

2017

Corporate Social Responsibility Report



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Editorial Principle

For ten consecutive years, Innolux has issued the Corporate Social Responsibility Report every year. This report has been prepared in accordance with the GRI Standards which were released on October 19, 2016 by the Global Reporting Initiative (GRI).

Issue Period

According to the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, Innolux issues Corporate Social Responsibility Reports annually on June 30th and publishes the reports on its website as well. Last report was released in June 2017. The next report for year 2018 is expected to be published in June 2019.

Report Scope and Boundary

- The boundary of this report covers both internal and external material topics. Internal material topics are topics found within Innolux, including Innolux Taiwan, Ningbo (Ningbo Innolux Optoelectronics Co., LTD, Ningbo Innolux Display LTD., Ningbo Innolux Electronics Ltd.), Foshan (Foshan Innolux Optoelectronics LTD.), Nanjing (VAP Optoelectronics Nanjing Corp., Nanjing Innolux Technology Ltd., Nanjing Innolux Optoelectronics Ltd.) and Shanghai (Innocom Technology Shanghai Co. Ltd.) sites of China. External material topics are topics found outside Innolux, including customers, suppliers and local communities.
- Data has been gathered through cooperation of the Human Resources Department, Legal Department, Intellectual Property Department, Finance Department, Facility Engineering Department, Environmental Safety and Health Department, General Administration Department, R&D Department, Procurement Department, Quality Assurance Department, Sales Department, Public Relations Department, Innolux Education Foundation, and the CSR Department, and has been confirmed by the internal administrative process. Cost and accounting information disclosed in the annual report has been verified by accountants. Third-party (external) assurance has been implemented on environmental management, greenhouse gases (GHG) inventories, and occupational health and safety management in accordance with ISO14001, ISO 14064-1, and OHSAS 18001.
- Data were obtained for the period from January 1 to December 31, 2017. Financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS). Numbers listed in the financial statements are in Taiwan dollar (TWD). Environment, safety and health (ESH) performances are expressed through universal indices. Numbers and indices with special meanings have been noted and explained accordingly.

Report Assurance

This report is verified by SGS Taiwan (an independent third party) as one that fully meets the GRI Standards Type 2 assurance level (Comprehensive Disclosure) based on the AccountAbility 1000 Assurance Standard (AA1000AS). The independent assurance statement is included in the appendix of this report.

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Company Vision

To become the most valuable
panel display solutions provider.

Company Mission

To become an enterprise with competitiveness ;
To make returns for shareholders;
To have customer satisfaction;
To make employees proud;
To expand the horizons of humanity.



Message from the Chairman

Thanks to the accurate sales strategy of the TV Business Unit (TVBU), our profit reached a new high over the past decade in 2017, and the highest profit was found in the large panel market. While unfortunately oversupply will become a fact in 2018, maintaining technological advantages and healthy finance will be the effective policy for Innolux to achieve sustainable development.

To extricate Innolux from the red ocean (dumping) competition of panels and avoid the company from marginalization, we are committed to transforming Innolux into a smart manufacturing platform with system integration capacity, and the new Innolux model: reinforcing our panel business, resetting our system business, and integrating our business for new forays was initiated in 2017. Through the huge outlet, we have launched the “Made by Innolux” full-machine shipping policy. While full-TV shipping presents a learning curve, we believe that by revamping the Innolux model and opening new outlets, we can achieve full-machine manufacture through vertical integration and contribute to profit-making, in order to regain market dominance.

In response to the rise of Industry 4.0 and the 8K+5G ecosphere of the group, it is our responsibility to re-equip the industry internet of the panel business. While panel manufacture requires over 300 processes and lots of domain know-how, we promote total factory automation and create big data containing a large amount of AI contents and applicability to achieve the Panels + Industrial Internet of Things goal by the end of 2019.

Faced with the one-sided technological pressure from South Korea, we have launched the prototype of the world's first AM MiniLED auto panel that surpasses the picture quality and resolution of OLED and QLED and can be used on flexible PCBs to initiate the next glorious era of TFT manufacture. In addition, our 100” 4K2K LCD TV Module won the Taiwan Excellence Gold Award in 2017 while our 100” High Brightness PID Module won the Taiwan Excellence Silver Award in 2018. By continuously implementing optimal strategic deployment in brand new applications, enhancing value chain integration, developing products of high value-added, and maintaining product competitiveness in the price and specification terms, we aim to provide customers with more value-added solutions and services.

We spare no effort to promote and implement sustainable development by following the 17 sustainable development goals (SDGs) launched by the United Nations. Apart from addressing resource risks and environmental issues with respect to the SDG spirit, we reduce the impacts of pollution and comply with the circular economy concept. In 2017 we activated the iFM platform to achieve real-time surveillance of our water conservation, GHG emissions, waste reduction, material flow cost accounting (MFCA), chemicals recovery, and collaborative carbon reduction with suppliers, in order to take precautionary actions and surpass international standard for a low-carbon environment.

People are essential to sustainable development. By promoting the ‘three-ward looking’ (forward looking, upward looking, and outward looking) talent cultivation policy for global deployment, we organize internship programs with domestic universities of science and technology and establish the Innolux Academy for seamless education-to-employment connection and raise the recruitment rate to 86%. In 2017 we further introduced the ‘business practice degree’ in Europe to offer practice and training opportunities in leading European universities. To foster top high-tech talent, we have established the Startup Incubator to develop technology talents in collaboration with leading universities and research institutions.

As a bellwether of disability employment, we hire people with disabilities beyond the statutory quota in Taiwan, Ningbo, Foshan, and Nanjing plants in China, making Innolux a model disability employer in the high-tech industry.

2017 also marked the baseline year of our full-machine output. In face with the severe challenges in 2018, our Industry Internet of Things norms are spreading like wildfire. We will continue to set standards for the industry ahead of competitors and lead the market trends to achieve co-prosperity and win-win with all stakeholders, fulfill our corporate social responsibility, and leverage our nimble yet stable operating model to demonstrate Innolux's positive value.

王 志 超

Jyh-Chau Wang, Chairman

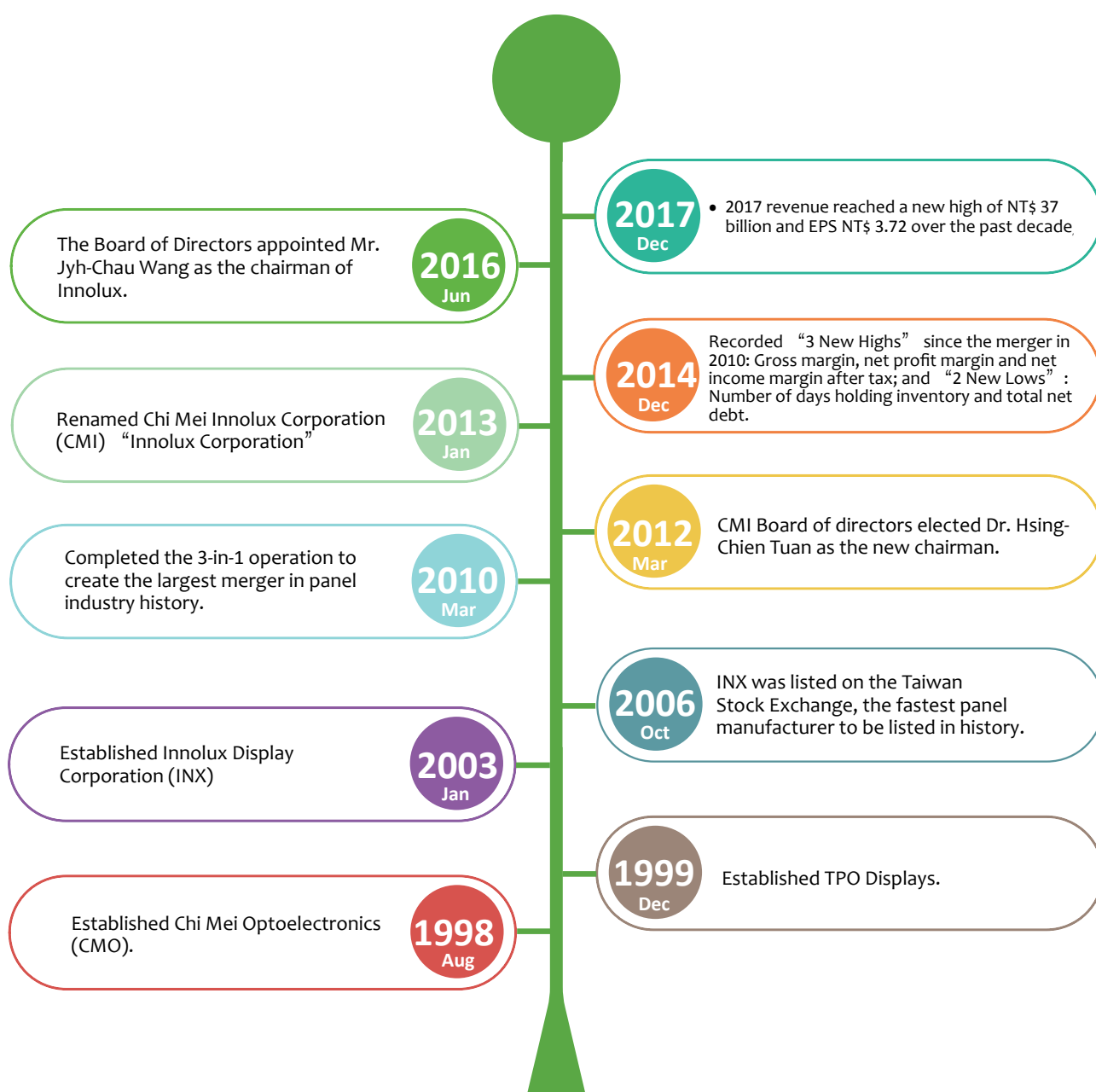


Innolux Company Overview

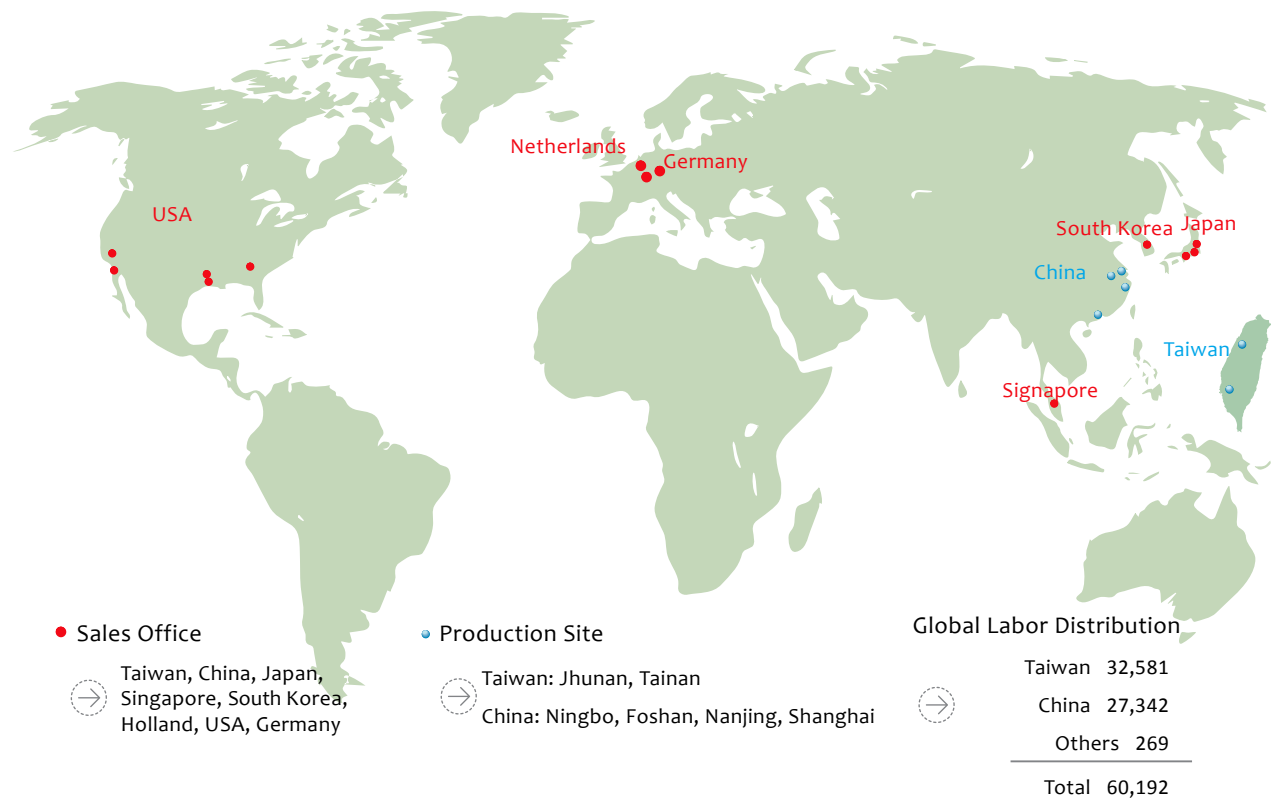
Founded in 2003, we merged with Chi Mei Optoelectronics and Toppoly Optoelectronics in March 2010, with total employees up to 60,192 people worldwide by 2017. In addition to the Taiwan R&D center where core technological staff are trained, we have production bases and sales locations across the globe, with major front-end TFT plants located in Zhunan and Tainan, Taiwan, and rear-end LCM plants Ningbo, Nanjing, Foshan and Shanghai, China under a well-planned deployment.

As the world's unique one-stop (integrated) display supplier of liquid crystal panels and touch panels of all sizes, we have complete range of 3.5G, 4G, 4.5G, 5G, 6G, 7.5G, 8.5G and 8.6G production lines. Through technology innovation and differentiation, we also supply advanced display solutions covering 4K2K ultrahigh resolution, 3D naked eye, IGZO, LTPS, AMOLED, OLED, and touch-control, set industry standards, and lead the market trend. Our comprehensive product ranges cover various TFT LCD panel modules and touch panels, such as TV panels, desktop FDPs, notebook panels, and medical and automotive panels, to fulfill the panel demands of worldwide top IT and consumer electronics customers.

Innolux Milestone



Innolux Global Presence



Product Application

 LCD TV Application	 PID Application	 Monitor Application
 Notebook Application	 Industrial Display Application	 Medical Display Application
 Automotive and Avionics Display Application	 Consumer Electronics Application	 Smart phone/ Mobile Applications

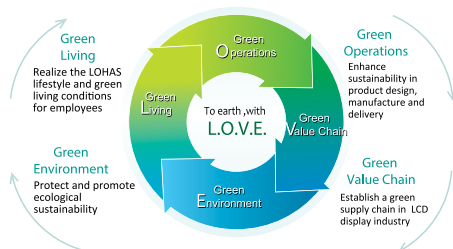
Corporate Social Responsibility Operations and Performances

CSR Policy and Implementation Plan

Established upon the Code of Conduct of Responsible Business Alliance (RBA), formerly Electronic Industry Citizenship Coalition (EICC), our CSR policy covers the following five policies: corporate governance, environmental protection, employee care, supply chain SER management, and community participation represent the five main policy directions. By realizing environmental sustainability and a cultural society and enhancing communication with stakeholders, we aim to persistently fulfill their expectations.



Our CSR Implementation Plan covers the environmental and social aspects:



Environmentally, the ideal of “To Earth, with L.O.V.E.” and an Earth-centric perspective have been adopted in support of a sustainable Earth. We are actively working to realize green **L**iving, green **O**perations, the green **V**alue chain, and the green **E**nvironment. From green living for employees to green operations, we are exerting our influence to promote environmental sustainability issues.



Socially, the ideal of “To People with S.M.I.L.E.” and a culture-centric perspective have been adopted. We actively working to realize **S**afety culture, **M**ental and physical wellness of people, **I**nitiative on social care, **L**iving care for employees, and **E**mployee-friendly workplace to constantly improve cultural harmony, co-existence, and co-property.

CSR Committee and Promotion Organization

After establishing the Corporate Social Responsibility Department (CSRD) designated to handle CSR affairs, we established the Corporate Social Responsibility Committee (CSRC) in 2011 chaired by Chairman Jyh-Chau Wang as the committee chair. Further in 2017, Chairman Wang appointed Vice President Chih-Ming Chen as the CSR management representative, with OU heads of all production centers in Taiwan and Mainland China as committee members. Together with all function departments and the Low-Carbon Green Management Workgroup, the Employee Care Workgroup, and the Risk Management Workgroup, they constantly improve the performance of our sustainable development.

To ensure the effectiveness of CSR operations and to perform the functions and duties defined in the Social Corporate Responsibility Management Manual (CSR Manual), the board of directors has authorized the chairman or his proxy to propose and implement the CSR policy, CSR management plan, and CSR implementation plan and to report to the board of directors regularly. In October 2017, they completed the assignments and reported CSR operations to the board of directors, with major content covering outcomes, performance, and future plans and projects. Through supervision of and assistance to the management to practice corporate social responsibility, the board of directors strengthens the coherence of CSR and organizational operations.

CSRC is responsible for establishing CSR policy and short-, medium- and long-term CSR strategies. Through its quarterly committee meetings and annual management reviews, CSRC examines the organizational achievements in the risk management in governance and environmental and social aspects. In 2017, CSRC regularly gathered information regarding international sustainability trends and issues that concern stakeholders, such as the change and trend of the Carbon Disclosure Project (CDP), the defects and risks found in the RBA Validated Assessment Process (VAP), topics on public welfare and environmental education; and reported to the management representative and committee members. The responsible units reported the achievements of annual CSR goals. In 2017, we promoted 11 CSR goals covering 38 targets. Although 25 targets were achieved, 13 targets were unachieved. In 2018, we will continue to make improvement of issues in all aspects.

Matching of Innolux CSR Policy and SDGs

2016 marked the Sustainable New Millennium. At the United Nations Sustainable Development Summit 2015, the Transforming our World: The 2030 Agenda for Sustainable Development (Agenda 30) was passed to activate the 17 Sustainable Development Goals (SDGs) as of January 1, 2016. In recognition of the far-reaching effect of the 17 SDGs on the enterprise development track, we reviewed our CSR policy established in 2010, actions and strategy for sustainability, and supply chain management based on the SDG framework in 2015. In addition, we reported the results to Chairman Wang at the annual management review and confirmed that the organizational CSR policy and plan conform with the SDGs. Therefore in 2017, we continued to promote our CSR work with respect to the SDGs spirit and organizational CSR policy.

Active Participation in Associations and Societies

By constantly participating in the activities of such industry associations and societies as the Taiwan TFT LCD Association, Taiwan Electrical and Electronic Manufacturers' Association, Taiwan Digital Television Industry Alliance, Chinese Society for Quality, the Allied Association for Science Park Industries, Taiwan Corporate Sustainability Forum (TCSF), the Chinese Institute of Environmental Engineering, Environmental Management Accounting Network-Taiwan, the Safety and Health Committee of the Allied Association for Science Park Industries, the Environmental Protection Committee of the Allied Association for Science Park Industries, and the China Green Development Alliance, we actively reflect the opinions and needs of enterprises and offer alternative experience, hoping to contribute to the sound development of the panel industry.

