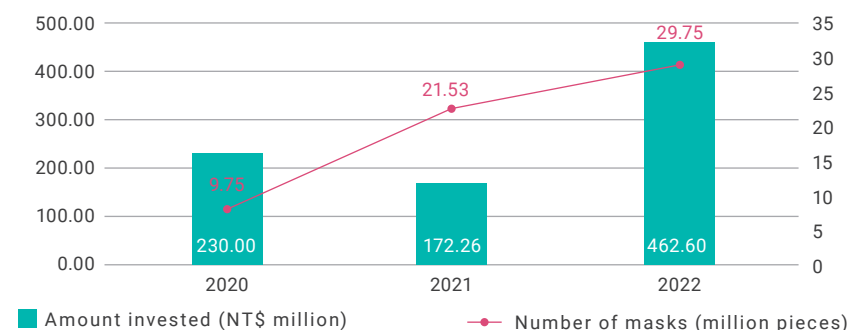
*Group 1 agents are carcinogens.

**IARC-International Agency for Research on Cancer.

***Equipment Sign-Off Level1- the INX equipment safety check system.

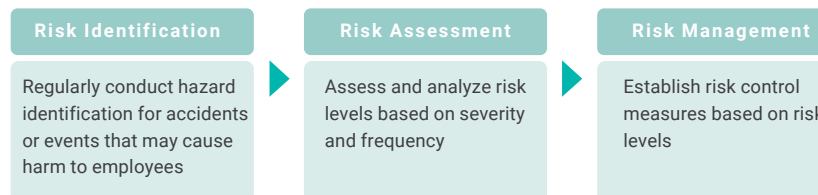
****Refers to medical exams not stipulated by law (annual health checkup in China and Taiwan not conducted during the year).

/Amount invested and number of masks distributed during 2020–2022 to combat COVID-19/



Occupational Safety and Health Risk Management

To effectively prevent occupational hazards, our opportunity/risk assessment procedures identify hazards in regular or ad hoc activities that may harm employees or cause accidents. Every year, each department regularly re-examines operations, services, and activities with comprehensive hazard identification and risk assessment to properly revise EHS identification and evaluation form. Pre- or post-event assessment on accidents, use of new materials/chemicals or machineries, and changes to operating environment/conditions (affected by regulatory amendments and organizational changes) shall be conducted. All safety risks will be classified for management based on severity, frequency, and probability to establish measures.



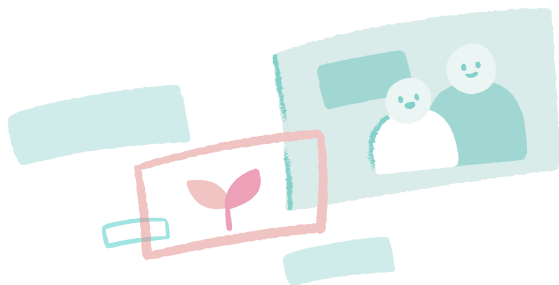
Results for 2022 identified top 3 risks hazardous to health and safety that were minimized to an acceptable level with engineering and administrative controls.

/Top 3 health and safety hazards or risks/

Health Hazard		Safety Hazard	
Type	% of All	Type of Hazard	% of All
Workload	29.7%	Injuries caused by contact , puncture, cut, scratches	20.9%
Musculoskeletal disorders	21.5%	Drawing-in, entanglement	16.1%
Long-term exposure to chemicals	18.7%	Chemical contact (acute)	4.9%

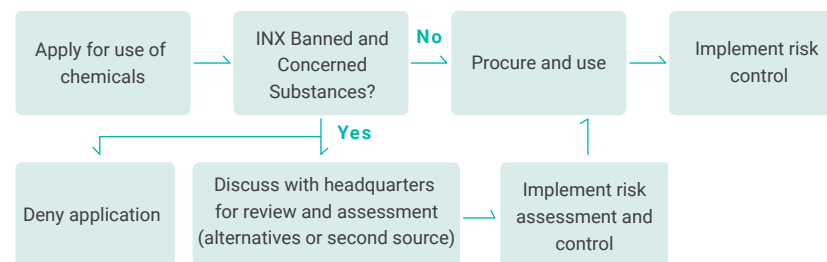
Operational Safety Management

We strengthen our occupational safety and health management system in pursuit of excellence in safety and health performance with specific requirements and practices for equipment and chemical safety. Any units with hazardous or risky operations must apply for and obtain approval before proceeding. We are proactive in adopting improvement plans including process automation, ergonomic risk assessments, and hazard prevention. We equip employees with personal protective equipment that meets requirements of the operating environment to ensure production safety and safeguard the occupational health and safety. Our Environmental Health and Safety (EHS) Handbook indemnifies workers against any liability for extraction from a work scenario with imminent or serious life or health dangers.



Item	Management Approach
Process/Equipment Safety	<ul style="list-style-type: none"> Safety assessment and acceptance testing procedures: Risks and hazards identified and divided into 3 stages: preparation, production, equipment servicing and maintenance. Machine and equipment safety designs adopted comply with international standards and inspected under Innolux Equipment Safety Regulations. In 2022, sites in Greater China regions completed safety inspection of 1,376 process machines and equipment.
Chemical Safety	<ul style="list-style-type: none"> Adoption assessment: Chemical Management System ascertain restricted substances by competent authorities (IARC-classified Group 1 and 2A agents or others under international convention) are contained. Low/non-hazardous chemicals are selected as replacement. Adoption: Hazardous, dangerous, and harmful substances from manufacturing systems (waste-disposal, ventilation, dust removal, exhaust emissions, wastewater treatment) are analyzed and tested. Effective prevention and control measures are adopted. Document management: lists of banned or restricted substances updated at least annually to we are not at risk of exposure or violation. Since 2019, 5 substances have been banned and restricted. Hazardous chemical labeling as well as SDS setup and reviews have been completed for all chemicals with operators trained. Hazard monitoring: The operating environment, exposure assessment, and control banding based on results are regularly monitored. In 2022, all 4,184 points of exposure have been inspected with improvements for those exceeding permissible limits.

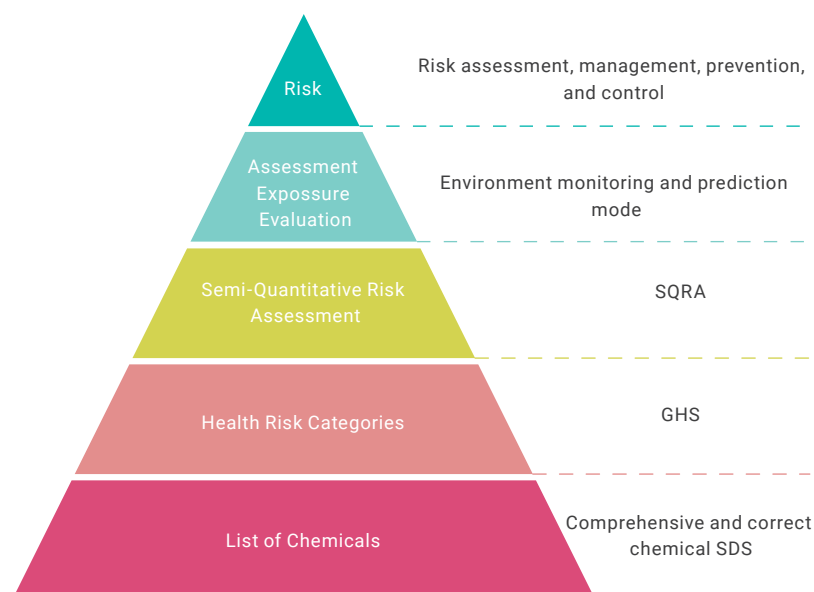
/Adoption and management process/



Cross-Sector Collaboration: Hierarchy of Controls for Chemical Hazard Assessment and Management

In 2022, Innolux participated in an Exposure Assessment and Control Banding Technique program organized by the Occupational Safety and Health Administration to strengthen the sites' assessment capability. By collaborating with industrial, public, and academic sectors, we adopted the Hierarchy of Controls for Chemical Exposure Assessment and Management with Semi-Quantitative Risk Assessment and ECETOC's Targeted Risk Assessment tool for a comprehensive and systematic banding technique to prevent, control, and reduce high-risk operations. A pilot run in 2022 showed moderate to high-risk chemicals determined by SQRA, the TRA estimated Level-1 management in which 95% is considerably smaller than half of permissible exposure concentration. A hierarchy of controls for chemical assessment details management target and proper measures.

/Hierarchy of Controls for Chemical Management/



Occupational Safety and Health Training

To foster employee safety and health awareness and strengthen identification ability, we hold general seminars, training in specific areas of expertise or emergency response plans including forklift-operation, hazardous procedures for supervisors, ERT knowledge/skills, workplace safety inspections, AED and CPR, basic equipment safety, earthquake drills, ergonomic engineering and respiratory protection, as well as general education for supervisors in high-risk environments. Participants are tested in paper exams or simulation exercises for suitability and effectiveness in hopes that they can safely handle emergencies and daily work, hone skills as well as gain knowledge. In 2022, 2,662 sessions were offered with 157,764 in attendance.

In addition, we ascertain stability of operations and production with 12 disaster prevention centers on each site equipped with a safety monitoring system and an Emergency Response Team trained daily. In 2022, over 1,387 simulation exercises were held with 19,658 ERT members.

To improve the quality of employee knowledge, skill training programs, internal occupational safety and health instructors, we conduct related training and certification in accordance with company norms. We also establish the procedures to evaluate the content, quality, and alignment with the needs of the trainees, aiming to enhance employees' awareness of safety and health and prevent occupational diseases and accidents.

/Annual Training/

Annual Training	Taiwan		Ningbo		Foshan		Nanjing		Shanghai	
	Employees	Contractor	Employees	Contractor	Employees	Contractor	Employees	Contractor	Employees	Contractor
Sessions	606	213	1,157	169	196	102	12	182	7	18
Participants	77,561	7,746	60,229	4,324	3,679	837	1,757	1,333	182	116
Hours	79,410	17,294	246,665	8,648	102,843	1,256	3,931	1,501	546	232

Accidental Incident Management

Our Electronic Accident Management System classifies an incident as major, general, minor, or near-miss. In 2022, all 104 accidents and 2 near-miss events reported were corrected and rectified.

/Top 5 Work-Related Injuries/

Type of Hazard	be caught, be entangled, be hit	Contact with chemicals or liquid waste	Falling, slipping	Severing, cutting, scratching	Falling off, tumbling
Percentage	8.7%	3.8%	3.8%	2.9%	2.9%
Corrective Action	Incident prevention management, topic-specific inspection, work safety analysis, and operational monitoring for safety and risk reduction. Improve practices that reduce injuries caused by daily activities and inflicted when moving: posting safety warning signs in high-risk zones, setting up traffic signs, promoting workplace/road safety policies, broadcasting safety messages, and conducting general inspections.				

/Description of Improvements to Near-Miss Events/

Description	Improvement Action
Traffic accident: On-site collision. No injuries and the car sustained damage.	Parties involved were trained and reminded of safe driving practices, while routes for different modes of transportation were diverged to effectively prevent recurrence.

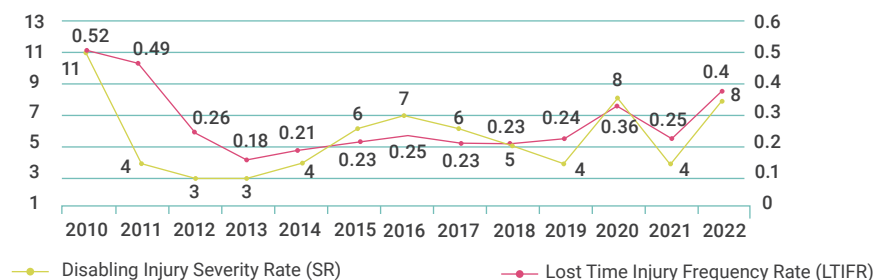
Low Occupational Accident Rate, Outperforming the Electronic Parts and Components Manufacturing Industry

2025 SDG: Lost Time Injury Frequency Rate (LTIFR) ≤ 0.22

Innolux's Lost Time Injury Frequency Rate from 2018 to 2022 ranged from 0.23 to 0.4, far lower than the average (0.84) of the Electronic Component Manufacturing Industry in 2021 published by the Occupational Safety and Health Administration, Ministry of Labor.

In 2022, our LTIFR was 0.4, the disabling injury Severity Rate was 8, and annual rate of occupational accidents per 1,000 was 1.368. In 2023, we will set new targets for lost and restricted workday events as well as equipment safety, chemical use, and employee well-being management to fulfill our commitment to safety and health protection, achieving SDGs, and realizing the vision of eradicating occupational accidents. Between 2019 and 2022, there were no occupational deaths nor major occupational accidents at Innolux.

Note: Major occupational accident refers to an event that involves over 180 lost workdays.



/Occupational Injury Statistics/

Item		2022		
		Taiwan	China	Company
Lost Time Injury Frequency Rate (FR)	Female	0.43	0.04	0.24
	Male	1.09	0.10	0.50
	Total	0.79	0.08	0.40
SR	Female	1	2	1
	Male	23	5	12
	Total	13	4	8
Injury Rate (IR)	Female	0.14	0.00	0.07
	Male	0.36	0.02	0.16
	Total	0.26	0.01	0.12
Lost Workday (LDR)	Female	0.22	0.57	0.39
	Male	4.66	1.14	3.00
	Total	2.60	0.93	2.00
Occupational accidents per 1,000	Female	1.404	0.121	0.866
	Male	3.355	0.279	1.817
	Total	2.490	0.222	1.431
Working Hours		49,147,971	60,010,501	109,158,472
Workers		25,696	22,500	48,218

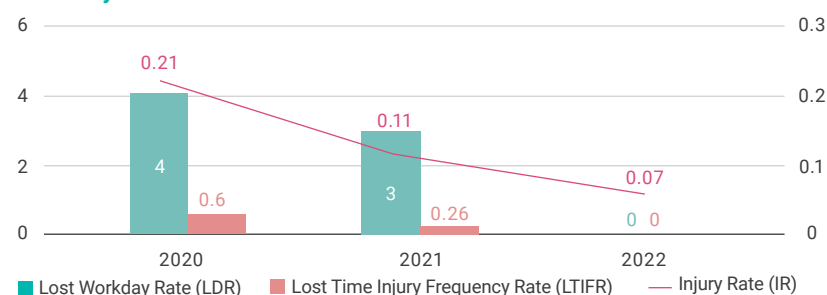
Notes:

1. Scope of statistics included all (contract)employees.
2. LTIFR: disabling events per one million work hours. Formula: disabling events x one million hours / total hours; decimals are rounded off to the nearest hundredth.
3. SR: days of disabling event. Formula: days of disabling event x one million hours / total hours; decimals are rounded off to the nearest unit.
4. IR: accidents per 200,000 hours. Formula: (lost workday events + restrictive events) x 200,000 hours / total hours; decimals are rounded off to the nearest hundredth.
5. LDR: days lost to disabling event per 200,000 hours. Formula: days lost to disabling event x 200,000 hours / total hours; decimals are rounded off to the nearest unit.
6. Lost workdays calculated with calendar days excluding the day of event and return to work.
7. The statistics exclude commuting accidents, injuries that require only band-aids, and medical checkups to determine the severity.

Contractor Management

For contractors, we have set up a sound management mechanism for pre-construction qualification, daily order applications, personnel identification, information verification, and personnel management when leaving sites. Our operating environment are kept safe by holding regular meetings with contractors and on-site inspections or CCTV surveillance. For high-risk operations, operators and subcontractors complete hazard evaluation and analysis as well as emergency response plans. Through mutual communication and collaboration, we hope to minimize the probability of irregular events. We investigate and analyze accidents with the Electronic Accident Management System to prevent future recurrence. In 2022, the LTIFR, injury, and lost workday rate of contractors in the Greater China region were 0, 0.07, and 0, respectively, with a declining trend and no contractors subject to occupational fatality between 2019 and 2022.

/Contractor LTIFR, Injury Rate, and Lost Workday Rate in 2020–2022/



/Contractor Training in 2022/

Site	Training Topic	Number of Contractors	Number of Training Participants
Tainan	Labor health services	22	127
	Mobile elevating work platforms(MEWPs)	22	72
Ningbo	Course for construction overseers and fire supervisors	16	58
Nanjing	Training on use of safety and emergency response equipment	2	67
	Education and training on safety and health of on-premise vendors	28	101
	Nanjing Monthly safety meetings for contractors	11	125

Note: The above do not include hazard notification training for contractors when entering sites.

/Contractor*-related Occupational Injury Statistics/

Item	Taiwan		China		Total	
	2021	2022	2021	2022	2021	2022
Lost Time Injury Frequency Rate (LTIFR)**	0.55	0	0	0	0.26	0
Injury Rate (IR) ***	0.22	0.09	0	0	0.11	0.07
Lost Workday Rate (LDR) ****	5	0	0	0	3	0
Death Rate *****	0	0	0	0	0	0
Number of Contractor Staff Entering Our Sites	447,458	772,469	487,223	230,785	934,981	1,003,227
Total Contractor Work Hours	3,579,664	6,179,752	3,897,784	1,774,064	7,477,448	7,953,816

Notes:

*Contractors refer to businesses that sign contracts with Innolux to work on-site, including outsourced workers.

**Injury rate of contractors = injuries sustained by contractors*1,000,000/total hours; decimals are rounded down to 2 places; includes work-related and injuries inflicted when moving.

***IR: refers to injuries per 200,000 work hours. Formula: (lost workday events + restricted events) x 200,000 hours / total hours; decimals are rounded to the nearest hundredth.

****LDR: refers to workdays lost to disabling injuries per 200,000 hours. Formula: lost workdays x 200,000 hours / total hours; decimals are rounded to the nearest hundredth.

***** Death rate = contractor-related deaths *200,000 / total hours.

***** Lost workdays calculated with calendar days excluding the day of event and return to work.

Gained Public Recognition and Received Invitation to Share

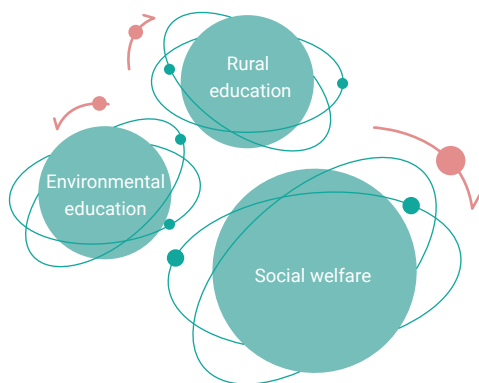
Event/Seminar Title	Topic	Organizer
Seminar on Occupational Safety and Health Management Performance, Operations, and Practices	At the invitation of the Safety and Health Technology Center, we attended a seminar on September 28, 2022 to present occupational safety and health performance management, operations, and practices.	Occupational Safety and Health Administration
Hsinchu Science Park Occupational Safety and Health Seminar: Case Study of ESG Practices and Implementation	At the invitation of the Hsinchu Science Park Administration, we attended a seminar on October 20, 2022 to present methods and performance in workplace well-being management.	Hsinchu Science Park Administration
Occupational Safety and Health Administration – Practice and Training in Testing and Assessment of Corrosion-induced Deterioration	At the invitation of the Safety and Health Technology Center, we attended a seminar on November 7, 2022 to present experiences and achievements in non-destructive testing.	Occupational Safety and Health Administration
Occupational Safety and Health Administration – International Seminar for Workplace Sustainability and Safety	At the invitation of the Occupational Safety and Health Administration, we attended a seminar on November 9, 2022 to be commended for excellent performance in the Workplace Sustainability, Health and Safety Development Program, and share corporate sustainability practices.	Occupational Safety and Health Administration

4.5 Working for the Common Good of Society

We envision business sustainability and co-prosperity in society. In 2008, we established the Innolux Education Foundation to give back to society and show our gratitude for benefits reaped from it. Through the foundation, available resources within and outside of Innolux are consolidated. Employees are called on to volunteer and contribute to eco- and rural education, cultural and art literacy, and social well-being. We firmly believe in empowering children and changing their lives through education and a life enriched by culture and art. We collaborate, interact, and co-create with our stakeholders to generate synergy that help demonstrate our care for and fulfill our promises to the society of Taiwan.

We firmly believe that companies should pursue the common good and collective prosperity in addition to achieving sustainable operations. Every year, our Taiwan and China sites hold charity events. In 2022, our social contribution, quantified using the London Benchmark Group (LBG) Model for community investment assessment, was NT\$ 50 million. We also introduced Taiwan's first "net-zero" themed eco-education course held in schools in partnership with corporate volunteers to promote eco-education and facilitate sustainability, thereby safeguarding the sustainability education of Taiwan. Going forward, we will focus on education, particularly eco- and rural education, in 2023. Our Rural Children and Youth Study Aid Program will improve rural education in Tainan and Miaoli, bridge the gap from the lack of funding for rural schools, and create diverse learning opportunities, while preserving local culture.

We will continue to collaborate, interact, and co-create with our stakeholders to commit to rural and eco-education, thereby amplifying our social impact through educational empowerment.

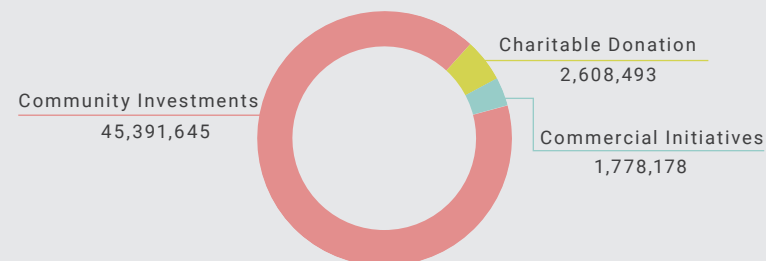


Innolux Education
Foundation website



Contributed
NT\$50million
to social welfare

By type of activity



By type of contribution

Contribution	Amount (NTD)
Cash	5,399,761
Time	1,627,429
In-kind	40,822,379
Management overheads	1,928,746
Total	49,778,316

Environmental education



Taiwan's first "net-zero" themed environmental education course

Given the growing awareness of environmental issues including air pollution in Taiwan and net-zero carbon emissions, the Innolux Education Foundation created an Air School platform that educates about air pollution. Considering the lack of educational resources on climate change in Taiwan and the adoption of environmental education issues in the 12-year national curriculum, we also launched the Go Green! Kickstart to Net-Zero! event in 2022, introducing Taiwan's first-ever net-zero environmental education course. We worked with Friendly Seeds, a team of environmentalists, to develop online and offline learning resources for environmental education. By introducing these resources in classrooms and comprehensively promoting net-zero education, we hope to scatter the seeds of net-zero education across schools in Taiwan, thereby facilitating the sustainability education.

Our net-zero environmental education course features scenario-based learning, game stages, and puzzles to motivate children, the future pillars of our nation, to learn about climate change and global warming. The course is expected to educate students about net-zero emissions in schools and inspire students to reflect on environmental problems. In addition, Innolux Education Foundation actively recruits and trains corporate volunteers to promote net-zero environmental education on campus and encourage students to take actions in protecting the environment.

Together with Innolux Education Foundation, we hope to bridge resource gaps in schools and broaden learning experiences through environmental education. In 2023, we will expand the scope of net-zero environmental education by visiting more schools to promote the concept of eco-sustainability, thereby amplifying our social impact through the power of education.

With help from KPMG Sustainability Consulting Co., Ltd., we introduced a method of measuring Social Return On Investments to quantify non-financial contributions and returns of our net-zero environmental education course. Results revealed a social return of NT\$ 2.8 for every NT\$1 contributed. Feedback from students during an interview indicated they learned about net-zero emissions and became more eco-friendly. Furthermore, puzzles enabled better focus and promoted teamwork. Schools and teachers commented that the course afforded a novel resource for teaching environmental issues, and the puzzle games also introduced elements of Problem-Based Learning. The participating volunteers acquired new knowledge, learned to communicate better with colleagues from other departments and family members, as well as expressed recognition of our involvement in corporate sustainability and social responsibility.



Go Green! Kickstart to Net-Zero! video

- Our net-zero environmental education project generated a SROI of 2.8 in 2022
- Our net-zero environmental education project is expected to generate a SROI of 3.8–5.2 in 2023



Air School Project



Air School, an air quality platform for advocating clean air and blue sky

Innolux endeavors to engage with stakeholders and actively address critical issues. Air pollution is worsening in Taiwan, which has prompted the government, customers, and members of the public to pay more attention to the prevention and control of air pollution. In light of this phenomenon, we will launch a long-term initiative to provide communication on this topic. Since 2018, we have been working with the Innolux Education Foundation to collectively raise awareness of air pollution issues in Taiwan. We began with taking an inventory of our emissions and inviting over 200 of our upstream and downstream panel suppliers to combat air pollution and reduce emissions. By adopting a variety of creative and extensive communication approaches, including multiple public forums and press conferences, air pollution documentaries and short videos by 25 directors, creative videos with Key Opinion Leaders, VR exhibitions, and Facebook fan group activities with environmental groups, we leveraged a multi-faceted communication strategy to translate difficult concepts into information that is easy for the general public to understand, thereby disseminating knowledge about air pollution.

In continuation of our efforts and achievements in the areas of air pollution, we consolidated online and offline resources, creating a credible multimedia platform called Air School in 2020. Experts and scholars from various fields are invited to provide their expertise and offer a neutral analysis of the air pollution problems in Taiwan, focusing on policies, laws, and suggestions. With their support, feasible solutions can be provided as reference to the government to amend laws in the future. We hope that both private and public sectors can continue to improve air pollution, integrate interdisciplinary resources, create positive communication, and work with the public to mitigate air pollution problems in Taiwan.

With different communication channels to educate, shape public opinions, and make a difference, we hope to spread our influence and show the people of Taiwan, who are accustomed to a view of a grey sky, what they can do to improve air quality and restore clean air and blue skies.

- The Air School website has acquired >160,000 visitors
- Our air pollution promotion activities have affected >50,000 people



Air School website

I Go Green, a Green Forestation Program

Signed a Memorandum of Cooperation with Chiayi Forestry Administration for Forest Sustainability



We embrace a corporate culture of sustainability by cutting emissions from production and manufacturing activities and engaging with the society through tree planting, afforestation, and other eco-conservation activities. To date, we have planted over 8,730 saplings through our planting campaign in 2010 and our afforestation event, which was held at the West Lake Resortopia and Tsou Ma Lai Farm on World Earth Day in 2014. We support and provide eco-education on greening, forestation, and ecological restoration. In 2022, the Innolux Education Foundation signed a Memorandum of Understanding with Chiayi Forestry Administration to kickstart the I Go Green campaign, which aims to promote the dissemination of knowledge, mutual prosperity in society, and eco-sustainability. We believe the campaign unites us in ecological conservation, greening, and eco-education activities including beach and mountain cleaning, forest conservation, and afforestation.

In 2022, we adopted 1.01 hectares of state-owned forest in Nanxi District, Tainan City, and called on all employees to join our movement. In total, we adopted 2,022 Mahogany. By taking action to protect our forests, we hope to play a leading role in various environmental movements (promoting carbon fixation, reduction, water and soil conservation, ecological restoration, biodiversity) and encourage others to follow suit. The Innolux Education Foundation also invited every member of Innolux, CarUX, and InnoCare as well as their families to plant cherry blossoms and Rhododendrons in the Alishan National Forest Recreation Area. Participants explored scenic spots while listening to stories told by a local ecotourism guide on the ecology and history of forests. We act in concert to support local industries and economic development and drive sustainability actions for the common good of the society.