Referring to Article 4 of the Innolux Code of Conduct, neither seeking business benefits or transaction advantages with political contributions nor giving bribes in the form of undue charity donations is allowed. Therefore, we have made no political contributions of any kind over the years. In order to promote the sound development of the panel industry, we actively reflect the opinions and needs of the industry and constantly participate in activities of related industry associations and societies, hoping to help the government and related organizations draw up multifaceted policies and regulations by sharing experience in the industry and organizational opinions.

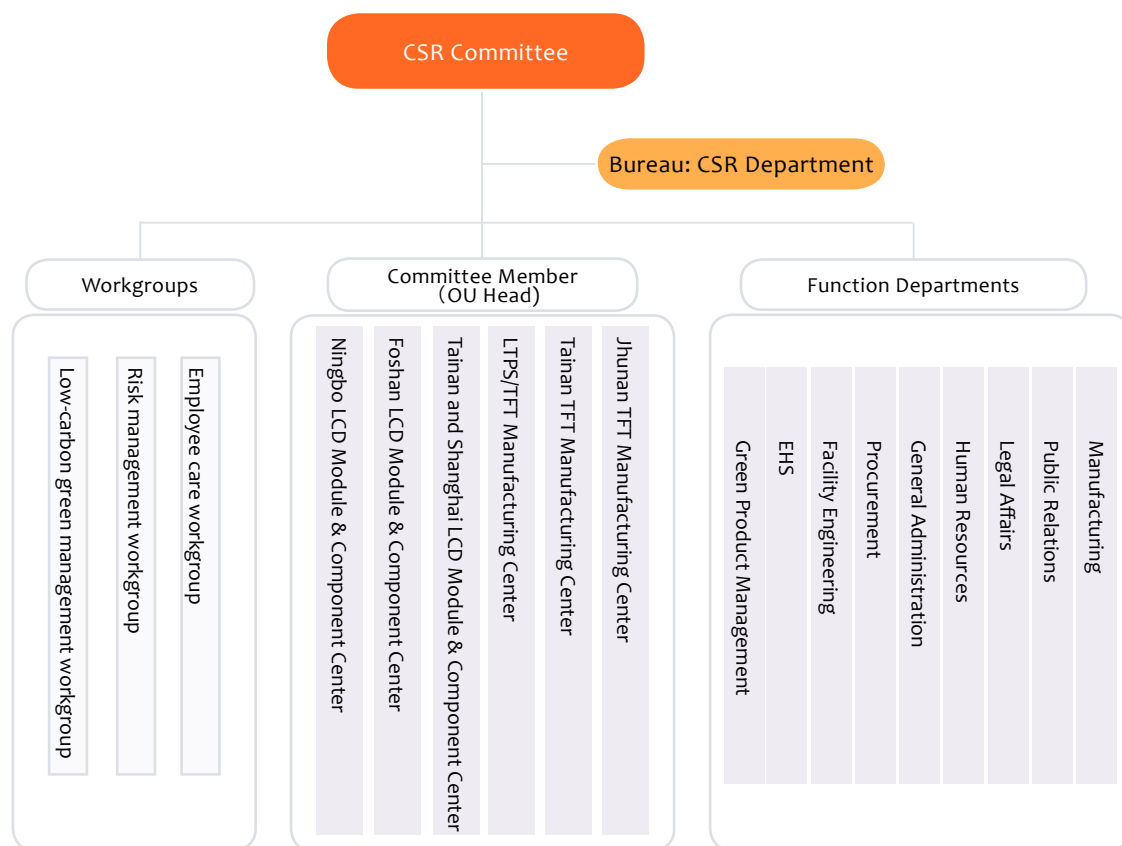
Unit	2017		Expenses (TWD)			
	Member	Participation in other projects or committees	2014	2015	2016	2017
 中華民國企業永續發展協會 wbcsd global network partner	V	V	30,000	60,000	60,000	60,000
 Responsible Business Alliance Formerly the Electronic Industry Citizenship Coalition Advancing Sustainability Globally		V	363,930	1,060,890	349,070	692,236
 TTLA 中華民國台灣 TFT LCD 產業協會 Taiwan TFT LCD Association	V		1,200,000	1,200,000	1,200,000	1,200,000

CSR Review

- 2017 Taiwan Corporate Sustainability Award by TCSA
--Innolux awarded Taiwan Corporate Sustainability Awards-- Corporate Sustainability Report Golden Awards of ICT group.
- --Innolux awarded Taiwan Corporate Sustainability Awards--Sustainable Water Management Awards .
- 19th of the Top 50 Large Enterprises, Excellence in Corporate Social Responsibility
- 2017, CommonWealth Magazine. Top 40 in the Global Vision Magazine CSR Survey



CSR Committee Organization and Workgroups



WG1: Low-carbon green management

- Goal: Manage the risk and opportunity of climate change
- Convener: Green Product Management Department
- Promotion foci or projects: Review the material loss throughout the material life cycle with MFCA analysis; quantify focus improvements; and establish the 3R improvement strategy to reduce material wastage. By January 2018, material loss reduction in 3R has been implemented on 29 items. Material loss reduction will continue and effectiveness confirmation will be conducted on various items to achieve the circular economy.

WG2: Risk management

- Goal: Supervise and support the promotion of legal compliance and risk management system.
- Convener: Legal Affairs Department
- Promotion foci or projects: Optimize the discharge workflow for incompetent employees: The workflow was improved to minimize the risk of violation of labor-related laws and regulations when compulsory dismissal is required to dismiss employees who cannot achieve the sales target and refuse to rescind the employment contract through negotiation.
- Promotion and prevention of anti-corruption in Greater China: All indirect workers in Taiwan and China were requested to answer a questionnaire. The Legal Department analyzed, interviewed, and listed indirect workers with abnormal responses.

WG3: Employee care workgroup

- Goal: Enhance employee-friendly workplace
- Convener: Manufacturing Technology Center
- Promotion foci or projects: Reinforce empowerment training with focus on workplace adaptation group courses to improve the communication skills, mental preparedness, and responsiveness of employees with disabilities, and assist with installing accessible facilities at each station.
- Pioneered the Competency Strengthening and Workplace Health course, a group course for strengthening and stabilizing employment of people with disabilities in collaboration with the Tainan Labor Affairs Bureau and National Cheng Kung University. By arranging this course for group training, we aim to improve the communication skills and mental preparedness of employees with disabilities to empower them.



2017 Honors and Credits

★ Economic

- The 100-inch high-brightness public display module that won the 2017 Taiwan Excellence Silver Award
- Five products were awarded the Taiwan Excellence logo, including the 50-inch Mega Zone display module, the 21.5-inch switchable privacy monitor, the 15.6-inch none-color-shifted low blue light display, 10.1-inch TID touch in display, and the 6-inch luxurious touch display module.
- World's first 3D touch patented Deep Sensing Technology (DST) to mark a new HMI milestone and won the Product Innovation Award of the Hsinchu Science Park.
- Awarded about 400 patents in 2017, accumulating to over 10,000 patents worldwide.

★ Environmental

- Rated grade B by CDP 2017.
- Six fabs (Fab1, Fab2, Fab4, Fab5, Fab6, Fab7) in Taiwan passed the Clean Production Certification of the Industrial Development Bureau, Ministry of Economic Affairs.
- Two fabs (Fab2 and Fab3) in Taiwan were awarded the Green Factory mark of the Industrial Development Bureau, Ministry of Economic Affairs.
- Fab7 in Taiwan was rated as Outstanding Unit in Water Conservation by the Water Resources Agency, Ministry of Economic Affairs.
- Plants in Taiwan have been rated Outstanding Green Procurement Units by the Environmental Production Administration for nine consecutive years.
- The water consumption intensity in TFT-LCD manufacture was $0.329\text{m}^3/\text{m}^2$, 2% less than that of 2016
- The electricity consumption intensity in TFT-LCD manufacture was $68.8\text{ kWh}/\text{m}^2$ reduced 2% (compared to 2016).
- The average process water recovery rate was up to 95.4%, far better than the 85% standard set by the HSP Administration.

★ Social

- In 2017, a total of 998 employees with disability were hired, with the accession rate of 1.12% in Taiwan, 1.83% in Ningbo, 2.24% in Foshan and 3.3% in Nanjing and 0.81% in Shanghai.
- Pioneered the Competency Strengthening and Workplace Health course, a group course for strengthening and stabilizing employment of people with disabilities in collaboration with the Tainan Labor Affairs Bureau and National Cheng Kung University, College of Medicine.
- The Ningbo Employee WeChat Communication Platform was vigorously promoted by the Ningbo Federation of Trade Unions and won the HRSALON Best HR Practice Award.

Nominated for the member of 2018 RobecoSAM Sustainability Yearbook

Innolux was nominated for the member of 2018 RobecoSAM Sustainability Yearbook, which means that we were rated among the top 15% in the Electronic Equipment, Instruments & Components category of the Dow Jones Sustainability Indices (DJSI) ratings.



Sustainable Development Strategy and United Nation's Sustainable Development Goals (SDGs)

Innolux CSR Policy	Innolux Medium/Long-Term Goals	UN SDGs	SDG Targets
 Community Engagement	Provide care and empowerment, help disadvantaged groups, and develop a co-prosperity consumption system.	 	<ul style="list-style-type: none"> By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	Build a healthy and safe environment to reduce occupational hazards according to international ESH management systems.		
 Employees Care	Implement health promotion, improve mental and physical balance, and shape the self-health management concept and a care for neighbors health culture.		<ul style="list-style-type: none"> By 2020, halve the number of global deaths and injuries from road traffic accidents. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
	Provide a work environment for mental and physical balance		
	Stringent training certification for quality and adequate professionals.		
	External talents: Uncover and cultivate talents from the campus; internal talents: Promote internal circulation and retain employees with innovation.		<ul style="list-style-type: none"> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

2017 Performance

- Offered 20 vacancies (job openings) for vulnerable groups at the CCF Family Mart Convenience Store and CCF Love Shop in the plant.
- Sponsored 20 students from Miaoli and Tainan CCFs to participate in the Innolux Education Foundation Endemic Ecology Summer Camp to improve environmental education for students from vulnerable groups.
- Continued to hire people with disabilities and increase disability employment opportunities. In 2017, Innolux disability employment was 998 employees with an employee rate of 1.18% in Taiwan. Moreover, all of the plants in Ningbo, Foshan and Nanjing achieved outstanding performance as they exceeded the 1.5 % accession rate regulated by local laws.

- Organized traffic safety talks, including driving skills and safety publicity on preventive driving, pre-departure check, driving habits, and shift effect.
- Reduce operational hazards between workers and equipment by “implementing management plans, enhancing equipment safety protection, and promoting process automation.” Compared to 2016, F.R. and S.R. reduced by 11% and 12% respectively, and no death on line of duty was reported.
- Organized health and safety generation education and professional knowledge and skill train activities. In 2017, 3,319 ESH training activities were organized with 318,573 participants and an annual participation rate of about 5 times per employee.
- Reduce health hazards at hazardous positions and stations according to related laws and regulations and the INX internal management measures. In 2017, the occupational disease rate (ODR) was ‘0’.
- Audited damage prevention, risk management, and safety management and various disaster reduction optimization projects in mainland China plants. Audits cover six aspects: fire management, equipment safety, self-inspection, chemicals management, accidents smoothening, and change management.
- Included damage prevention KPIs in the fire equipment functionality test indicators in 2017 to ensure the availability of plant fire fighting equipment.
- Conducted research on equipment seismic isolation in collaboration with scholars and experts of the Ministry of Science and Technology and academic institutions.
- Conducted mental health surveys in each plant and offered counseling or referral services. The survey was conducted on employees with a service length of one year or longer, above 93% of all employees.
- Conducted maternal health risk assessment, protection, and management on 623 employees one year after delivery according to the Occupational Health and Safety Act in Taiwan plants in 2017.
- Arranges health examinations every year. In 2017, about 24,800 employees in Taiwan and about 23,500 employees in China were given a health examination, nearly 100%. Cancer screening is also included in the health examination. In 2017, up to 28,900 employees were screened.
- Organized health talks and weight management and volunteer medical consultation activities to encourage employees to act healthily and remind them of the importance of self-health management.
- Organized the stress release talk in 2017 to promote mental health in employees. Forty-four talks were organized in Taiwan plants with 1,423 participants and average satisfaction up to 88%.
- Care for the food, housing, transportation, education, and recreation of employees: Build fitness centers; organize club activities, family day, festival celebration activities, employee sports meets and singing contests; and improve cafeteria, dormitory, and company bus services, see 4.2 Mental & Physical Wellness for details.

- Improved employee language proficiency by organizing English and Japanese courses, with a total of 307 participants.
- Continued to promote competency programs for officers of all levels; offered value-added training courses to deal with organizational change into business units; and planned and designed three-stage courses to sharpen competencies: General Instruction Course, Team Trainer, and Mobile Learning management courses to improve learning efficacy.
- Offered e-learning courses for INX4.0 and industry internet for employees to raise awareness of and focus thinking on the direction of development and to apply what is learned from work.
- Uncovered talents from top universities to deal with Industry 4.0; and cultivated IT talents for Industry 4.0 through summer internships.
- Offered internship opportunities for students of Southern Taiwan University of Science and Technology, Kun Shan University, and Kao Yuan University; designed the “pre-hiring system” to prioritize students passing internships to work at the original unit at Innolux after graduation.
- Offer scholarships and grants for Master's and PhD students of engineering and technology disciplines of top universities in Taiwan, overseas study scholarships for students of the Graduate Institute of Photonics and Optoelectronics and the EMSP Program of National Taiwan University to assist and cultivate display and imaging professionals.
- Established the ‘Internal Vacancies Matching Platform’ for department heads to recruit talents internally to fill the vacancies and for interested employees to actively apply for such vacancies in real time.

Innolux CSR Policy	Innolux Medium/Long-Term Goals	UN SDGs	SDG Targets
 Employees Care	Offer market competitive compensation and benefits.		<ul style="list-style-type: none"> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
	Maximize interest for shareholders and become the most competitive enterprise.		
	Create and friendly workplace for people with disabilities to promote disability employment		<ul style="list-style-type: none"> By 2020, substantially reduce the proportion of youth not in employment, education or training. Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms. Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
	Respect human rights based on The United Nations Global Compact and fairly treat and respect individual differences.		
 Environmental Protection	Actively develop new technology and enhance the efficiency of water resources.	   	<ul style="list-style-type: none"> By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. By 2030, implement integrated water resources management at all levels, including through cross-border cooperation as appropriate.
	Actively develop new technology and enhance the efficiency of energy resources.		<ul style="list-style-type: none"> By 2030, increase substantially the share of renewable energy in the global energy mix. By 2030, double the global rate of improvement in energy efficiency.
	Toward a plant with the best resources recycling and minimize environmental impacts.		<ul style="list-style-type: none"> By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
	Energy conservation and emissions reduction for a green enterprise		<ul style="list-style-type: none"> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
 Supply Chain SER Management	Promote the green value chain		<ul style="list-style-type: none"> Multi-stakeholder partnerships: Through the collaboration of multi-stakeholder partnership, we strengthen global sustainable development partnerships. Multi-stakeholder partnership gathers and shares knowledge, expertise, technology, and financial resources to support all countries, particularly for developing countries to realize SDGs. Policy-system consistency can enhance the consistency of policies for sustainable development.

2017 Performance

- Plan and implement annual salary adjustment and approve incentive bonuses and bonuses based on the company's financial operational conditions and employee work performance. We also planned medium- and long-term employee stock ownership plans (ESOPs) to incentivize and retain outstanding staff.
- A brilliant performance was made in 2017 due to the persistent efforts of the management team. In results, the revenue reached a new high of TWD 37.3 billion, with ESP EPS NT\$ 3.72.

- Applied for marquee assistive devices to improve protection and make the work environment more convenient for staff with disabilities through the Duty Re-Design for People with Disabilities Implementation Plan.
- We achieve the disability employment target every year and arrange "competence reinforcement" training for staff with disabilities.
- In 2017, a total of 998 employees with disability were hired, with the accession rate of 1.18% in Taiwan, 1.83% in Ningbo, 2.24% in Foshan and 3.3% in Nanjing and 0.81% in Shanghai.
- In 2017, the worker score of different plants at the RBA Online SAQ was over 95 marks (out of a total of 100).
- In 2017, the grievances on human rights and labor condition were resolved 100%.
- In 2017, the health and safety section of the RBA VAP audit of the Taiwan Plant was 176 marks (out of a total of 200 marks).
- All Innolux plants passed OHSAS18001 certification.

- Promote the water saving plan to enhance water resources efficiency. The water consumption of unit panel area in TFT-LCD manufacture was 0.329m³/m², 2% less than 2016.
- In 2017, all Taiwan plants saved water up to 288,678,559 T about the volume to 115,471 standard swimming pools. The average process water recovery rate was up to 95.4%, far better than the 85% standard set by the Hsinchu Science Park Administration.

- Every plant establishes the energy efficient enhancement plan. Through the cross-plant platform operations, such as the Facility Technology Committee, CSRC reviews the target statuses every quarter. In 2017, the Facility Technology Committee implemented 19 projects horizontally, with knowledge documents up to 33 files.
- The Taiwan Plant implemented a multiple energy conservation program. The electricity consumption of unit panel area reduced 2% (compared to 2016).
- By 2017, we used PV systems in Zhunan, Tainan, Ningbo and Foshan plants with an output capacity up to 24,914,794 kWh.

- Increase chemicals recovery every year.
- Continue with the reduction KPIs of organic sludge, inorganic sludge, and SRS waste liquids at all plants.
- Seek to reduce the environmental impacts and enhance the energy efficiency in the eco-friendly strategy with the core elements of toxin-free, energy conservation, and resources conservation.
- Continue to promote the QC080000 Hazardous Substances Process Management System and will complete the certification of the new version of QC080000:2017 in 2019 to achieve sustainable development through continual improvement.
- Constantly improve MFCA. Since the MFCS energy efficiency enhancement and material and carbon reduction plan was established in 2012, the accumulative material reduction through 3R in the front-end stage and backlight components was up to 1,149.6 tons, with carbon reduction efficiency up to 3,161 tCO₂e.
- Product energy conservation and material conservation design: 1) frameless technology development (material conservation) and 2) enhancement of product development technology (energy and material conservation).
- Use 'carbon reduction with design' to reduce material weight and increase panel loading and the 'carbon reduction with recovery' to replace new products with recycled items, we reduced carbon up to 26,285 tCO₂e in 2017, equipment to the annual carbon reduction of 68 Daan Forest Parks. In addition, the recovery rate of DSPK boxes was 76.9%, hard box was 57.3%, and PP box was 26.8%.
- Apart from process recovery, we implemented purification before recovery for reuse in collaboration with suppliers and processing contractors to turn waste to resources in 2017. The recovery rate of related items was: stripper 77.1%, NMP 80.1%, PGMEA 73.0%, and TMAH 29%.
- By promoting reduction at source and waste to resources, we reduced total refuse to 116,129 tons in 2017, including about 83,709 tons of urban waste and about 32,420 tons of toxic waste. Overall, the 2017 recovery and processing rate was up to 79.36%.

- Apply for carbon offset projects.
- In 2017, the unit area GHG emission intensity of the TFT-LCD process of Taiwan plants was 43.2 kgCO₂e/m², 5.6% less than 2016.
- The overall 2017 FCs emission was 0.0978 MMTCE, achieving the annual target at 0.1000 MMTCE.
- Completed the value recovery activity of gold in an Au spacer at the north plant (T1-T3) in 2017, reducing carbon up to 6,206 kgCO₂e.

- Continue to implement supplier CSR risk management.
- Continue to promote the Supplier Material Flow Carbon Reduction Promotion Plan.
- Continue to implement the supplier GHG inventory and carbon reduction programs for nine years.

1 Material Sustainability Issues 2017

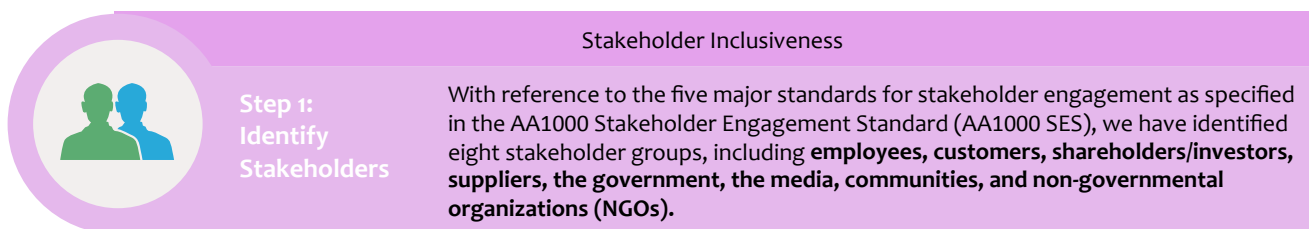


Innolux's Step of Materiality Analysis:



1.1 Stakeholder Communication

We value each and every stakeholder who shows concern about our sustainable development. We also understand that enhancing communication with stakeholders and identifying the material issues that concern them are the bases for drawing up goals for sustainable development and the essentials for promoting sustainable business and corporate social responsibility. By disclosing our engagement in governance and economic, environmental and social aspects, we aim to respond to all issues that concern stakeholders



In terms of the communication and responses of stakeholders, we have categorized stakeholder engagement approaches by the level of communication from low to high made in accordance with AA1000 SES, as shown in Table 1.

In addition to the routine communication channels, we conducted two-way communication and engagement with specific stakeholders by means of visits, telephone interviews, and collaborative projects, as shown in Table 2, to understand the future action plans and improvement directions for the issues that concern them, hoping to make the mechanisms for stakeholder communication more effective and to enable stakeholders to focus more on our active involvement in issues relating to sustainable development.

Table 1: Stakeholder Communication and Engagement

Note: Information in boldface refers to collaborative projections.

	Inform	Consult	Involve	Collaborate	Issues Concerned
	Objective information for stakeholders with one-way communication	Acquire stakeholder feedback with limited two-way engagement	Involvement with stakeholders together through multi-party engagement	Partnerships with stakeholders through multi-party engagement	
Employees 	1. Annual CSR reports 2. Irregular orientation	1. Quarterly labor-management meetings, quarterly EWC meetings, and quarterly meetings with management 2. Irregular seminars between production line workers and staff 3. Irregular employee satisfaction surveys, the employee opinion box, and irregular employee care hotlines and mailboxes 4. CSR annual Sustainability Issue questionnaire	1. Biannual outstanding project competitions 2. CSR annual internal audit		<ul style="list-style-type: none"> • Compensation and benefits • Financial performance • Talent recruitment and retention • Talent cultivation
Customers 	1. Annual CSR reports 2. Annual DJSI and CDP reports	1. Capture issues reported by customers through the irregular "Voice of Customers (VOC) System" 2. Analyze annual customer satisfaction. 3. CSR annual Sustainability Issue questionnaire	Irregular RBA customer audits and Quality audits		<ul style="list-style-type: none"> • Product quality and customer satisfaction • Low-carbon supply chain • GHG emissions • Green product management
Shareholders/Investors 	1. Annual CSR reports 2. Annual reports 3. Annual financial statements 4. Irregular disclosures on MOPS and on the "Investors Relations section" of the corporate website	1. AGM 2. Quarterly investor conferences 3. Irregular investor hotlines and mailboxes 4. Irregular interviews with analysts 5. CSR annual Sustainability Issue questionnaire	1. Irregular seminars with domestic and foreign investment institutions 2. Irregular investor forums organized by securities companies		<ul style="list-style-type: none"> • Financial performance • Corporate governance • Talent recruitment and retention • Low-carbon supply chain
Suppliers 	1. Annual CSR reports 2. Irregular publicity letters for suppliers 3. Irregular supplier commitments	1. Weekly/monthly communication meetings with suppliers 2. Irregular supplier audits 3. Irregular anti-corruption report mailboxes 4. Irregular ethics and integrity committee meeting 5. CSR annual Sustainability Issue questionnaire	1. Annual supplier congress 2. Supplier monthly quality meeting	1. Supplier Material Flow Carbon Reduction Promotion Plan 2. GHG Inventory and Carbon Reduction Program	<ul style="list-style-type: none"> • Low-carbon supply chain • Green product management • Pollution control

	Inform	Consult	Involve	Collaborate	Issues Concerned
	Objective information for stakeholders with one-way communication	Acquire stakeholder feedback with limited two-way engagement	Involvement with stakeholders together through multi-party engagement	Partnerships with stakeholders through multi-party engagement	
Government 	1. Annual CSR reports	1. Irregular document exchange 2. CSR annual Sustainability Issue questionnaire	1. Irregular participation in seminars and regulation hearings 2. Irregular participation in meetings held by park industry associations and TFT-LCD associations 3. Support for the Water Regeneration & Reuse Program launched by the Tainan City Government and STSP and sign an MOU to ensure stable water supply	1. The Innolux Education Foundation adopts the Jhunan Gong 3 Park for endemic plant conservation 2. Participate in collaborative research on seismic equipment isolation and earthquake mitigation with experts and scholars of MOST and research institutions to shorten disaster recovery time and enhance organization competitiveness 3. Sign up to the carbon offset program of the EP 4. Support the “Organic Locally and Eat Locally” organic farming revitalization movement launched by the Tainan City Government in 2018. Sign an organic food catering service agreement with Tai Kang Organic Food Services of Tainan	<ul style="list-style-type: none"> • GHG prevention • Energy resources management • Environmental education • Disability employment
Media 	1. Annual CSR reports 2. Irregular press releases and announcements	1. Irregular media contract mailboxes and dedicated reply calls 2. CSR annual Sustainability Issue questionnaire	1. Irregular press conferences 2. Irregular media guided tours	“The Innolux Education Foundation” plans the 2018 Air Pollution Closed Door Conference/ Air Pollution Open Forum	<ul style="list-style-type: none"> • Financial performance • Talent recruitment and retention • Corporate governance • Water resources management
Community 	1. Annual CSR reports 2. Irregular disclosures on the website and Facebook page of “The Innolux Education Foundation”	1. Irregular participation in community activities. 2. Irregular CSR mailboxes 3. CSR annual Sustainability Issue questionnaire			<ul style="list-style-type: none"> • Pollution control • Community engagement and social care • Occupational health and safety • Talent recruitment and retention
NGOs 	1. Annual CSR reports	1. “The Innolux Education Foundation” consulted with NCHU professors of soil and environmental science on soil ecology 2. “The Innolux Education Foundation” consulted with domestic pollution-related experts, including 7 professors from NTU, NCU, NCHU, NCKU, and NSYSU to conclude the potential causes of PM2.5 and collect information on feasible solutions 3. CSR annual Sustainability Issue questionnaire	1. Invite NGOs to irregular activities or forums to promote multi-party communication. 2. “The Innolux Education Foundation” invited 8 elementary schools in Miaoli to participate in the “Endemic Ecology Campus Extension Education Program”	The Innolux Education Foundation consulted with CUTE for the collaboration in the Endemic Ecology Preservation Program	<ul style="list-style-type: none"> • Community engagement and social care • Disability employment • Pollution control • Occupational health and safety

Table 2: Two-Way Stakeholder Communication, Engagement and Statistics

Two-Way Stakeholder Communication and Engagement	Employees	Customers	Shareholders/ Investors	Suppliers	Government	Media	Communities	NGO	Total
CSR annual Sustainability Issue questionnaire	23	2	3	3	8	2	9	3	53
Collaborative Projects	6			2	4	2		2	16
Telephone Interviews								11	11
Visits								7	7

1.2 Material Issues Analysis

By analyzing global and industrial specifications and standards and through internal and external communication channels, we aim to collect, analyze, identify, and address the sustainable issues that concern stakeholders.

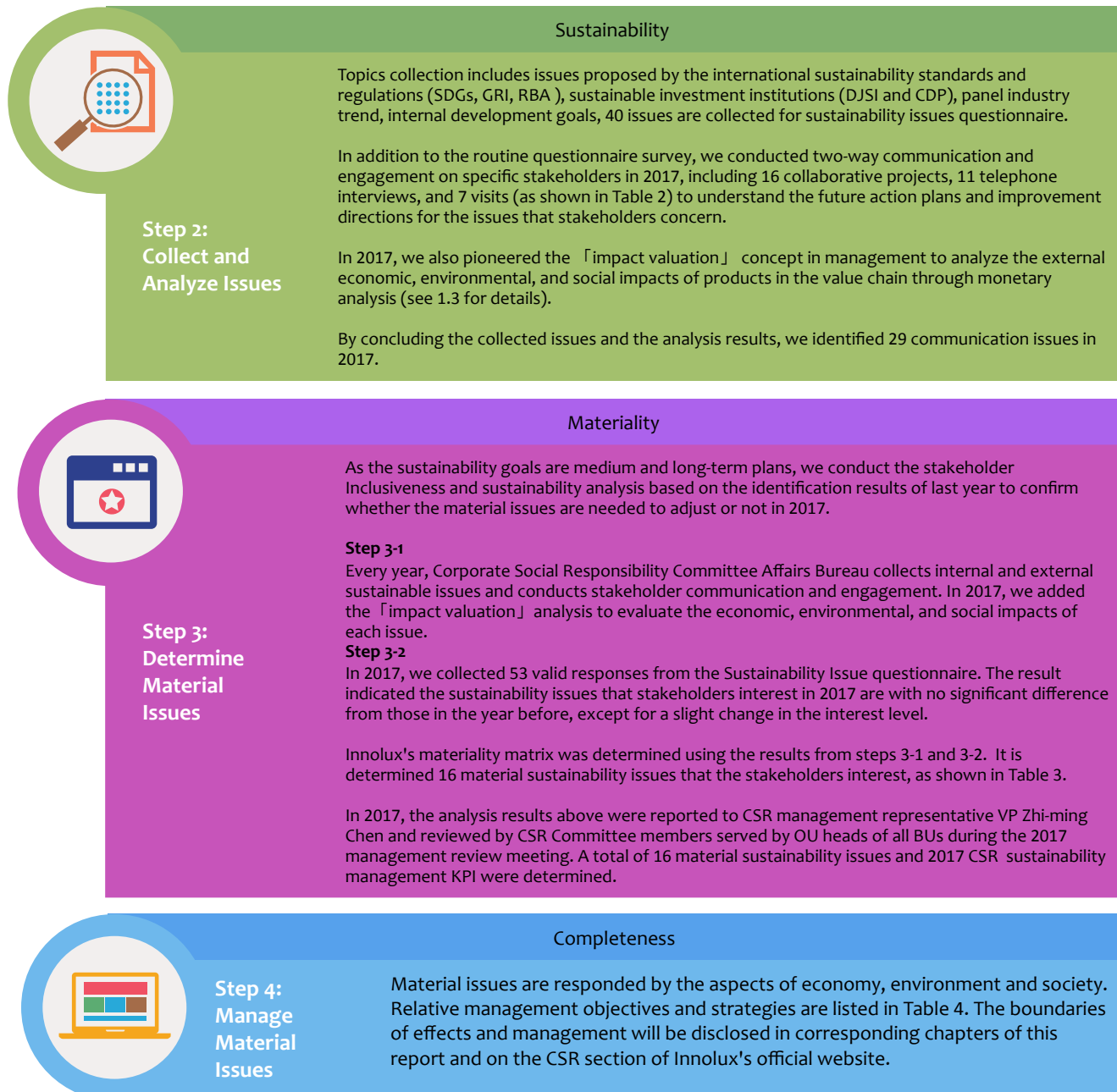


Table 3: Innolux's Materiality Matrix

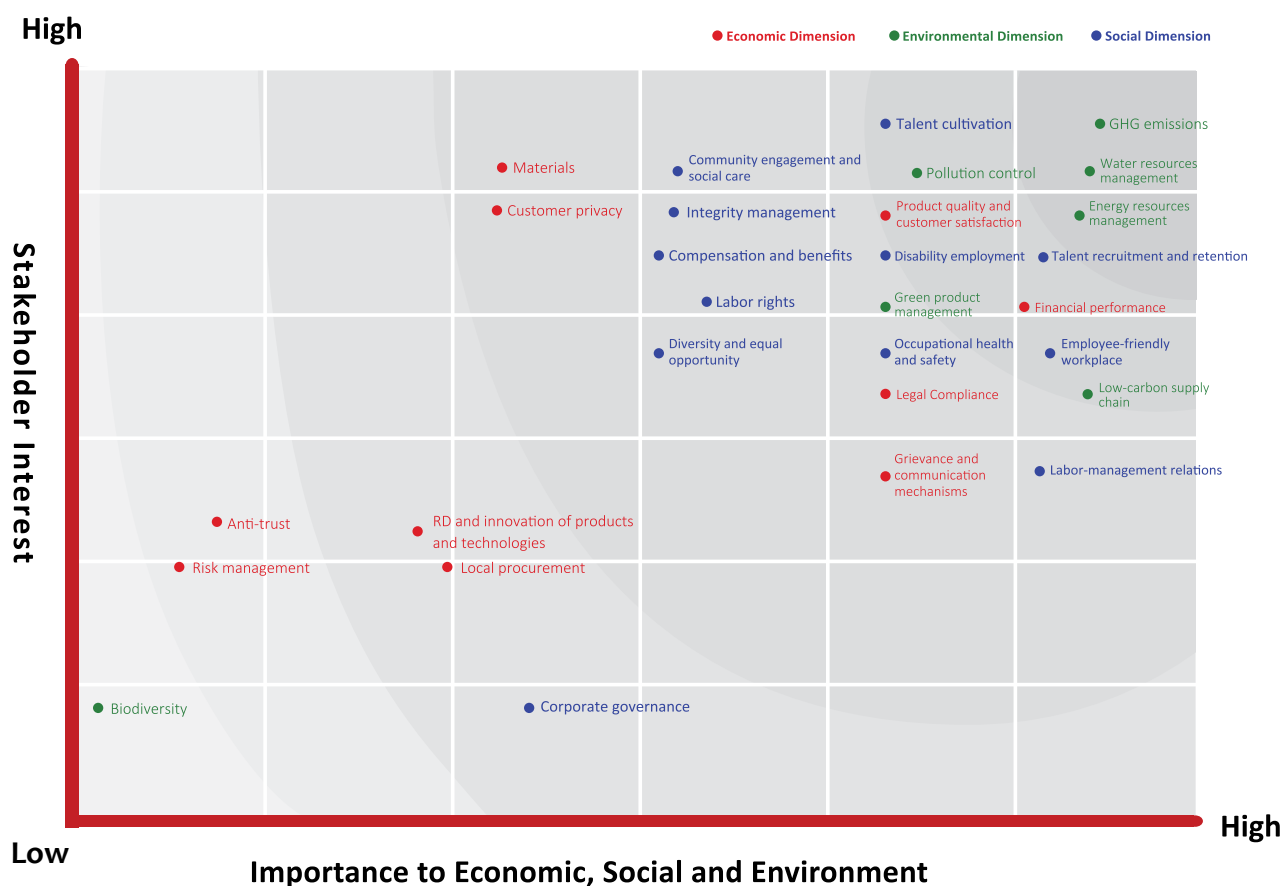


Table 4: Material Issues

Aspect	material issues	GRI Standards (2016)	2017 Performance	Goals for 2018	Management Approach
Economy	1. Financial Performance	GRI 201-Economic Performance GRI 202-Market Presence GRI 203-Indirect Economic Impacts GRI 204-Procurement Practices	<ul style="list-style-type: none"> 2017 revenue NT\$37 billion, EPS NT\$3.72. 2017 marked the year zero for full-machine output. By addressing the customization demands with high-end technology, we boosted full-machine sales to spur profits. 	<ul style="list-style-type: none"> Capturing the outlet strengths, we entered the system and full-machine markets, parallel development from large-size panels, and started mass-production in Q1 of 2018. Teaming up with the global panel supply chain to set locations worldwide, we furthered the improvement of the technology, quality, and services of TFT-LCD panels of all sizes and the touch panel technology to set “non-imitable competitiveness” as the momentum for sustainable development. 	40
	2. Product Quality and Customer Satisfaction	GRI 201- Economic Performance GRI 418-Customer Privacy	<p>2017 Target: Average score 3 for customer satisfaction</p> <p>☑ 2017 average score: 3.93 (Achieved).</p> <ul style="list-style-type: none"> Promoted Innolux 4.0 in 2017 to build a smart manufacturing platform with automation, Industry 4.0, and big data; link front-end and back-end smart plants with big data; and implement smart supply chain, smart office and smart management. Received 262 complaints relating to products/ services, 122 complaints less than 2016. 	<ul style="list-style-type: none"> Average score 3 for customer satisfaction Continue to promote Innolux 4.0; set design, procurement, production, and sales quality targets and quality work foci; and further the application of the “Innolux Intelligent Portal” to raise customer satisfaction and competitiveness. 	47