For 2 consecutive years, we have volunteered to conserve the protection forest on Yuguang Island, an activity organized by Chiayi Forestry Administration. Hundreds of employees gathered there in Tainan, bringing their families to clean beaches and protect the ocean together. An environmental educator was present during the activity to explain the hazardous effects of foreign species and litter on forest protection. LINE-integrated games were also included to help explore and get to know the forest. As parents and children walked hand in hand along the coastline while inspecting the coastal forests that reside on their homeland, we hoped that they will be inspired to adopt sustainable daily practices and love earth of their own volition. We will instill the concept of eco-sustainability into our corporate culture and encourage employees to practice daily sustainability rather than merely talking about it. Through the I Go Green campaign, we make sustainability a part of our company DNA and take actions to protect and conserve the environment.



- Removal of foreign species
Removed over 200 river tamarind trees, which are invasive species
Removed 222 kg of bitter vine and planted 120 beds of butterfly plants, including Eupatorium clematideum and Clausena excavate (pink lime-berry), creating greater biodiversity.
- Beach cleaning: Picked up over 1,000 pieces of trash, including plastic bags, beverage cups, and polystyrene, removed over 32 types of trash, and cleared 60.68 kg of debris.
- Tree planting: Planted over 8,730 tree saplings.

Rural Education

Rural Children and Youth Study Aid Program: Supporting Rural Education and Cultural Heritage for Life-Enriching Possibilities

In 2021, the Innolux Education Foundation launched the Rural Children and Youth Study Aid Program, sponsoring 5 rural schools in Tainan and Miaoli to cultivate rural education, bridge the gap from lack of funding, and create diverse learning opportunities for children, thereby conserving the local culture.

The Foundation has been supporting the development of special courses over the past 2 years. For example, we provided funds for teachers and students of Miaoli Nanzhuang Elementary School to build a second recreational book stall to store donated books for children to read, play games, or take a break. Thanks to a stable learning environment, the ocarina band and track and field team of Penglai Elementary School won championships during the national Miaoli District Ocarina Competition and the President's Cup Wrestling Competition, respectively. Teachers and students of Cigu Elementary School in Tainan worked together to create a ceramic panel painting of an ocean, turning pottery into art installations to beautify their school; a folk parade club, established by Cigu Elementary as an extracurricular activity, won the Tainan City Creative Parade for Elementary School category. Students from a traditional Siraya dance class offered at Ka-bua Sua Elementary School have been repeatedly invited to perform for the public, earning nationwide recognition. The basketball team of Ren'ai Junior High School in Nantou has emerged victorious in several major competitions. Indigenous children are extremely athletic and their school is often located at a high altitude, which provide the best training ground for physical fitness and lung capacity; a basketball team thereof enables students to unleash their strengths, boost self-confidence, broaden horizons, and enrich their experience in life through competitions.

Innolux Education Foundation continues to devote itself, through funding and volunteering, to supporting underfunded education in rural areas. We will continue to mobilize efforts for rural education to care for schoolchildren in rural areas and brighten the prospects of rural areas.

/Reactional Book Stall in Miaoli Nanzhuang Elementary/



Social Engagement Through Culture and Arts

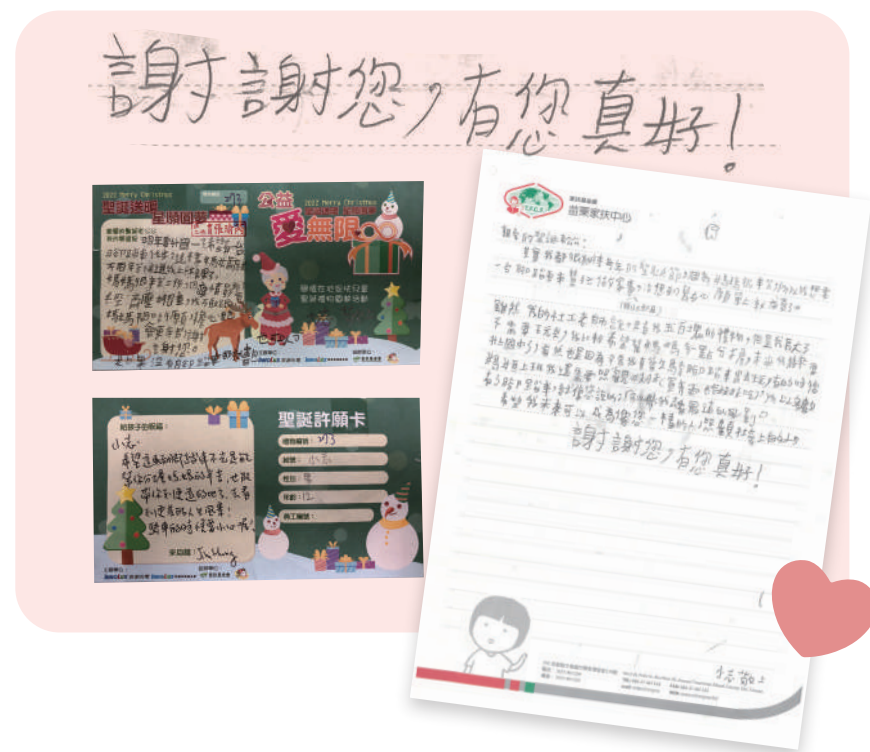
Unlimited Love Through Charity program: Uniting People to Make a Difference and Inject an Endless Stream of Love through Charity

It is a tradition of Innolux Education Foundation to hold a series of activities at the end of each year under the Unlimited Love Through Charity program. For six years in a row, the foundation has launched the Christmas Gift Drive—Love for the Countryside in collaboration with Taiwan Fund for Children and Families where we collected Christmas gifts for disadvantaged children in Miaoli and Tainan, making the dreams of 8,000 disadvantaged children come true. Each year, our employees are touched and moved by the children's Christmas wish messages. This year, the foundation received a heartrending story about a child's wish for a bicycle. Xiao-Chih's mother has been working tirelessly to support the family. Seeing his mother's sacrifices, Xiao-Chih wished for a bicycle to shoulder some of her burdens. With a bicycle, Xiao-Chih can go to school and come back home all by himself. Xiao-Chih was so ecstatic when his wish came true that he wrote a thank you card to Mr. Santa Claus from Innolux. With a bicycle, Xiao-Chih can now share his mother's burdens and also "travel afar to see a more beautiful life."

This year, Innolux Education Foundation also invited Charlie Chu, the director of FORMOSA 3D, to a charity talk. By filming movies and touring around Taiwan, Chu hopes that more resources will become available to children in rural areas that allow them to get to know Taiwan. Each year, Chu drives a video display vehicle around Taiwan, bringing the beauty of Taiwan to children in rural areas to broaden their horizon with videos that touch the heart of every viewer. In the future, Innolux Education Foundation will cooperate with Chu and support his tours across schools in Taiwan with images and videos to promote the concept of eco-conservation and cultural literacy among our future generations and joining forces to inspire more visions and dreams.

There are many in society who are "volunteers at heart." we believe that every choice made out of kindness can turn into a force that drives social changes. We decided to start simple – we invite our colleagues to adopt a gift, donate a sum of money, or volunteer their time for the good of the society. We look forward to harnessing the power of the mass to create influence and foster changes.

美力台灣 3D
Formosa 3D



/Percent of Costs Directed to Different Educational Goals/

Item	Amount (NTD)	Percentage
Environmental Education	4,995,299	49%
Rural Education	693,999	7%
Charitable Care	4,547,529	44%

In recent years, we have implemented ESG measures and fulfilled our commitment to protect the environment through eco-protection measures and activities. In 2022, employees brought families along on eco-education activities and beach/forest cleanups in the cities and counties our sites are located in; through hands-on experience, they not only gained knowledge and raised awareness of eco-protection, but also created a deeper connection with the authorities and local communities. Most importantly, they felt deeply that a good life depends on a healthy environment, and everyone's effort is required to protect it. Only by living in harmony with nature may both people and the environment prosper.



5

Green Transformation and Environmental Co-prosperity

5.1	Green Manufacturing	119
5.2	Climate Change Management	122
5.3	Natural Resources Management	136
5.4	Pollution Control	142
5.5	Green Cycle	144



2022 Achievements



9.3%

The total electricity consumption of sites in the Greater China region in 2022 has an absolute reduction of 9.3% compared to 2021

19.3%

The Scope 1 and Scope 2 greenhouse gas emissions have an absolute reduction of 19.3% compared to 2020

82.9%

The FCs unit area emission intensity has been reduced to 0.0022t CO₂e/m², achieving a reduction of 82.9%

First

The first technology site to install grid-connected solar power generation equipment on factory roofs

3,642M kWh

The total power generation capacity of the renewable energy generation equipment installed in the sites is 36.42 million kWh

425M tons

In facilitating green logistics, optimized transportation operations and reduced carbon emissions by 4.25 million tons annually, a 5.3% decrease from last year

97.3%

Process water recycling amounted to 263.6 million tons with a high recycling rate of 97.3%, the best record in history yet

23.9%

Unit input water withdrawal has decreased by 23.9% compared to 2016

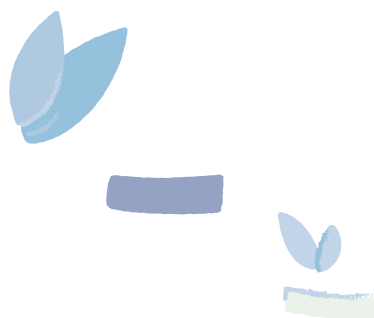
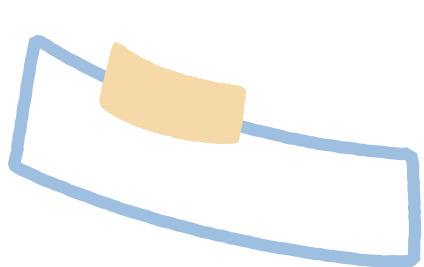
0.99%

The landfill rate for 2022 was 0.99%

Environmental significant issue management policy

	Strategic Goals for 2022	Implementation Results in 2022	Main Goals for 2023	Commitments to Medium- and Long-Term Development
Water Resources Management	<ul style="list-style-type: none"> Acquire water from various sources and reduce water management risks by developing alternative water sources. 	<ul style="list-style-type: none"> Process water recycling rate reached 97.3% Unit water withdrawal per unit area decreased by 23.9% (vs. 2016). Introduced recycled water from the Tainan City Yongkang Water Resource Recycling Center which has a usage of 0.1 million tons. 	<ul style="list-style-type: none"> Improve water resource management and obtain the ISO 46001 certification for water efficiency management systems. Strengthen water management, conserve water resources, and maintain water reuse rate. 	<ul style="list-style-type: none"> By 2025, reduce unit water withdrawal per area by 30% compared to 2016. Actively implement water management to respond to water scarcity and climate crises. Actively develop new water-saving technologies to improve water resource recycling rate.
Greenhouse Gas Emission	<ul style="list-style-type: none"> Implement FCs reduction technologies. Improve energy-saving performance. Optimize transportation management to reduce emissions from logistics. 	<ul style="list-style-type: none"> The Carbon Risk Management Committee has implemented 661 reduction plans, planning to achieve a carbon reduction performance of 135,788 tCO₂e. Promoted internal carbon pricing (ICP) management to help evaluate 191 carbon reduction plan investments. The intensity of FCs unit area emission for TFT process was reduced by 82.9% (vs. 2016). Scope 1 and Scope 2 greenhouse gas emissions reduced by 19.3% (vs.2020). 	<ul style="list-style-type: none"> The Carbon Risk Management Committee assesses and plans for net-zero targets, carbon reduction strategies, and carbon reduction technologies. Continuously promote carbon reduction businesses to achieve greenhouse gas reduction targets and mitigate the impact of climate change. Encourage proposal for energy action plans for processes and facilities around the area. Implementation of internal carbon pricing (ICP) management to assist in carbon reduction plan investments. 	<ul style="list-style-type: none"> Reduce the FCs unit area emission intensity for TFT process by 49% before 2025 (vs. 2016). Reduce Scope 1 and Scope 2 greenhouse gas emissions by 25% before 2030 (vs. 2020).
Energy Management	<ul style="list-style-type: none"> Optimize energy efficiency of bulk power consumption systems and continuously improve the operating efficiency of compressed air systems. Fully utilize renewable resources to boost energy efficiency and resource recycling rate. Continue to implement ISO 50001 energy management systems on sites in the Greater China region and obtain the certification through audits. 	<ul style="list-style-type: none"> A 9.3% absolute reduction of total electricity consumption for sites in the Greater China (vs. 2021). Expanded the certification coverage of the ISO 50001 energy management systems which covered 95% of energy usage in 2022. Developed Innolux 2030 Renewable Energy Utilization Goals for the development of renewable energy. Proposed 464 energy-saving action plans with an estimated annual energy-saving performance of 52.05 million kWh. Completed the construction of Biogas Power Generation Equipment in FAB 2 in Tainan. The first technology site to install grid-connected solar power generation equipment on factory roofs. 	<ul style="list-style-type: none"> Continuously promote energy-saving performance services to support the implementation of energy-saving programs, energy-saving performance technology assessment, and system establishment. By 2023, the ISO 50001 energy management system is expected to cover 98% of the power energy usage for sites in Greater China. Expand the installation and procurement of renewable energy devices to increase the use of renewable energy. Sites in Taiwan are expected to fully comply with the government's Heavy Electricity Users Clause by the end of 2023, with a total installed capacity of 66 MW. Complete the construction of "biogas power generation equipment" in FAB 8 in Tainan. 	<ul style="list-style-type: none"> Achieve an average annual energy saving rate of ≥1% from 2022 to 2026, aiming for ≥1.6%. The annual power generation for self-use from renewable energy devices is expected to reach 60 million kWh by 2025. By 2030, the renewable energy utilization rate is projected to reach 20% (RE20).

	Strategic Goals for 2022	Implementation Results in 2022	Main Goals for 2023	Commitments to Medium- and Long-Term Development
Green Product Management	<ul style="list-style-type: none"> Establish the Restricted Substances Management Standard and use it as a management standard for the prohibition/limitation of hazardous substances. Continuously build digital management platforms to effectively and quantitatively manage product ESG performance. Innovate products related to energy-saving, material-saving, waste reduction, and carbon reduction to facilitate the green innovation. Disclose product carbon footprint. 	<ul style="list-style-type: none"> Completed the revision of the Restricted Substances Management Standard and introduced material approval operations. Introduced the life cycle assessment (LCA) to foster a better understanding of the carbon emissions of products. Established a Product Carbon Footprint Automatic Calculation System and Material Loss Monitoring and Management System management platform to effectively manage the ESG performance of products 	<ul style="list-style-type: none"> Extend ESG performance management to the supply chain and establish a Supply Chain Carbon Footprint Accounting System to effectively improve account efficiency. Continuously monitor regulatory trends, industry norms, and customer specifications; control materials and products in a timely manner. Continuously build a product material management platform and design product ESG performance report. Improve product design and seek opportunities to reduce carbon emissions to mitigate environmental impact. 	<ul style="list-style-type: none"> Strategically utilize intelligent greening, source control, environmentally friendly features, and global certifications to realize universal green product management. Leverage the Product Carbon Footprint Automatic Accounting System to optimize products' ESG performance.
Air Pollution Control	<ul style="list-style-type: none"> Promote the reduction of air pollutants. Improve the control of air pollutant emissions. 	<ul style="list-style-type: none"> Reduced air pollutants, with a VOC treatment efficiency of over 92%. Enhanced the prevention and control of air pollutant emission equipment to comply with regulatory requirements. 	<ul style="list-style-type: none"> Continuously improve the prevention and control of air pollutant emissions. 	<ul style="list-style-type: none"> Continuously promote the reduction of air pollutant emissions.
Waste and circular economy	<ul style="list-style-type: none"> Collaborate with manufacturers to research new waste recycling technologies and strengthen waste recycling and reuse. Expand the application of liquid crystal extraction technology and introduce the liquid crystal removal of non-integral broken glass. 	<ul style="list-style-type: none"> Achieved 0.99% landfilling of waste. The stable operation of the chemical recycling system achieved a total recycling rate of 76.3%. Progressed towards the zero-waste goal and worked with plastic waste recycling companies to recycle and reuse polyethylene (PE) waste. The liquid crystal removal rate of non-integral broken glass in the Tainan sites has reached 98% 	<ul style="list-style-type: none"> Evaluate the possibilities of including raw materials and packaging projects in the circular economy to enhance raw material efficiency. Expand the PGMEA one-time liquid recycling site to increase the processing capacity to approximately 50 tons per month. Implement verifications for the reuse of non-recyclable liquid crystals to ensure quality. 	<ul style="list-style-type: none"> Ensure a <2.0% waste landfill rate until 2025. Promote the circular economy to improve material recycling efficiency. Continue to develop new chemical self-recycling technologies. Introduce products where liquid crystals do not need to be recycled to progress towards the production of green products.



5.1 Green manufacturing

GRI : 2-27

Environmental issues have received much attention in recent years, and Green Production has especially been a trending topic. As a leading company in the optoelectronic industry, Innolux has developed resolutions to achieve water-saving, power-saving, carbon reduction, waste reduction and chemical recycling, and other related objectives through digital and systematic methods. Innolux continues to optimize green management, climate change management, water resource management, pollution control, waste management, and biodiversity management, providing eco-friendly and low-carbon manufacturing services to encourage the sustainable development of businesses.

5.1.1 Management System

Innolux seeks a balanced development between environment, society, and economy, and established sustainable development goals with a focus on the environmental aspect. The Company continues to update and install ISO 14001, ISO 50001 and ISO 14064-1 on high-energy-consuming projects, introducing reduction and monitoring measures as well as systematic optimization management. The Company uses iFM (intelligent facility management) Big Data Platform to provide digital assistance, monitoring water saving, power saving, greenhouse gas emissions, waste reduction, chemical recycling, and the use of energy and resources. Innolux also facilitates cross-departmental cooperation where organizations such as the Safety, Health, and Environmental Protection Committee, Factory Operations Committee, Energy Management Committee, Carbon Risk Management Committee, and Sustainable Development Committee work together to cultivate a sustainable environment and develop green businesses. In 2022, a total of 54 cases were reviewed by the Factory Operations Committee, and 61 cases related to the ISO 14001 environmental management system were resolved.

/ Environment Management Policy /

- Comply with environmental laws and regulations, commit to complying with international environmental conventions, and continue to improve environmental performance and mitigate related impact.
- Follow international environmental protection trend and satisfy clients' need, strive to promote the Green vision, enhance the green design, manufacturing, and delivery of products and collaborate with value chain partners to achieve energy-saving, carbon reduction, waste reduction, circular economy, and greening to mitigate the environmental impact of products and processes.
- Provide education, training, and communication channels; enhance employees' understanding of environment protection and encourage all staff to participate in and contribute to environmental protection.

/ Energy Management Policy /

- Follow laws and regulations about energy, comply with international standards, meet the needs of stakeholders, and continuously improve the performance of our energy management system.
- Respond to energy management trends and meet customer needs, commit to promoting the Green Vision, implement energy-saving and carbon reduction measures to improve energy efficiency, and reduce the impact on energy performance of operations and processes.
- Provide various resources regarding energy management and operations to ensure meeting the goals.
- Support the procurement of energy-saving products and services and encourage creative activities that improve energy performance.
- Provide education, training, and efficient communication channels to help employees better understand energy management and encourage staff to participate in energy management and energy-saving tasks.

/ Achievements of Factory Operations Committee /

Technical Platform	Number of KM *Technical Documents adopted	Number of horizontal development cases **
Air conditioning	14	16
Water	9	9
Electricity	13	16
Gasification	18	10
Total	54	51

*KM refers to technology and knowledge documents that have been internally reviewed and adopted.

**Horizontal development applies to all Taiwan sites

/ Cases under ISO 14001 Environment Management Systems /

Site	Cases opened in 2022	Cases closed in 2022	Case closing rate in 2022
Taiwan	49	30	61.2%
China	43	31	72.1%
Total	92	61	66.3%

Communication on Environmental Issues

Innolux highly values communication on all environmental issues. We manage and control the communication process, simultaneously keeping records on the issues involved and improvements. The reported cases and their status in 2022 are as below, 99.4% of which have been responded and resolved.

/ Internal and External Communication cases in 2022 /

Item / number	Number of cases	Number of closed cases	Closing rate
Internal Communication	59	58	98.3%
Internal Communication	442	440	99.5%

5.1.2 Environmental Accounting

In compliance with the environmental accounting guidelines issued by the Environmental Protection Agency, Innolux has combined the procurement mechanism and its accounting system to create an independent Environmental Account that manages and identifies the Company's expenditures related to environmental issues. The company launched several environmental protection projects and improvement plans in 2022. The total environmental protection expenditures were estimated at NT\$ 1.42451 billion for the Taiwan sites and 5.68 million yuan (RMB) for the China sites.

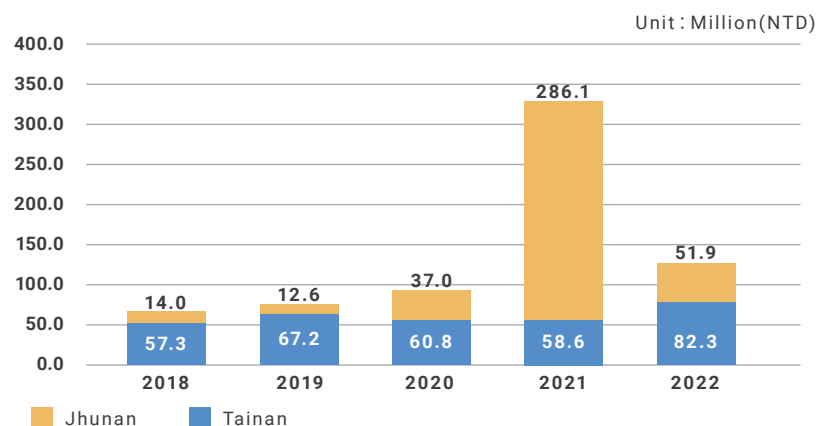
/ Environmental Expenditures in 2022 /

Item	Content	Site	
		Taiwan(NT\$10,000)	China(RMB10,000)
Corporate Management	Pollution control	102,457	414
	Global environmental protection	29,188	0
	Recycling and reuse	8,246	0
Management	Environmental education and Training/Acquisition of licenses and Certificates/Environmental monitoring/Organization of related activities/Environmental management systems maintenance	1,190	154
Research and Development	End-of-pipe treatment research/Process pollution reduction Research/Marketing for pollution reduction research	1,257	0
Up- and Down-stream Relations	Green procurement/Product recycling/Packaging material recycling/ Individual customer requirements	98	0
Social Activities	Public relations activities/Corporate image promotion/Other social activities	15	0
Losses and Compensation	Pollution remediation/Pollution litigation and compensation/Other Losses and Compensation	0	0
Total		142,451	568

Green Procurement

Innolux pays close attention to environmental protection issues. To protect the environment, we support recyclable, low-pollution, and energy-saving products and services. We promote green procurement and urge our upstream and downstream value chain partners to make a positive impact on the environment and society. Innolux spent a total of NT\$134.2 million on green procurement. In 2022, most of which are information technology devices, accounting for 52% of the total and followed by packaging materials such as cardboard boxes which account for 30%; other items account for 18%. In the future, the Company will continue to procure green products and services.

/ Amount of money spent on green procurement at the Taiwan sites*/



*The expenditures include related upstream and downstream costs and procurement of items with green marks.



Awards for Excellence

- In December 2022, Innolux was awarded the Green Procurement Excellence Award by the Environmental Protection Administration of the Executive Yuan.
- The Kaohsiung site was awarded the Green Procurement Excellence Award by the Kaohsiung City Government Environmental Protection Bureau in July 2022.
- The Tainan site was awarded the Green Procurement Excellence Award by the Tainan City Government Environmental Protection Bureau in November 2022.



Following Environmental Protection Regulations

Innolux complies with relevant environmental regulations and RBA code of conduct requirements and conducts regular internal audits on each site. In 2022, a total of 6 sites in the Greater China region were audited, and no environmental mismanagement were found. Innolux is committed to minimizing environmental impact and has not been fined for any violations of environmental regulations.

/ Penalties for Environmental Violations in Previous Years /

	2019	2020	2021	2022
Number of significant environmental violations (individual case>10,000 USD)	0	0	0	0
Total amount of fines (in NTD)	0	0	0	0
Number of total violations (individual case≤10,000 USD)	0	2	4	0
Total amount of fines (in NTD)	0	24,000	300,000*	0

*The fines in the four cases: NT\$144,000、72,000、72,000、12,000.

5.2 Climate Change Management

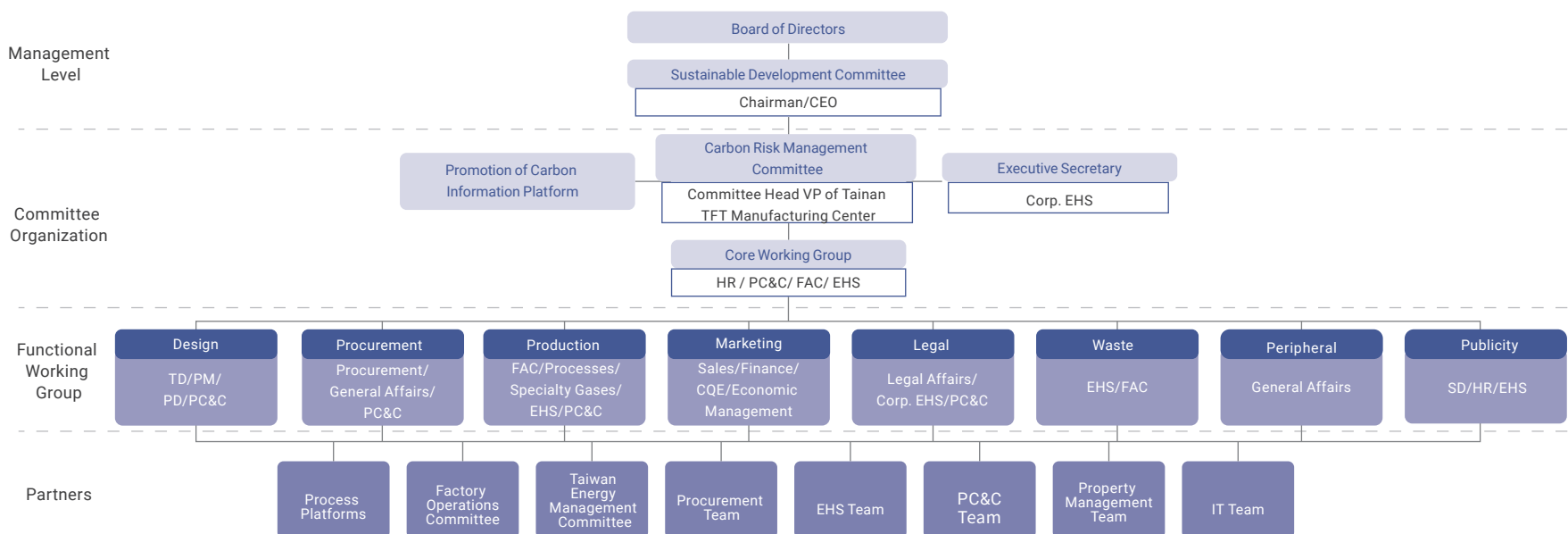
GRI : 2-23、2-24、2-25、201-2、302-1、302-3、302-4、305-1、305-2、305-3、305-4、305-5

The impact of climate change has motivated the industry to begin net zero emission transformation. Innolux, in consideration of issues related to carbon and energy trends, formulated the Innolux Net Zero Carbon Emission Development Roadmap where it promised to reduce absolute carbon emission by 25% and increase the proportion of recyclable energy to 20% (RE20). The Company established the Carbon Risk Management Committee to evaluate possibilities of reducing carbon emission and create ESG values for the Company.