Aspect	material issues	GRI Standards (2016)	2017 Performance	Goals for 2018	Management Approach
Environmental	3. Energy resources management	GRI 302-Energy	<p>2017 Target: Reduce electricity consumption of unit panel area by 3% of 2016.</p> <p>☒ Although the electricity consumption of the unit panel area of TFT-LCD manufacturing reduced by 2% from 2016, the 3% target was unachieved due to annual maintenance, power outages, earthquakes, and voltage sag. (Unachieved)</p> <ul style="list-style-type: none"> Plants in both Taiwan and China implemented PV systems with an output of 24,914,794 kWh/m², about 300 times greater than 2012. In 2017, all plants in China achieved the energy conservation and emissions reduction targets set by the 13th Five-Year Plan. 	<ul style="list-style-type: none"> 2% cut (from 2017) of electricity consumption of unit panel area of plants in Taiwan. Cuts (from 2017) of electricity consumption of unit panel area for plants in China: Ningbo 1%, Foshan 1%, Nanjing 2%, and Shanghai 1.5%. 	64
	4. GHG Emissions	GRI 305-Emissions	<p>2017 Target: FCs emissions of plants in Taiwan 0.100MMTCE</p> <p>☒ Installed a local scrubber to process FCs. The 2017 FCs emissions were 0.0978 MMTCE, achieving the target 0.100MMTCE (Achieved).</p> <p>2017 Target: GHG emissions of plants in China 0.0853MMTCE</p> <p>☒ The 2017 GHG emissions of plants in China were 0.0843MMTCE, achieving the target 0.0853MMTCE. (Achieved)</p> <ul style="list-style-type: none"> Implemented the EPA's carbon offset project on the etching process of Fab 3, with estimated annual emissions reduction of 35,503 tCO₂e. The project will last seven years, with total estimated emissions reduction of 248,521 tCO₂e. The project plan registration is currently in progress at the EPA, and the expert panel approval was obtained after plan amendment. The GHG emission intensity per input substrate at TFT-LCD stage of Taiwan sites was 43.2kgCO₂e/m² in 2017, which was reduced 5.6% compared with year 2016. 	<ul style="list-style-type: none"> Annual target of FCs emissions of plants in Taiwan is 0.1063MMTCE Set the annual energy conservation targets to reduce GHG emissions from electricity consumption. The GHG emissions reduction target of electricity in Taiwan is 2.4% (vs 2017); GHG emissions reduction target of electricity in China sites are Ningbo 26.97; Foshan 19.34; Nanjing 174.78; and Shanghai 197.15(kWh/m²). Continue the "EPA Carbon Offset Project" and assess other plants suitable for the project. Carbon reduction together with suppliers: "Product CFP Database," "Supplier MF Carbon Promotion Plan," and "Supplier GHG Inventory and Carbon Reduction Program" . 	60
	5. Water resources management	GRI 303-Water	<p>2017 Target: Water consumption per unit input substrate area reduced 6% (vs.2016)</p> <ul style="list-style-type: none"> Water consumption per unit input substrate area was 0.329m³/m², compared to 2016, 0.2% reduction is achieved; however, the 6% annual target was unachieved due to the deferment of the water saving project and the undesirable water reclamation. (Unachieved) 	<ul style="list-style-type: none"> The reduction target of water consumption per unit input substrate area at TFT-LCD stage of Taiwan sites is 5% (vs.2017), and 20% reduction in 2020 (vs.2016). The reduction target of water consumption per unit output substrate area of China sites is that: Ningbo 5%, Foshan 5%, Nanjing 3%, and Shanghai 1.5% (vs.2017). Keep track of the legal basis and items for the water conservation fee levied by the Water Resources Agency to effectively reduce water costs. Plan Fab 3 as a model water saving plant and Fab 8 and Fab C pass the clean production assessment. 	68
	6. Pollution control	GRI 301-Materials GRI 306-Effluents and Waste GRI 307-Compliance	<ul style="list-style-type: none"> The target for inorganic sludge and SRS waste liquid reduction in the Organic Sludge, Inorganic Sludge and SRS Waste Liquid Reduction Program for plants in Taiwan was achieved. Chemical recovery rate: Stripper 77.1%, NMP 80.1%, PGMEA 73.0%, and TMAH 29.0%. Contribute to air pollution issues, audit our own pollution prevention performance, improve indoor air quality, and ask for assistance from domestic experts in related areas, including 7 professors from NTU, NCU, NCJU, NCKU, and NSYSU, to conclude the potential causes and feasible solutions for PM2.5 pollution. 	<ul style="list-style-type: none"> Promote programs to reduce organic sludge, inorganic sludge, copper etching waste liquid, and potassium hydroxide, and continue to raise the recovery of Stripper, NMP, PGMEA, and TMAH. Continue system optimization and improve the processing performance of pollution control facilities. Advocate the concept "mutual influence among enterprises for total anti-pollution" and combine the industry-academia-government power to reduce pollution. 	71

Aspect	material issues	GRI Standards (2016)	2017 Performance	Goals for 2018	Management Approach
Environmental	7. Green Product Management	GRI 301-Materials GRI 301-Products and Services GRI 416-Customer Health and Safety	<ul style="list-style-type: none"> Initiated the Smart Green Workstation and integrated the PLM system and iGCD, and captured product development progress and hazardous material substance management. Optimized the “Customer Green Product Requirements” system, controlled the green product technical requirements and documents of customers, and quickly addressed customer needs. Since the Material Flow Cost Accounting (MFCA) is introduced from 2012 till 2017, the amount of material weight reduction benefited from 3R in the front-end production process and the backlight has been accumulated to 1,149.6 t and the carbon reduction benefit is about 3,161 tCO₂e. 	<ul style="list-style-type: none"> Achieve total preparedness, tighten supply chain management standards, testing hardware, and internal training to prepare for the New RoHS2. Reduce hazardous substance risks within the organization and on the supply chain and complete QC080000:2017 certification (new version) in 2019. Pass the certification of marks and labels across the world to boost sales and enhance the competitiveness of products. Construct smart systems to enhance management efficiency. 	82
	8. Low-carbon supply chain	GRI 204-Procurement Practices GRI 308-Supplier Environmental Assessment GRI 414-Supplier Assessment for Labor Practices GRI 414-Supplier Assessment for Impacts on Society	<p>2017 Target: Target contributions to carbon reduction of suppliers: 133,100 tCO₂e</p> <p>☑ Supplier GHG inventory project has been continually implemented for 9 years. In 2017, carbon emission inventories for 72 suppliers (top 88% in trading amount) were completed. It achieved the targeted goal, a reduction of 133,971 tCO₂e. (Achieved)</p> <ul style="list-style-type: none"> “Material Flow Carbon Reduction Promotion Plan” :Innolux has made carbon emission inventory for 20 suppliers . The supplier's self carbon reduction have achieved 4,424 tCO₂e/year. 	<ul style="list-style-type: none"> Continue to implement supply chain carbon reduction and increase the number of suppliers for inventory: inventory suppliers who account for 89% of the procurement total will be invited and the goal of carbon reduction of supplier inventory is set to 135,000 tCO₂e. Continue to conduct product emissions inventories and build a better product CFP database. Continue to implement the “Supplier Material Flow Carbon Reduction Promotion Plan” to increase the number of suppliers for inventory every year, and build a material saving cooperation model with suppliers to raise material utilization. 	53
Social	9. Compensation and benefits	GRI 405-Equal Remuneration for Women and Men	<ul style="list-style-type: none"> Comply with the local minimum wage requirements. Maintain the overall wage level based on the wage and benefits survey report to ensure market competitiveness. 	<ul style="list-style-type: none"> Continue to review wage and benefits to provide competitive market conditions to attract and retain talents. 	115
	10. Talent Cultivation	6GRI 404-Training and Education GRI 412-Investment	<ul style="list-style-type: none"> Offered English and Japanese courses, with 307 participants. Teaching materials were integrated with Innolux work situations to match education with jobs and put learning to practice through drilling exercises. Implemented competency programs for officers of all levels and planned the 3-stage management courses: “General Instructor Course,” “Team Trainer” and “Mobile Learning” to improve competencies and enhance learning efficacy. Planned learning activities for the concept of Innolux 4.0 and the internet industry, with about 15,000 participating in the test, to raise employees' awareness of the goals of Innolux 4.0 and the development directions of the internet industry. Continued the internship program with STUST, KSU, and KYU, offered guidance for 45 interns, hired 39 outstanding talents, raised the employment rate to 87%, and won a subsidy of NT\$1.458 million from the “Industry Technologist” Program of the Industrial Development Bureau, Ministry of Economic Affairs. Promoted job certification based on the unit needs and completed the learning map for engineering programs in the back-end process. 	<ul style="list-style-type: none"> Implement Innolux 4.0 at full scale with the internet industry as the infrastructure for learning and improve and integrate the critical thinking of employees for the development of “technological R&D and smart manufacturing.” Pioneer the “IT infrastructure talents” cultivation required by the organization, integrate academic resources to develop and expand “data expert” talents, and improve the system maintenance and operation abilities of employees to promote talent transformation based on the needs of talent development units of the internet industry. Actively design and implement value-added management courses of all levels in Greater China to enhance learning efficacy and accumulate management energy. Continue to offer quality certification courses and design three-stage quality certification courses: “conceptual,” “fundamental,” and “advanced” courses to improve quality. 	117

Aspect	material issues	GRI Standards (2016)	2017 Performance	Goals for 2018	Management Approach
Social	11. Disability Employment	GRI 405- Diversity and equal opportunity	2017 Target for disability employment ☒ Taiwan: 1.2% (unachieved) ☒ Ningbo: 1.5% (achieved) ☒ Foshan: 1.5% (achieved) ☒ Nanjing: 1.5% (achieved) ☒ Shanghai: 1.5% (unachieved) <ul style="list-style-type: none"> Disability employment rate in Taiwan was 1.18%. In China, the disability employment rate of Ningbo was 1.83%, above the 1.5% target; Foshan was 2.24%, above the 1.5% target; Nanjing was 3.3%, above the 1.5% target; and Shanghai was 0.81%, below the 1.5% target. Apart from maintaining stable disability employment, quality was improved by arranging empowerment courses, and workplace adaptation-centric courses for group growth were arranged to improve the communication skills of employee with disabilities. 	<ul style="list-style-type: none"> Continue to raise disability employment to a target of 1.2% for Taiwan and 1.5% for China and plan and implement training activities to improve the competencies for employees with disabilities for them to demonstrate talent. 	107
	12. Employee-friendly workplace	GRI 103- Labor Practices Grievance Mechanisms GRI 103- Human Rights Grievance Mechanisms GRI 103- Grievance Mechanisms for Impacts on Society GRI 401- Employment GRI 402-Labor-Management Relations	<ul style="list-style-type: none"> In 2013Q3, plants in Taiwan completed the “Friendly Workplace Survey” based on three main topics: “leadership management,” “wage and benefits,” and “career development.” Plants in China focused on optimizing the food, housing, transportation, education, and recreation of employees and set employee turnover as one of the friendly workplace indicators. In 2017, employee turnover was 3.72%, significantly lower than that of 2016 at 4.17%. 	<ul style="list-style-type: none"> To stay close to organizational development movements and employee appeals, the questionnaire for the 2018Q1 survey was rechanneled to two aspects: “activity organization” and “welfare policies.” The “Friendly Workplace Survey” conducted in 2018Q2 aims to discern the needs and suggestions of employees at the source and to draw up corresponding proposals and improvement measures. After completing the improvement in 2018Q4, the “Friendly Workplace Survey” will verify the effectiveness of improvements. Further optimization of the food, housing, transportation, education, and recreation of employees will be the target for plants in China. 	97
	13. Integrity management	GRI 103- Grievance Mechanisms for Impacts on Society GRI 205-Anti-corruption GRI 419- Compliance	<ul style="list-style-type: none"> In 2017, we conducted an anti-corruption survey on all IDLs in Greater China, offered grievance channels for employees to disclose conflicts of interest and corruption activities. The response collection rate was above 95%. In 2017, two Ethics and Integrity Committee meetings were held to investigate corruption reports. Six corruption cases were confirmed for violation of organizational regulations. The Ethics and Integrity Committee has punished the parties concerned through resolutions. We have terminated the contract with suppliers who engaged in serious corruption. In 2017, we arranged in anti-corruption training activities for all IDLs in Greater China, and the completion rate was above 95%. 	<ul style="list-style-type: none"> Suppliers and customers: Publicize the Innolux Anti-Corruption Policy to the top 20 suppliers and top 20 customers in each application. Employees: Include the anti-corruption survey on all IDLs in Greater China in the annual plan to survey them every year. 	32

Aspect	material issues	GRI Standards (2016)	2017 Performance	Goals for 2018	Management Approach
Social	14. Community Engagement and Social Care	GRI 413-Local Communities	<p>Offer 20 job opportunities in Taiwan through collaboration with charities and convenience stores to empower vulnerable groups. Social charity contribution: NT\$6,618,831.</p> <ul style="list-style-type: none"> • Donation of NT\$4,215,000: “Safeguard Love · Breakfast with Warmth” fundraiser. • Donation of 1,814 gifts: “Christmas Dreams” gift presentation. • Volunteer service of 136 hours: “Christmas Dreams” gift presentation, “Safeguard Love · Breakfast” with Warmth fundraiser, Endemic Exploration Summer Camp, and Campus Program: Endemic Site Guided Tours. 	<ul style="list-style-type: none"> • Continue to extend care to communities and then to all walks of society based on “charity” and “environment.” 	101
	15. Occupational health and safety	GRI 403-Occupational Health and Safety	<ul style="list-style-type: none"> • Promoted the development of the Smart ESH System. • Earthquake mitigation: Actively engaged in collaborative research on seismic isolation equipment and earthquake mitigation with experts and scholars of MOST and research institutions to shorten disaster recovery time and enhance organization competitiveness. • Passed the certification and acquire the certificate of the ISO-14001 Environmental Management System. 	<ul style="list-style-type: none"> • Develop ESH on pace with Industry 4.0 and the internet industry to build Innolux4.0, and develop the Smart ESH System in terms of the “real-time, indicator-based, and trend-focus” requirements. • Implement the ISO 45001 Occupational Health and Safety Management Systems and pass certification and acquire the certificate in 2019. • Promote damage prevention risk inventories and inspections based on the damage condition of each plant, improve damage prevention weaknesses, and improve damage prevention management to cope with plant construction and expansion, new process implementation, and the improvement of damage prevention for chemicals and machines over the years. 	90
	16. Talent recruitment and retention	GRI 405-Diversity and Equal Opportunity GRI 406-Non-discrimination GRI 407-Freedom of Association and Collective Bargaining GRI 408-Child Labor GRI 409-Forced or Compulsory Labor GRI 412-Assessment	<ul style="list-style-type: none"> • Organized recruitment activities in focus schools through various channels; about 1,000 people reported for duty at the 2017 IDL, including nearly 40% employment rate from focus schools to progressively enhance the quality of professionals. • Continued campus cultivation activities and attracted more outstanding talents to join Innolux through internship programs, R&D substitute military service, scholarships, and transnational vacancy release. 	<ul style="list-style-type: none"> • Massively recruit “three-ward” talents from industry elites and high-mobility potential talents, and panel talents with a global view to focus on global deployment. • Focus on “upward-looking” talents with leadership charisma and strategy execution orientation; innovative “forward-looking” talents that can lead pioneers and develop new technologies; and “outward-looking” talents with overseas expatriation and high mobility orientation, hoping to attract top elites to join Innolux and enable Innolux to stand firm on the international stage in terms of R&D and overall capacity. 	109

1.3 Impact Valuation Management Concept

In 2017, we pioneered the impact valuation concept in organizational management. Based on the idea of profit-earnings ratio (PER), we monetized all potential economic, environmental, and social costs or benefits (also called externalities) brought by the product value chain, in order to review the extent of value creation or reduction of such costs and benefits with a consistent and comparable approach.

After referencing the impact valuation white paper co-developed by many industry-leading enterprises and integrating the cases of benchmark enterprises at home and abroad, and methodology, we analyzed the external economic, environmental, and social impacts brought by business activities between 2015 and 2017 in terms of the inputs and outputs at stages including proprietary operations, upstream supply chain, and downstream product applications. Then, by linking with the SDGs, we mapped out our sustainable development blueprint.

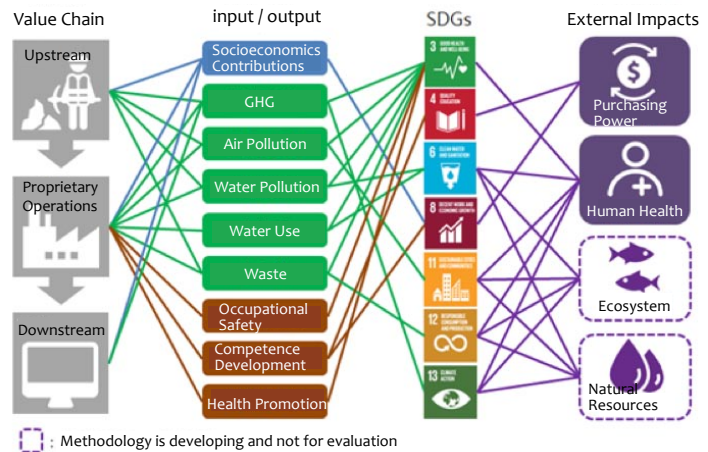


Figure Scope of Assessment of Innolux External Impacts

In proprietary operations, we assessed the social and economic benefits created for stakeholders by our business activities. In addition to revenue, we treated expenses on employee wastes (employees), dividends (shareholders/dividends), taxes (government), depreciation (suppliers) as positive economic values. Environmentally, we assessed the damage and potential social cost brought to bodily health by water resources use, GHGs, air pollution, effluents discharge, and waste disposal, excluding the quality degradation of ecosystems and resources depletion. Socially, while its scope is comprehensive and the methodology of most topics is incomplete, we only considered topics including the social cost of occupational accidents, the economic contributions of employee career development, and how health promotion activities reduce abnormal risks on employee health.

In the upstream supply chain, we adopted input-output analysis to assess the indirect economic values created by the interdependence among industries in procurement activities and valued the environmental impacts caused by GHG emissions, water pollution (e.g. wastewater BOD and COD), waste (e.g. incineration and landfill), and air pollution (NO_x, SO_x, VOCs, etc.) on the supply chain in terms of the external cost of the unit pollutant of proprietary operations.

In downstream product applications, we focused on the four main LCD panel and LCM end-user industries, including TVs, desktop FPDs, portable computers, mobile phones, and commercial electronics; considered the sales amount and the correlations between the supply and demand on the industrial chain of customers; assessed the indirect economic value created by product sales, and the environmental impacts at the product use stage and disposal stage. In addition, in view of data access difficulty, the upstream supply chain and downstream product applications were omitted in the assessment of external social impacts.

In conclusion, the impact valuation results show that GHG emissions and water resources use are the major external environmental impacts of proprietary operations, commanding 98%, and the job opportunity and economic benefits brought by employee career development are the major external social impacts. In terms of the economic benefits of the product value chain, the economic value of nearly four folds of the upstream supply chain is the most significant, as it covers the impacts on the overall industrial chain of all Innolux suppliers. In downstream product applications, our LCD panels and LCMs can bring up to 1.3 fold the economic benefits to specific industries. The scope of external environmental impacts covers mainly the upstream and the downstream. The upstream supply chain has a broad network, as this network includes both direct and indirect suppliers, the environmental impacts of energy and water consumption during in production process on the supply chain are significant accordingly. In downstream product applications, energy consumption and waste disposal are the main sources of external environmental impacts.