5.2.1 Carbon Risk Management Committee

Established in 2021, the Carbon Risk Management Committee is led by the Vice President of the manufacturing center and encourages all staff to participate in achieving the carbon emission goal. The Committee has a core functional group that is responsible for studying carbon reduction action strategies with the ESH department which serves as the executing secretary that establishes and promotes carbon management goals. The Company has established eight functional groups based on the distinctive features of concerned departments, including Equipment, Procurement, Production, Marketing, Legal, Waste, Peripherals, and Public Relations. The Committee explores the feasibility of carbon reduction at various stages of production, including raw materials, design and manufacturing, distribution and transportation, product use, and waste processing. In addition, the Committee actively promotes the installation of renewable energy equipment to minimize the environmental impacts of greenhouse gas emissions. To facilitate internal communication and control the progress of net zero carbon emission programs, the Committee has introduced the Net Zero Carbon Platform, a digital platform that systematically manages the organization's efforts. In 2022, with the efforts of the eight functional groups, a total of 882 carbon reduction plans were proposed, and 661 plans were approved and registered after review. It is estimated that the annual reduction of Scope 1 and Scope 2 emissions will be 135,788 tCO₂e, and Scope 3 emissions will be 155,504 tCO₂e, resulting in a total annual reduction of 291,292 tCO₂e.

/ Organizational structure of the Carbon Risk Management Committee /

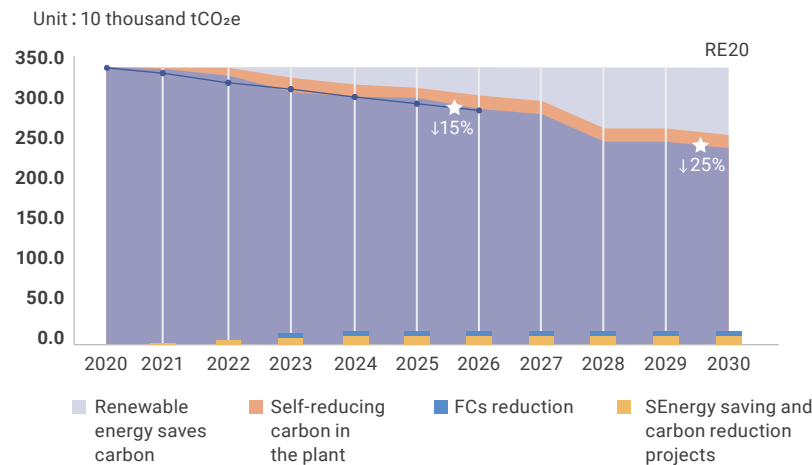


Net Zero Emissions Strategy

Innolux is fully aware of the significant impact of climate change on the global environment. As a major panel manufacturer, we shoulder the responsibilities of a leader. In 2022, the Company officially joined the Taiwan Alliance for Net Zero Emission (TANZE) and committed itself to achieving 100% use of renewable energy for office electricity in production sites by 2025 and for office electricity in all locations by 2030. The Company regards the use of renewable energy as an important strategy for low-carbon transformation and plans to include wind and solar energy while implementing in-house energy-saving measures and reducing fuel and process emissions. The goal is to achieve an absolute reduction of 25% in Scope 1 and Scope 2 greenhouse gas emissions by 2030, with renewable energy accounting for 20% (RE20) of the total energy usage.

In the future, Innolux will continue to optimize its processes, fully adopt Local Scrubber, use renewable energy, improve energy efficiency, expand resource recycling, and collaborate with academia to develop carbon sequestration methodologies and technologies. The aim is to progress towards net-zero carbon emissions by 2050.

/ Innolux Net Zero Emissions Roadmap /



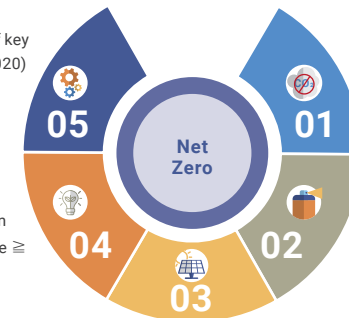
Innolux Net Zero Emissions Goals

Supply Chain

- Carbon reduction 20% of key suppliers by 2030 (vs. 2020)

Energy Saving

- Average power conservation rate in 2026 \geq 1%, challenge \geq 1.6% (vs. 2021)



Renewable Energy

- Renewable energy for self-consumption will reach 60M kWh per year by 2025
- 20% renewable energy (RE20) usage by 2030

Carbon Reduction

- Committed to 15% reduction in greenhouse gas emissions (S1+S2) by 2026 (vs. 2020)
- Committed to 25% reduction in greenhouse gas emissions (S1+S2) by 2030 (vs. 2020)

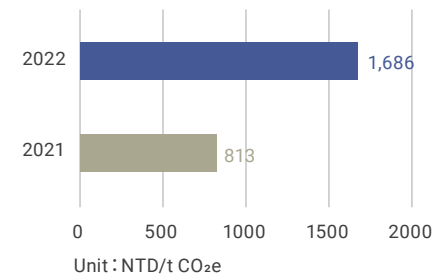
FCs Reduction

- Reduce 49% emission intensity per unit area FC in TFT process by 2025 (vs. 2016)

Other Carbon Risk Management Measures—Internal Carbon Pricing (ICP)

As the era of carbon pricing arrives, many countries have established carbon pricing mechanisms and carbon markets. Among them, the Carbon Border Adjustment Mechanism (CBAM) of the European Union will be implemented on a trial basis in October 2023 and officially implemented in 2027. Taiwan has passed the Climate Change Response Act and officially includes carbon taxes and greenhouse gas emissions cap in policy tools. Carbon taxes are expected to be implemented in 2024. Innolux continues to pay attention to global carbon price trends and convert CO₂ emissions from nonmonetary targets into monetary costs, having implemented Internal Carbon Pricing (ICP) in 2021. The Company will adjust the internal carbon pricing based on the carbon reduction achieved each year, transforming risks and challenges into opportunities to fulfill our promise on environmental protection, realize our vision for low carbon production, and meet the expectations of shareholders.

ICP is an important strategy of the Company's carbon reduction efforts. It achieves five objectives: fully controlling carbon risks, effectively managing carbon costs, assisting in achieving carbon goals, demonstrating the Company's ambition, and maintaining competitiveness in low-carbon transformation. In 2022, Innolux's internal carbon pricing was set at NT\$1,686/t-CO₂e, a 107% increase from 2021. The Company uses ICP as an evaluation tool for carbon investment and improvement to enhance our competitiveness in sustainable development.



Other Carbon Risk Management- Carbon Sequestration Methodology

Innolux X College of Bioresources and Agriculture, NTU = CSR X USR Create Sustainability Power

Innolux has signed a memorandum of understanding (MOU) with National Taiwan University (NTU) to promote sustainable technology and strategies in three areas: corporate carbon neutrality, zero and negative carbon emissions, and biodiversity. This partnership aims to innovate the industry's net-zero transformation and make a positive impact on sustainability.

In the future, Innolux will focus on promoting sustainable initiatives in three key areas: (1) forest carbon sequestration methods and technology development as well as integrations between domestic and international carbon rights regulations; (2) soil carbon sequestration methods and technology development as well as integrations between domestic and international carbon rights regulations; and (3) academia-industry collaboration on biodiversity restoration projects. Through the development of carbon sequestration methods, Innolux aims to achieve net zero carbon emissions transformation and achieve carbon neutrality goals.



5.2.2 Climate Change Adaptation

Task Force on Climate-Related Financial Disclosures (TCFD)

As a response to the United Nations Sustainable Development Goal 13: Climate Action (SDG 13), Innolux adopted the Task Force on Climate-Related Financial Disclosures (TCFD) framework in 2020 and continuously improves related content and operating mechanisms every year. Innolux has signed the TCFD initiative and became a Supporter, demonstrating our commitment to achieving climate governance and sustainable development.

Governance

Board of Directors Oversight

- The Sustainable Development Committee reports annually to the Board of Directors on sustainability achievements and goals and reviews climate-related risks and opportunities. Quarterly, the Carbon Risk Management Committee tracks the response strategies and situation of each working group. If significant climate-related decisions need to be made, the Board of Directors holds ad-hoc meetings. See 5.2.1 for details.

Management Responsibility

- The Carbon Risk Management Committee is the organization responsible for formulating Innolux's response to climate change. It is divided into eight functional groups based on departments' features and tasked with exploring carbon reduction possibilities. See 5.2.1 for details.

Strategy

Risks and Opportunities Identification

- Referencing the TCFD framework, significant physical risks and opportunities during transitions are identified through cross-departmental discussions where the time frame of short, medium, and long-term occurrences being taken into consideration.

Significant Impact

- The financial impact of significant transitions is evaluated based on their physical risks and opportunities.

Impact Simulation

- Through historical and forward-looking considerations, physical risks and opportunities involved during significant transitions are integrated and simulated under different scenarios to estimate the level of impact.

Risk management

Procedure for Risk and Opportunity Identification

- Integrating domestic and international market trends, research literature, rating indicators, and industry reports, and applying the proposed framework based on legal, technological, market, and reputational risks under transition risk, and immediacy and long-term impact under physical risk, as well as resource efficiency, energy sources, products/services, markets, and resilience under opportunities.
- Collecting opinions from Taiwan and China sites through the system, defining the time-frames for short, medium, and long-term occurrences, and quantifying the "probability of occurrence" and "impact level" to identify significant transitions and physical risks and opportunities using a two-dimensional matrix.

Procedure for Impact Simulation

- Internal and external climate-related data are evaluated, and the Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs) proposed in the IPCC assessment report are combined to correspond to the physical risks and opportunities of transitions and physical impacts. Conflict impact simulations are conducted, and the simulation results are comprehensively reviewed.

Integrating Business Risk Management

- Incorporate climate change into the Risk Management Policy and Procedures and make the Board of Directors the highest management level. See 2.2 for details.
- Build an information management platform for real-time monitoring to achieve "digital governance". See 5.5.3 for details.
- Implement Internal Carbon Pricing (ICP) as a risk management tool for investments. See 5.2.1 for details.
- Allocate a certain proportion of expenses as the operating budget for environmental sustainability.

Indices

Strategies and Commitments

- Including climate performance indicators in the compensation policy
- WB2C science-based reduction target
- EPA greenhouse gas offsetting project
- Green supply chain management

Climate Actions

- Strive to achieve the 2030 Sustainable Development Goals - absolute reduction of 25% in Scope 1+Scope 2 greenhouse gas emissions (vs. 2020)
- Commitment to the 2030 Sustainable Development Goals for the first time - towards self-use of RE20 renewable energy by 2030
- Continuously implement the 2026 Sustainable Development Goals - average annual electricity saving rate $\geq 1\%$, aiming for $\geq 1.6\%$.
- Early achievement of the 2025 Sustainable Development Goals - 49% reduction in the FCs unit area emission intensity (vs. 2016)
- Dedicated to complying with the Renewable Energy Development Act - establishment of 10% electricity contract capacity for self-use of green energy
- Extension of the ISO 50001 Energy Management Systems

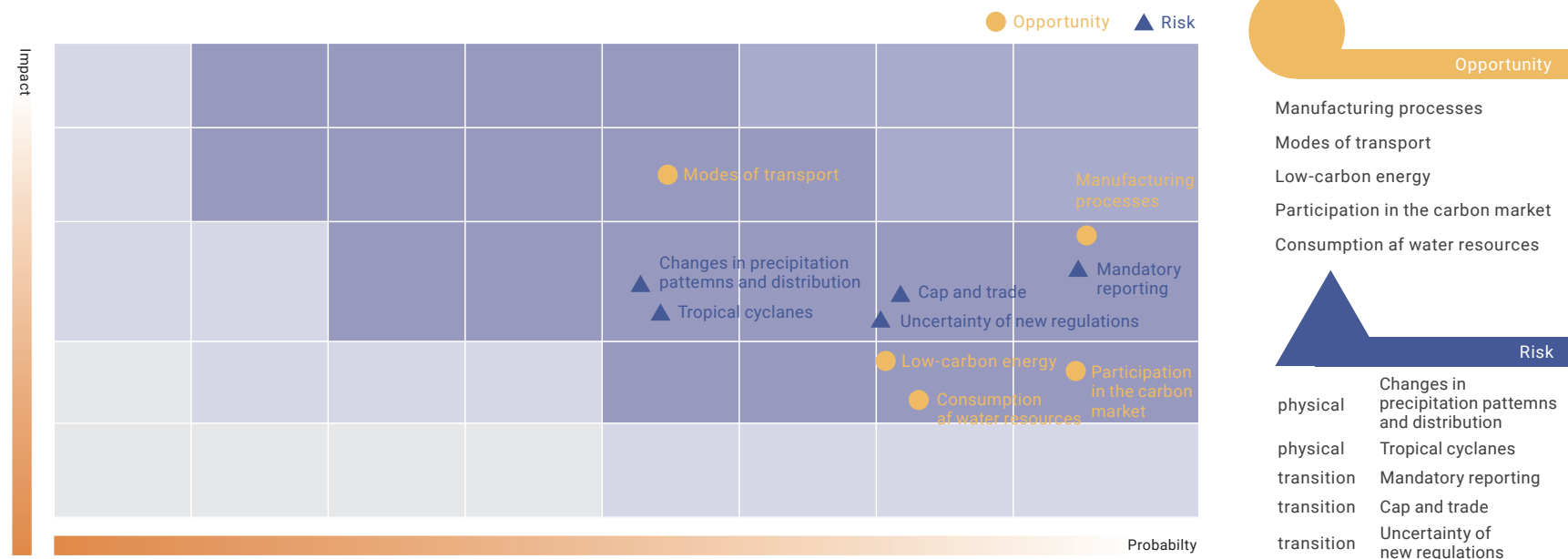
Carbon Inventory

- Conducted a greenhouse gas inventory in accordance with ISO 14064-1:2018 and completed external verification, See 5.2.3 for details.

1. Identification and Evaluation of Climate Impacts

Climate impact has wide-ranging effects on businesses. Innolux references the TCFD framework and integrates international trends, research literature, rating indicators, and industry reports to identify 58 potential risks and opportunities. However, as the issues are complex and sites operate differently around the world, there is incongruity in time-space scale which makes it difficult to perform quantitative analyses individually and identify the specific financial impact. In light of this, Innolux invited managers in relevant departments to co-evaluate. The graph shows the results of the discussion.

/Matrix chart for risks and opportunities resulting from climate change/



Risk			
Category	Climate risk	Time frame	Financial impact
Transition- regulations	Cap/trade	Medium-term	Increased costs
Transition- regulations	Mandatory declaration	Short-term	Increased costs
Transition- regulations	Uncertainties of new regulations	Short-term	Increased costs
Physical-immediate	Tropical cyclones	Short-term - Medium-term	Decreased revenue Increased costs
Physical-long-term	precipitation patterns	Medium-term - Long-term	Decreased revenue Increased costs

Opportunity			
Category	Climate risk	Time frame	Financial impact
Source of energy	Participation in the carbon market	Medium-term	Increased revenue Increased value of assets
Source of energy	Low-carbon energy	Short-term	Increased revenue Increased value of assets
Resource efficiency	Manufacturing processes	Short-term	Increased revenue Decreased costs
Resource efficiency	Modes of Transport	Short-term - Medium-term	Decreased costs
Resource efficiency	Consumption of water resources	Medium-term - Long-term	Decreased costs

2. Climate Impact Scenario Analysis

Following the instructions of the TCFD Knowledge Hub, Innolux identified, evaluated, and categorized the materials risks and opportunities of climate impact. We conducted a simulation of physical and transitional impacts based on external information, focusing on the worst-case scenario. Financial analysis was then performed using the 2022 revenue as a benchmark. The climate scenarios used were based on the RCP and SSP pathways in the IPCC assessment reports and the SBT's 1.5-degree warming target.

Impact	Physical	Transition
Pathways	RCP 8.5	NDC、SSP1-1.9、SBT-1.5
Future Projection	2036-2065	2050
Geographic scope	Taiwan	Global
Category	Immediate, long-term	Regulations, technologies
Source of parameters	NCDR	IRENA, IEA, Taipower

Regarding the physical impacts of climate change, Innolux concluded that there were no major natural disasters in the Taiwan sites and they are not located in high-risk potential areas based on the results of major impact scenarios analysis, which categorized flooding and slope disasters as immediate impacts and droughts and coastal disasters as long-term impacts, and a further comparison made with the cartographic data of the National Science and Technology Center for Disaster Reduction (NCDR). Under the RCP 8.5 scenario, the precipitation in various parts of Taiwan is showing an upward trend; however, the average number of rainless days is also increasing, implying that the pattern of heavy rainfall in the short term will become more significant in the future and the probability of sudden flooding and long-term droughts will be higher. In light of this observation, Innolux developed strategies and targets to manage important water resources in the panel industry (see 5.3.2 for details). Currently, we are still unable to conduct valid analyses on the possible changes in slope and coastal disasters. We will continue to search for relevant resources.

Site	Precipitation change*	Rainless days change*	RCP 8.5-Immediate impact				RCP 8.5-Long-term impact			
			Flooding		Slope		Drought		Costal	
			Probability	Potential financial impact**	Probability	Potential financial impact	Probability	Potential financial impact**	Probability	Potential financial impact
Jhunan Site	+12%	+8%	↑	-0.3%	-	-	↑	-0.1%	-	-
Tainan Site	+16%	+12%	↑	-0.3%	-	-	↑	-0.1%	-	-

*Citing the data from the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), the data from the northern region represents the Miaoli area, and the data from the southern region represents the Tainan area.

**Referencing the revenue in the Greater China region in 2022 and comparing it with the average number of affected days by disasters and estimated costs of the emergency response plan

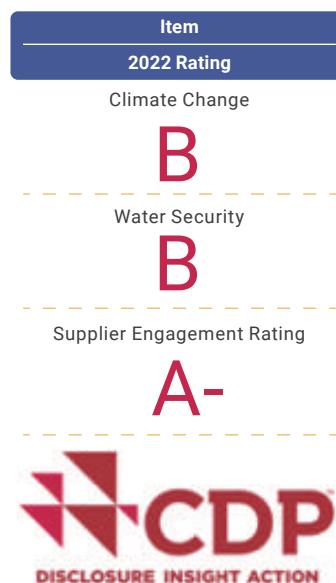
In response to the transition impact of climate change, Innolux has mapped out potential emission paths using historical data on internal and external environment. SBT1.5 & SSP1-1.9 pathway's International carbon taxes, NDC pathway's carbon fines stemmed from Taiwan's greenhouse gas emissions cap and the obligatory capacity generated under the Heavy Electricity Users Clause are considered regulatory impacts. Renewable energy equipment installation and additional renewable energy procurement are considered technological impacts. Furthermore, referring to relevant cost-benefit studies such as those conducted by the International Energy Agency (IEA) and the International Renewable Energy Agency (IRENA), the Business as Usual (BAU) strategy and the transition strategy which involves investing in renewable energy installation and procurement are compared to determine the difference in impact under extremely low emission scenarios. The results show that regardless of the strategy, the impact of international carbon taxes is the most significant and will reach its peak between 2030 and 2039 due to external decarbonization pressures. On the other hand, due to a milder domestic regulatory impact, the requirements of the Heavy Electricity Users Clause could still be met using BAU and positive effects produced through self-use. In addressing carbon taxes and fines, Innolux will be able to meet the carbon credits capped by the government in the long run and avoid the carbon fines if it aims to achieve the goal of Innolux 2030 RE20 and procure additional renewable energy as part of the transition strategy. Moreover, since the credits in the renewable energy market are limited and can only offset some of the impact of carbon taxes, the cost structure will shift to focus more on carbon taxes and purchasing renewable energy. In summary, implementing the transition strategy can effectively reduce the financial impact of regulations through technological and management means. Therefore, Innolux has adjusted its climate actions and establish goals accordingly (see 5.2.3 and 5.2.4 for details).

Strategy	Type	Item	2022-2029*	2030-2039*	2040-2050*
BAU	Regulatory risk	NDC Carbon fines	+0.08%	+0.17%	+0.21%
		SBT1.5/SSP1-1.9 Carbon taxes	+4.93%	+9.25%	+8.46%
		NDC Obligatory capacity	-0.07%	-0.07%	-0.07%
		Total	+4.94%	+9.35%	+8.60%
Transition	Regulatory risk	SBT1.5/SSP1-1.9 Carbon taxes	+3.77%	+7.42%	+4.58%
		NDC Obligatory capacity	-0.07%	-0.07%	-0.07%
	Technological risk	Renewable energy installation	+1.38%	-1.13%	-1.13%
		Renewable energy procurement - in response to carbon fines	+0.34%	0.00%	0.00%
		Renewable energy procurement - in response to carbon taxes	+0.02%	-0.27%	+0.86%
		Total	+5.45%	+6.75%	+5.09%

*Referencing the revenue in the Greater China region in 2022, comparing it with the estimated costs calculated in the cost-benefit analysis report

External Assessment

The Carbon Disclosure Project (CDP) has been inviting global businesses to disclose their carbon emissions, strategies regarding relevant risks and investment opportunities, and other aspects such as water security, forests and supply chains since 2013. Innolux scored a B (Management) in climate change and water security and an A- (Leadership) in supplier engagement rating in 2022. Among them, our score in climate change is better than the average score (C) for the Asian region and the electronics industry; the score in water security is also better than the average score (B-) for the electronics industry, and meet the average score (B) for the Asian region. Innolux's score in supplier engagement rating is higher than the average rating (C) for global, Asia region, and the electronics industry, demonstrating that the Company's environmentally responsible practices are internationally recognized.



5.2.3 Greenhouse Gas Management

In the face of climate change, achieving net zero carbon emissions by 2050 has become a global consensus, and greenhouse gas management is a top priority. Innolux conducts an annual greenhouse gas inventory in accordance with ISO14064-1:2018, and completes third-party verification. The Company also actively engages in carbon reduction actions, making the greatest effort to reduce greenhouse gas emissions.

Greenhouse Gas Inventory

Innolux has introduced the new standards ISO 14064-1:2018 greenhouse gas inventory, completed inventory of indirect greenhouse gas emissions generated from employees' commuting, business travels, waste disposal, procurement of goods (fuel and energy), and investments in 2021, and added transportation and procurement of goods (raw materials) in the upstream and downstream processes to the inventory to expand the tracking of indirect greenhouse gas emissions in 2022 to construct a more comprehensive basis for carbon value and sustainable carbon management.

The results of the 2022 greenhouse gas inventory show that the total emissions were 3.941 million tCO₂e. Category 1 emissions were 0.115 million tCO₂e, Category 2 emissions were 2.605 million tCO₂e, and Category 3-5 emissions were 1.221 million tCO₂e. Indirect emissions from energy (Category 2) were the main source of greenhouse gas emissions, accounting for 66.10% of the total emissions. Other indirect emissions (Category 3-5) contributed a total of 30.99%. Only 2.91% of the emissions came from direct emissions (Category 1). The emissions for Category 1, Category 2, and Category 3-6 are summarized in the table below for the year 2022.

Item	Category	Emission (million t CO ₂ e)	Percentage (%)
A. Direct GHG emissions		0.115	2.91%
B. Indirect GHG emissions from imported energy		2.605	66.10%
C. Indirect GHG emissions from transportation	Upstream transportation and delivery	0.007	0.18%
	Upstream transportation and delivery	0.013	0.33%
	Business travel (employee business travel)	0.001	0.02%
	Employee commuting	0.037	0.94%
D. Indirect GHG emissions from products used by the organization	Procured products and services (raw materials)	0.650	16.48%
	Fuel-and-energy-related activities	0.465	11.81%
	Waste generated in operations	0.013	0.32%
	Investment (subsidiary)	0.035	0.90%
E. Indirect GHG emissions related to products used by the organization			
Total volume		3.941	100%

Greenhouse Gas Reduction

2030 Sustainable Development Goals - Absolute reduction of 25% in greenhouse gas Scope 1+Scope 2 emissions (vs.2020)

Innolux has established the target of an absolute reduction of 25% (2.528 million tCO₂e) in greenhouse gas Scope 1+Scope 2 emissions by 2030, based on the 2020 emissions level of 3.37 million tCO₂e. To achieve this goal, various energy-saving and carbon-reduction projects were launched in 2022, including improving electricity efficiency, process improvement, and replacing old equipment, resulting in a 19.3% reduction in Scope 1+Scope 2 emissions to 2.720 million tCO₂e. In the future, Innolux will continue to promote and implement energy-saving and carbon-reduction projects, actively seeking new technologies and clean process improvements to reduce greenhouse gas emissions and mitigate environmental impact.

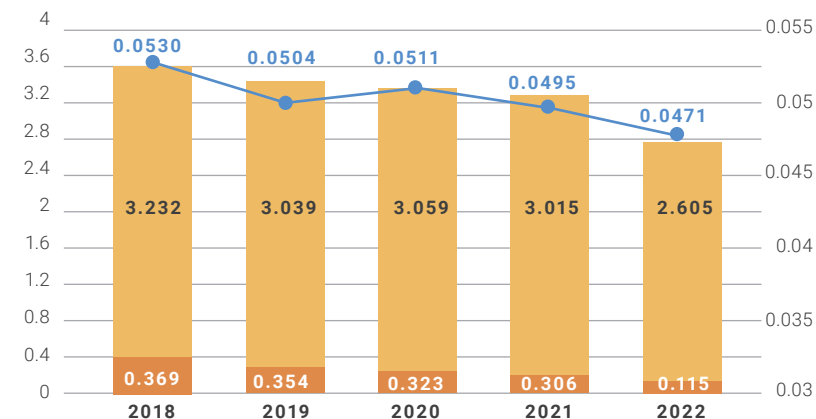
/ Volume of GHG emissions over the years /

Unit: million tCO ₂ e	2017	2018	2019	2020	2021	2022
Scope1	0.436	0.369	0.354	0.323	0.306	0.115
Scope2	3.034	3.232	3.039	3.059	3.015	2.605
Scope3	0.039	0.037	0.032	0.028	0.609	1.221
Total	3.509	3.638	3.425	3.410	3.929	3.941

/Scope 3 inventory items over the years /

Items/Year	2017~2020	2021	2022
Upstream and downstream transportation and delivery			●
Business travel (employee business travel)	●	●	●
Employee commuting		●	●
Procured products and services (raw materials)			●
Fuel-and-energy-related activities		●	●
Waste generated in operations	●	●	●
Investment (subsidiary)		●	●

/GHG Emissions Intensity over the Years/



Scope1(million t CO₂e) Scope2(million t CO₂e)

GHG emissions intensity(t CO₂e/m²)

- Scope of data : the Taiwan and China sites
- Scope 1: Direct GHG emissions
- Scope of inventory: Qualitative and quantitative inspection of fluoride-containing FCs with Global Warming Potential, namely SF₆ (sulfur hexafluoride), NF₃ (nitrogen trifluoride), and CF₄ (carbon tetrafluoride), fuels in public systems, VOC control equipment, and other pollution sources with GHG emissions
- Scope 2: Indirect GHG emissions related to energy
- Scope of inventory: Qualitative and quantitative inspection of purchased electricity and thermal energy
- The unit input area refers to the input substrate area = Array + CF
- The greenhouse gas emission intensity formula: Greenhouse gas emissions from Scope 1 and Scope 2 (in tCO₂e)/the input substrate area (in square meters).

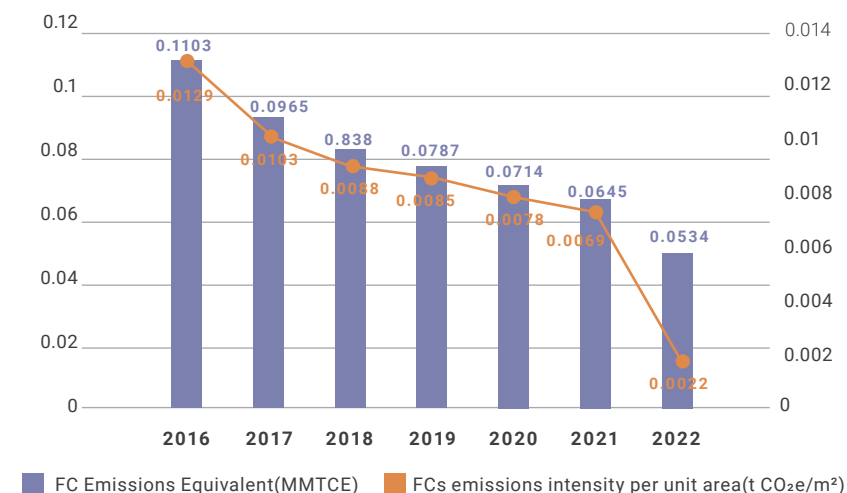


Effectiveness of Greenhouse Gas with Fluorinated Compounds (FCs) Management Indices

2025 Sustainable Development Goal - 49% reduction in FCs unit area emissions intensity

Innolux set the baseline of TFT-LCD process fluorinated compounds (FCs) unit area emissions intensity at 0.0129 tCO₂e/m² in 2016 and aims to reduce it by 49% (0.0066 tCO₂e/m²) by 2025. Through various efforts and the addition of 2 Local Scrubbers in 2022, the FCs unit area emissions intensity of the process was reduced to 0.0022 tCO₂e/m² -- an 82.9% decrease -- achieving the goal ahead of schedule. Innolux continues to strive for further reductions in FCs unit area emissions intensity and plans to add 9 more Local Scrubbers in 2023 to improve processing efficiency and achieve an estimated annual reduction of 17,000 tCO₂e, aiming to achieve 100% installation as soon as possible.

/Historical FCs Emissions/



Greenhouse Gas Offset Project

In response to the Greenhouse Gas Reduction Incentive Program of the Environmental Protection Administration, Fab F, B, and T2 in Taiwan submitted applications for greenhouse gas offset projects to the Environmental Protection Administration (EPA) in 2019. The project plans were registered and implementation began in 2021. It is estimated that the project will reduce annual CO₂e emissions by 235,000 tons in 2022, and verification and carbon credit application will be carried out in 2023.

Green Logistics

The continuous development of economic globalization has resulted in the high variability, decentralization, complexity, and internationalization of logistics operations (including product manufacturing, storage, and distribution), which, according to the World Economic Forum, accounts for approximately 5.5% of global carbon emissions. Therefore, Green Supply Chain Management (GSCM) should be introduced to logistics services, where logistics operations are planned and regulated based on environmental sustainability considerations to reduce the environmental impact of greenhouse gas emissions and air pollution. Innolux encourages suppliers to achieve environmental friendliness while ensuring the quality of raw materials, replace vehicles that are more than 10 years old, and prioritize the use of environmentally friendly vehicles that are certified as Phase V or VI compliant. Through a regular evaluation system, the introduction of environmentally friendly logistics vehicles is accelerated to reduce air pollution caused by transportation. Innolux also hopes to work with suppliers to achieve sustainable management.

Innolux supports green logistics, continuously manages the movements of import and export containers via the Company's container management platform and has expanded the scope to shipments at the customer's end. We increase the utilization rate by reusing import containers as export containers which decreases the frequency of transporting empty containers to and from ports and improves shipping efficiency. Although air transportation is the fastest mode of transportation, it has the highest carbon emissions. Therefore, while meeting delivery deadlines, goods that originally required air transportation can be transported by sea or land transportation with relatively lower carbon emissions to save significant transportation costs and reduce carbon emissions. In 2022, we reduced emissions by approximately 4.25 million tCO₂e – a 5.3% increase from last year's record – by incorporating the status of import and export containers and the shipping plans for finished products, and moving from air transport to sea and land transport. In the future, we will continue to increase the utilization rate to realize green logistics and eco-friendliness.

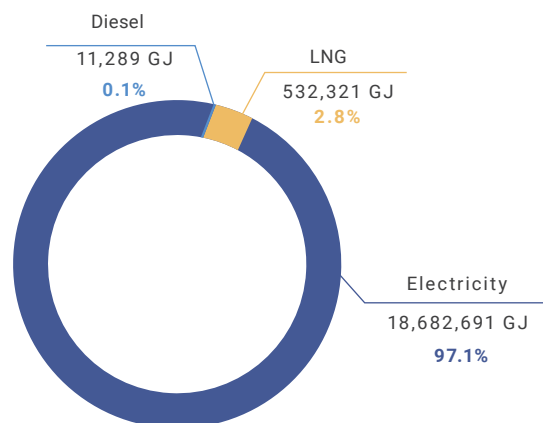
5.2.4 Energy Management

According to the results of the TCFD framework, implementing transition strategy can reduce the impact of financial shocks through technological and managerial means. Based on the outcomes of greenhouse gas inventory in 2022, scope 2 emissions were the largest source of emissions, accounting for 67% of the total. Therefore, to achieve net-zero emissions, increasing energy efficiency and accelerating energy transition is necessary. Innolux has installed ISO 50001 energy management systems, supported procurement of green products and services, set medium-term goals for energy management and formulated the Innolux 2030 Renewable Energy Utilization Goals to facilitate energy transition, mitigate energy crisis and respond to international trends by taking actions.

Energy Crisis

The impact of the 2022 Russo-Ukrainian war on global natural gas supply has made energy crisis a major focus at the 27th United Nations Climate Change Conference (COP27). To reduce the impact of energy volatility, countries should gradually reduce coal-fired power generation, phase out high-carbon-emitting energy sources, and strengthen economic resilience. The development and improvement of new energy technologies have become a key priority for countries, and energy transition is urgent. In March 2022, Taiwan officially released Taiwan's Pathway to Net-Zero Emissions in 2050, which views renewable energy as the main energy source. As a large energy consumer, Innolux has planned the Innolux 2030 Renewable Energy Utilization Goals to actively build renewable energy generation equipment, enhance energy-saving efficiency, and purchase green energy to respond to the energy crisis, accelerate energy transition, and strengthen corporate resilience.

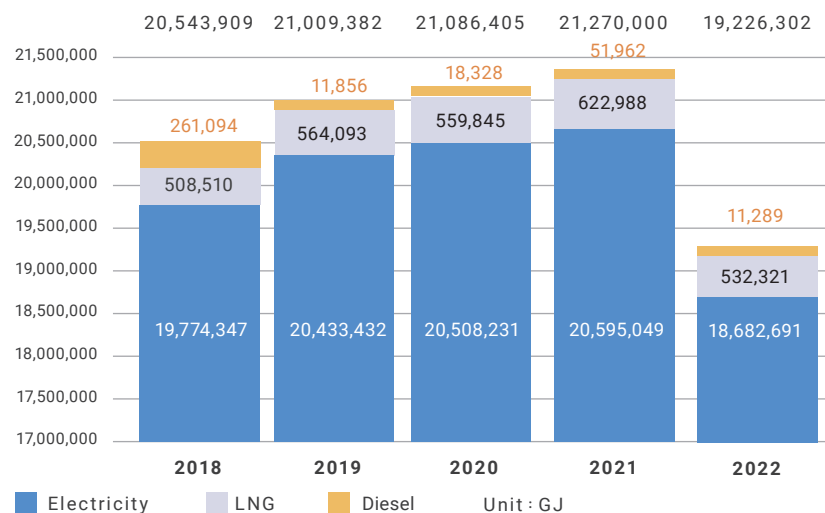
/Energy and resource consumption/



Energy Resource Consumption

Electricity, natural gas, and diesel are the primary energy resources for Innolux. In 2022, a total of 19,226,302 GJ of energy were consumed, of which electrical consumption made up the largest percentage with a total annual consumption of 18,682,691 GJ or 97.1%, followed by 532,321 GJ of natural gas (2.8%), and 11,289 GJ of diesel (0.1%).

/ Energy and resource consumption over the years/



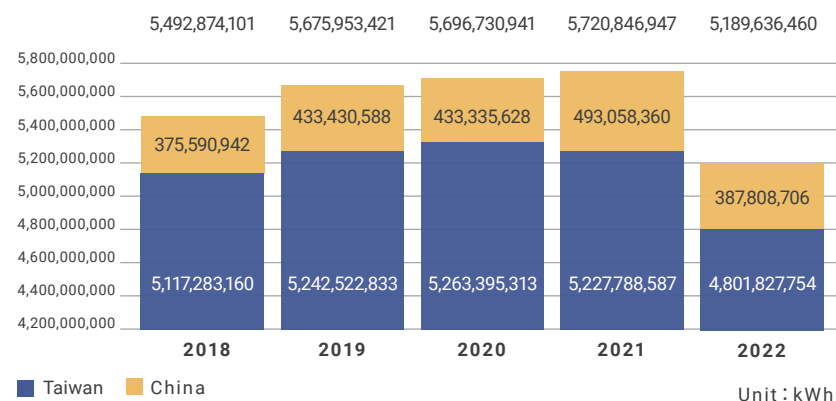
Power Consumption Efficiency

2026 Sustainable Development Goals – Average Annual Electricity Saving Rate \geq 1% For the Taiwan Sites, Aiming For \geq 1.6%.

In 2022, Innolux consumed a total of 5,189,636,460 kWh of electricity. The Taiwan sites consumed 4,801,827,754 kWh or 92.5% of this total, while the China sites consumed 387,808,706 kWh (7.5%). In 2022, due to decreased productivity and replacement of equipment and machinery, the electricity consumption decreased by 9.3% for sites in the Greater China region. Among them, the electricity consumption of the Taiwan sites decreased by 8.1% compared to the record of the previous year, achieving the goal.

A review of our power conservation performance indices shows that the average power conservation rate of the Taiwan sites met the 1% target set by the Ministry of Economic Affairs' Regulations on Setting Energy Conservation Objectives and Execution Plans for Energy Users in 2022. As for power consumption intensity, the power consumption per unit input area of the TFT-LCD plants in the Taiwan sites increased significantly from 72.57 kWh/m² in 2021 to 77.33 kWh/m² in 2022 (+9.3%). The increase in power consumption intensity was mainly due to decreased productivity, while basic energy consumption of the equipment remained the same. The goal for the power consumption per unit output quantity of the China sites was decreased compared to 2021. The sites in Ningbo, Foshan, Nanjing, and Shanghai all achieved the goal. As part of the 2023 goals, the average annual energy saving rate for the Greater China sites is set to achieve \geq 1%, aiming for \geq 1.6%. The China sites will continue to reduce power consumption per unit output quantity.

/Electricity Consumption over the Years /



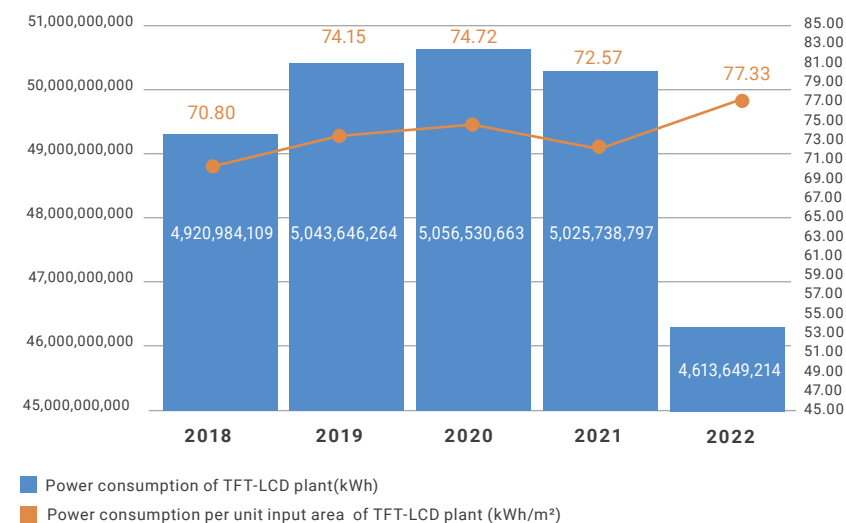
/Power Consumption Intensity in China Sites/

Power Consumption Intensity*	2022 target		2022 consumption		2023 target
	Reduction(vs.2022)	Intensity value	Intensity value	Target achieved	Reduction(vs.2022)
Ningbo	1%	1.332	1.318	V	1%
Foshan	1%	4.143	4.085	V	1%
Nanjing	2.5%	0.525	0.508	V	1%
Shanghai**	Electricity consumption \leq 33.79M kWh		33.03M kWh	V	1%

*Power consumption per unit output quantity (kWh/pc)

**The Shanghai site continues to introduce new manufacturing processes which will result in greater power consumption in 2022. Therefore, the 2022 target is to control the power consumption volume.

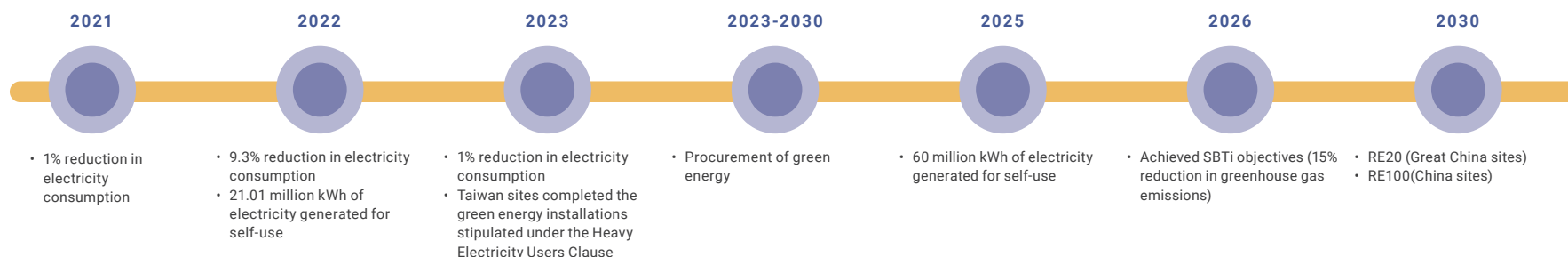
/ Power consumption per unit input area of TFT-LCD plant /



Energy Transition

As a result of climate change and energy crises, net-zero emissions issues and the development of new technologies have become global trends. In 2022, Innolux formulated the Innolux 2030 Renewable Energy Utilization Goals as part of strategies for energy saving and carbon reduction, solar energy installation, introduction of biogas power generation equipment and procurement of green energy. Innolux promised to achieve 100 % renewable energy utilization rate (RE100) in the China sites and 20% renewable energy utilization rate (RE20) in the Greater China region by 2030.

/ Innolux 2030 Renewable Energy Utilization Goals /



Innolux began to gradually invest in solar energy construction. The solar power capacity has reached 34,827 kWp in 2022 and annual solar power generation also reached 35,911,766 kWh. In 2019, the Company began to introduce biogas generation equipment which has been installed at two sites with a capacity of 190 kW and annual power generation of 511,883 kWh. Total power generation from renewable energy could reach 36,423,599 kWh. Apart from actively developing green energy, Innolux introduced ISO 50001 energy management systems and established the Energy Management Committee in 2019, actively promoting energy saving measures to improve energy efficiency. The Company hopes to increase its competitiveness and reduce operation impacts by developing software and hardware capabilities.

/ Solar Power Generation /

Site	Installed capacity (kWp)	Power generation(kWh)*	Self-consumption percentage
Taiwan	Jhunan	34	30,461
	Tainan	10,233	13,558,815
China	Ningbo	9,700	8,257,320
	Foshan	14,860	14,065,170
Total	34,827	35,911,766	

*The numbers are from the actual readings on the electric meters.

/ Biogas generation /

Site	Installed capacity (kWp)	Power generation(kWh)*	Self-consumption percentage
Tainan FAB 2	30	58,222	100%
Tainan FAB 7	160	453,661	0%
Total	190	511,883	

*The numbers are from the actual readings on the electric meters.

/ SmartFlowers Solar Energy Panel /



Green Energy Consumption

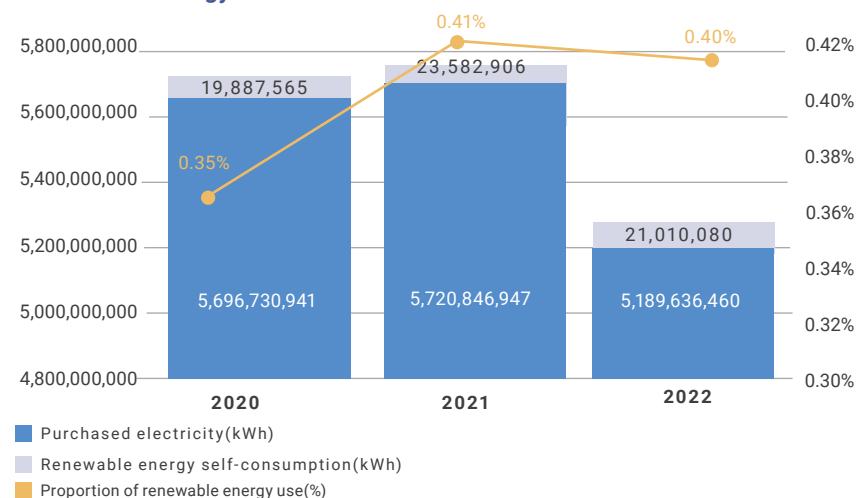
2025 Sustainable Development Goals – The Taiwan Sites Installs Renewable Energy Facilities to Generate 60 million kWh of Power Annually for Self-Use.
2030 Sustainable Development Goals - Renewable Energy Utilization Ratio Reaches 20% (RE20).

Innolux has participated in Taipower's demand response program in compliance with the government's energy policies such as the Tainan Low-Carbon City Autonomous Ordinance and the obligation for heavy electricity user to use renewable energy. As the first technology company to join the 161kV extra-high voltage system and invest in the power trading platform since the implementation of green energy policies for large power consumers, Innolux is able to assist Taipower in supporting the national power grid through the power trading platform mechanism. Through these efforts, the Company fulfills its social responsibility and enhance its corporate image.

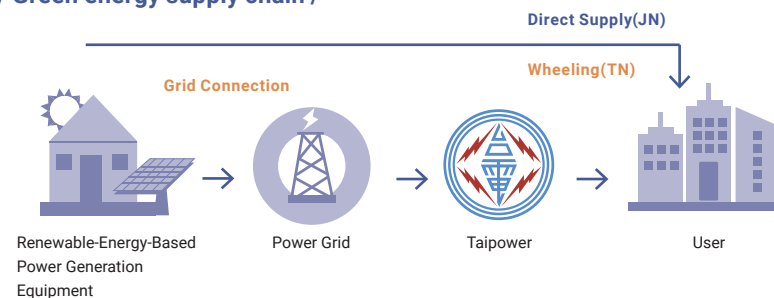
According to the green energy policies for heavy electricity users stipulated under the Renewable Energy Development Act, 10% of the contracted electricity capacity should be self-generated from renewable energy sources. After deducting the existing and redeemable green energy capacity, Innolux still needs to install 40 MW of solar power capacity. We are investing nearly NT\$ 3 billion and have started the construction and installation work in 2022. We aim to achieve the government's 2025 target for heavy electricity users by the end of 2023, with a total installed capacity of 66 MW gradually connected to the grid for power generation.

To fulfill the promise of generating 60 MWh for self-use per year by 2025 and RE20 by 2030, we adopted a phased installation. In 2022, the self-generated renewable energy amounted to 21,010,080 kWh, accounting for 0.40% of the total electricity consumption. It is projected that the installation of 40MW of solar power and the biogas power generation equipment at FAB 8 will be completed in 2023 to achieve the short-term goal of a 3.00% self-generation ratio.

/ Renewable Energy Utilization Trend over the Years /



/ Green energy supply chain /



/ Obligated installation stipulated in the Renewable Energy Development Act /

Contracted capacity (kWp)	Obligated installation* (kWp)	Installed (kWp)	Redeemable** (kWp)	To be installed*** (kWp)
663,708	66,371	18,067	26,548	39,283

*Equals contracted capacity x 10% ◦

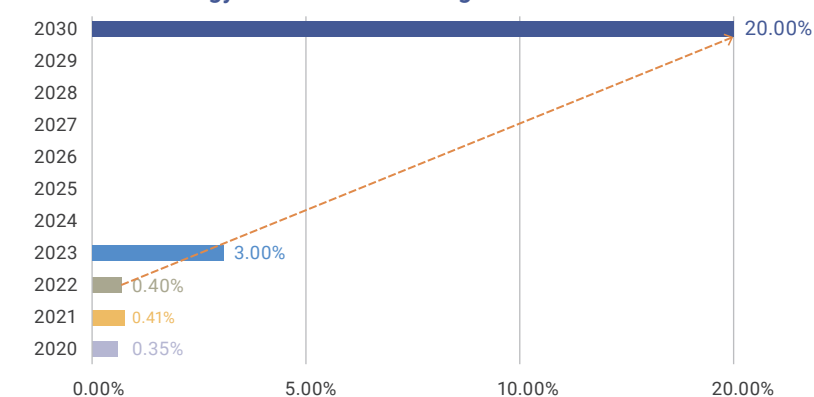
**Equals A+B

A= The maximum deduction for pre-existing installed capacity is 20% of the obligation capacity according to the law. As the pre-existing installed capacity of 18,067 kW is greater than 13,274 kW, the deduction amount is 13,274 kW (maximum deduction of 20%).

B= If the obligated renewable energy installation is completed within 3 years in advance, a 20% reduction in the obligated capacity can be granted. 66,371 kW x 20% = 13,274 kW ◦

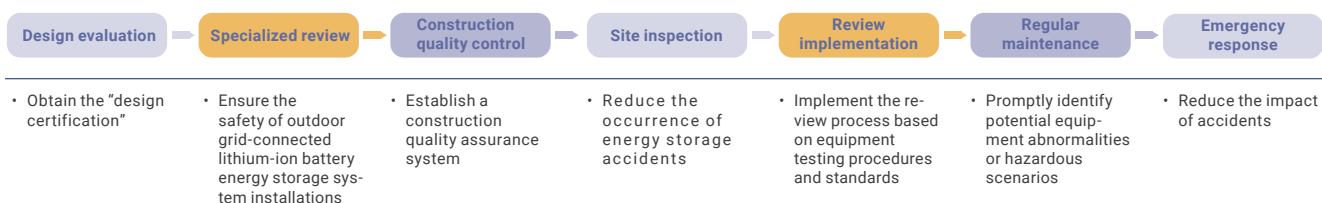
***Capacity that is to be installed after calculation = 66,371 kW - 13,274 kW - 13,274 kW = 39,283 kW ◦

/ Renewable Energy Utilization Percentage /



Energy Storage Equipment Installation

Innolux attaches great importance to energy storage as it implements energy-savings and green energy development. In addition to developing renewable biogas and solar power energy systems, it utilizes the quick charging and discharging feature of energy storage to facilitate frequency adjustments in the electrical system to maintain power supply stability. In 2022, Innolux constructed an on-site microgrid and energy storage power station in the China sites, which solves power shortages and save electricity costs through "Peak Shaving and Valley Filling." For example, the Foshan FAB is expected to achieve a total of 12.92 million kWh of electricity consumption through peak shifting and valley filling throughout the year which accounts for about 8-10% of the total power consumption. Moreover, by installing anti-voltage drop equipment, the FAB's critical process equipment is protected from the impact of voltage drops, which can save NT\$22.98 million in Uninterrupted Power Supply (UPS) investment. To conform to international safety standards, the company formulated the Safety Management Regulations for the Installation of Innolux Energy Storage Systems based on the Technical Specifications for On-site Verification of Outdoor Battery Energy Storage Systems and the Key Points for Design and Verification Review of Outdoor Battery Energy Storage Systems at Project Sites to establish seven management steps ranging from design to regular maintenance.

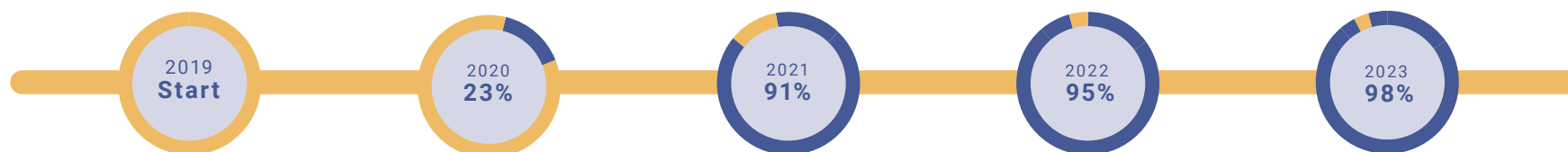


ISO 50001 Energy Management Systems

As international energy prices and the importance of energy consumption under climate change continue to rise each year, effective management will become an important issue for the sustainable development in businesses. In order to improve energy management, reduce energy consumption, increase profits per unit of electricity, and enhance competitiveness, Innolux introduced the ISO 50001:2018 standard and management mechanism in 2019. Two pilot sites with different generations of processes were used, and in May 2020, Innolux successfully obtained third-party verification from the British Standards Institution (BSI). This initiative has been continuously expanded to cover all sites, and by 2022, it had extended to the backend process sites, including Foshan, Ningbo, Nanjing, and Shanghai, with verification completed one after another, covering 95% of energy usage. The backend process sites in Taiwan are scheduled for verification in 2023, and by then, the coverage of energy usage will have reached 98%.

To achieve strategic and systemic energy management, the Energy Management Committee was founded jointly by the manufacturing, factory operations, industrial engineering, procurement, environmental safety, and sustainability departments. The committee members are appointed by the top executives of each manufacturing center and serve as the decision-making and supervisory unit for energy management. Following the PDCA (Plan-Do-Check-Act) cycle, the committee formulates energy policies, establishes energy efficiency indices, develops and promotes various energy-saving programs, establishes goals/targets, and continuously improves performance. The goal is to raise energy awareness internally and mitigate climate change.

/ ISO 50001 Coverage Percentage (Based on Energy Usage) /



Energy Saving Achievements

To create more energy-saving opportunities, the Innolux Energy Management Committee cooperates with Factory Operations Committee to support the development of energy-saving initiatives and additional establishment of budget for energy management system projects; it actively encourages energy-saving proposals and extends initiatives with major achievements to all sites. In 2022, a total of 464 proposals were submitted, 174 of which were completed, resulting in a total energy savings of 52.05 million kWh, which is equivalent to reducing 31,000 tCO₂e*.



/ Results of Developing Energy Management Systems /

Sites	Manpower input	2022 Action plan			
		Proposal	Closed	Annual energy savings (kWh)	Annual energy savings rate** (%)
Jhunan	145	80	36	6,207,629	0.68
Tainan	379	230	81	30,470,938	0.74
Foshan	49	8	5	328,132	0.22
Ningbo	50	88	15	10,178,099	4.32
Nanjing	30	34	22	3,306,667	6.65
Shanghai	45	24	15	1,553,797	4.61
Total	698	464	174	52,045,262	0.95

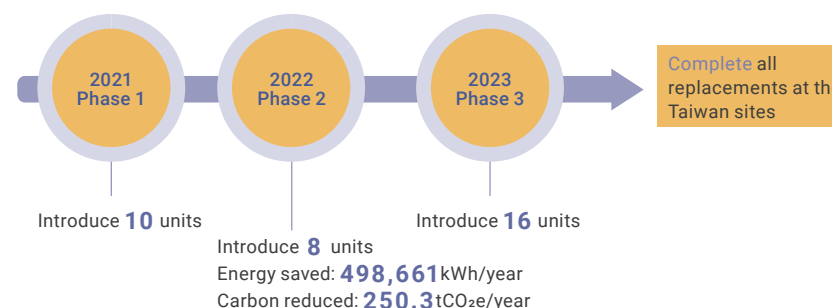
*Annual carbon reduction (tCO₂e/year) = (Annual energy savings * Electricity emission coefficients) / 1000. The electricity emission coefficients are 0.509 kg CO₂e/kWh for Taiwan, 0.7921 kg CO₂e/kWh for East China, 0.8042 kg CO₂e/kWh for South China, and 0.42 kg CO₂e/kWh for Shanghai.