With impact valuation, we presented the external impacts of upstream, proprietary operations, and downstream in terms of a consistent monetized value to provide a reference for the future operations and policy making of Innolux. Environmentally, the upstream and downstream cause greater impacts than proprietary operations, thus marking the importance of green supply chain management and product material reduction.

Description of Assessment Methods

Scope of Assessment	Indicators of Assessment		Valuation of External Impacts
Upstream	Economic	Socioeconomics	Valuation of industrial chain value with input-output analysis. ¹
	Environmental	GHGs	The social cost potentially caused by pollution on the industrial chain economic value. ⁹
		Air pollution	
		Water pollution	
		Waste	
Proprietary Operations	Economic	Socioeconomics	Various economic benefits created for all stakeholders caused by proprietary operations. ²
	Environmental	GHGs	The social cost caused by GHG emissions. ³
		Air pollution	The social cost of bodily health damage caused by VOCs, SOx, and NOx emissions. ^{4, 5}
		Water use	The social cost of bodily health damage from malnutrition caused by water shortages. ^{4, 5}
		Water pollution	The social cost of bodily health damage caused by COD and BOD discharged from wastewater. ⁸
		Waste	The social cost of bodily health damage caused by the GHG and toxic substances from waste incineration and landfill. ^{4, 5, 7}
	Social	Occupational safety	The productivity loss and social cost caused by occupational accidents. ⁶
		Competence development	Socioeconomic contributions brought by a salary raise as a result of professional skills improvement. ⁷
		Health promotion	The social cost of cardiovascular diseases reduced by health promotion activities. ⁸
Downstream	Economic	Socioeconomics	Economic value created for customers and industries by product sales. ¹
	Environmental	Product use	The damage on bodily health and social cost brought by product energy consumption. ⁹

1.DGBAS (2015), Industry Correlations Report 2011

2.Innolux Annual Report

3.USEPA (2016), The Social Cost of Carbon

4.UNEP/SETAC (2017), Global Guidance for Life Cycle Impact Assessment Indicators.

5.PWC (2015), Valuing corporate environmental impacts

6.Jiune-Jye Ho (2005), Impact Resulting from Serious Occupational Injuries: Estimation of Years of Potential Life Lost and Monetary Value of Physical Pain

7.Ecomatters (2016), Expected value of incremental future earnings – assessment method

8.Chieh-Hsien Lee (2009), Evaluating the Benefits of Ameliorating Cardiovascular Disease – An Application of the Travel Cost Method

9.Coefficients are calculated by this study

10.Impact Valuation Roundtable White Paper (2017)

11.Regional difference, inflation coefficient based on 2017, and the exchange rates from NTD to foreign currencies have been considered in currency exchange

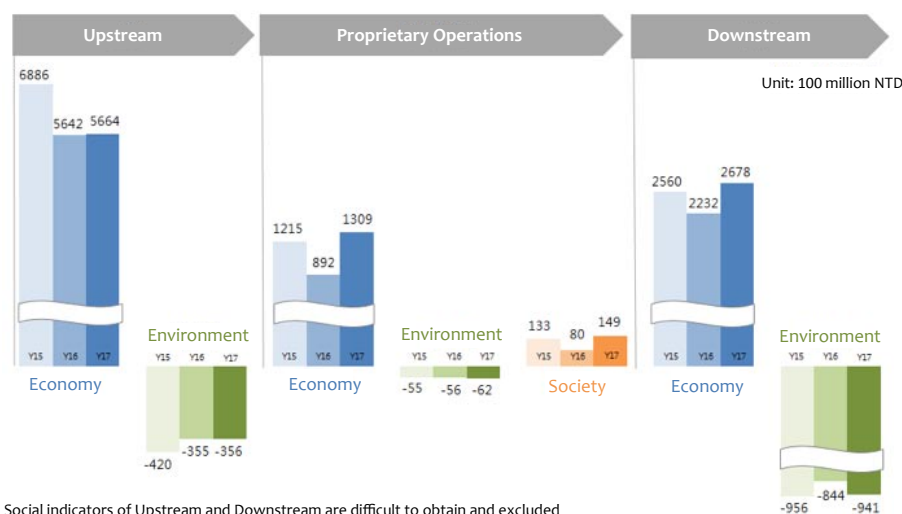


Figure Impact Valuation Results 2015-2017

2 Corporate Management and Development



2.1 Corporate Organization

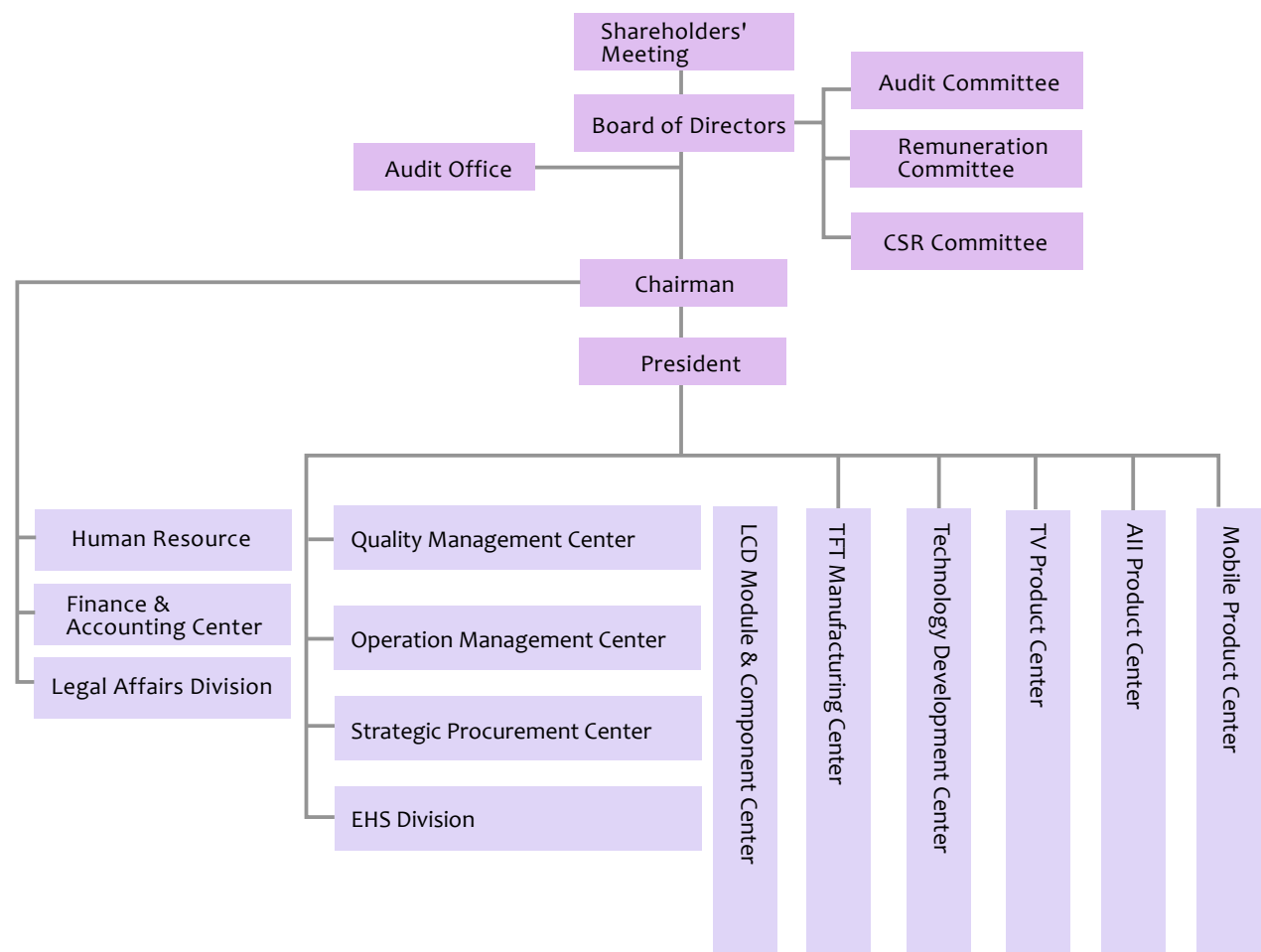
Joint Ventures and Subsidiaries

The scope of Innolux's business and subsidiaries covers the development, manufacture, sales, and after-sales services of TFT-LCD panels. A small number of affiliates focus on business investments to strengthen vertical integration and strategic investments in order to facilitate future operations.

By 2017, we had a total of 39 subsidiaries, including 13 controlling companies, 3 entrepot trading companies, 12 companies in China, 7 foreign companies, and 4 investment companies. Subsidiaries covered within the report boundaries and material topics include Ningbo (Ningbo Innolux Optoelectronics Co., LTD, Ningbo Innolux Display LTD., Ningbo Innolux Electronics Ltd.), Foshan (Foshan Innolux Optoelectronics LTD.), Nanjing (VAP Optoelectronics (Nanjing) Corp., Nanjing Innolux Technology Ltd., Nanjing Innolux Optoelectronics Ltd.) and Shanghai (Innocom Technology (Shanghai) Co. Ltd.)

Please refer to p. 115 of the 2017 Annual Report for details on the INX joint ventures and subsidiaries.

INX Organization



2.2 Corporate Governance

To achieve corporate governance, we have established an effective governance framework according to the Company Act, the Securities and Exchange Act, and other related laws and regulations. Based on the principles of protecting the rights and interests of shareholders, improving the competence of the Board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency, we progressively implement various systems and regulations to constantly improve the quality and effectiveness of governance to realize the governance spirit, maximize profits for shareholders, and achieve sustainable development.

Major Rules of Corporate Governance

We have established specifications including the “Corporate Governance Best Practice Principles for Innolux Corporation”, “Corporate Social Responsibility Policy”, and the “Ethical Corporate Management Best Practice Principles for Innolux Corporation” to protect the rights and interests of shareholders, improve the competence of the Board of directors, respect the rights and interests of stakeholders, and enhance information transparency for the reference of practicing governance built upon ethical corporate management.

Apart from establishing a complete board structure, we maintain a certain number of independent directors and disclose various types of material information by law. Furthermore, the board has established the Remuneration Committee, Audit Committee, and Audit Office to assist the administrators and the board in assessing the fairness of operational performance, the reliability of financial statements, and legal compliance. All these have demonstrated our efforts to implement corporate governance.

1. Articles of Incorporation of Innolux Corporation
 2. Election Rules of Directors
 3. Rules and Procedures for meetings of the Board of Directors
 4. Procedures for Acquisition or Disposal of Assets
 5. Procedures for Loaning of Funds to Others
 6. Procedures for Endorsement & Guarantee
 7. Policies and Procedures for Financial Derivatives Transactions
 8. Code of Ethics for Directors and Officers
 9. Rules of Procedure for Meetings of Shareholders
 10. Compensation Committee Charter
 11. Ethical Corporate Management Best Practice Principles for Innolux Corporation
 12. Audit Committee Charter
 13. Corporate Governance Best Practice Principles for Innolux Corporation
- Corporate Social Responsibility Best Practice Principles for Innolux Corporation
- Please refer to our corporate website or MOPS for governance-related regulations: http://www.innolux.com/Pages/TW/InvestorRelations/Corporate_Governance/Major_Internal_Policies_TW.htm

2.2.1 Company Governance Organization

Board Operations

At INX, the Board of Directors (the Board) provides organizational strategies, supervises management, and assumes responsibility for shareholders. All tasks and arrangements of the governance system are operated by law, the articles of incorporation, or the resolutions of the meetings of shareholders. The Board is also committed to maximizing profit for shareholders.

Directors are nominated and elected by shareholders from among director nominees. Currently, the Board is formed by seven well-experienced members, including three independent directors. All of them are equipped with the knowledge, skills and literacy required for their roles and responsibilities to provide professional consultation services for business operations, technology, and finance. The independence of independent directors also complies with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies.

The Board holds at least one board meeting each year and may convene for a provisional board meeting where necessary. In 2017, six board meetings were held. Please visit MOPS or refer to our 2017 Annual Report p22 for details regarding board operations.

Provisions for avoidance of conflicts of interest are specified in both the Rules of Procedure for Board Meetings and the articles of organization of the Audit Committee. Under these provisions, a director or their proxy having a conflict of interest with a proposal under discussion should specify the conflict of the interest at the board meeting and shall sidestep from or waive their authorization from other directors in the discussion and voting on the proposals conflicting with the interests of others. Directors shall maintain self-discipline to avoid mutual support. Furthermore, we have established three independent directors in the board to make objective and professional suggestions based on their expertise. When discussing a proposal, directors shall take full consideration of the suggestions made by the independent directors and take their opinions or reasons for or against a proposal in the minutes, in order to maintain avoidance of the conflict of interest and effectively protect the organizational interest.

Every year, board members take courses outside their expertise to improve their understanding and optimize the practice of governance. These courses include, but are not limited to, finance, risk management, sales, business, legal affairs, accounting, and corporate social responsibility relating to governance, or courses relating to the internal control system and financial statements.

Please visit MOPS or refer to our 2017 Annual Report p23 for the details regarding the governance-related courses.

Board Members

Title	Name	Gender	Concurrent INX Positions
Chairman	Jyh-chau Wang, representative of Jia Lian Investment	Male	Chairman and CEO
Director	De-chai Huang, representative of Hongyang Venture Capital Co., Ltd.	Male	
Director	Chuang-yi Chiu, Yicheng Venture Capital Co., Ltd.	Male	
Director	Chin-lung Ting, representative of Innolux Education Foundation	Male	Executive VP
Independent Director	Chi-chia Hsieh	Male	
Independent Director	Bo-bo Wang	Male	
Independent Director	Stanley Yuk Lun Yim	Male	

Please visit MOPS or refer to our 2017 Annual Report p11 for the details regarding the board formation.

Audit Committee

The Audit Committee was established on June 24, 2016 in accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.

The duty of the Audit Committee is to assist the Board in strengthening the internal supervision mechanism; supervising the fair expression of financial statements; the appointment, dismissal or remuneration of certified public accountants; the effective implementation of the internal control system; the legal compliance performance; and the control of existing or potential risks.

The Audit Committee is formed by all independent directors in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and all members unanimously recommended Independent Director Chi-chia Hsieh as the committee convener.

The Audit Committee shall hold a committee meeting at least once a quarter. In 2017, a total of six Audit Committee meetings were held. Please visit MOPS or refer to our 2017 Annual Report p24 for the details regarding the committee operations.

Remuneration Committee

The Remuneration Committee was established on August 22, 2011 in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

Apart from establishing and regularly reviewing the policies, systems, standards and structures governing the performance assessment and salary and remuneration of directors, supervisors and managers, the duty of the Remuneration Committee is to regularly assess and determine the salary and remuneration of directors, supervisors, and managers.

Based on the articles of organization of the Remuneration Committee, the Board shall pass its organization at a board meeting and appoint three independent directors as members of the Remuneration Committee. All members unanimously recommended Independent Director Chi-chia Hsieh as the committee convener.

The Remuneration Committee shall hold two committee meetings at least once a year. In 2017, a total of three Remuneration Committee meetings were held. Please visit MOPS or refer to our 2017 Annual Report p34 for the details regarding the committee operations.

Salary Income Ratio

Our annual salary and income is composed of salary, various allowances, rewards, and employee bonuses from the net income. The amount of employee bonuses is based on the profit distribution proposal approved by the Board. Apart from being determined by the Remuneration Committee by law, the remuneration of executives is also disclosed in our annual report.

According to the analysis in 2017, the maximum annual salary¹ was 48 times and 6.3 times higher than the median salary in Taiwan and China respectively. In addition, calculations of the maximum salary in Taiwan and the median salary show that the ratio of salary raises² for employees between 2016 and 2017 was -0.99 times as a result of a slight change in the median salary caused by workforce structure change, and the ratio was 0.4 times that of China.

Region / Year	Ratio Between Maximum and Median Annual Salaries				
	Y2013	Y2014	Y2015	Y2016	Y2017
Taiwan	11	26	35	41	48
China	6	6	7.7	6.8	6.3

* Note

1. The "individual maximum annual income" has been excluded from the median of the annual income and salary raise of all employees.

The compensation package of the highest-paid individuals and all employees includes wage, management allowance, various rewards, various allowances, employee dividends (including stock dividend and cash dividend), provision of dormitories or company vehicles, etc. Amounts or subsidies, if any, will be added, or are considered as "0" when none.

2. Ratio calculations

Ratio of salary change = A/ B, where

A = AY2017 (the highest-paid) - AY2016 (the highest-paid)/Y2016 (the highest-paid)

B = AY2017 (the median-paid) - Y2016 (the median-paid)/Y2016 (the median-paid)

2.2.2 Business Ethics and Internal Control

In order for employees to engage in business activities with high ethical standards, we have established and announced the Ethical Corporate Management Best Practice Principles for Innolux Corporation, the Innolux Code of Ethics for Directors and Officers, and the Innolux Code of Conduct for Employees to standardize the responsibilities required for employees to engage in business activities and to create a corporate culture of integrity. These regulations are posted on our corporate website, MOPS, and the organizational intranet for the available reference of employees.

[Integrity Management]	[Management approach of material issue]
Materiality	At INX, we conduct business with the highest ethical standards. In order to eliminate illegal business activities, we have established integrity and ethics provisions in all internal regulations for the ethical reference of employees, customers, and suppliers.
Boundary	Within the organization (INX) and outside the organization (front-end suppliers and back-end suppliers)
Management Approach	<ul style="list-style-type: none"> • By setting integrity as the bedrock of organization, we apply the zero-tolerance policy for any act against business ethics. Announce the anti-corruption policy in the Innolux Corporate Social Responsibility Manual, the Ethical Corporate Management Best Practice Principles for Innolux Corporation, the Enforcement Rules of the Innolux Code of Conduct, the Code of Ethics for Directors and Officers, and the Innolux Employee Code of Conducts. • Publicize the anti-corruption policy on the corporate website, computer startup screen, screensaver, and internal posters. • Request suppliers to sign the Supplier's Undertaking and answer/fill in the Ethical Management Survey to assess with their anti-corruption performance. We will watchlist and follow up suppliers with abnormal responses. • Set up the Speak-Up Anti-Corruption Mailbox (speak-up@innolux.com) for employees and outsiders to report corruption in anonymity.
Medium-to-Long Term Strategy	Enhance the anti-corruption awareness of employees, customers and suppliers; effectively implement the anti-corruption policy; and radically eliminate illegal business activities to turn INX into an enterprise that exercises due care to implement social responsibility and ethical management.
2017 Performance	<ul style="list-style-type: none"> • Conducted an anti-corruption survey on IDLs in Greater China; and arranged internal grievance channels for employees to disclose conflicts of interest and corruption. In 2017, the valid response rate was above 95%. • Held two Ethics and Integrity Committee meetings to investigate corruption reports. Six corruption cases were confirmed for violation of organizational regulations. The Ethics and Integrity Committee have punished the parties concerned through resolutions. We have terminated our contracts with suppliers who engaged in serious corruption. • Arranged anti-corruption training activities for all IDLs in Greater China, with an achievement rate above 95%.
2018 Promotion	<ul style="list-style-type: none"> • Suppliers and customers Publicize the INX Anti-Corruption Policy to the top 20 suppliers and customers in each application. • Employees Set the annual plan of processing the anti-corruption questionnaire survey on all IDL employees in Taiwan and China sites annually.

Anti-Corruption Policy

Announce the anti-corruption policy in the Innolux Corporate Social Responsibility Manual, the Ethical Corporate Management Best Practice Principles for Innolux Corporation, the Enforcement Rules of the Innolux Code of Conduct, the Code of Ethics for Directors and Officers, and the Innolux Employee Code of Conducts.

To ensure the implementation of the Anti-Corruption Policy, employees are requested to sign the Honesty, Integrity & IP Protection Agreement. We also demanded all IDLs in Taiwan and mainland China must receive an e-learning course on anti-corruption every year to raise their anti-corruption awareness.

Apart from advocating anti-corruption within the organization, we also publicize our anti-corruption policy to suppliers. We have further included the policy in the Supplier CSR Code of Conduct Operating Standards and request them to sign the Supplier's Undertaking and Integrity Questionnaire to ensure their compliance with our anti-corruption undertaking.

Anti-corruption Training

The content of the anti-corruption e-learning courses covers three topics: personal data, trade secrets, and anti-corruption. The syllabus includes legal regulations and related cases, and the liabilities for breaking the law and how to avoid breaking the law during routine work. The 2017 achievement rate was above 97%.

Anti-Corruption E-Learning Courses

Region \ Staff Type	Executives			General Employees		
	Target Number	Actual Number	Achievement Rate	Target Number	Actual Number	Achievement Rate
Taiwan	66	63	95.5%	9,485	9,459	99.7%
China	9	9	100%	4,029	4,021	99.8%

Note: Data time by March 7, 2018

Speak-Up Anti-Corruption Mailbox and Ethics and Integrity Committee

Apart from disclosing the Speak-Up Anti-Corruption Mailbox on the corporate website and constantly publicizing the mailbox in internal employee training activities, we specify related information in the Supplier's Undertaking and Integrity Questionnaire to fully inform outsiders of this reporting channel and encourage them to report corruption.

After years of efforts, the utilization of the mailbox has increased, and informants also actively provide relevant evidence. At INX, we always investigate every corruption report cautiously, and the investigation is conducted according to the Innolux Corruption Investigation and Management Regulations.

The Ethics and Integrity Committee held two committee meetings in 2017 and confirmed six corruption cases, mostly involving violation of organizational regulations. The Ethics and Integrity Committee has punished the parties concerned through resolutions. We have also terminated our contracts with suppliers who engaged in serious corruption.

Status of Reports Received by Speak-Up in 2017

Item/Case	Case Reported	Case under Investigation	Case Closed
Internal reports*	2	2	0
External reports	31	6	25
Total	33	8	25
Proportion of handling	100%	24%	76%

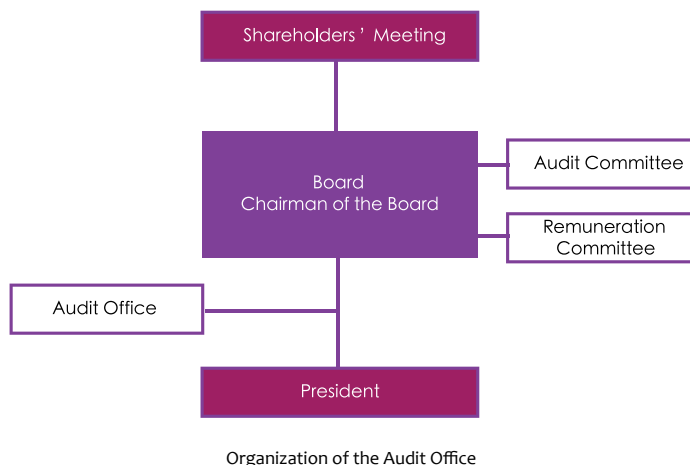
*Internal reports were reported by employees or those who claimed they were employees.

Compliance Enquiry Channels

The Legal Department offers legal consultation services and assistance to all departments. When there are business contracts requiring reviews or enquires regarding legal disputes, employees may make full use of the contract review system to apply for a contract review. After case assignment, legal staff will provide professional legal services.

Internal Audit Organization and Operation

The Board has established the Audit Office to conduct various on-site audits or documentary reviews in the audit program approved by the Board. By auditing legal compliance, workflow design, system compliance, financial statement accuracy, and operational performance and efficiency, the Audit Office makes recommendations for improvement for all units, in order to assist the Board and managers in ensuring the internal control system is continuously and effectively implemented. The Audit Office also reports related audit results to the Audit Committee and the Board regularly. Every year, the Audit Office supervises and helps departments implement the self-assessment in the internal control system to assure the self-supervision mechanism of INX.



2.2.3 Legal Compliance

Compliance with CSR-related Regulations

In addition to the Corporate Social Responsibility Policy, we have established the Enforcement Rules of the Innolux Code of Conduct, in which we have specifically noted the need to abide by local laws and regulations when engaging in business activities. We have also established by law an effective organizational governance framework and related ethical standards and raised the awareness of legal compliance in employees through education, training, and publicity activities. Employees breaking the law or violating the occupational safety regulations or laws, the employment contract, and any organizational governing ethical operations will be punished according to the related laws and regulations. In addition, all records will be reflected in the performance evaluation.

Every quarter, we monitor and ensure compliance with human rights for labor, business ethics, regulatory and customer requirements in accordance with the Human Rights for Labor and Business Ethics Identification and Risk Assessment Procedures. Every year, we assess the risks arising from or in connection with the processes for managing human rights for labor and business ethics. In 2017, apart from assessing related risks, we identified 247 laws relating to human rights for labor and business ethics in Greater China, such as the Enforcement Rules of the Labor Insurance Act, Labor Pension Act, and Labor Standards Act.

Compliance with Anti-Trust Laws

We strictly abide by the anti-trust laws and regulations of Taiwan and abroad. To raise the compliance awareness of employees, we actively arrange various education and training activities for employees. Apart from the anti-trust courses in the orientation for newcomers to fully understand our anti-trust policies, we offer focus education and training for assistant managers and officers above that level, as well as staff engaging in procurement, sales, R&D, marketing, and other duties having direct contracts with customers or suppliers. We also request employees to sign the Agreement on Compliance with Antitrust/ Competition Laws and conduct regular anti-trust surveys to facilitate control.

To deepen the compliance awareness of employees, we constantly publicize the anti-trust concept by means of screensavers, system startup screens, and e-newsletters.

To monitor mail communication with competitors, we request employees to apply for permission to send mails to the competitor's domain where necessary, in order to take effective precautionary actions against mail communication with a competitor's domain.

Compliance with the Personal Information Protection Act

At INX, we have established appropriate data protection mechanisms according to the Personal Information Protection Act to prevent personal data from abuses. In addition, for employees to get familiar with related laws and regulations, we constantly arrange online education and training activities for employees, hoping to raise the compliance awareness of employees regarding personal data and privacy protection.

To communicate the importance of trade secrets to employees, we request all indirect employees to attend the education and training activities for trade secrets and constantly publicize the importance of trade secret protection to employees with screensavers, system startup screens, and e-newsletters. If employees violate the trade secret protection regulations, we will punish them according to the severity of the offense and related regulations, and take legal actions where necessary as well.

RBA Topics Concerning Customers

After the Electronic Industry Citizenship Coalition (EICC) was renamed the Responsible Business Alliance (RBA) in October 2017, the former EICC Code of Conduct 5.1 was also renamed the RBA Code of Conduct 6.0. In this new version, the RBA incessantly raises the requirements for human rights for labor and occupational safety. Aiming to achieve legal compliance, we constantly disclose the status of the Code of Conduct (CoC) management to customers and voluntarily follow up and supervise our CoC performance through internal audits.

In 2017, customers conducted 9 onsite audits on our CSR performance, including 4 EICC VAP audits, and collected 35 responses. Work hours and the weekly work hours and continuous attendances are topics that concern customers in human rights for labor.

Environmentally, many customers were concerned about our GHG emissions and management. Fortunately, we began the GHG inventory and the emissions reduction program many years ago and disclose carbon management performance through channels including the Carbon Disclosure Plan (CDP) and CSR report. Our performance has earned customer recognition.

CSR Training and Publicity

For employees to understand laws and regulations better, we publicize related information through educational courses, posters, and e-newsletters. By emphasizing major topics including anti-corruption, personal data protection, trade secret protection, and antitrust/competition, we aim to raise the compliance awareness of employees.

In the orientation, we arrange the Innolux Code of Conduct Course for newcomers, with contents covering the Innolux Code of Conduct, the Employee Code of Conduct, the INX CSR policy, and their performance. In 2017, apart from orientation for 20,240 newcomers for 13,509 hours, we arranged 1,040 hours of training for 281 foremen to get familiar with the EICC-CoC. In addition, we offer related training to security guards and include courses on human rights as an annual publicity item. We provided training for 534 security guards in China in 2017, with a training rate of 100%.

CSR Internal Audits

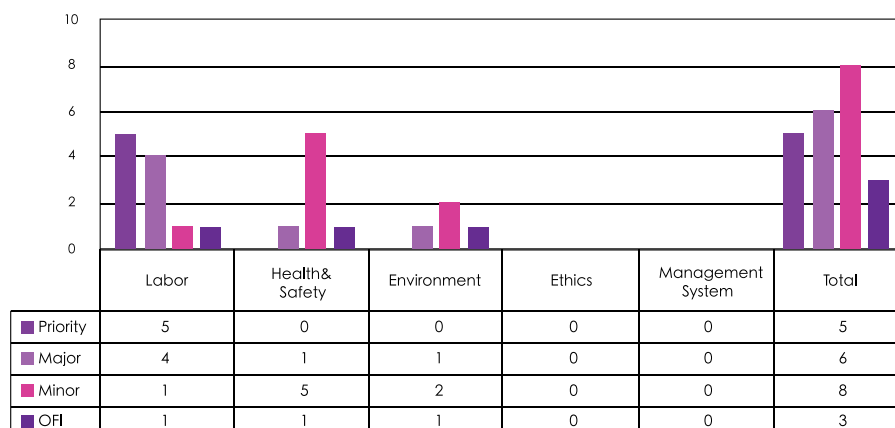
To comply with the RBA-CoC and customer requirements, CSRD conducts an internal audit every year to ensure the effective operation of the CSR management system.

In human rights for labor, the EICC-CoC 5.1 and aspects, including the weekly work hours, continuous attendance, and recruitment/employment workflows in China that concern customers, were essential parts of the 2017 internal audit.

In ESH, as both the ISO 14001 and OHSAS18001 management systems have been implemented in all plants, the effectiveness of implementation in the routine work is the focus of the internal audit, including emergency exits, equipment check, implementation of corrective actions for occupational disasters, torrential rain management, and restaurant hygiene management. We will continue to improve and reinforce ESH topics through the ISO 14001 and OHSAS18001 management systems.

In November 2017, we conducted the RAB internal audit on 5 out of the 6 INX plants, including the Jhunan and Tainan plants in Taiwan and the Ningbo, Foshan, and Nanjing plants in China. The internal audit was implemented based on the EICC VAP Operations Manual 5.1 and the customer and regulatory requirements. With an audit rate of 83.3%, we found 19 risk points for which all responsible units took coherent and continual improvement actions.

2017 Internal Audit Results



2.3 Risk Management

Legal risk, economic risk, disaster risk, competition risk, technical risk, goodwill damage, and business interruption are threats to business operations. We have thus established a risk management mechanism to regularly review risks relating to finance, laws and regulations, climate change, water resources, supply chain, information security, and occupational health and safety.

Financial Risk Management

We are specialized in and focus on the manufacture, sale, and development of panel-related products and do not engage in investments of high risk and high leverage. Faced with the rapidly changing macro environment, risk identification and control and improvement of responsiveness have become essential to business operations and management. To effectively reduce operational risks and achieve sustainable development, the Financial Department takes hedging measures based on its authority after assessment, analysis, and drawing up of the risk management strategies to deal with the risks in the macro environment (domestic and overseas economic conditions and financial market changes) and the internal environment (organizational operations and strategic development), with the Audit Office constantly supervising the internal control and legal compliance. After implementing hedges, the Financial Department will disclose related information by law and submit the results to the Audit Committee and the Board for review.

At INX, we categorize financial risks into credit risks, market risks, liquidity risks, asset and business interruption risks, and business investment risks.

Credit Risks	(A) Set a credit line and the method(s) of transaction based on the credit ratings of customers, constantly assess the payment performance of customers, and implement collections. (B) Analyze the status of customer operations and the industrial trends regularly, make alerts, and take countermeasures to control credit risks and ensure operational performance.
Market Risks	(A) After assessing the foreign exchange risks and interest rate risks, the Financial Department establishes hedging strategies and implements hedging transactions. Hedging should aim at avoiding foreign exchange risks on substantial positions, with a focus on undertaking financial products with simple structures and high liquidity. (B) The Financial Department also balances assets and liabilities in natural hedging for substantial positions generated by foreign currencies and undertakes products for hedging exchange rate risks for risk exposure positions to hedge risk from exchange rate volatility. To prevent interest rate volatility in the market from affecting financial costs of the floating interest liabilities raised for operational needs and investments, the Financial Department undertakes products for hedging interest rate risks at appropriate times to lock in interest rate risks.
Liquidity Risks	In addition to maintaining high liquidity in fund allocations, channels for short-term and long-term financing are expanded constantly to diversify funding sources, hedge systemic liquidity risks from occurrences in the financial market, and raise funds from the capital market to strengthen the capital structure.
Asset and Business Interruption Risk	To prevent natural disasters or accidents from causing property damage to plants, equipment and goods, and business interruption risks, different types of insurance are purchased after assessing the management costs, premium expenses, and risk self-retention costs of various risks to transfer related risks.
Business Investment Risk	Carefully assess the targets of strategic investments, constantly review, supervise, and manage re-investments, assess the benefits of medium-term and long-term investments, and timely dispose of non-core investment items to reduce business investment risks.

Tax Risk Management

With integrity as the bedrock, we conduct business in compliance with local laws across the world, and our tax policy is as follows:

- Conform with tax regulations; accurately calculate, declare and pay taxes; and maintain normal transactions
- Timely assess the impacts in all aspects of changes in local and international tax laws and regulations and draw up countermeasures.
- Disclose tax data from public information in the financial statements and annual reports to maintain information transparency.
- Maintain good relations with tax authorities, capture tax information circulation, and constantly improve tax expertise.



Tax Risk and Countermeasures

Tax Risks	Countermeasures
When engaging in transnational investments and operations, the difference in tax laws and tax systems of different countries may affect the group's tax costs.	Analyze each tax case in conformity with local tax regulations, accurately calculate taxes, and effectively improve the operational performance of organizational resources.
In transnational operations, the tax authority of each country is in charge of the comprehensive tax data and information from respective countries. Without capturing the whole tax data or information of a host country, we may be unaware of any tax risks.	Actively gather information regarding the changes and reforms of local and international tax regulations, assess their impacts, and draw up countermeasures quickly.

Information Security Risk Management

At INX, we are committed to protecting the confidential information of the company, customers, suppliers, employees, and industry-leading intellectual property to ensure the rights and interests of the company, customers, employees, and all shareholders and maintain organizational competitiveness.

Internally, we have developed the INX MApp to avoid information security risks caused by employees using instant messengers (IMs), enhancing overall information circulation, and achieving the quick response and quick decision-making of mobile offices to maintain efficiency and security at the same time.

Major security protection mechanisms of INX MApp:

- (1) Integrate privilege control with the HRM system to automatically revoke the privileges of resigned employees.
- (2) Privatize INX MApp to avoid exposure to public systems.
- (3) Apply identity authentication before app installation.
- (4) Use of the group member control mechanism to access confidential information by unrelated staff.



2.4 Operational Performance

Legal risks, economic risks, disaster risks, competition risks, technical risks, goodwill damage, and business interruption are threats to business operations. We have thus established a risk management mechanism to regularly review risks relating to finance, laws and regulations, climate change, water resources, supply chain, information security, and occupational health and safety.

Market Share

According to the IHS Markit statistics, the 2017 market share in the shipping area of our large-size panels is 14.3%, 0.4 percentage points less than the previous year and ranked as the third TFT-LCD panel supplier in the world.

When sorting by product applications, the market share of our TFT-LCD panels was 16%, ranked fourth in the world. The market share of our LCD-TV panels was 14%, ranked third in the world. The market share of our notebooks (excluding tablets) was 23%, ranked second in the world. In the medium to small size market, our shipping volume was about 5% of the world.

2017 Market Share

Product by Application	Global Market Share	Global Ranking
Notebooks (excl. tablets)	23%	2
LCD TV Panels	14%	3
TFT-LCD Panels	16%	4

Market Competition

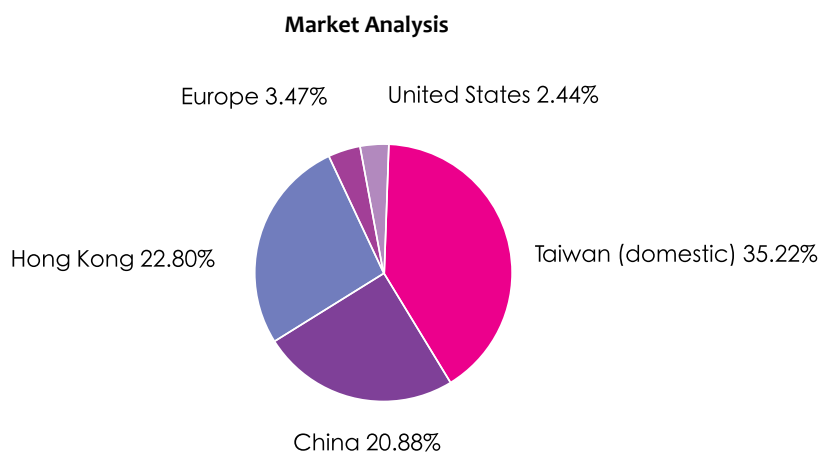
The TFT-LCD panel output by country from top to bottom is South Korea, Taiwan, China, and Japan. With government support, Chinese suppliers began to expand capacity in 2016 to enter the global competition of all product ranges. As a result, the supply is expected to surpass demand in the second half of 2018, making the situation worse for Taiwan's panel industry. In response to the keen market competition, we will continue to raise capacity, introduce production automation, improve R&D capacity, enhance yield rate, and stabilize product supply, logistics, and finance to enhance overall competitiveness.