**Annual energy savings rate (%) = Annual energy savings / 2021 electricity consumption

Energy Saving Project - Replacement of Cooling Tower Fan Blades

To improve energy efficiency, Innolux continuously conducts large equipment optimization. Since 2021, Innolux has initiated the three-stage introduction of cooling tower fan blades, which is expected to complete the replacements of cooling tower fan blades at 34 sites in Taiwan. Fan blades of 8 cooling towers have been replaced in 2022, which saves over 500,000 kWh of electricity and reduces over 250 tCO₂e annually. Innolux expects to gradually reduce energy consumption through introducing energy saving components.

/ Scheduling and Planning for the Cooling Tower Energy Saving Project /



Old Fan Blades



New Fan Blades



5.3 Natural Resources Management

GRI : 2-23、2-24、2-25、303—1、303-2

Recently, sustainable development has become the most emphasized issue in the world. While countries focus on the mitigation of climate change and adaptations, the importance of natural resources cannot be ignored. Fidelity International points out that climate change is closely related to biodiversity and one of the reasons for the loss of biodiversity. To achieve net-zero emission, it is necessary to protect natural resources, respond to climate change, and reduce its threat to biodiversity. Innolux focuses on natural resources protection, formulates biodiversity measures, and commits itself to biodiversity protection and zero net deforestation.

5.3.1 Biodiversity

According to the Global Risks Report 2023 released by the World Economic Forum (WEF), the top ten risks for the next decade include biodiversity loss and ecosystem collapse and natural resource crises. COP27 also mentions biodiversity for the first time, highlighting the importance of biodiversity. Innolux has referred to the Convention on Biological Diversity, the United Nations Sustainable Development Goals, and related documents to understand the importance and value of maintaining biodiversity and zero net deforestation. Innolux has formulated the Biodiversity and Zero Net Deforestation Policy with the Board of Directors as the highest supervisory unit, declaring its commitment to protecting natural resources.

Biodiversity and Zero Deforestation Policy

Innolux's Biodiversity and Zero Deforestation Policy applies to all sites and subsidiaries. We also encourage first and non-first-tier suppliers, as well as all value chain partners who have business relationships with the group, to comply with this policy.

/ Commitment and regulations of Biodiversity and Zero Deforestation Policy /

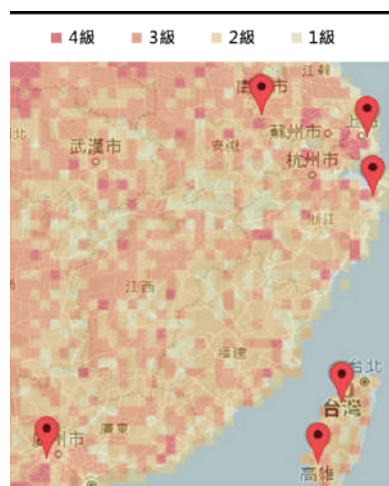
1. Respond to global natural goals and initiatives related to biodiversity conservation, zero deforestation, and indigenous rights.
2. Avoid developing operational bases in global or national protected, or high-value areas and nearby of biodiversity and forestry species when adding or changing construction projects, and comply with international and local regulations.
3. Analysis of natural resources dependencies and impacts among the value chain, monitoring zero deforestation and inventory of biodiversity, to establish risk assessments and action baselines.
4. Adopt the concept of Nature-based Solutions, when developing biodiversity action plans, practicing the mitigation hierarchy structure that considers the four steps of avoidance, minimization, restoration, and offsetting, to the greatest extent possible in achieving the goals of NNL and NPI.
5. Support the concept of a circular economy in designing products or packaging to reduce reliance on ecosystem services, reduce the loss of natural capital, and end all deforestation (No Gross Deforestation).
6. Implement responsible procurement by prioritizing suppliers who emphasize sustainability and strictly prohibit cooperation with suppliers engaged in illegal logging or the destruction of ecology.
7. Require value chain partners to follow the policy, seek opportunities for cooperation with external partners, jointly maintain biodiversity, and expect compensate with future reforestation to coexist harmoniously with nature.



Ecological Risk Assessment

Innolux has collaborated with the Natural Capital Finance Alliance (NCFA) and the United Nations Environment Programme (UNEP) to develop a natural capital risk assessment tool. The tool helps Innolux evaluate its dependency and impact on various natural resources based on the characteristics of its industry. The results showed that in 21 dependencies and 11 impacts, Innolux has a moderate dependency score on surface water and groundwater. Soil pollution and water pollution have a high impact on the Company, while solid waste and environmental interference have a moderate impact. The assessment also focuses on the impacts on suppliers. Additionally, according to hotspots analysis on air, soil, water resources, and biodiversity, all sites of Innolux are rated below level 3 (level 4 being the most severe), and none of the sites are within the World Database on Protected Areas (WDPA) and the International Union for Conservation of Nature (IUCN) designated areas. Within a 50-kilometer radius, there may be around 3,500 endangered species that could potentially be affected by the Taiwan sites which be in contact with 15 protected areas. There may be around 5,900 endangered species that could be affected by the China sites which could be in contact with three WDPA and 13 IUCN protected areas. In the future, Innolux plans to conduct further analysis on its own operations and supply chain, conduct a biota inventory by different levels, and introduce the Taskforce on Nature-related Financial Disclosures (TNFD) to help stakeholders understand the company's commitment to preserving natural capital.

/ Innolux Hotspot Map of Natural Capital /



Subject	Dependency		Impact	
	Aspect	Level	Aspect	Level
Innolux	Surface water	Moderate	Soil pollution	High
	Groundwater	Moderate	Water pollution	High
	-	-	Solid waste	Moderate
	-	-	Environment interference (noise, lumen, light source)	Moderate
	-	-	Water usage	Very high - High
Supplier	-	-	Greenhouse gas emission	High
	-	-	Solid waste	High
	-	-	Terrestrial Ecology	High
	-	-	General Air Pollution	High - Moderate
	-	-	Soil pollution	High - Low
	-	-	Water pollution	High - Low
	-	-		

Actual Implementation

Innolux X Chiayi Forest District Office = Mikania Eradication for Butterfly Habitat Conservation

Mikania micrantha, commonly known as the "green cancer," is one of the world's top 100 worst invasive species identified by the International Union for Conservation of Nature (IUCN). Its ability to climb and overtake trees to accelerate death by blocking photosynthesis severely affects local ecological resources and causes ecological disasters.

The first Saturday of September is National Mikania Vine Control Day in Taiwan. Innolux was invited by the Forest District Office to participate in the removal of this invasive species. Undeterred by the rain, Innolux employees and their families donned raincoats and joined the effort to eradicate *mikania micrantha* in the Guanziling Scenic Area. A total of 222 kilograms of *mikania micrantha* were removed during the event. In addition, 120 plants of butterfly-attracting species such as *kusukusu eupatorium* and *clausena excavata* were planted as a source of food for the butterflies to enhance the diversity of the local ecosystem.



5.3.2 Water Resource Management

Extreme weather conditions have caused rapid changes to the global environment. The World Meteorological Organization's State of Global Water Resources report states that the effects of climate change are often reflected in water-related changes, including frequent droughts, extreme floods, unpredictable seasonal rainfall, and rapid glacier melting. COP27 also addressed water issues for the first time, calling on governments to prioritize water resources. In response to global climate action and Taiwan's water shortage crisis, Innolux has actively invested in wastewater treatment equipment to improve water recycling rates and introduce recycled water. In 2022, Innolux achieved a management level B for the Water Security category in the Carbon Disclosure Project (CDP), and will continue to increase the value of water resources in the future.

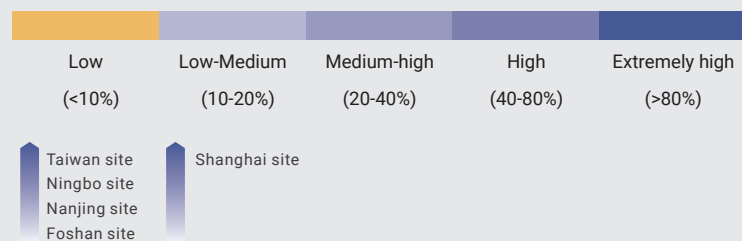
ISO 46001 Water Efficiency Management Systems

Extreme weather conditions have made it difficult to predict water resource supplies, and the global water shortage problem is becoming increasingly severe. In response to this, Innolux has actively invested in wastewater recycling equipment and implemented the use of recycled water to increase process water recycling rates. In 2022, Innolux implemented the ISO 46001 Water Efficiency Management Systems to systematically manage water resources, improve efficiency, reduce costs, and strengthen the resilience of water resources management. In 2023, Innolux's FAB6 will be the first pilot site to obtain the ISO 46001 certification.

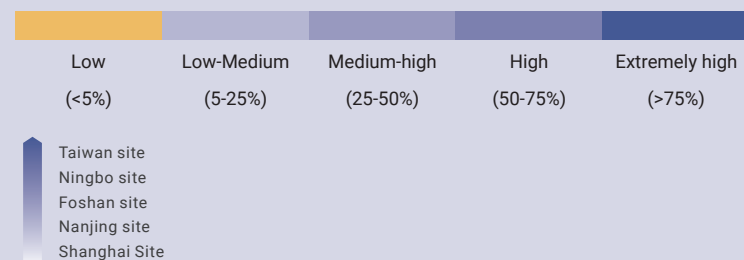
Water Risk Assessment

In 2022, Innolux used the water risk assessment tool developed by the World Resources Institute (WRI) to analyze water risks and identify water stress and depletion levels in each of its manufacturing sites. The water risk levels were assessed for the Taiwan and China sites, and the results showed that, except for the Shanghai site which was classified as low to medium risk, all other sites had low water stress and depletion levels, which was consistent with the results in 2021.

Water Stress







Water Depletion



Risks and Crisis Management: Water Shortages and Drought Countermeasures

In recent years, Taiwan has experienced large-scale drought events. In response to the water shortage crisis, Innolux has developed the Innolux Taiwan Site Water Shortage and Drought Guidelines based on local government requirements. The guidelines include open-source water conservation measures and are divided into four levels. Relevant measures are taken in a timely manner to increase water supply capacity, improve water use efficiency, and boost support and coordination to reduce water shortage risks and ensure the Company's continued operations.

/ Water Shortage and Drought Guidelines /

Backup level	Signal	Condition	Measures
Level 0	Green 	Water supply preparedness	<ul style="list-style-type: none"> Develop measures and establish communication channels with relevant departments. Plan for facility management and drought contingency assessment. Evaluate contingency plans for water turbines and alternative water sources, including contract agreements.
Level 1	Yellow 	Reducing water pressure	<ul style="list-style-type: none"> Hold regular meetings within the Water Supply and Drought Contingency Organization. Assess water conservation efforts and plan for water turbine exercise simulations. Develop high water consumption tests and training plans, or related reminders and testing plans. Develop contingency measures for landscaping, long-term resident vendors, and daily water usage in case of water shortage.
Level 2	Orange 	Reducing volume of water supply	<ul style="list-style-type: none"> Develop a residential water conservation plan to cease irrigation and reduce the daily usage of water in office areas. Stop the use of non-essential water, including those for fire testing. Activate alternative water source scheduling.
Level 3	Red 	Rolling water supply	<ul style="list-style-type: none"> Activate the Water Supply Shortage Capacity Adjustment and Management Contingency Plan.

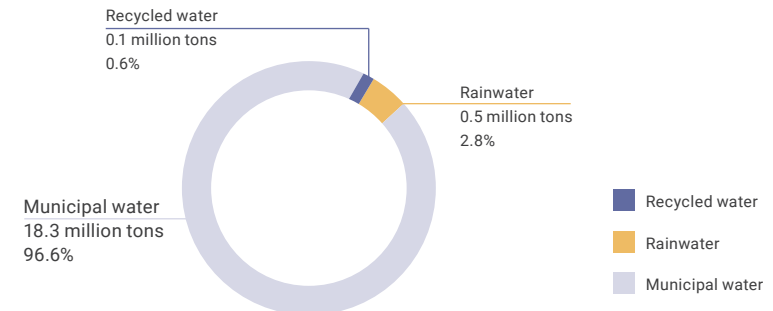
/Innolux Water Monitoring Platform /



5.3.2.1 Water Resource Withdrawal

Innolux uses both municipal water, rainwater and reclaimed water. In 2022, the total water withdrawal volume was 18.9 million tons where municipal water, our main water source, accounted for 18.3 million tons, or about 96.6%, while rainwater accounted for 0.5 million tons, or 2.8%. Lastly, in 2022, Innolux began using the reclaimed water from the Yongkang Water Resource Recycling Center in Tainan for its manufacturing processes. Initially, the amount of reclaimed water used was 0.1 million tons, or 0.6% of the total water withdrawal.

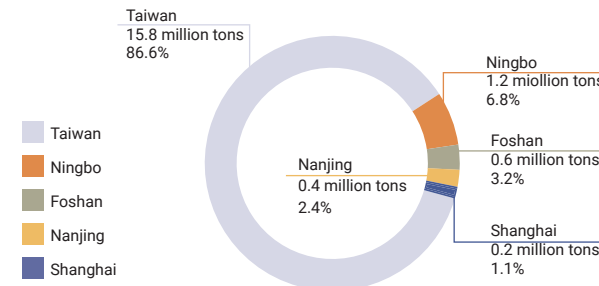
/ Water Resource Usage /



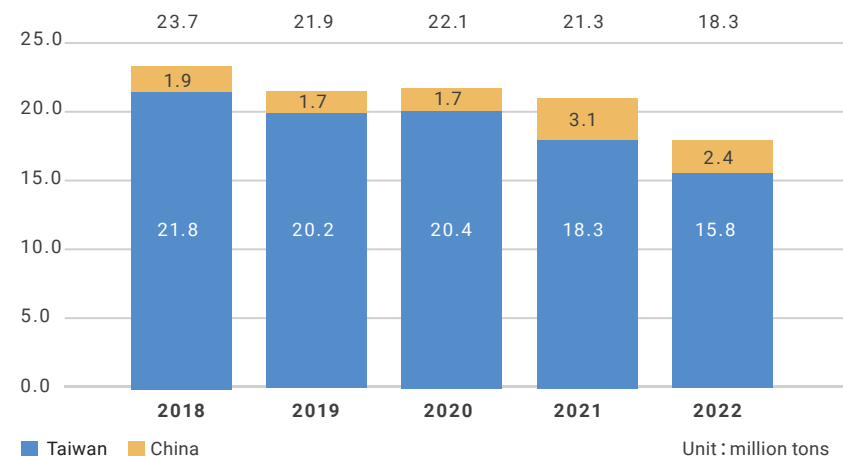
Municipal Water Efficiency

Municipal water is Innolux's main source of water withdrawal. Water withdrawn from municipal water was 18.3 million tons, a 14.3% decrease from that of 2021. Innolux continues to introduce and conduct research on advanced water saving technologies. It also invests in water saving equipment to increase water efficiency and reduce dependence on natural resources.

/Municipal water withdrawal percentage for plant sites /



/ Water Usage over the Years /



5.3.2.2 Water Resource Reuse

Taiwan experienced its most serious drought of the century in 2021 due to the impact of extreme weather; water rationing was imposed across the island. Innolux values water resources and actively develops and implements rainwater recovery and wastewater reuse improvement projects; the company also replaces water conservation equipment. By strengthening the wastewater discharge classification system, the Company has begun monitoring the properties of wastewater discharge, which can be used to evaluate wastewater recycling and its conversion into a reusable resource, improving the operational efficiency of wastewater treatment facilities.

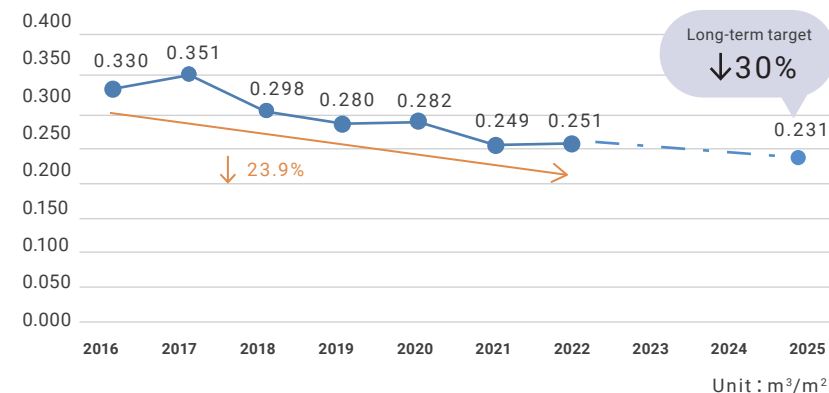
Water Usage Performance

2025 Sustainable Development Goals – 30% Water Withdrawal Reduction Per Unit Input Area for the Taiwan sites

A review of the water-saving performance indicators showed that the water withdrawal reduction per unit input area of our TFT-LCD plants at the Taiwan sites was 0.251 m³/m² in 2022, a slight increase from the figure of 0.249 m³/m² in 2021, but a 23.9% decrease from the figure in 2016. As for water withdrawal reduction per unit output quantity (vs. 2020) at the China sites, Ningbo, Foshan, Nanjing and Shanghai have achieved our objectives.

In 2023, the Taiwan sites will continue to pursue the 2025 Sustainable Development Goals to reduce water withdrawal per unit input area in the TFT-LCD plants by 30% compared to 2016, while the China sites will continue to reduce water consumption per unit output quantity.

/ Water withdrawal reduction per unit input area at TFT-LCD plant /



/ Water Consumption Intensity at China Sites /

Water consumption Intensity *	2022 Objective		2022 Consumption		2023 Objective
	Reduction (vs.2021)	Intensity Value	Intensity Value	Objective Achieved	Reduction (vs.2022)
Ningbo	3%	0.00406	0.00393	V	2%
Foshan	5%	0.01410	0.01330	V	2%
Nanjing	1%	0.00386	0.00370	V	1%
Shanghai**	Water withdrawal ≤ 200 thousand m ³		195500 m ³	V	1%

*Water consumption per unit output quantity (m³/pc)

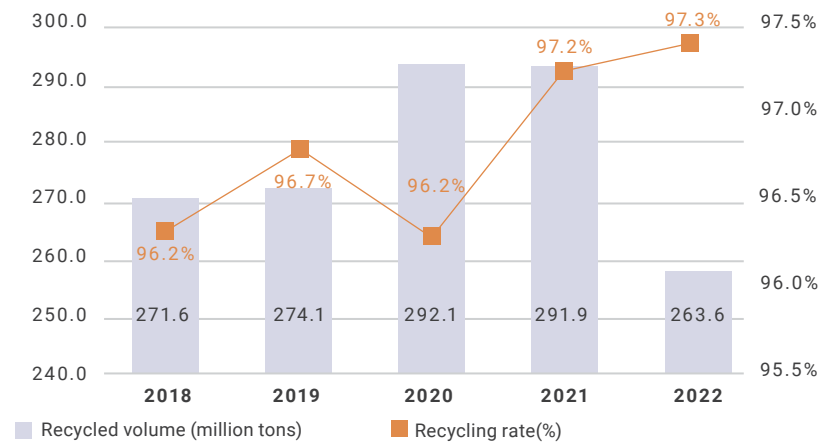
**Shanghai site will continue to introduce new manufacturing processes in 2022, which will cause a rise in water withdrawal. Therefore, the 2022 target is set to control the water withdrawal amount.



Process Water Recycling

In 2022, the total amount of process water recycled at Innolux's Taiwan sites reached 263.6 million tons with a recycling rate of 97.3%, the best in history. This demonstrates Innolux's commitment to water recycling and continuous efforts in improving the recycling of various types of wastewater.

Water-saving volume over the years /



Water-saving Performance and External Experience Sharing

In 2022, Innolux implemented 12 water-saving improvement projects with a total investment of NT\$46 million, contributing to a water-saving amount of 754,000 metric tons. In 2023, we will continue to improve various wastewater recycling projects and replace water-consuming equipment to optimize water management. In addition to internal water resource management, Innolux actively participates in educational sessions organized by the government and exchanges water-saving technologies with other companies to raise water conservation awareness in the industry.

Objective	Measures	Sites	Performance
Water recycling	Installation of phosphoric wastewater recycling system.	Jhunan	Approximately increase the annual recycling volume by 306,600 m ³
	Use existing system capacity to increase the recycling of acid and alkali wastewater.	Tainan	Approximately increase the annual recycling volume by 111,325 m ³
Replacement of water-consuming equipment	Replacing traditional toilet flush pedals with water-saving flush tanks in order to reduce water usage for flushing.	Foshan	Approximately reduce the annual water consumption by 14,500 m ³



5.4 Pollution Control

GRI : 303-3 · 303-4 · 303-5

Innolux's environment department, factory operations, and production units are working jointly under the Factory Operations Committee to evaluate the Company's impact on the environment, ensure compliance with applicable laws and regulations, and accommodate both economic interests and environmental performances. The Committee works to minimize environmental impact resulted from emissions, wastewater, hazardous substances, and noise generated by the Company's operations by continuously implementing improvement measures. The Committee also establishes pollution prevention facilities and monitoring mechanisms to minimize environmental impact.

Water Status Analysis at Plant Sites

Taiwan Sites

Jhunan
Water Source Yongheshan Reservoir Liyutan Reservoir
Discharge Point to Sewer System Jhunan Science Park Sewage Treatment Plant, Hsinchu Science Park Bureau
Discharge/Sewage Standards Wastewater quality standards of Jhunan Science Park Sewage Treatment Plant, Hsinchu Science Park Bureau
Receiving Water Xingang River
Wastewater Discharge Volume (million metric liters/year) 2,550
Tainan
Water Source Tainan Site: Nanhua Reservoir and Zengwen ReservoirKaohsiung Site: Agongdian Reservoir, Nanhua Reservoir, and Gaoping River Dam
Discharge Point to Sewer System Southern Taiwan Science Park Bureau (Tainan Science Park Sewer System); Kaohsiung Science Park's Dedicated Sewage System, Southern Taiwan Science Park Bureau; Tree Valley Park Service Center, Bureau of Economic Development, Tainan City Government
Discharge/Sewage Standards Wastewater quality and fee standards for Southern Taiwan Science Park and Kaohsiung Science Park sewage systems; for wastewater discharged into the sewage system, sewage management regulations of LCD-TV-Industrial Support Complex (Tree Valley Park Service Center)
Receiving Water Yanshuei River, Agongdian River
Wastewater Discharge Volume (million metric liters/year) 7,198

China Sites

Nanjing
Water Source Qinhuai River
Discharge Point to Sewer System Jiangning Development Zone Sewage Treatment Plant, Nanjing
Discharge/Sewage Standards GB/T31962-2015 Water Quality Standard for Sewage Discharge into Urban Sewers (ammonia nitrogen, total nitrogen, total phosphorus, suspended solids); GB8978-1996 Integrated Wastewater Discharge Standard (PH, COD)
Receiving Water Qinhuai New River
Wastewater Discharge Volume (million metric liters/year) 575
Foshan
Water Source Tanzhou Waterway
Discharge Point to Sewer System Xibei Sewage Treatment Plant, Xishan Township
Discharge/Sewage Standards Water quality standards of the Shishan Northwest Sewage Treatment Plant (When encounter indicators that have yet to be specified in the standards, follow "Water Pollutant Discharge Limits" (DB44/26-2001) Period 2 Level 3 standard of Guangdong Province)
Receiving Water Xinan River
Wastewater Discharge Volume (million metric liters/year) 92
Shanghai
Water Source Yangtze River
Discharge Point to Sewer System Shanghai Youlian Zuyuan First Sewage Treatment Investment Development Co., Ltd.
Discharge/Sewage Standards DB31/199-2018 Comprehensive Sewage Discharge Standard, Table 2 Level 3 Discharge Standard
Receiving Water Yangtze Estuary
Wastewater Discharge Volume (million metric liters/year) 156
Ningbo
Water Source Ninghai Baixi Reservoir
Discharge Point to Sewer System Yandong Sewage Treatment Plant, Beilun District, Ningbo City
Discharge/Sewage Standards Sewage standards of Yandong Sewage Treatment Plant
Receiving Water East China Sea
Wastewater Discharge Volume (million metric liters/year) 358

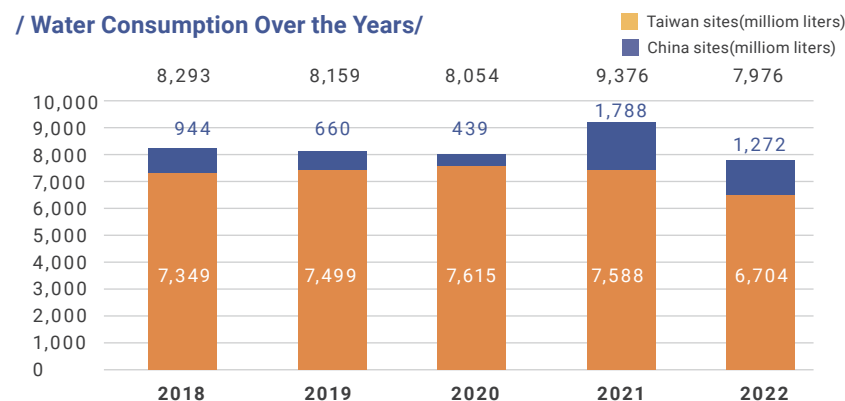
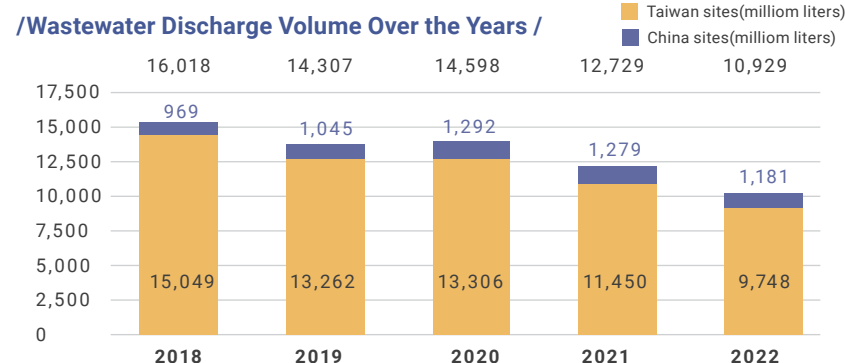
5.4.1. Water Pollution Control

Innolux has established an oversight mechanism to monitor the properties of wastewater discharge by strengthening the wastewater discharge classification system, which can be applied to evaluate the recycling and reuse of wastewater and its material conversion into reusable resources, improving the operational efficiency of wastewater treatment facilities. In addition, to ensure the wastewater quality of each site meet the local discharge standards, regular water quality testing is outsourced. The test results have all met the local discharge standards, and the company has not been fined for excessive discharge.

*The wastewater discharge quality at all Innolux plant sites meets the local discharge to sewer or discharge standards.

Wastewater Management

Innolux is committed to reducing environmental impact by continuously investing in and improving wastewater treatment equipment to ensure that all wastewater meets discharge standards. In 2022, the total discharge volume was 10,929 million liters, where the Taiwan sites accounts for 9,748 million liters, or 89% of the total, and the China sites accounts for 1,181 million liters, or 11% of the total. Upon reviewing the discharge situation, the amount of wastewater discharged in 2022 decreased by 14.1% compared to 12,729 million liters in 2021 due to capacity reductions and upgrades to wastewater treatment systems.



/Water Status over the Years/

	2018	2019	2020	2021	2022
Water withdrawal (million cubic meters)	24,311	22,466	22,652	22,105	18,905
Water discharge (million cubic meters)	16,018	14,307	14,598	12,729	10,929
Water consumption (million cubic meters)	8,293	8,159	8,054	9,376	7,976

/Water Pollution Control Project /

Site	Project	Improvement Description	Performance
Tainan	Expansion of Fluoride Wastewater Treatment	Adding Two fluidized bed crystallization (FBC) towers.	Complied with the emission standard: fluoride concentration < 15 ppm.
Tainan	Renovation Project for Wastewater Treatment Facilities	Adding anaerobic tank agitators and two sludge recirculation pumps, and converting the equalization tank into a biological anaerobic denitrification tank	Increased the efficiency of nitrification and denitrification process from 20% to 80%
Foshan	Replacement of Filter Cloth in Sewage Sludge Press	<ul style="list-style-type: none"> Replacing 400 mesh polyester filter cloth with 200 mesh polypropylene filter cloth Changing the filter cloth cleaning method from online cleaning to dismantling cleaning 	<ul style="list-style-type: none"> Reduced sludge moisture content by 1.4% Reduced sludge generation by 1,569 kg/year

5.4.2 Air Pollution Control

Innolux is committed to air pollution prevention and control management. The types of air pollutants include volatile organic compounds, nitrogen oxides, sulfur oxides, ammonia, chlorine, hydrochloric acid, nitric acid, phosphoric acid, particulate matter, etc. During operation, the organic, acidic, alkaline, and particulate waste gases are first classified and collected in a secluded manner. Then, according to their physical and chemical properties, corresponding air pollution prevention facilities are set up for treatment. After testing, all air pollutants meet the legally required emission standards. In addition, Innolux adheres to the relevant operating rules and local regulations for equipment operation records/maintenance requirements, raw/fuel material operation records, reporting, regular inspections, and emission standards.

Air Pollution Control Project

/ Zeolite Rotor Replacement /

Innolux is committed to improving the reduction rate of volatile organic compounds (VOCs) and continues to carry out the replacement of zeolite rotors in various plants. By 2022, the replacement will have been completed in three plants. After the replacement, the treatment airflow can be increased by 20,000 NCMH. After the organic waste gas is adsorbed by the zeolite rotor, the treatment efficiency can reach 92% of the Best Available Control Technology (BACT), which is better than what is required in the Optoelectronic Material and Element Manufacturing Industry Air Pollution Control and Emission Standards, which stimulate that the VOCs removal efficiency should be greater than 85%



Organic Waste Gas Treatment Facility Retrofit

The Outstanding Issues Investigation and Rectification Work Requirements for VOCs Control issued by the Ministry of Ecology and Environment of China regarding VOCs does not allow low-temperature plasma, photocatalysis, and photo-oxidation technologies for VOCs treatment. To comply with this regulation, Innolux's Foshan site proposed a solution to retrofit the existing UV treatment facilities to activated carbon adsorption treatment equipment, with a total investment of approximately NT\$ 7.98 million for the retrofit project. The related benefits are as follows:

Project	Benefit
Adding VOCs treatment facilities for molding, injection and silk-screen processes	<ul style="list-style-type: none"> Non-methane total hydrocarbon emission concentration $\leq 60\text{mg/m}^3$ VOCs emission concentration $\leq 80\text{mg/m}^3$, with an organized emission rate requirement of $\leq 5.1\text{kg/h}$
Upgrading organic waste gas treatment facilities for printing process	<ul style="list-style-type: none"> VOCs emission concentration $\leq 80\text{mg/m}^3$ The theoretical treatment efficiency reaches 90%.
Energy-saving improvement of organic exhaust system for powder coating process	<ul style="list-style-type: none"> VOCs emission concentration $\leq 30\text{mg/m}^3$; particulate matter $\leq 30\text{mg/m}^3$; $\text{SO}_2 \leq 50\text{mg/m}^3$; $\text{NO}_x \leq 150\text{mg/m}^3$. The theoretical treatment efficiency reaches 90%

Air Pollution Volume Over the Years

Unit: tons	2018	2019	2020	2021	2022
Volatile Organic Compounds (VOCs)*	136.1	122.7	106.0	152.0	107.6
Sulfur oxide (SOx)**	44.9	30.8	46.4	49.1	45.2
Nitrogen oxide (NOx)**	26.3	26.5	19.7	31.8	34.1
Hydrogen chloride (HCl)*	1.0	0.6	0.2	0.3	0.4
Hydrogen fluoride (HF)*	0.2	0.1	0.1	0.3	0.3

*Sources of data include plant sites in Taiwan and China.

**Sources of data include only plant sites in Taiwan.

5.5 Green Cycle

GRI : 301-1、301-3、302-1、302-3、302-5、
305-6、305-7、306-1、306-2、306-3、306-4、
306-5、416-1

In response to climate change, Innolux implemented the Green Recycling strategy. The Company leverages "Innolux Green Manufacturing = Recycling × Zero Waste × Low Carbon" to promote circular economy and green product development. The Company also utilizes digital platforms to achieve transparent management, allowing for the reuse and recycling of resources to reduce environmental impact and build green factories with high recycling efficiency.

5.5.1 Waste Output

Innolux takes its waste management responsibility seriously. In addition to reporting on waste storage and production monthly, the Company also conducts on-site audits of waste disposal, treatment, and recycling vendors annually to ensure compliance with regulations. The audits cover vendor access control, waste storage area management, waste treatment equipment and pollution prevention facility operation, on-site operational safety management, and operational status and recycled product sales flow. Based on the audit results, the Company determines the possibility of future cooperation. In addition, when selecting new vendors, Innolux evaluates the vendor's financial stability, relevant permit qualifications, and past violation records to ensure the quality of waste disposal vendors. In 2022, Innolux's total waste generated was 73,735 tons, with 53,096 tons (72.01%) classified as general waste and 20,639 tons (27.99%) classified as hazardous waste. Waste disposal methods included both outsourced and self-handled options, with outsourced disposal accounting for 73,471 tons (99.64%) of total waste. Of the outsourced waste, around 9 tons of cadmium batteries were processed overseas, accounting for 0.01% of total waste. Self-handled waste included 255 tons of wastewater and waste LCD glass, accounting for 0.35% of total waste.

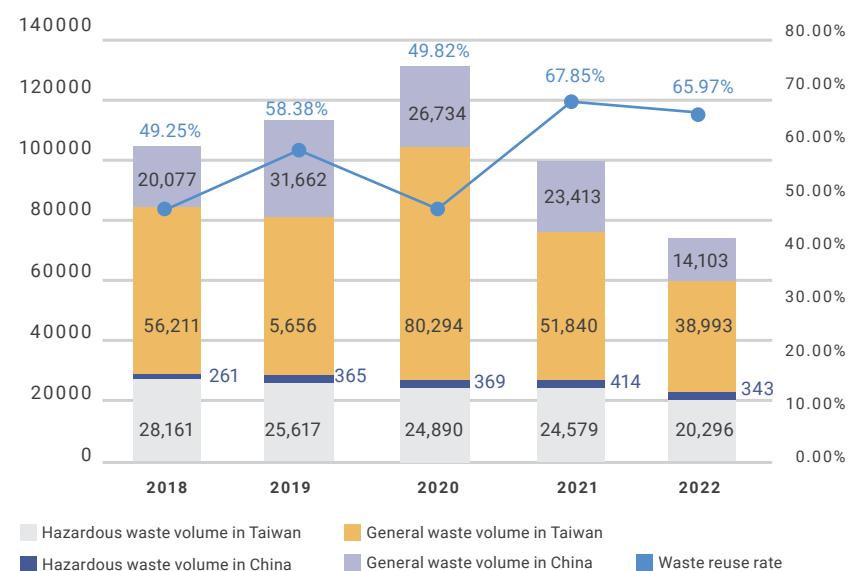
In terms of waste recycling and reuse, a total of 48,643 tons of waste were recycled or reused in 2022. The majority of hazardous waste recycled was solvent waste which amounts to approximately 15,117 tons. The majority of general waste recycled was waste information equipment and hardware scraps which amounts to approximately 33,526 tons. The overall waste recycling rate was 65.97% which is slightly lower than that of the previous year.

/Waste Disposal Volume in 2022 (in Metric Tons) /

Item	Treatment	Waste composition	2022		
			Taiwan	China	Total
Hazardous waste	Chemical treatment	Copper waste, waste pickling solution	26	8	34
	Physical treatment	Mercury-containing lamps/bulbs, optoelectronic components, metal circuit boards, etc.	2,623	1	2,624
	Cleaning	Organic solvents (liquid waste)	752	0	752
	Landfill	Waste sludge	0	35	35
	Incineration	Corrosive liquids, oil, ink	1,856	134	1,990
		Without energy recovery	0	57	57
	Thermal treatment	Copper waste	21	0	21
	Reuse	Copper waste, waste pickling solution, organic solvents, etc.	15,009	108	15,117
Treatment overseas					
		Cadmium-containing batteries, Waste glass containing liquid crystal	9	0	9
Total hazardous waste disposal volume*			20,296	343	20,639
Hazardous waste disposal reuse rate (%)			73.95%	31.49%	73.24%
General waste	Chemical treatment	Ion exchange resin	27	0	27
	Physical treatment	Plastic, glass, lubricating oil, metal, ash form dust collection system, inorganic sludge, etc.	4,452	0	4,452
	Landfill	Ion exchange resin, plastic, organic/inorganic sludge, glass, ash from dust collection system, etc.	548	77	625
	Incineration	Plastic, cloth, general waste, organic liquids, wood, oil, paper, etc.	3,547	0	3,547
		Without energy recovery	931	638	1,569
	Thermal treatment	Inorganic/organic sludge, waste oil, etc.	9,095	0	9,095
	Reuse	Plastic, glass, metal tailings, waste information equipment, and activated carbon	20,138	13,388	33,526
	Self-handled	Waste (sewage) water, waste LCD glass	255	0	255
Total general waste disposal volume*			38,993	14,103	53,096
General waste disposal reuse rate (%)			51.65%	94.93%	63.14%
Total waste disposal volume			59,289	14,446	73,735
Total waste reuse rate (%)			59.28%	93.42%	65.97%

*The source of information for the amount of waste disposal includes the declaration data of waste collection and transportation manifest and the aggregated data of resource recovery volume.

/Waste Disposal Volume and Recycling Rate over the Years / Unit : tons

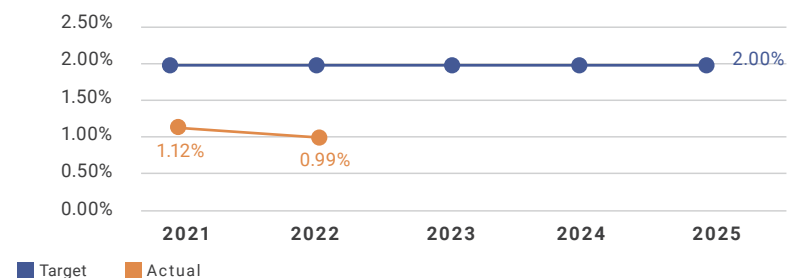


Waste Management Performance

2025 Sustainable Development Goals – Annual Landfill Rate Below 2.0%

Innolux has set the goal of an annual landfill rate of less than 2.0% between 2021 and 2025, and expects to minimize the waste landfill rate with its waste reduction and recycling strategy. The Company's waste reduction objectives showed that Innolux's landfill rate in 2022 was 0.99%, achieving the objective.

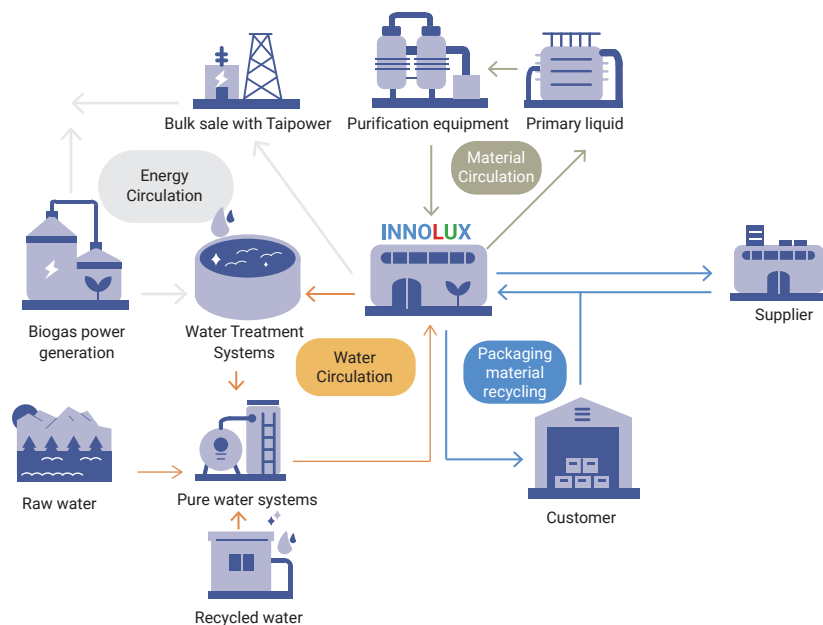
/ Landfill Rate /



5.5.2 Circular Green Factory

The Platform for Accelerating the Circular Economy (PACE), initiated by the World Economic Forum in 2018 and now led by the World Resources Institute, highlighted in the report “Circular economy as a climate strategy: current knowledge and calls-to-action” that the circular economy is significantly beneficial to mitigating climate change. It not only directly reduces greenhouse gas emissions but also supports the transition to renewable energy. As a major player in the panel manufacturing industry, Innolux incorporates the circular economy into its climate action and aims to become a highly efficient Circular Green Factory. The company built four cycles for energy, water, raw materials, and packaging materials, and collaborates with external partners up and downstream to realize circular economy through resource regeneration, recycling, redesigning, and extending resources’ use to create value. In addition to physical promotion, Innolux also adopts digital management and develops a material efficiency system based on material flow analysis to identify opportunities for reducing material usage and improving recycling. The goal is to maximize resource utilization.

/Innolux High Efficiency Circular Green Factory /



Material Loss Optimization Management Platform for Circular Economy

In 2022, Innolux developed a material usage efficiency system based on material flow analysis at its Foshan site, which serves as a pilot for institutional component manufacturing. The system helps the site identify opportunities for material reduction and recycling in order to extract value from waste and help achieve a circular economy. Going forward, the Company will continue to optimize the system and expand it to other sites. The material usage efficiency system is implemented in three stages: The first stage is establishing a material loss management and monitoring system which generates time trend analyses of weight, cost, and carbon emissions of material losses.

The second stage is enhancing the decision support system, establishing an intelligent waste transportation system, and connecting it with the material loss management system to optimize waste transportation efficiency. The third stage is expanding and improving the system, promoting 3R improvement for key materials, and expanding it to all sites to achieve both cost reduction and carbon reduction benefits.

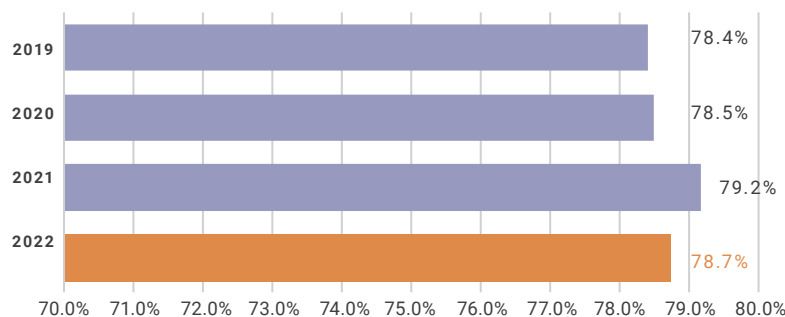
/ Three Stage Establishment for Material Usage Efficiency System/



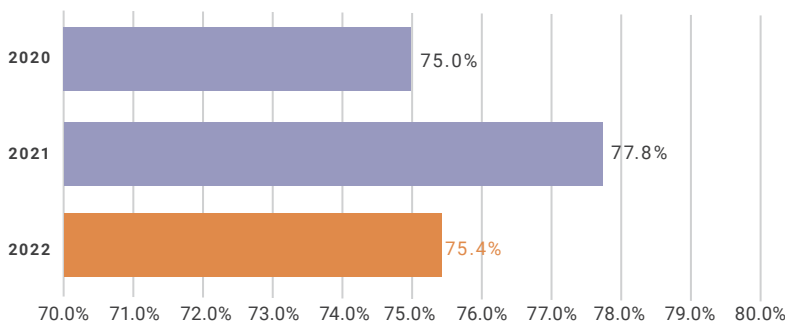
Chemical Circulation

Due to the large-scale use of chemicals in the manufacturing process, Innolux emits acidic and organic waste liquid. We continue to improve our recovery technology research and expand our recovery scope, aiming to reduce environmental impact and enhance the Company's green competitiveness. In 2022, in order to reduce transmission equipment and pipeline blockages, we improved and optimized the Thinner Recycle System (TRS) for photoresist diluent recovery. We also plan to expand the recycling of PGMEA once-used liquid at the Jhunan site in 2023, with an additional monthly processing capacity of 50 tons. Currently, we have recovered five bulk chemicals, including AI Stripper with a recovery rate of 78.7%, Cu Stripper with a recovery rate of 75.4%, N-methyl-2-pyrrolidone (NMP) with a recovery rate of 80.4%, PGMEA with a recovery rate of 77.0%, and tetramethylammonium hydroxide (TMAH) with a recovery rate of 72.4%; the total recovery rate is 76.3%.

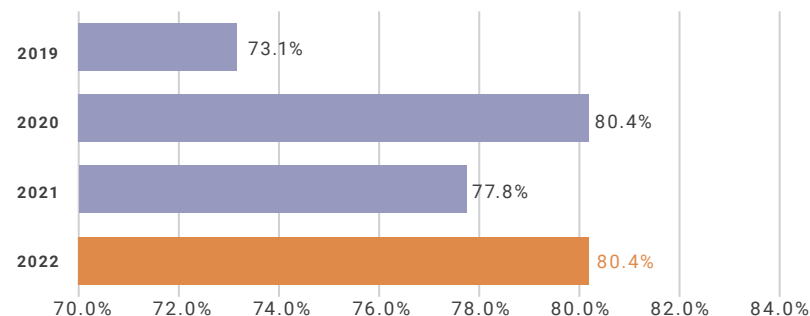
/ AI Stripper Recycling Rate /



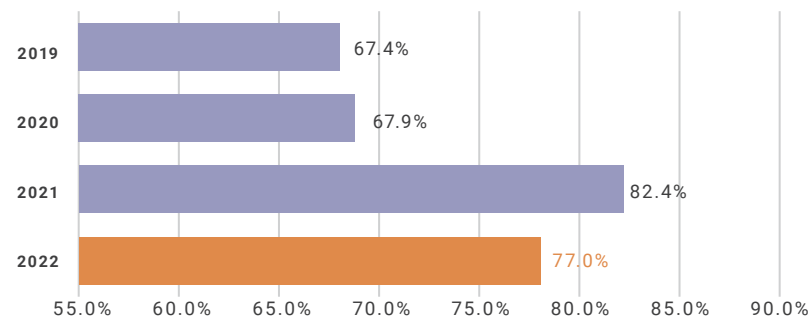
/ Cu Stripper Recycling Rate /



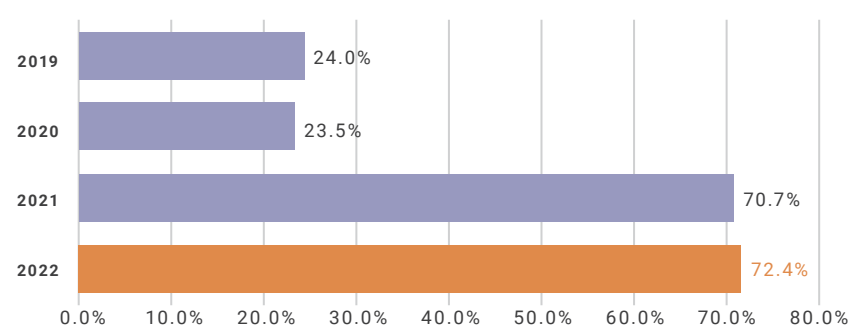
/NMP Recycling Rate /



/PGMEA Recycling Rate /



/TMAH Recycling Rate /



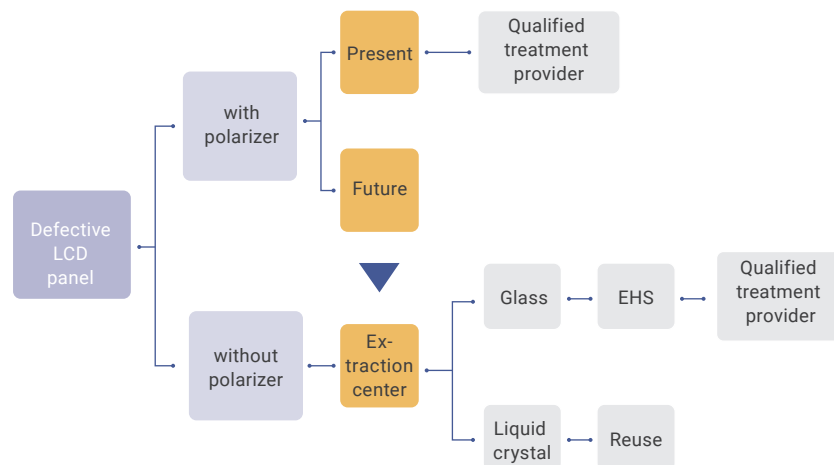
LCD Circulation

During the production process of the optoelectronic panel industry, electronic waste is easily generated, the majority of which comes from liquid crystal panels. In 2019, Innolux collaborated with the Industrial Technology Research Institute to establish the world's first liquid crystal extraction center and introduced a zero-waste automated process that separates liquid crystals from panels. The separated liquid crystals are recycled and the glass then converted into valuable resources. In 2022, the liquid crystal extraction technology was extended to non-integral broken glass with a success rate of 98%. Throughout the year, a total of 1,168 tons of liquid crystal panels were processed and 0.36 tons of liquid crystals were extracted, which is expected to reduce carbon emissions by 587 tons. In the future, Innolux will conduct verification tests on non-recycled liquid crystals for reuse, hoping to incorporate them into its products and progress towards green production.

/ LCD Extraction Volume /

	2022	Up to 2022
LCD panel processed (tons)	1,168	3,445
LCD extraction volume (tons)	0.36	1.7
Carbon reduction (tCO ₂ e)	587.0	1,730.9

/LCD Panel Treatment Process /



Packaging Material Circulation

Innolux believes in the concept of “there is no real waste, only resources misplaced.” In order to achieve zero waste, Innolux continues to improve its packaging recycling process. In addition to promoting the recycling of packaging materials with upstream and downstream partners, Innolux actively seeks opportunities for recycling and reusing packaging waste. In 2022, Innolux worked with a plastic recycling company to recycle and reuse waste EPO foam and polyethylene (PE) materials, hoping to transform waste into valuable resources through external cooperation and reduce the impact of economic development on the environment.

/ Packaging Materials Recycling Rate in 2022 /

PP Box	DSPK Box	Hard Box
73.10%	59.06%	45.07%

Recycling and Reprocessing of Waste Plastics

The end-of-life of polystyrene (EPS) should not be treated solely by incineration, which can easily result in environmental burden. In the second half of 2022, Innolux launched the Recycling and Reuse of Waste EPS program with the Taiwan EPS Recycling and Regeneration Association and intermediaries of recycling companies. Waste EPS is recycled and granulated to produce recycled pellets, which can be used as raw materials for plastic products. This not only waives the high processing costs associated with traditional incineration but also reduces carbon emissions by 33.65 tCO₂e/year and reduces processing costs by \$1.41 million NTD/year. It also extends the life cycle of EPS packaging materials.

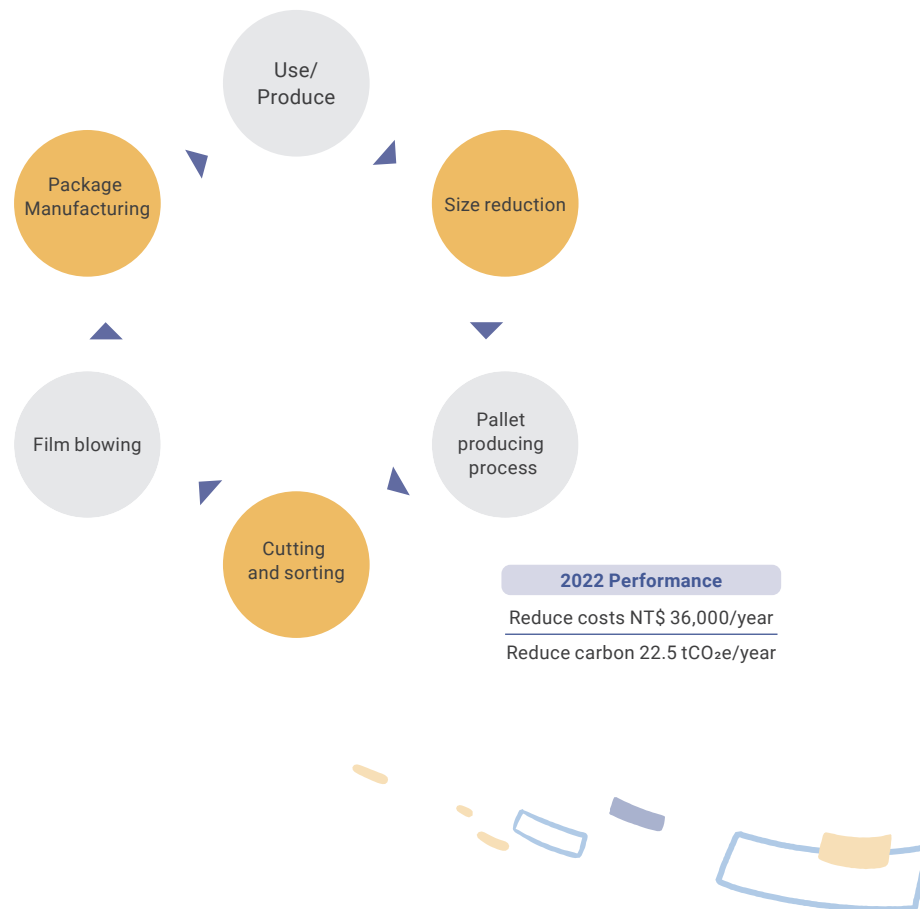


2022 Performance

Reduce costs NT\$ 1.41 million/year
Reduce Carbon 33.65 tCO₂e/year



In addition, due to the large amount of waste PE packaging materials generated during the process, Innolux is contemplating new ways to recycle PE packaging materials. By collaborating with vendor partners, Innolux recycles waste materials, regenerates them into environmentally friendly garbage bags made of 100% recycled materials, and reuses them in factories to maximize the circulation of waste packaging materials, thereby achieving the goal of waste recycling and zero waste. In the future, we plan to use the environmentally friendly garbage bags for our own brand and apply for environmental certification to promote the concept of circular economy to our employees to inspire them to cherish the environment. In doing so, we hope to invite our colleagues to protect the land together.