Deployment of Short-Term and Long-Term Development

According to the IHS Markit statistics, the 2017 global shipping volume of large-size (above 9 inches) TFT-LCD panels was 706 million pieces, up by 3.3% from 2016, and the volume is expected to increase to 725 million pieces in 2018. The same statistics also show that the 2017 global shipping volume of small to medium size TFT-LCD panels was 286 million pieces, up by 3.2% from 2016, and the volume is expected to increase to 300 million pieces in 2018.

In large-size TFT-LCD products, larger sizes, more energy efficient, higher resolutions (4K8K), and narrow frames are the main trend. In FPDs, flexible panels, e-sports, and narrow frames are the main appeal. In notebooks, 2-in-1 products will be the main trend of development, hoping to encourage consumers to upgrade current products.

The thriving development of smartphones and maturing touch technology have encouraged manufacturers to embark on the development of next-generation technologies, such as AMOLED and flexible panels, which are the most diversified and the fastest-growing panel types in recent years. It is estimated that 18:9, flexible, and curve-cut panels will be the trend of small to medium size panels.

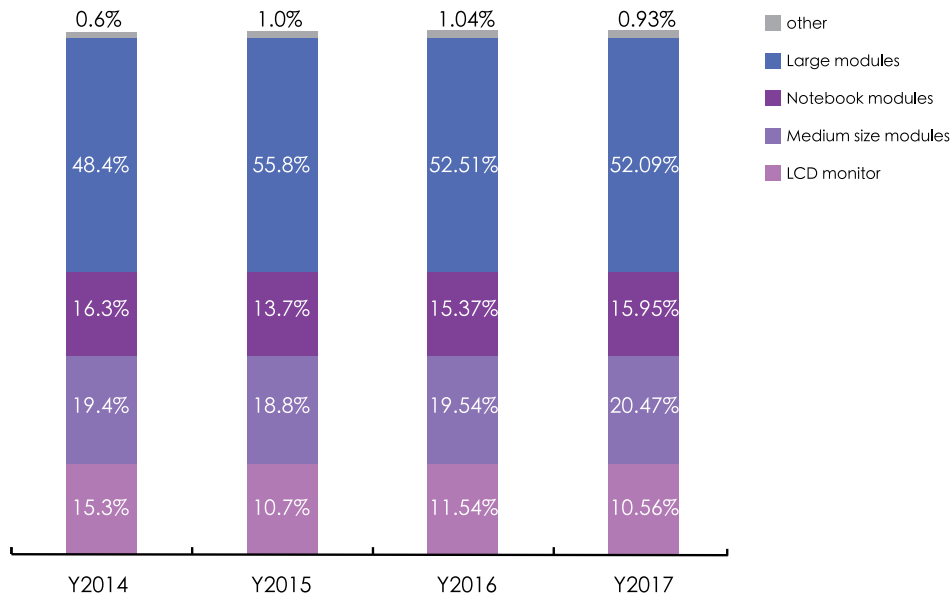


Technology Development and Product Deployment

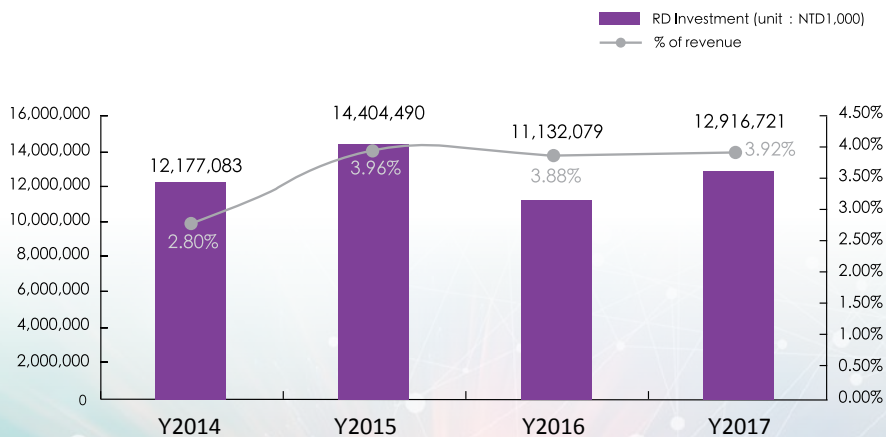
At INX, our R&D organization is divided into the Technology Development and Product Development departments, with an establishment of 4,110 staff, accounting for 6.83% of global INX employees. In 2017, we invested a total of NT\$12.916 billion in R&D, accounting for 3.92% of the sales turnover.

Adhering to conscience and assiduity, we can always get ahead of competitors in advanced panel technology. Foreseeing the opportunities, we take the lead to keep close collaboration with customers and provide them with models of high price-performance ratio, such as azimuthal anchoring switching (AAS) privacy FPD panels with low power consumption to enhance notebook battery durability. In the future, we will continue to further our R&D of flexible panels, mLED and uLED technologies, and automotive and medical panels to provide customers with more value-added products and consumers with more visually comfortable products.

Product Sales Percentage



R&D Investments over the Years



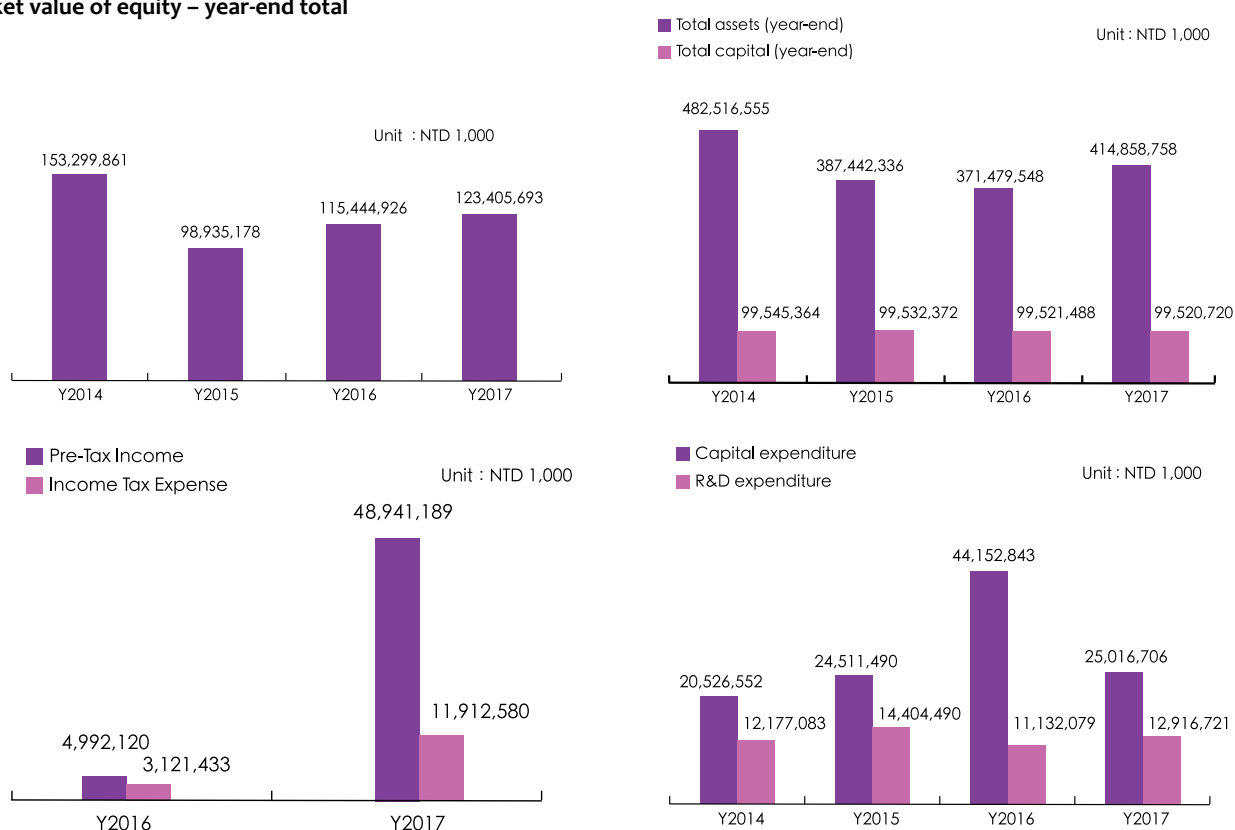
2.4.1 Financial Performance

[Financial Performance]	[Management approach of material issue]
Materiality	As an important strategic industry and leader of manufacturing industries of the country, the panel industry boosts GDP growth, creates foreign-exchange reserves, offers over one hundred thousand job opportunities, and brings widespread influences covering shareholders, customers, employees, and national economic growth.
Boundary	Within and outside INX
Management Approach	<ol style="list-style-type: none"> 1. After the process automation and integration in 2012, back-end module capacity has become competitive. The vertical integration of front-end and back-end processes brings the momentum for continuous growth. 2. In response to the huge business opportunities brought by IoT, we achieve smart plant automation with IoT to accelerate business growth.
Medium-to-Long Term Strategy	<ol style="list-style-type: none"> 1. Build the future INX model: Forming the Smart Manufacture Platform with automation, Industry 4.0 and big data to upgrade overall panel manufacture. 2. Capture new opportunities, develop new technologies, cultivate new fields, and create new opportunities for the industry.
2017 Performance	<ol style="list-style-type: none"> 1. We gained NT\$37 billion in 2017, with EPS at NT\$3.72, the highest in the past decade. 2. Marking Year Zero of full-machine output, we responded to customization demands and reinforced full-machine sales based on high-end technology to increase profit.
2018 Promotion	<ol style="list-style-type: none"> 1. Capture key to success as an outlet, enter the system and full-machine markets, parallel development from large-size TVs, and start mass-production in Q1 of 2018. 2. Set locations worldwide in collaboration with the mobile panel supply chain, further the improvement of the technology, quality, and services of TFT-LCD panels of all sizes and the touch panel technology to set ‘non-imitable competitiveness’ as the momentum for sustainable development.

Results of the Business Plan

We had wonderful performance in 2017 through the persistent effort of the management team. In result, the consolidated total revenue was NT\$329.2 billion, the gross profit was NT\$68.7 billion, and the gross profit margin was NT\$20.9%. The operating income was NT\$48 billion, the operating margin was 14.3%, and the net profit after tax was NT\$37.03 billion. The EPS was NT\$3.72.

Market value of equity – year-end total



Consolidated Financial Report

(expressed in NTD thousands, except for earning/loss per share in NTD)

Item	2014	2015	2016	2017
Operating revenue	428,661,898	364,132,984	287,089,277	329,174,401
Gross profit (loss)	50,385,001	46,640,105	26,088,491	68,738,677
Operating profit (loss)	28,173,396	22,430,709	6,413,249	47,022,209
Non-operating profit (loss)	-5,639,056	-7,571,522	(1,421,129)	1,918,980
Net income (loss)	21,676,908	10,814,141	1,870,687	37,028,609
Earning/loss per share	2.31	1.09	0.19	3.72
Income tax expense (benefit)	857,432	4,045,046	3,121,433	11,912,580
Capital expenditures	20,526,552	24,511,490	44,152,843	25,016,706
Employee remuneration	46,106,336	46,113,875	40,787,857	47,439,709
R&D expenditures	12,177,083	14,404,490	11,132,079	12,916,721
Total assets (year-end)	482,516,555	387,442,336	371,479,548	414,858,758
Total capital (year-end)	99,545,364	99,532,372	99,521,488	99,520,720
Total market value of equity (year-end)	153,299,861	98,935,178	115,444,926	123,405,693
Government subsidies	222,933	271,746	183,109	83,117
Expenditures on pensions	2,010,717	2,294,465	2,034,184	1,933,150

* 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.

R&D and Intellectual Property Empowerment

At INX, to raise the intellectual property awareness of R&D staff, closely integrate patent application and market and product movements, retain and maintain patents of higher value, early deployment of potential next-generation technologies, create fundamental patents with higher value, and build well-established and robust intellectual property barriers in order to empower intellectual property are the philosophy and strategy of intellectual property management and deployment.

In addition, we have established a well-planned system and sumptuous rewards for patents from employees who create constant technology innovations. In 2017, we were awarded about 400 patents worldwide, accumulating over 10,000 global patents.

Global Patent Distributions

Region	USA	China	Taiwan	Others
2016	25%	26%	38%	11%
2015	16%	30%	47%	7%
2017	31%	31%	20%	18%

Investor Relations

Aiming to develop a positive policy to disclose transparent information to investors, we have established the Investor Relations Department, the Stock Administration Department, the spokesperson system, and information communication channels and publish the annual report every year. For example, we release the revenue and shipping report every month, hold investor conferences in Mandarin Chinese and English every quarter to disclose our financial performance and operational achievements, and organize the annual general meeting of shareholders (AGM). In addition, we actively participate in domestic and overseas investment seminars and investor forums held by securities companies. We also post financial information in the Investor Relations section of our corporate website and the Market Observation Post System (MOPS) of the Taiwan Stock Exchange. According to the Company Act, shareholders/investors are entitled to make proposals at AGM in writing or share their comments and recommendations with us over the investor service hotline or email.

Investor service URL: http://www.innolux.com/Pages/TW/InvestorRelations_TW.html

Investor service email: ir@innolux.com

- **100-inch High-Brightness Quantum Dots Public Information Display Module**

As the world's largest public information display (PID) module, our 100-inch high-brightness quantum dots (QD) PID is equipped with ultrahigh brightness (1,200nits), high definition 4K2K (3840x2160), a broad dynamic range, a wide viewing angle, and trace-free dynamic display to make picture quality more elaborate, colors sharper, and images more real. As it does not need to patch multiple small-size panels to present the TV wall effect, it can be used as large-size signage for advertising and commercial purposes.



- **65-inch 4K Quantum Dots TV Module**

By adjusting the luminance with over 1,000 active areas, it delivers ultrahigh brightness up to 1,000 nits. Along with the quantum dot (QD) technology, color performance reaches BT2020>90%. Through the ultrathin backlight hollow-cavity module, the thickness of direct-lit backlight modules can be reduced to near that of edge-lighting modules. With the outstanding optical specifications, the product provides customers with more space for fashionable designs.

- **World's First 65-inch 8K Full Viewing Angle Display**

This is the world's first 65-inch high-end product that satisfies the demand for high penetration rate, full viewing angle, ultrahigh resolutions 8K4K (7680x4320), high color saturation, and high brightness (above 1,000 nits) all in one.



- **50-inch Own Design Frameless Smart LCD-TV**

Our own design frameless smart LCD-TV is tested from open cell to the integrated manufacture in the same plant to provide customers with total solutions.



- **High-Speed Low None-Color-Shifted Low Blue Light Range**

This range includes the 15.6-inch none-color-shifted low blue light notebook panel, the 17.3-inch e-sports notebook panels, and the 27-inch 144Hz e-sports monitor panels featuring short response rate, high-resolution refresh rate, ultra-fluent motion display, and reduced motion lag display for gamers to enjoy gaming more comfortably.



- **13.3 FHD 1W Ultra Energy Efficient Notebook Panel**

The optimally designed panel materials and processes controls power consumption at 1W with brightness at 150 nits to extend the battery life of overall notebook panel from 8 hours to 12 hours without the need to recharge for one whole day.

- **Switchable Privacy Panel**

We have developed the 14-inch FHD AAS and 23.8-inch FHD AAS switchable private display panels for users to save the additional privacy filter. With only one button on the panel system, users can switch the viewing angle between the sharing mode and privacy mode with high flexibility to fulfill the increasing need for privacy of modern people.

Small-to-Medium Panels

- **World's First Frameless 5.99-inch 18:9 Wide gamut Touch Panel**

This frameless panel has a high screen proportion that minimizes the module area and maximizes the display area, and is equipped with an ultra-slim panel with advanced touch functions. With a DCI-P3 wide gamut 18:9 panel, the product delivers specification advantages within a controlled cost.



- **5.5-inch Narrow Frame Wide Gamut QHD Panel**

In response to the trend of high screen proportion, we have developed the 5.5-inch QHD panel with the industry-narrowest frame (0.45mm), high color saturation, brand gamut, and high resolution, and have started mass production ahead of competitors.

- **6.8-inch Sound Source Integrated Full-Screen Mobile Panel**

With the piezoelectric material technology of backlight modules, we directly replace the traditional earphone jack on mobile phones with the display model as the sound cavity. Apart from optimizing pick-up sound quality, it saves the space required by the sound source system to make products thinner while enjoying a full-screen display.



- **5.5" FHD High Color Saturation QD Panel**

By integrating the DCI-P3 wide gamut specifications with quantum dot (QD) technology, we enhance the color saturation (x,y) of the NTSC system to 115.8%. Currently, the coverage BT2020 specification is up to 86.5%. Wide gamut and high color saturation make display colors sharper and richer.

Automotive Panels

- **S-shape Curved Automotive Display**

We have developed the 29-inch and 10.1-inch S-shape curved automotive displays. The 29-inch model can accommodate both the dashboard and central information display (CID) to meet the interior design demand. The 10.1-inch model is the world's first automotive LCD panel to challenge abnormality designs with the world's smallest radius of curvature (R=170mm). Its innovative and visionary breakthroughs earned it the 2016 HSP Product Innovation Award.



- **10.1-inch Curved Automotive Display with High Radius of Curvature**

With the improved curved bonding technology (R=375mm and R=500mm), our curved automotive displays with a high radius of curvature challenge the extreme of single-axis bonding and come with solutions for products of different radii of curvature, while maintaining high safety and high weather resistance at the same time.

Touch Panels

- **World's First TID+FT 8-inch Smart Tablet**

By pioneering the integration of touch in display (TID) and force touch technologies in the tablet display, we can reduce the thickness and weight of a tablet at the same time and reduce the components required by the add-on force touch panel. In addition, this product supports multi-touch (10 fingers) and is lighter, slimmer, and more sensible.

- **10.1-inch TID Smart Tablet**

As the TID technology for the largest tablet panel with the highest resolution, this product enhances touch functions and brings more space for making modules slimmer and lighter, with the support of up to 2mm passive pens.



Panels for Special Applications

• AAS Industrial Panels

We have developed the 12.1-inch XGA AAS industrial panels and the 15.6-inch FHS AAS industrial panels. By enlarging the view angle with AAS technology, we resolve the narrow horizontal viewing angle problem of ordinary TN industrial displays, broaden the operating temperature (-30°C to 85°C), increase brightness to 600 nits and contrast to fulfill the demand of various industrial applications, such as POS, ATM, or HMI.

• 17-inch SXGA Wide Gamut Industrial Panels

In addition to a broader operating temperature range and a wider viewing angle, our wide gamut industrial panels are equipped with high color saturation (90% for NTSC) to bring sharper color displays and make them suitable for use in entertainment and gambling machines requiring high color saturation, in order to cultivate a new panel application—the gambling market.



100-inch High Brightness PID Module wins 2018 Taiwan Excellence Silver Award

Leading the world's ultrahigh resolution large panel market, we won the 2018 Taiwan Excellence Silver Award with the 100-inch High Brightness PID Module. In addition, our 50-inch Mega Zone display module, the 21.5-inch switchable privacy monitor, the 15.6-inch none-color-shifted low blue light display, 10.1-inch TID touch in display, and the 6-inch luxurious touch display module were also awarded the Taiwan Excellence mark.