/ Material Flow in 2022/

Input									
Main Material	Unit: tons	Energy Consumption*	Unit: GJ	Ozone-depleting substances	Unit: tons	Water Consumption	Unit: tons	Recycled and Reused Materials*	Recycling Rate
Glass substrate	73,086	Purchased electricity	18,682,691	Coolant refill volume	6.59	Municipal water*	18,257,066	Al Stripper	78.7%
Liquid crystal	85	Renewable energy (self-generated and self-use solar power)	75,426			Rainwater	538,640	Cu Stripper	75.4%
Aluminum/copper etching solution	18,125	Renewable energy (self-generated and self-use biogas power)	210			Recycled water	109,042	NMP	80.4%
Developer	19,342	Diesel	11,289					PGMEA	77.0%
Photoresist stripper	15,937	Liquefied natural gas	532,321					TMAH	72.4%
Thinner	3,176								
Photoresist	5,918								

Output									
GHG Emissions	Unit: million tCO ₂ e	Air-Pollutant Emissions	Unit: tons	Wastewater Discharge	Unit: tons	Process Water Reclamation*	Unit: tons	Panel Productivity	Unit: million pieces
Scope 1	0.115	VOCs*	107.6	Wastewater Volume	10,929,412	Reclamation Volume	20,639	Large-sized Panels (over 10 inches)	121
Scope 2	2.605	Sulfur oxides*	45.2	COD*	675	Reclamation Rate	53,096	Small- and medium sized panels (under 10 inches)	280
Scope 3	1.221	Nitrogen oxides*	34.1	BOD*	143				
		HCl	0.4	SS*	320				
		HF	0.3						

Waste Disposal	Unit: tons
Hazardous Waste	263,550,003
General Waste	97.3%

Note:

1. The Taiwan sites use the conversion coefficients in the Energy Statistics Handbook released by the Bureau of Energy in 2015: power heating value = 860 kcal/kWh, solar photovoltaic heating value = 860 kcal/kWh, natural gas heating value = 8,000 kcal/m³, diesel heating value = 8,400 kcal/L, and biogas heating value=4,941 kcal/m³. Sites in China use the conversion coefficient in the 2016 Chinese Energy Statistical Yearbook: power heating value = 860 kcal/kWh, diesel heating value = 10,200 kcal/kg, and natural gas heating value =8,505 kcal/m³.
2. The volume of VOCs, sulfur oxides, and nitrogen oxides was converted from actual test results to emissions intensity (kg/m²) and calculated according to the output area.
3. The figures for COD, BOD, and SS were converted from the actual test results.
4. The data scope covers both Taiwan and mainland Chinese sites, except for the figures associated with recycled and reused materials, SO_x, NO_x, and reclaimed water, which only apply to the Taiwan sites.

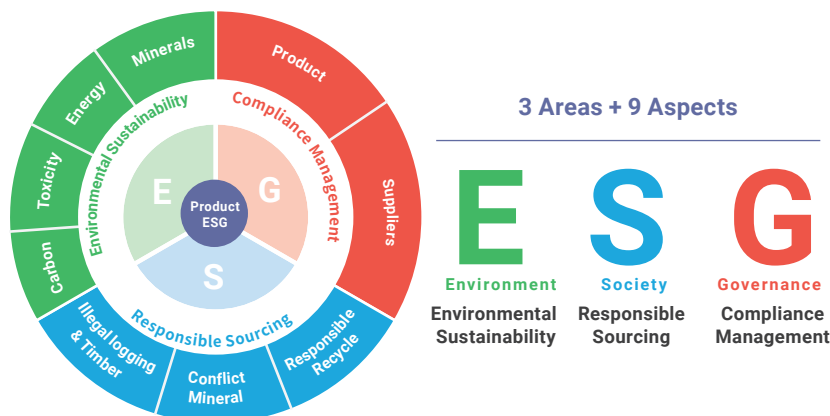
5.5.3 Green Product

With the increasing global awareness of environmental issues and the consensus on ESG sustainable development, Innolux is committed to the research and development of low-carbon green products and the production of non-toxic, energy-efficient, and resource-saving products. While achieving product compliance, we have introduced sustainable product management and incorporated low-carbon management thinking into product design throughout the product life cycle. We have also established a management system to make the carbon reduction performance of products transparent and achieve the sustainable goal of environmental common good.

5.5.3.1 Product Sustainable Performance Management

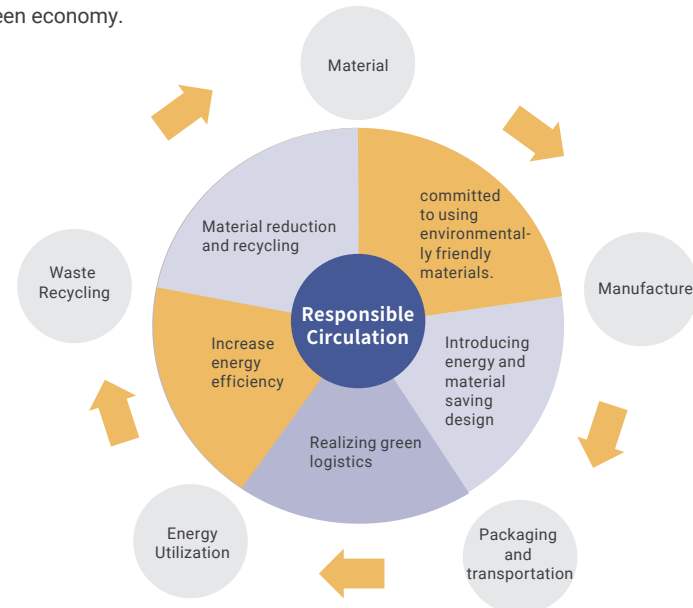
In recent years, ESG has gradually become a common term used in relation to compliance with international standards and considered important to the long-term performance and value of businesses. Innolux focuses on the sustainability of product and approaches sustainability management from three dimensions: Governance, Society, and Environment. We take a nine-pronged approach, including product compliance, low-carbon supply chain, responsible circulation, no use of conflict minerals, no use of illegal timber, carbon reduction, non-toxicity, energy conservation, and material efficiency. We also use scientific methods such as life cycle assessment to evaluate the environmental impact of our products. To effectively and quantitatively manage our product ESG performance, Innolux has implemented digital transitions and developed an "automatic product carbon footprint accounting system" and a "material waste monitoring management system." We have also established an "intelligent monitoring system for carbon regulations and news" to keep up with the latest carbon trends and international regulations. Through our management platform, we can share information and collaborate with our stakeholders to achieve our sustainability goals

/ Product Sustainable Performance Management Dimensions /



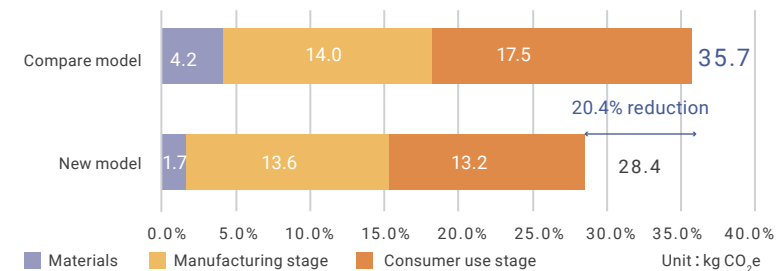
Product life cycle assessment

Innolux has implemented Life Cycle Assessment (LCA) to seek opportunities for carbon reduction. By analyzing the environmental impact caused by the five stages of product life cycle which includes materials, manufacturing, packaging and transportation, energy use, and waste recovery, Innolux seeks to effectively understand its own carbon emissions. Through transitioning to a circular economy, Innolux has introduced material loss optimization, identifying opportunities for material reduction and recycling from material loss. This approach not only enhances the environmental friendliness of products but also promotes responsible circulation, reduces carbon emissions, and progresses towards a green economy.



/ Carbon Emission- Notebooks /

Innolux conducted a carbon emission assessment of office notebook products with the material, manufacturing, and active mode energy consumption stages in the life cycle assessment. By comparing the materials and design structure, the difference between the models' carbon footprint was calculated. It was found that each module could reduce carbon emissions by approximately 20.4%.



*Using Taiwan's electricity consumption as the basis for calculation

Digital Management Platform Construction

/ Automated Product Carbon Footprint Accounting System /



Innolux has developed an Automated Product Carbon Footprint Accounting System to enable product designers to quickly and effectively calculate the carbon footprint of their products and identify opportunities for carbon reduction. Building on past experiences in obtaining the carbon footprint certification, the system incorporates the concept of life cycle assessment, integrating product production history with carbon footprint calculation. Through automated operation, the system can quickly evaluate material carbon emissions and provide low-carbon product combinations to meet customer needs. The user interface is designed to be user-friendly; the system is accessible to all product development teams with clear and easy-to-understand interfaces and automated operation. It allows for the rapid assessment of product carbon emissions and identification of opportunities for carbon reduction, facilitating the integration between low-carbon product designs and daily operations. Low-carbon product designs and daily operations.

/ Carbon Regulations and News Smart Monitoring System /



To deliver the latest carbon-related news and manage information on regulations, Innolux established the "Carbon Regulations and News Intelligent Monitoring System," which crawls specific websites for text analysis, disseminating carbon-related news and incorporating keyword search functionality to promote carbon knowledge and compliance with carbon laws and regulations. The system will be continuously optimized to identify risks and track progress related to regulations and important information, ensuring compliance and actively seizing opportunities.

5.5.3.2 Product Compliance

Innolux places a strong emphasis on product safety and incorporates various countries' regulations into its internal component specifications. It fully implements product compliance management and has achieved material compliance verification and hazardous substance process management system certification. The certification scope has expanded from modules to various types of displays, televisions, audio-visual products, medical products, miniLED displays, and electrochromic LCD windows. Innolux is committed to complying with regulatory requirements and continuously improving its quality management practices.

Control of Prohibited/Limited Chemical Substances in 2022

Innolux follows international environmental regulations, industry standards, and customer requirements for the prohibition and restriction of hazardous substances, and has established the Controlled Substances Operating Specification as a standard for managing the prohibition and restriction of chemical substances in the supply chain. Innolux strictly controls all products, components, and materials to comply with the international trend of managing products as Hazardous Substance Free (HSF).

In 2022, Innolux has regulated up to 65 categories of controlled substances, including the addition of regulatory requirements for mineral oils in packaging materials. Innolux has also tightened its control to actively ensure compliance with all legal regulations, customer requirements, and supplier investigations. For example, in compliance with the US Toxic Substances Control Act (TSCA), Innolux has added controls for 1-bromopropane, 1,4-dioxane, 1-methyl-2-pyrrolidone (NMP), pigment violet 29, and phosphorus flame retardants.

In the future, Innolux will continue to comply with international regulations, meet customer needs, keep up with environmental protection trends, evaluate current approaches to hazardous substance control, and update ourselves on the latest regulations about hazardous substance control to minimize the impact on ecological systems, protect the environment, and maintain biodiversity.

Product Certification

In response to the global trends of climate change, energy conservation, carbon reduction, and environmental sustainability, Innolux is committed to enhancing its optoelectronic technology and developing high-value-added products. This includes expanding into non-display fields and launching smart LCD windows that not only save energy but also conserve aesthetic designs in buildings. To ensure that its product designs meet environmental standards and have sustainable value, Innolux has obtained green building material certifications. These efforts help consumers feel assured using Innolux products and enhance their purchasing confidence.

In order to meet the different requirements of customers, Innolux has obtained relevant product certifications in different countries. The conformity of each product certification is as follows:

Certification Name	Trademark	Certified Product	Certified Site	Certification Name	Trademark	Certified Product	Certified Site
US UL Semi-Finished Product Certification		TV、MNT、NB、 TABLET、Medical、CE		Japan PSE Certification		miniLED	
US UL Product Certification		TV、miniLED		Japan S-Mark Certification		TV	
US UL Molded Parts Certification			Foshan	Taiwan BSMI Certification		TV、miniLED	
US FDA Certification		X-ray		China CCC Certification		TV、miniLED	
US FCC Certification		TV		China CECP Certification			Foshan
EU CE Certification		TV、X-ray		India BIS Certification		TV	
Germany Eyesafe Certification		NB	Ningbo	India BEE Certification		TV	
UK BEAB Certification		TV		Thailand TISI Certification		TV	

QC 080000 Certified Site Information

In 2008, Innolux introduced the International Electrotechnical Commission (IEC) QC 080000:2005 Hazardous Substance Process Management System (HSPM) and passed third-party verification to comply with international regulations and meet the ever-evolving non-toxic requirements of customers. In response to the updated standard, Innolux completed the QC 080000:2017 version certification and obtained the new version certificate in 2019. In 2022, Innolux passed third-party verification once again. All Innolux manufacturing sites have obtained QC 080000 Hazardous Substance Process Management System certification. We will continue to maintain the effectiveness of our management system and strive towards a non-toxic and compliant vision.

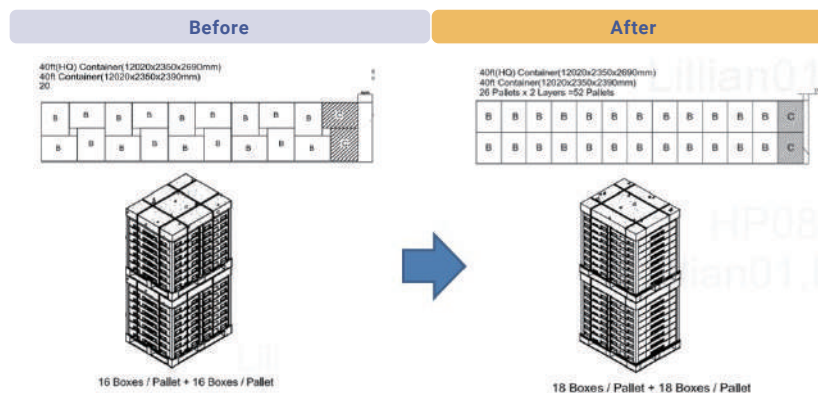


5.5.3.3 Green Product Innovation

Innolux continues to facilitate green innovation in products by incorporating energy-saving and carbon-reducing concepts in the early stages of research and development. Non-toxicity, energy efficiency, and material conservation are the core elements in product design and process management which lead to improved product value and environmentally friendly features that achieve the goal of green circulation.

Material Conservation - Improvement in Packaging Design and Recycling Reuse

Innolux commits itself to energy and material conservation and continuously improves transportation efficiency by adjusting the design of shipping containers. By reducing the size of the container while maintaining its original loading capacity and safety performance, the container loading rate is maximized. This not only reduces the transportation cost per unit but also reduces shipping trips, decreases transportation energy consumption, and lowers carbon emissions. The flattened design also maximizes the efficiency of products of the same size.



Adjusting shipping container design to reduce raw material usage

Box weight reduced from 1.95 kg to 1.06 kg, a 45.6% reduction in material usage, resulting in a carbon reduction of approximately 239.5 tCO₂e/year.

Increasing the number of product units per container to reduce transportation costs

Product quantity increased from 12,800 to 18,720 units, a 31.6% increase in loading capacity.

Recycling and reusing shipping containers

30% of the total shipped containers are recycled, reducing the cost of purchasing new containers and also decreasing the carbon emissions generated from manufacturing the containers by 17.1 tCO₂e/year.

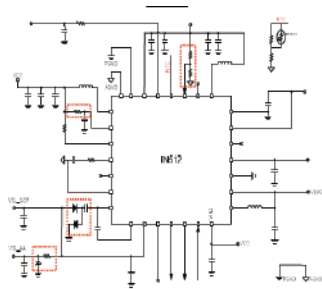
Reducing carbon emissions

By reducing raw material usage and unnecessary container manufacturing, approximately 256.6 tCO₂e/year can be reduced.

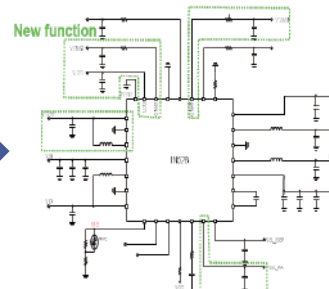
Energy and Material Conservation - Development of Low Power Consumption Components

Innolux is committed to continuously improving product design and actively enhancing component efficiency. The Company has transformed external components into internal ones, reducing material usage, and introduced components with low-power consumption. This approach allows products to maintain superior performance while consuming lower amounts of energy. Innolux has also extended this approach to similar products, maximizing energy-saving benefits. Through the promotion of energy and material conservation, Innolux aims to reduce its impact on the environment.

Before_ External components



After_ Internal components



Changing the component design mode to reduce material usage

Components switched from external mode to internal mode and the number of IC components reduced from 58 to 36, resulting in a material reduction of 37.9%.

Introducing low-power consumption components to save energy and reduce carbon emissions

Energy consumption per module is reduced from 772mWh to 682mWh, a decrease of 11.7%.

Using notebook computers as a basis for calculation, each laptop is expected to reduce carbon emissions by 0.8KgCO₂e. With a total shipment of 79,576,000 units in 2022, the total carbon emission reduction is estimated to be 63,660.8 t CO₂e.





Appendix

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6.1 Economic aspect GRI : 401-1

6.1.1 Financial Performance

/Financial Performance/

Unit: TWD in thousands (TWD for EPS and LPS)

Item	2018	2019	2020	2021	2022
Operating revenue	279,376,115	251,971,209	269,911,051	350,076,690	223,715,758
Gross profit (loss)	26,813,558	3,014,080	23,833,098	91,499,680	-6,905,772
Operating profit (loss)	4,835,296	-19,933,896	1,811,797	62,713,075	-31,664,998
Non-operating profit (loss)	1,734,134	3,408,468	745,334	-301,978	5,442,545
Net income (loss)	2,222,762	-17,440,272	1,639,824	57,545,123	-27,914,776
Earning/loss per share	0.22	-1.77	0.17	5.53	-2.76
Income tax expense (benefit)	4,346,668	914,844	917,307	4,865,974	1,692,323
Capital expenditures	46,702,767	24,804,629	20,673,368	28,138,827	21,048,162
Compensation and Benefits	39,708,361	38,129,767	38,149,778	50,131,195	42,613,298
R&D expenditures	12,135,478	12,464,800	12,149,513	15,044,650	13,045,403
Total assets (year-end)	411,919,604	369,764,346	379,559,837	467,519,590	383,741,496
Total capital (year-end)	99,520,720	97,110,720	97,110,720	105,596,201	95,564,562
Total market value of equity (year-end)	96,734,140	80,893,230	136,926,115	206,968,554	105,598,841
Government subsidies	438,186	679,192	585,730	424,375	877,054
Expenditures on pensions	1,940,462	1,825,058	1,690,396	1,866,205	1,833,354

Note: The above consolidated financial statement has been produced in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations, International Accounting Standards (IAS) and Standing Interpretations Committee standards (SICs), and the Regulations Governing the Preparation of Financial Reports by Security Issuers acknowledged by the Financial Supervisory Commission.

6.1.2 Social Aspect

/Composition of New Employees in 2022* /

Gender	Age	Taiwan		Ningbo		Foshan		Nanjing		Shanghai		Other locations		Total	
		Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees	Number of new employees	Percentage of new employees
Female	<30 Years Old	250	1.01%	251	3.78%	101	1.81%	64	2.57%	177	7.11%	2	0.70%	845	2.00%
	30-50 Years Old	242	0.98%	120	1.81%	69	1.24%	33	1.33%	232	9.31%	3	1.06%	699	1.65%
	>50 Years Old	1	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	0.00%
Male	<30 Years Old	559	2.26%	623	9.39%	239	4.29%	151	6.07%	532	21.36%	6	2.11%	2,110	4.99%
	30-50 Years Old	420	1.70%	260	3.92%	82	1.47%	83	3.34%	166	6.66%	14	4.93%	1,025	2.40%
	>50 Years Old	5	0.02%	1	0.02%	0	0.00%	0	0.00%	0	0.00%	5	1.76%	11	0.01%
Total		1,477	5.98%	1,255	18.92%	491	8.81%	331	13.31%	1,107	44.44%	30	10.56%	4,691	11.06%

* The above data are established based on the incumbent employees on December 31, 2022.

** Calculation:

-The percentage of new employees in Taiwan = (total number of new employees in Taiwan ÷ total number of employees in Taiwan at the end of the year) x 100%.

-The percentage of new employees in China = (total number of new employees in China ÷ total number of employees in China at the end of the year) x 100%.

/Composition of Employees in 2022* / SASB:TC-HW-330a.1

Site**	Item	Management***			Specialists***	Administrative Personnel***	Technicians***	Total	
		Low-level managers	Middle managers	Executives					
Taiwan	<30 years old	Female	0	0	0	215	23	1,200	1,438
		Male	1	0	0	610	8	954	1,573
	30-50 years old	Female	193	16	0	1,071	603	6,792	8,675
		Male	1,104	98	0	4,743	135	5,374	11,454
	>50 years old	Female	28	7	1	63	49	362	510
		Male	243	145	12	451	20	164	1,035
	Total		1,569	266	13	7,153	838	14,846	24,685
	Percentage		6.36%	1.08%	0.05%	28.98%	3.39%	60.14%	100%

Site**	Item		Management***			Specialists***	Administrative Personnel***	Technicians***	Total	
			Low-level managers	Middle managers	Executives					
Ningbo	<30 years old	Female	0	0	0	93	31	698	822	
		Male	2	0	0	356	6	1,605	1,969	
	30-50 years old	Female	110	2	0	265	70	916	1,363	
		Male	223	3	0	492	14	1,733	2,465	
	>50 years old	Female	0	0	0	1	0	1	2	
		Male	0	0	0	2	1	8	11	
	Total			335	5	0	1,209	122	4,961	6,632
	Percentage			5.05%	0.08%	0.00%	18.23%	1.84%	74.80%	100%

* The above data are established based on the incumbent employees on December 31, 2022.

** "Local managers of Taiwan sites" refers to managers of Taiwanese nationality; "local managers in China sites" refers to managers of Chinese nationality; "local managers in other location sites" refers to non-Taiwanese managers.

*** Definition of personnel: Low-level managers are assistant managers or managers; middle managers are site directors; and executives are personnel of managerial and higher positions at the head office; specialists are engineering and technical personnel; administrative personnel are administrative affairs personnel; technicians are direct production staff.

Site**	Item		Management***			Specialists***	Administrative Personnel***	Technicians***	Total
			Low-level managers	Middle managers	Executives				
Foshan	<30 years old	Female	0	0	0	67	16	563	646
		Male	1	0	0	306	5	1,139	1,451
	30-50 years old	Female	78	2	0	162	61	963	1,266
		Male	172	2	0	467	12	1,533	2,186
	>50 years old	Female	0	0	0	0	0	10	10
		Male	1	0	0	4	0	12	17
	Total		252	4	0	1,006	94	4,220	5,576
	Percentage		4.52%	0.07%	0.00%	18.04%	1.69%	75.68%	100%

Site**	Item		Management***			Specialists***	Administrative Personnel***	Technicians***	Total
			Low-level managers	Middle managers	Executives				
Nanjing	<30 years old	Female	0	0	0	56	9	158	223
		Male	0	0	0	115	3	360	478
	30-50 years old	Female	68	0	0	143	37	571	819
		Male	68	2	0	140	9	740	959
	>50 years old	Female	0	0	0	0	0	1	1
		Male	1	0	0	2	1	2	6
	Total		137	2	0	456	59	1,832	2,486
	Percentage		5.51%	0.08%	0.00%	18.34%	2.37%	73.69%	100%

* The above data are established based on the incumbent employees on December 31, 2022.

** "Local managers of Taiwan sites" refers to managers of Taiwanese nationality; "local managers in China sites" refers to managers of Chinese nationality; "local managers in other location sites" refers to non-Taiwanese managers.

*** Definition of personnel: Low-level managers are assistant managers or managers; middle managers are site directors; and executives are personnel of managerial and higher positions at the head office; specialists are engineering and technical personnel; administrative personnel are administrative affairs personnel; technicians are direct production staff.

Site**	Item		Management***			Specialists***	Administrative Personnel***	Technicians***	Total
			Low-level managers	Middle managers	Executives				
Shanghai	<30 years old	Female	0	0	0	8	0	269	277
		Male	0	0	0	31	1	658	690
	30-50 years old	Female	10	0	0	37	28	953	1,028
		Male	21	0	0	72	5	359	457
	>50 years old	Female	3	0	0	1	0	17	21
		Male	6	0	0	2	3	7	18
	Total		40	0	0	151	37	2,263	2,491
	Percentage		1.61%	0.00%	0.00%	6.06%	1.49%	90.85%	100%

Site**	Item		Management***			Specialists***	Administrative Personnel***	Technicians***	Total
			Low-level managers	Middle managers	Executives				
Other locations	<30 years old	Female	0	0	0	3	0	0	3
		Male	0	0	0	7	1	0	8
	30-50 years old	Female	0	0	0	13	7	0	20
		Male	3	0	0	94	4	0	101
	>50 years old	Female	0	0	0	6	6	0	12
		Male	10	6	0	119	5	0	140
	Total		13	6	0	242	23	0	284
	Percentage		4.58%	2.11%	0.00%	85.21%	8.10%	0.00%	100%

* The above data are established based on the incumbent employees on December 31, 2022.

** "Local managers of Taiwan sites" refers to managers of Taiwanese nationality; "local managers in China sites" refers to managers of Chinese nationality; "local managers in other location sites" refers to non-Taiwanese managers.

*** Definition of personnel: Low-level managers are assistant managers or managers; middle managers are site directors; and executives are personnel of managerial and higher positions at the head office; specialists are engineering and technical personnel; administrative personnel are administrative affairs personnel; technicians are direct production staff.

/Internal Hiring Rate for Job Vacancies*/

Item	2018		2019		2020		2021		2022	
	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor
Hiring rate**	14.98%	11.44%	1.54%	19.18%	3.79%	18.45%	9.55%	9.87%	9.69%	18.62%

* The data cover Taiwan sites.

** Calculation: Approved requests for internal transfers/ (Approved requests for internal transfers + Number of new external hires)*100.

/Percentage of People Separating from Employment in 2022*/

Gender	Age	Taiwan		Ningbo		Foshan		Nanjing		Shanghai		Other locations		Total	
		number of employees	Separation Rates	number of employees	Separation Rates	number of employees	Separation Rates	number of employees	Separation Rates	number of employees	Separation Rates	number of employees	Separation Rates	number of employees	Separation Rates
Female	<30 Years Old	611	2.38%	2,073	22.35%	757	11.08%	479	14.95%	572	25.63%	3	1.08%	4,495	21.48%
	30-50 Years Old	993	3.87%	838	9.04%	456	6.67%	488	15.24%	558	25.01%	4	1.45%	3,337	16.18%
	>50 Years Old	15	0.06%	3	0.03%	3	0.04%	2	0.06%	12	0.54%	0	0.00%	35	0.15%
Male	<30 Years Old	666	2.60%	4,907	52.91%	2,119	31.00%	1,290	40.27%	1,531	68.61%	4	1.45%	10,517	49.75%
	30-50 Years Old	1,003	3.91%	1,815	19.57%	807	11.81%	749	23.38%	302	13.53%	6	2.17%	4,682	23.12%
	>50 Years Old	40	0.16%	2	0.02%	1	0.01%	1	0.03%	4	0.18%	8	2.53%	56	3.09%
Total		3,328	12.97%	9,638	103.92%	4,143	60.61%	3,009	93.93%	2,979	133.50%	25	8.68%	23,122	113.77%

Turnover rate formula:

-{(Number of employees separating from employment in Taiwan during the year / [(number of employees in Taiwan at the beginning of the year+ number of employees in Taiwan at the end of the year)/2]} *100%

-{(number of employees separating from employment in China during the year / [(number of employees in China at the beginning of the year+ number of employees in China at the end of the year)/2]} *100%

/Total Separation Rates* (by gender)/

*:The total separation rate includes people separating from employment voluntarily.

** "Other locations " data collection starts in 2022.

Calculation:

[Number of people separating from employment in Taiwan in the year ÷ (number of employees at the beginning of the year in Taiwan + number of employees at the end of the year in Taiwan) ÷ 2] x 100%.

[Number of people separating from employment in China in the year ÷ (number of employees at the beginning of the year in China + number of employees at the end of the year in China) ÷ 2] x 100%.

Item		2018	2019	2020	2021	2022
Taiwan	Female	5.76%	7.20%	6.12%	4.25%	6.31%
	Male	7.08%	6.36%	7.08%	6.01%	6.66%
China	Female	30.24%	29.52%	28.08%	34.01%	28.97%
	Male	72.36%	76.56%	80.40%	88.30%	62.79%
Other locations**	Female	-	-	-	-	2.53%
	Male	-	-	-	-	6.51%
Total		115.44%	119.64%	121.68%	132.56%	113.77%

/Total Separation Rates* (by age)/

* The total separation rate includes people separating from employment voluntarily.

** "Other locations " data collection starts in 2022.

Calculation:

[Number of people separating from employment in Taiwan in the year ÷ (number of employees at the beginning of the year in Taiwan + number of employees at the end of the year in Taiwan) ÷ 2] x 100%.

[Number of people separating from employment in China in the year ÷ (number of employees at the beginning of the year in China + number of employees at the end of the year in China) ÷ 2] x 100%.

Item		2018	2019	2020	2021	2022
Taiwan	<30 years old	5.64%	5.76%	5.28%	3.71%	4.98%
	30-50 years old	7.20%	7.68%	7.80%	6.38%	7.78%
China	>50 years old	0.00%	0.12%	0.12%	0.17%	0.21%
	<30 years old	84.00%	82.68%	82.56%	91.90%	63.72%
	30-50 years old	18.60%	23.40%	25.92%	30.38%	27.91%
	>50 years old	0.00%	0.02%	0.12%	0.02%	0.13%
Other locations**	<30 years old	-	-	-	-	2.53%
	30-50 years old	-	-	-	-	4.34%
	>50 years old	-	-	-	-	2.17%
Total		115.44%	119.66%	121.80%	132.56%	113.77%

/Percentage of People Voluntarily Separating from Employment* /

Site	2018	2019	2020	2021	2022
Taiwan	12.12%	13.20%	12.96%	9.96%	12.96%
China	102.48%	106.08%	108.24%	116.52%	91.80%
Other locations**	-	-	-	-	9.00%
Total	114.60%	119.28%	121.20%	126.48%	113.76%

*Voluntary separation from employment: The conditions of involuntary separation from employment described in Article 11, the proviso in Article 13, Article 14 and Article 20 in the Labor Standards act are excluded.

** "Other" data collection starts in 2022.

Calculation:

Number of people voluntarily separating from employment in Taiwan \div [(number of employees in Taiwan at the beginning of the year + number of employees in Taiwan at the end of the year) \div 2] \times 100%.

Number of people voluntarily separating from employment in China \div [(number of employees in China at the beginning of the year + number of employees in China at the end of the year) \div 2] \times 100%.



6.1.3 Environmental Aspect

Item/Year		Units	2018	2019	2020	2021	2022
Consumption of energy resources and materials	Water consumption	Million tons Mm ³	23.7	21.9	22.1	21.3	18.3
	Power consumption	MWh	5,492,874	5,675,953	5,696,731	5,720,847	5,189,636
	Diesel*		72,526	3,293	5,091	14,434	3,136
	Natural Gas		141,253	156,693	155,513	173,052	147,867
	Liquid crystal		104	102	98	97	85
	Aluminum/copper etching solutions*	Tons	22,104	24,684	22,232	21,722	18,125
	Developer		21,969	21,678	21,432	21,649	19,342
	Stripper		19,736	30,261	19,263	19,210	15,937
	Thinner		6,649	6,200	5,629	4,741	3,176
	Photoresist		7,197	6,776	6,679	6,791	5,918
Greenhouse gas emissions	Scope 1	Million tCO ₂ e	0.369	0.354	0.323	0.306	0.115
	Scope 2		3.232	3.039	3.059	3.015	2.605
	Scope 3		0.037	0.032	0.028	0.609	1.221
Wastewater discharge	Wastewater volume	Tons	16,018,051	14,307,030	14,598,060	12,728,933	10,929,412
	Chemical oxygen demand		1,619.1	1393	1,354	975	675
	Biochemical oxygen demand		601	490	450	305	143
	Suspended solids		654	665	435	489	320
	Rate of water recycling throughout production processes		96.2	96.7	96.2	97.2	97.3
Water recycling	Volume of water recycled from production processes		271,591,031	274,147,277	292,118,824	291,938,321	263,550,003
	Total Waste volume		104,710	113,300	107,028	100,246	73,735
Waste disposal	Hazardous waste	Tons	28,422	25,982	25,259	24,993	20,639
	Ordinary waste		76,288	87,318	81,769	75,253	53,096
	VOCs		136.1	122.7	106.0	152.0	107.6
Air pollutant emissions	Sulfur oxides**		44.9	30.8	46.4	49.1	45.2
	Nitrogen oxides**		26.3	26.5	19.7	31.8	34.1

*Diesel is only used for factory equipment. **The data cover Taiwan China sites.

6.2 GRI Standards Content Index In accordance with GRI Standards 1, 2,3,200,300,400

Statement of use	Innolux Corporation follows GRI to publish this report. The report discloses sustainability performance from January 1, 2022 to December 31, 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	-

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 2: General Disclosures 2021	2-1 Organizational details	· Company Overview	5	
	2-2 Entities included in the organization's sustainability reporting	· About this Report	3	
	2-3 Reporting period, frequency and contact point			
	2-4 Restatements of information	· 6.6 Errata	176	
	2-5 External assurance	· About this Report	3	
		· 6.7 Independent Verification Statement	177	
	2-6 Activities, value chain and other business relationships	· Company Overview	5	
		· 3.1.1 Breakthrough Innovative Technologies	54	
		· 3.3 Supply Chain Management	64	
	2-7 Employees	· 4.1 Talent Recruitment and Retention	78	No part-time, temporary, or employees without guaranteed minimum working hours
	2-8 Workers who are not employees			
	2-9 Governance structure and composition	· 1.1.2 Sustainable Development Committee and Promotion Organization	13	
		· 2.1 Governing Body	29	
	2-10 Nomination and selection of the highest governance body	· 2.1 Governing Body	29	
	2-11 Chair of the highest governance body			
	2-12 Role of the highest governance body in overseeing the management of impacts	· 1.1 Sustainable Development Management Operations	12	
		· 2.1 Governing Body	29	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 2: General Disclosures 2021	2-13 Delegation of responsibility for managing impacts	· 1.1.2 Sustainable Development Committee and Promotion Organization	13	
	2-14 Role of the highest governance body in sustainability reporting			
	2-15 Conflicts of interest	· 2.1 Governing Body	29	
	2-16 Communication of critical concerns	· 1.1 Sustainable Development Management Operations	12	
		· 2.1 Governing Body	29	
	2-17 Collective knowledge of the highest governance body			
	2-18 Evaluation of the performance of the highest governance body	· 2.1 Governing Body	29	
	2-19 Remuneration policies			
	2-20 Process to determine remuneration			
	2-21 Annual total compensation ratio	· 4.1.3 Compensation and Benefits	85	
	2-22 Statement on sustainable development strategy	· A Message from the Chairman	4	
		· 1.1 Sustainable Development Management Operations	12	
		· 2.2 Risk Management	33	
		· 2.3 Integrity Management and Legal Compliance	44	
		· 2.4.2 Tax Governance	49	
		· 3.1.2 R&D Patent Deployment	56	
		· 3.3.2 Sustainable Supply Chain	66	
		· 4.3.1 Respect for Human Rights	96	
		· 5.2.2 Climate Change Adaptation	124	
		· 5.3.1 Biodiversity	136	
	2-23 Policy commitments	· 1.1 Sustainable Development Management Operations	12	
		· 2.2 Risk Management	33	
		· 2.3 Integrity Management and Legal Compliance	44	
		· 2.4.2 Tax Governance	49	
		· 3.1.2 R&D Patent Deployment	56	
	2-24 Embedding policy commitments			

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 2: General Disclosures 2021	2-24 Embedding policy commitments	· 3.3.2 Sustainable Supply Chain	66	
		· 4.3.1 Respect for Human Rights	96	
		· 5.2.2 Climate Change Adaptation	124	
		· 5.3.1 Biodiversity	136	
	2-25 Processes to remediate negative impacts	· 1.1 Sustainable Development Management Operations	12	
		· 2.2 Risk Management	33	
		· 2.3 Integrity Management and Legal Compliance	44	
		· 2.4.2 Tax Governance	49	
		· 3.1.2 R&D Patent Deployment	56	
		· 3.3.2 Sustainable Supply Chain	66	
		· 4.3.1 Respect for Human Rights	96	
		· 5.2.2 Climate Change Adaptation	124	
		· 5.3.1 Biodiversity	136	
		· 1.2.1 Stakeholder Communication	15	
	2-26 Mechanisms for seeking advice and raising concerns	· 4.3.2 No Gap in Communication with Employees	97	
		· 2.3 Integrity Management and Legal Compliance	44	
	2-27 Compliance with laws and regulations	· 5.1.2 Environmental Accounting	120	
	2-28 Membership associations	· Company Overview	5	
	2-29 Approach to stakeholder engagement	· 1.2 Stakeholder Communication and Material Topics	15	
	2-30 Collective bargaining agreements	· Labor unions have been established at the Ningbo,- Foshan, and Shanghai sites, with an estimated 11,991 members, accounting for 28.4% of global employees. However, no collective agreement has been reached.	-	
GRI 3 : Material Topics 2021	3-1 Process to determine material topics			
	3-2 List of material topics	· 1.2 Stakeholder Communication and Material Topics	15	
	3-3 Management of material topics			

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 201*:Economic Performance 2016	201-1 Direct economic value generated and distributed	· 2.4 Financial Performance and Tax Governance · Please refer to page 84 of 2022 annual report for more information of capital and issue of shares.	47	
	201-2 Financial implications and other risks and opportunities due to climate change	· 5.2.2 Climate Change Adaptation	124	
	201-3 Defined benefit plan obligations and other retirement plans	· 4.1.3 Compensation and Benefits	85	
	201-4 Financial assistance received from government	· 2.4 Financial Performance and Tax Governance	47	
GRI 202*:Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	· 4.1.3 Compensation and Benefits	85	
	202-2 Proportion of senior management hired from the local community	· 4.1.2 Diversity and Inclusiveness	80	
GRI 203*:Indirect Economic Impacts 2016	203-1 Infrastructure investments and services provided supported	· No relevant Infrastructure investments or donation in 2022.	-	
	203-2 Significant indirect economic impacts	· 1.4 Sustainability Impacts	24	
		· 2.2 Risk Management	33	
		· 2.4 Financial Performance and Tax Governance	47	
		· 3.3 Supply Chain Management	64	
		· 4.1 Talent Recruitment and Retention	78	
GRI 204:Procurement Practices 2016	204-1 Proportion of spending on local suppliers	· 3.3.1 Procurement Management	64	
GRI 205*:Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	· 2.3 Integrity Management and Legal Compliance · CSR internal audit is conducted according to RBA requirement and no significant risks was found in 2022.	44	
	205-2 Communication and training about anti-corruption policies and procedures			
	205-3 Confirmed incidents of corruption and actions taken	· 2.3 Integrity Management and Legal Compliance	44	
GRI 301*:Materials 2016	301-1 Materials used by weight or volume	· 5.5.2 Circular Green Factory (Material Flow in 2022) · A total of 135,669 tons of nonrenewable material used.	150	
	301-2 Recycled input materials used		-	No renewable material used.
	301-3 Reclaimed products and their packaging materials	· 5.5.2 Circular Green Factory	146	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 302: Energy 2016	302-1 Energy consumption within the organization	· 5.2.4 Energy Management	130	No quantified data for energy consumption outside the organization.
		· 5.5.2 Circular Green Factory (Material Flow in 2022)	150	
	302-2 Energy consumption outside of the organization		-	
	302-3 Energy intensity	· 5.2.4 Energy Management	130	
		· 5.5.2 Circular Green Factory (Material Flow in 2022)	150	
	302-4 Reduction of energy consumption	· 5.2.4 Energy Management	130	
	302-5 Reductions in energy requirements of products and services	· 5.5.3.3 Green Product Innovation	154	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	· 5.3.2 Water Resource Management	138	
		· 3.3 Supply Chain Management	64	
	303-2 Management of water discharge-related impacts	· 5.3.2 Water Resource Management	138	
	303-3 Water withdrawal			
	303-4 Water discharge	· 5.4.1 Water Pollution Control	142	
GRI 305: Emissions 2016	303-5 Water consumption			
	305-1 Direct (Scope 1) GHG emissions			
	305-2 Energy indirect (Scope 2) GHG emissions	· 5.2.3 Greenhouse Gas Management	127	
	305-3 Other indirect (Scope 3) GHG emissions			
	305-4 GHG emissions intensity			
	305-5 Reduction of GHG emissions	· 5.2.4 Energy Management	130	
	305-6 Emissions of ozone-depleting substances (ODS)			
GRI 306: Waste 2020	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	· 5.5.2 Circular Green Factory (Material Flow in 2022)	150	No ODS production or output.
	306-1 Waste generation and significant waste-related impacts	· 5.5 Green Cycle	144	
	306-2 Management of significant waste-related impacts			
	306-3 Waste generated			
	306-4 Waste diverted from disposal	· 5.5.1 Waste Output	144	
	306-5 Waste directed to disposal			

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	· 3.3.2 Sustainable Supply Chain	66	
	308-2 Negative environmental impacts in the supply chain and actions taken	· 3.3 Supply Chain Management	64	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	· 4.1.2 Diversity and Inclusiveness	80	
		· 6.1.2 Social Aspect	158	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	· 4.1.3 Compensation and Benefits · The compensation and benefits between permanent and nonpermanent employees are more or less the same.	85	
	401-3 Parental leave	· 4.1.3 Compensation and Benefits	85	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	· 4.4 Safety and Protection	100	
	403-2 Hazard identification, risk assessment, and incident investigation			
	403-3 Occupational health services	· 4.4.1 Health Care	101	
	403-4 Worker participation, consultation, and communication on occupational	· 4.4 Safety and Protection	100	
	403-5 Worker training on occupational health and safety	· 4.4.2 Occupational Safety Management	105	
	403-6 Promotion of worker health	· 4.4.1 Health Care	101	
		· 2.2.3 Business Continuity Management	35	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked to business operations	· 3.3.2 Sustainable Supply Chain	66	
		· 4.4 Safety and Protection	100	
	403-8 Workers covered by an occupational health and safety management system	· 4.4 Safety and Protection	100	
GRI 404: Training and Education 2016	403-9 Work-related injuries			
	403-10 Work-related ill health	· 4.4.1 Health Care	101	
	404-1 Average hours of training per year per employee	· 4.2 Talent Cultivation and Development	93	
	404-2 Programs for upgrading employee skills and transition assistance programs			
GRI 405: Diversity and Equal Opportunity 2016	404-3 Percentage of employees receiving regular performance and career development reviews	· 4.1.2 Diversity and Inclusiveness	80	
	405-1 Diversity of governance bodies and employees	· 2.1.1 Board of Director (BOD) and Its Operations · 4.2 Talent Cultivation and Development	29 93	
	405-2 Ratio of basic salary and remuneration of women to men	· 4.1.3 Compensation and Benefits	85	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 406*: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	· 4.3 Labor Rights and Relations	96	
GRI 409*: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	· CSR internal audit and supplier SER audit were conduct according to RBA requirement and no significant risks was found in 2022.	-	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	· 3.3.3 Supply Chain Quality Management	72	
	414-2 Negative social impacts in the supply chain and actions taken	· 3.3.1 Procurement Management	64	
GRI 416*: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	· 5.5.3.2 Product Compliance	152	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	· No violations against the regulations of health and safety for Innolux product and service in 2022.	-	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	· 2.3.1 Integrity Management	44	

*Refers to voluntarily disclosed non-material issues.

6.3 Sustainability Accounting Standards Board (SASB) Content Index*

* According to the technology and communication sector hardware standards of the SASB index, 2018-10 version.

NUMBER	INDEX DESCRIPTION	CHAPTER	PAGE
Product Security			
TC-HW-230a.1	Description of approach to identifying and addressing data security risks in products	Evaluate the product design, manufacturing process and use stages and identify no risk related to product information security.	-
Employee Diversity & Inclusion			
TC-HW-330a.1	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	4.1.2 Diversity and Inclusiveness 6.1.2 Social Aspect	80 158
Product Lifecycle Management			
TC-HW-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	Products that comply with IEC 62474 controlled substances that shall be reported account for 39.58% of annual revenue.	-
TC-HW-410a.2	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	Non-end-product manufacturers; this indicator does not apply..	-
TC-HW-410a.3	Percentage of eligible products, by revenue, meeting ENERGY STAR ® criteria	Non-end-product manufacturers; this indicator does not apply..	-
TC-HW-410a.4	Weight of end-of-life products and e-waste recovered,percentage recycled	Non-end-product manufacturers; this indicator does not apply..	-
Supply Chain Management			
TC-HW-430a.1	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	3.3.2 Sustainable Supply Chain	66
TC-HW-430a.2	Tier 1 suppliers’ (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances		
Materials Sourcing			
TC-HW-440a.1	Description of the management of risks associated with the use of critical materials	3.3.2 Sustainable Supply Chain	66
Activity Metrics			
TC-HW-000.A	Number of units produced by product category	Company Overview	5
TC-HW-000.B	Area of manufacturing facilities	The total area of the Greater China sites is 4,610,075.88 m².	-
TC-HW-000.C	Percentage of production from owned facilities	100% of production capacity comes from Innolux’s own plants.	-

6.4 Disclosed Indicators as Required by the Article 4 of Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports Content Index *

*Using Article 4 of Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports, based on the industry category- sustainability indicators disclosure for photovoltaic Industry.

No.	Indicator	Type of indicator	Corresponding chapter	Page
1	Total energy consumption, percentage of purchased electricity and renewable energy utilization rate	Quantitativ	5.2.4 Energy Management	130
2	Total water withdrawal and total water consumption		5.4.1 Water Pollution Control	142
3	Weight of hazardous waste generated and recycling rate		5.5.1 Waste output	144
4	Explain the type, number and rate of occupational disasters		4.4.2 Occupational Safety Management	105
5	Product lifecycle management disclosure: including the weight of obsolete products and e-waste and the recycling rate	Qualitative description	Innolux produced 542.8 tons of e-waste, 368.3 tons of which were recycled, accounting for 67.8% of all e-waste.	-
6	Description of risk management related to the use of critical materials		3.2 Sustainable Supply Chain	66
7	Pecuniary loss as a result of legal proceedings related to anti-competitive acts		No pecuniary loss as a result of legal proceedings related to anti-competitive acts	-
8	Production of major products by category		Company Overview	5

6.5 WEF Stakeholder Capitalism Metrics Content Index


Area	Theme	Core Metrics	Chapter	Page
Principles of Governance	Governing Purpose	Setting purpose	1.1 Sustainable Development Management Operations	12
	Quality of governing body	Governance body composition	1.1 Sustainable Development Management Operations	12
			2.1 Governing Body	29
	Stakeholder engagement	Material issues impacting stakeholders	1.2 Stakeholder Communication and Material Topics	15
	Ethical behaviour	Anti-corruption	2.3 Integrity Management and Legal Compliance	44
		Protected ethics advice and reporting mechanisms		
Planet	Risk and opportunity oversight	Integrating risk and opportunity into business process	2.2 Risk Management	33
	Climate change	Greenhouse gas (GHG) emissions	5.2.3 Greenhouse Gas Management	127
		TCFD implementation	5.2.2 Climate Change Adaptation	124
	Nature loss	Land use and ecological sensitivity	5.3.1 Biodiversity	136
	Freshwater availability	Water consumption and withdrawal in water-stressed areas	5.3.2 Water Resource Management	138
People	Dignity and equality	Diversity and inclusion	4.1.2 Diversity and Inclusiveness	80
		Pay equality	4.1.3 Compensation and Benefits	85
		Wage level		
		Risk for incidents of child, forced or compulsory labour	4.3.1 Respect for Human Rights No child labor or slavery is used in compliance with the RBA Code of Conduct.	96
	Health and well-being	Health and safety	4.4 Safety and Protection	100
Prosperity	Skills for the future	Training provided	4.2 Talent Cultivation and Development	93
	Employment and wealth generation	Absolute number and rate of employment	4.1.2 Diversity and Inclusiveness 6.1.2 Social Aspect	80 158
		Economic contribution	2.4 Financial Performance and Tax Governance	47
		Financial investment contribution	Confidential information, no disclosure.	-
	Innovation of better products and services	Total R&D expenses	3.1.1 Breakthrough Innovative Technologies	54
	Community and social vitality	Total tax paid	2.4 Financial Performance and Tax Governance	47

6.6 Errata GRI: 2-4

Chapter	Page	Before Amendment	After Amendment																																																								
4.1.1 Diversity in Recruitment	66	<p>In 2021, we recruited 584 persons with disabilities; they accounted for 1.1% of all employees, which was higher than local government requirements.</p> <p>/Employees Disabilities/</p> <p>■ Taiwan ■ China ■ Total</p> <table><thead><tr><th>Year</th><th>Taiwan</th><th>China</th><th>Total</th></tr></thead><tbody><tr><td>Y2016</td><td>405</td><td>541</td><td>946</td></tr><tr><td>Y2017</td><td>383</td><td>615</td><td>998</td></tr><tr><td>Y2018</td><td>345</td><td>534</td><td>879</td></tr><tr><td>Y2019</td><td>318</td><td>485</td><td>803</td></tr><tr><td>Y2020</td><td>292</td><td>584</td><td>876</td></tr><tr><td>Y2021</td><td>303</td><td>890</td><td>1,193</td></tr></tbody></table>	Year	Taiwan	China	Total	Y2016	405	541	946	Y2017	383	615	998	Y2018	345	534	879	Y2019	318	485	803	Y2020	292	584	876	Y2021	303	890	1,193	<p>The figures and chart were modified due to an error in the data of employees with disabilities in 2021.</p> <p>In 2021, we recruited 971 persons with disabilities; they accounted for 1.1% of all employees, which was higher than local government requirements.</p> <p>/Employees Disabilities/</p> <p>■ Taiwan ■ China ■ Total</p> <table><thead><tr><th>Year</th><th>Taiwan</th><th>China</th><th>Total</th></tr></thead><tbody><tr><td>Y2016</td><td>405</td><td>541</td><td>946</td></tr><tr><td>Y2017</td><td>383</td><td>615</td><td>998</td></tr><tr><td>Y2018</td><td>345</td><td>534</td><td>879</td></tr><tr><td>Y2019</td><td>318</td><td>485</td><td>803</td></tr><tr><td>Y2020</td><td>292</td><td>584</td><td>876</td></tr><tr><td>Y2021</td><td>303</td><td>668</td><td>971</td></tr></tbody></table>	Year	Taiwan	China	Total	Y2016	405	541	946	Y2017	383	615	998	Y2018	345	534	879	Y2019	318	485	803	Y2020	292	584	876	Y2021	303	668	971
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6.7 Independent Verification Statement

GRI : 2-5



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE INNOLUX CORPORATION'S ESG REPORT FOR 2022

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
 SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by INNOLUX CORPORATION (hereinafter referred to as INNOLUX) to conduct an independent assurance of the ESG Report for 2022 (hereinafter referred to as the Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled level, and data in accompanying tables, contained in the report presented during verification. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

INTENDED USERS OF THIS ASSURANCE STATEMENT
 This Assurance Statement is provided with the intention of informing all INNOLUX's Stakeholders.

RESPONSIBILITIES
 The information in the INNOLUX's ESG Report of 2022 and its presentation are the responsibility of the directors or governing body and management of INNOLUX. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all INNOLUX's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards), GRI 1: Foundation 2021 for report quality, GRI 3 General Disclosure 2021 for organization's reporting practices and other organizational detail, GRI 3 2021 for organization's process of determining material topics, its list of material topics and how to manages each topic, and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options	Level of Assurance
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
B	AA1000ASv3 Type 2 High (AA1000AP Evaluation plus evaluation of Specified Performance Information)

SCOPE OF ASSURANCE AND REPORTING CRITERIA
 The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

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Reporting Criteria Options

1	GRI Universal Standard (2021) (In Accordance)
2	AA1000 Accountability Principles (2018)
3	SASB

- evaluation of content veracity of the sustainability performance information based on the materiality determination at a high level of scrutiny for INNOLUX and moderate level of scrutiny for subsidiaries, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard v3 Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018);
- evaluation of the report against the requirements of Global Reporting Initiative Universal Standard 2021 (GRI 2, GRI 3, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with; and
- evaluation of the report against the SASB Disclosures and Metrics included in the Hardware Sustainability Accounting Standard (VERSION 2018-10) and conducted alongside an evaluation of accuracy assurance at moderate level of scrutiny.

ASSURANCE METHODOLOGY
 The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, ESG committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

LIMITATIONS AND MITIGATION
 Financial data drawn directly from independently audited financial accounts, Total Impact Measurement and Management, and Task Force on Climate-related Financial Disclosures (TCFD) has not been checked back to source as part of this assurance process.

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

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

VERIFICATION/ASSURANCE OPINION
 On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Integrity
 INNOLUX has demonstrated a good commitment to stakeholder integrity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to deepen the organization's understanding of stakeholder concerns. Interactive actions to address stakeholder concerns were also implemented during the reporting year.

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Materiality
 INNOLUX has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group. A wide range of sources were used for analyzing the relevance of the determined sustainability topics.

Reasonableness
 The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

Impact
 INNOLUX has demonstrated a process on identifying impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performances. Detailed information on INNOLUX's methodologies for evaluating positive and negative impacts, such as the application of due diligence process, are to be further described in future reports.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS
 The report, INNOLUX's ESG Report of 2022, complies with the Requirements set out in section 3 of GRI 1 and is adequately in accordance with the GRI Universal Standards 2021, where the significant impacts on the economy, environment, and people, including impacts on their human rights are assessed and disclosed following the guidance defined in GRI 3: Material Topics 2021. For future reporting, it is recommended to have more descriptions on how the significance of organization's negative and positive impacts were assessed by considering the severity/scale and scope and likelihood of the impact.

SASB CONCLUSIONS, FINDINGS AND RECOMMENDATIONS
 INNOLUX has referenced with SASB's Standard, Hardware, VERSION 2018-10 to disclose information of material topics that are vital for enterprise value creation. The reporting boundaries of the disclosed information correspond to the financial data reported in INNOLUX's audited consolidated financial statements. INNOLUX used SASB accounting and activity metrics to assess and manage the topic-related risks and opportunities, where relevant quantitative information was assessed for its accuracy and completeness to support the comparability of the data reported. For continuous improvement, process to identify, assess, and manage topic-related risks and opportunities were recommended to be integrated into INNOLUX's overall management process with more thorough disclosures for monitoring and benchmarking the respective performances.

Signed:
 For and on behalf of SGS Taiwan Ltd.



Stephen Pao
 Knowledge Deputy General Manager
 Taipei, Taiwan
 30 May, 2023
WWW.SGS.COM

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