3D Touch DST wins the Product Innovation Award of Hsinchu Science Park

With the special electrode design, our pioneering patented Deep Sensing Technology (DST) simulates 3D multi-touch and multilevel feelings and combines the advantages of capacitive touch and resistive touch panels for surgeons or high-voltage maintenance engineers to give commands from the medical X-ray display or tablet screen in undisinfected surgical gloves or thick insulation gloves, with high-efficiency identification surpassing 2D touch. Therefore, we won the Product Innovation Award of Hsinchu Science Park.



Excellent Engineer Competition

As a biannual event of STSP TFT Manufacturing Center, the Excellent Engineer Competition is organized for outstanding contestants from different fabs to promote experience exchange and concept inspiration among teams and commend employees making outstanding proposals for improvements, in order to encourage engineers to assume accountability and thereby experience the spirit of technological advancements, innovation, and intelligence.

In 2017, the event was expanded to fabs in both southern and northern Taiwan and attracted 14 teams to run for the awards, with VP Chih-Ming Chen of the STSP TFT Manufacturing Center forming the jury with the general plant manager and division directors of each fab to patiently supervise the report contents and future development.

Outcomes of the 2017 Excellent Engineer Competition

First Place: Value Innovation with Graphic Re-engineering of the 4th General Fab

Second Place: CVD Boundary War of the 3rd General Fab

Third Place: Effective Zero Emissions, General Affairs Department of STSP Fab



Automation Implementation

2017 marked the tenth year of the INX Automation Team.

Through innovation and R&D, from automating machines and equipment of a single process to the entire production line, by 2017, the team completed the automation of 28 module production lines, including mobile phone panels, automotive panels, tablet panels, notebook panels, FPD panels, and TV panels. The automation project was also expanded to plants in Taiwan and plants in Shanghai, Nanjing, Ningbo, and Foshan of China. In addition to achieving smart automation, the automation team has started the development of artificial intelligence (AI) for R&D and inspection, hoping to find a place in the era of smart automation and IIoT.

2107 Achievement

<p>Taiwan</p> 	<ul style="list-style-type: none"> • A total of five mobile phone/CE assembly lines have been automated, with a capacity over 100m pieces. • The self-developed optical algorithm and AI modules in the material inspection system can perform 100% solder checks on component appearance.
<p>Ningbo</p> 	<ul style="list-style-type: none"> • The automation of the FPD assembly line has enhanced the yield rate of new frameless products by over 30% and reduced the labor cost of 106 workers in the single-line light off production. • Up to eight notebook panel assembly lines have been automated, with a coverage of 92%.
<p>Foshan</p> 	<ul style="list-style-type: none"> • The world's first integrated production line of LCD-TV backlight modules moved in and started mass production, along with the automated handling system, making fully automated unmanned factories a reality. • In addition to the modular production model, the self-developed optical algorithm and AI modules in the material inspection system can perform 100% thread checks on component appearance.
<p>Nanjing</p> 	<ul style="list-style-type: none"> • The integration of three P3 lines was completed in Nanjing Plant in 2017 to accomplish fully automated manufacturing from LCM through automated soldering to OTP. • Tact-time optimization of the in-line lamination mechanism continued to raise utilization from 16 seconds/piece to 6 seconds/piece, thus enhancing capacity and efficiency by 260%.
<p>Shanghai</p> 	<ul style="list-style-type: none"> • The 6 seconds/piece in-line lamination mechanism was implemented to offer automated bonding of automotive panels for world-leading automakers, such as BMW and AUDI.

2.4.2 Customer Satisfaction

[Product Quality and Customer Satisfaction]	[Management approach of material issue]
Materiality	Customer satisfaction and customer expectation fulfillment play an essential part of our sustainable development. With the Voice of Customer (VOC) smart platform, we can quickly understand customer needs for the reference of improving service quality and enhancing organizational competitiveness.
Boundary	Within (INX) and outside (customers) the organization.
Management Approach	Believing that market surveys, R&D, design, manufacture, inspection, and after-sales services the components of “top quality”, apart from fulfilling customer requirements and conforming to the quality requirements of ISO9001 and IATF 16949 systems, and regulatory requirements, we create continual innovation and develop smart manufacture platforms to fulfill the ultimate goals of customers.
Medium-to-Long Term Strategy	With automation, Industry 4.0, and big data as the backbone of our smart manufacture platforms, we constantly pursue customer satisfaction to achieve win-win for customers, INX, and suppliers.
2017 Performance	The mean score of customer satisfaction in 2017 was 3.93 (target at 3.0).
2018 Promotion	Continue to promote INX 4.0; set quality objectives and quality focus for design, procurement, production, and marketing; and further the utilization of the INNOLUX Intelligent Platform to raise customer satisfaction and enhance competitiveness.

Quality Management



To provide customers with top quality products and services to fulfill customer quality requirements is always our prime mission.

By implementing INX4.0 at full stretch in 2017, we achieve the accurate management target of one-day demand change with automation, Industry 4.0, and big data as the smart manufacture platform, we link up back-end smart plants, supply chains, smart office, and management intelligence.

Through the INNOLUX Intelligent Platform, we achieve self-feedback of problems and quick problem-solving. Upholding a stringent quality management attitude, each level of INX establishes its own quality policy, quality objectives, and quality management systems to shape the culture of total participation and continual improvement in order to pursue sustainable customer satisfaction and constantly deepen customer trust.

Apart from building the organizational quality management system in accordance with international standards including ISO9001, IATF16949, ISO13485, AS9100, ISO17025, and QC080000, we establish the quality manual as the guideline for the total implementation of the quality system within INX and for the reference of achieving quality objects of individual departments. By offering services and products that meet the market trend and customer requirements, we aim to achieve customer satisfaction and sustainable development.

Customer Satisfaction

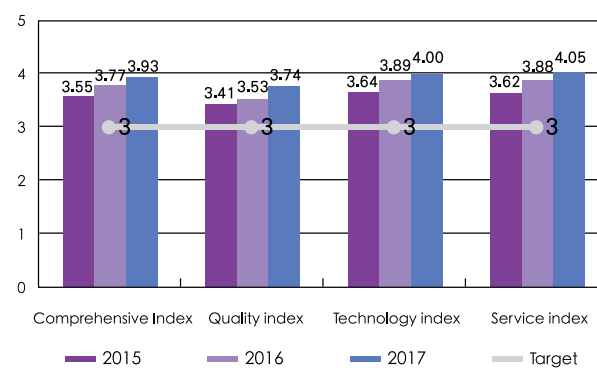
With the commitment and participation of executives and by implementing the Continuous Improvement Project, we effectively integrated organizational resources to operate the project platform to improve quality, technology, service, and performance as reflected by the progressive rise in customer satisfaction over the past three years.

Looking out to 2018, we will continue the Continuous Improvement Project, further the application of the INNOLUX Intelligent Portal, and build a well-linked information network linking design, procurement, production, and marketing, including timely collection of correct data, logically stringent analysis of data, automatic anomaly warning system, timely corrections and audits, and effectiveness feedback, in order to enhance organizational competitiveness and raise customer satisfaction.

In products and services, the information confidentiality and privacy of customers are very important to us. In 2017, no penalty of any kind for non-conformity with products or service labeling and no customer complaints regarding privacy infringement or data leakage were reported.

In 2017, a total of 262 complaints related to products and services were received, significantly less than that of 384 complaints in 2016 by 31%.

Customer Satisfaction Survey and Analysis



- Scoring: Rated by the rankings between INX and other LCD panel suppliers
5: Excellent, 4: Good, 3: Satisfactory, 2: Unsatisfactory, 1: Very Poor
- The survey data cover TV, notebook, and FPD customers.

Management Systems and Certification

System Name		Certification Body	Certified Plants
ISO 9001	Quality management system	Bureau Veritas	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO13485	Medical devices—Quality management system	DNV	Tainan (Fab D, Fab B, Fab C)
ISO17025	General requirements for the competence of testing and calibration laboratories	DQS	Jhunan, Tainan, Foshan, Nanjing, and Shanghai
ISO /TS16949	Automotive quality management system	Bureau Veritas	T3, Fab A, Fab B, Fab C, Fab D, SH
QC080000	Hazardous Substances Process Management System	DNV	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO14001	Environmental management system	DNV	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO14064-1	Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals	DNV	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO50001	Energy management system	EACC	Foshan
OHSAS 18001	Occupational Health and Safety Assessment Series	TW(DNV)/ CN(CQC)	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
CNS15506	Taiwan Occupational Safety and Health Management System (TOSHMS)	DNV	Jhunan, Tainan

2.5 Sustainable Supply Chain

Suppliers have always been our most important partners. Apart from quality and delivery time, it is our social responsibility to urge suppliers to respect human rights, practice environmental protection, and maintain occupational health and safety to strengthen the environmental, social, and governance (ESG) management of suppliers in order to develop a sustainable supply chain through collaboration.

2.5.1 Supply Chain Risk Management

CSR Risk Management of Suppliers

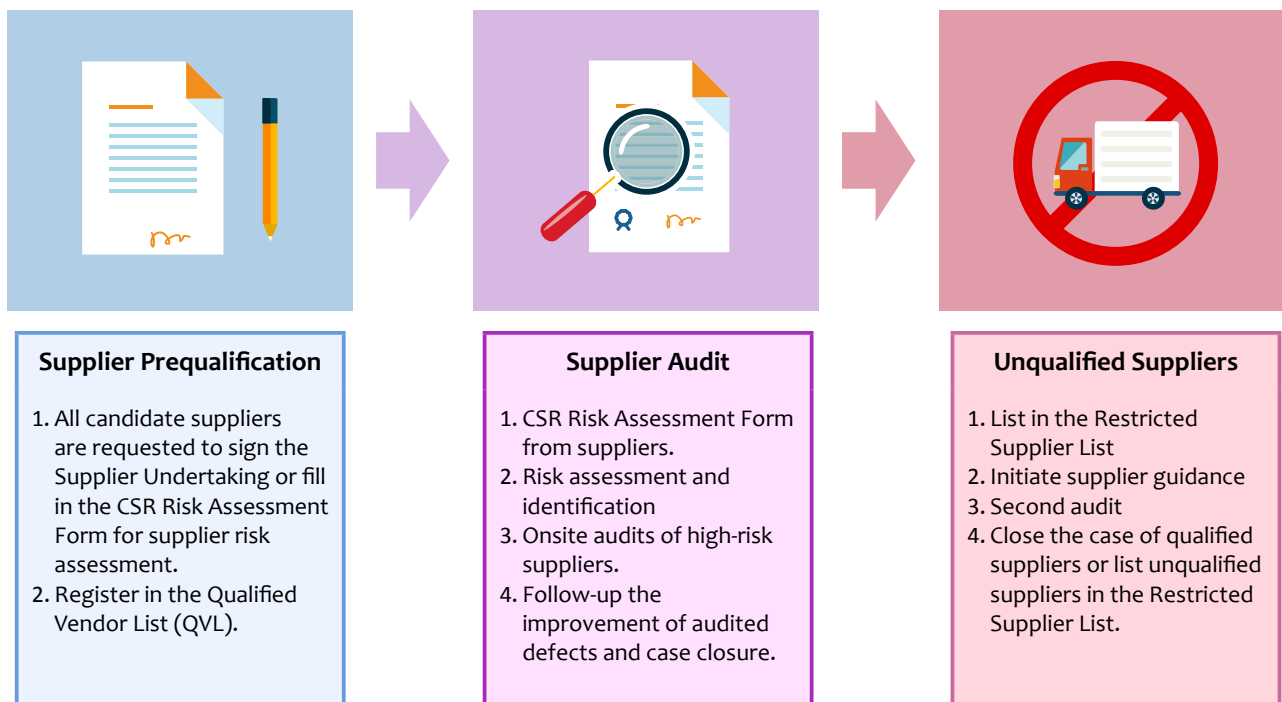
In order to establish long-term cooperation with suppliers for co-existence and co-prosperity, apart from considering the quality, delivery time, and price of products, we have established the Supplier CSR Management Regulations in accordance with the RBA (formerly EICC) CoC to implement supplier management, hoping to fulfill CSR with due care, optimize risk management, and achieve business continuity in collaboration with suppliers in terms of ethics, human rights for labor, environmental protection, occupational health and safety, and management systems.

Apart from requesting potential suppliers to sign the Supplier's Undertaking and Integrity Questionnaire to ensure abidance with RBA CoC, we conduct risk assessment on current suppliers of key parts and components in economic, social, and environmental aspects. We will also audit high-risk suppliers based on the assessment results and supervise them to make improvements for both detected and potential significantly negative impacts. After receiving our audit reports, suppliers must propose an improvement plan corresponding to the audited defects within one month. Suppliers failing to effectively lower their risks during the guidance period will be listed in the Restricted Supplier List.

Since we implemented the supplier risk assessment in 2010, we have risk-assessed 855 suppliers by 2017, and no supplier has even been listed in the Restricted Supplier List for non-conformity with CSR-related reasons.

In 2017, we conducted risk assessment on 121 suppliers of key parts and components, covering about 167,000 employees; implemented the onsite audit on one high-risk supplier and found five defects. Defect analysis found that non-execution of the respect for human rights for labor and the maintenance of occupational health and safety and no records having been maintained were the major categories of defects. That supplier has proposed an effective improvement plan for such defects, and the case closure rate was 100%.

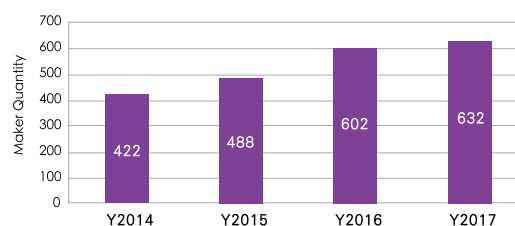
Supplier CSR Management Flowchart



Conflict Minerals Management in Responsible Procurement

At INX, conflict minerals mined through armed conflicts and human rights abuses are strictly prohibited in the entire supply chain and are included in the Restricted Substances Management Standard. Every year, we screen high-risk suppliers and inventory the origins of the minerals they use in manufacturing. We also requested suppliers to use minerals from smelters certified by the Responsible Minerals Initiative (RMI). In 2017, we increased the number of suppliers for inventory. Among 642 suppliers investigated, 632 were complaint makers, i.e. suppliers that do not use 3TG or use only the 3TG from RMI-certified smelters.

Compliant Maker



Compliant Maker : (1) Maker dont use 3TG
(2) Maker only use compliant smelter's 3TG

Quality Management of the Supply Chain

We treat suppliers as important partners for business growth. While enhancing sustainable competitiveness, we are committed to engaging in long-term cooperation with suppliers for a sustainable supply chain. Through key aspects covering finance, technology, quality, price, and green energy, we select suitable and quality suppliers.

In 2017, we enabled suppliers to understand our quality requirements with publicity materials and the Quality Management Plan and gave timely and complete quality feedback to suppliers over the Supplier Quality Performance Ranking (SQPR) system for suppliers and us to quickly understand the overall quality problem and status. In addition, related supplier problems are resolved through the monthly CIP improvement, including the improvement of regular outsourced BL anomalies, the improvement of regular CG supply anomalies, the improvement of V-line CIP, appearance management projects, and continual improvement projects, to improve the product quality of suppliers. Furthermore, we conduct annual audits to maintain the process capacity of suppliers.

Four Major Aspects of Supplier Management and Guidance

1- Supplier Management	2- Supplier Audit and Guidance	3- Supplier Management System Certification																																			
<ul style="list-style-type: none">• Hold monthly/quarterly quality meetings with suppliers based on material properties or part importance. Assess newly developed parts and their yield rate with the product innovation risk assessment platform NUDD to minimize the failure cost after mass production.• Established INX4.0 automated material management foci in 2017 to improve the quality and meet the requirements of parts.	<ul style="list-style-type: none">• Visit important suppliers and conduct onsite audits every year, request them to propose reasonable improvement plans for audited defects, and give them clear goals and improvement periods to fulfill our expectations.	<ul style="list-style-type: none">• Urge suppliers to protect the environment, improve occupational health and safety, and request new suppliers to apply for the certification of international standards, such as ISO9001, IATF169489, ISO14001, and OHSAS 18001, for quality, environmental and occupational health and safety management. Request uncertified suppliers to propose an implementation plan.																																			
4- Supplier Rating																																					
<p>Rate raw material suppliers in terms of four constructs: shipment failure rate on arrival, service quality, production line rejection rate, and customer complaints every month. In 2017, guidance and audits were implemented on suppliers with regular defects to improve their quality and structure, and the number of grade A suppliers increased by 3.1% from 2016.</p>																																					
<div><table><thead><tr><th>Year</th><th>A</th><th>B</th><th>C</th><th>D</th></tr></thead><tbody><tr><td>Y2012</td><td>68.1</td><td>28.1</td><td>2.8</td><td>1.0</td></tr><tr><td>Y2013</td><td>72.4</td><td>26.4</td><td>2.8</td><td>0.4</td></tr><tr><td>Y2014</td><td>74.3</td><td>24.3</td><td>2.8</td><td>0.6</td></tr><tr><td>Y2015</td><td>81.1</td><td>18.1</td><td>2.8</td><td>0.0</td></tr><tr><td>Y2016</td><td>83.8</td><td>15.8</td><td>2.8</td><td>0.0</td></tr><tr><td>Y2017</td><td>86.9</td><td>13.1</td><td>2.8</td><td>0.0</td></tr></tbody></table><p>▲ 3.1% increase in Grade A suppliers from 2016 to 2017.</p><p>■ A: Score ≥ 95 marks, ■ B: 95 marks > Score ≥ 85 marks, ■ C: 85 marks > Score ≥ 65 marks (listed for guidance), ■ D: Score < 65 marks (listed for guidance and quantity adjustment)</p><p>* Data include suppliers of TV, notebook, FPD, and touch panels.</p></div>			Year	A	B	C	D	Y2012	68.1	28.1	2.8	1.0	Y2013	72.4	26.4	2.8	0.4	Y2014	74.3	24.3	2.8	0.6	Y2015	81.1	18.1	2.8	0.0	Y2016	83.8	15.8	2.8	0.0	Y2017	86.9	13.1	2.8	0.0
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Procurement Management

Supply Chain Characteristics

Unlike competitors, we pursue long-term and stable partnerships with suppliers in supply chain management (SCM). Regardless of new product implementation or material cost cut issues, compliance with green material specifications is the common consensus between suppliers and us, in order to create market competitiveness together.

Supply Localization

We set most production bases in Taiwan and China to actively promote industry clustering and practice localized production, hoping to reduce the cost and carbon emissions from transportation and thereby to effectively cut procurement costs and fulfill environmental protection responsibility.

In addition, recruiting local suppliers and offering local job opportunities are our strategy to achieve a win-win for INX, suppliers, and local economic development.

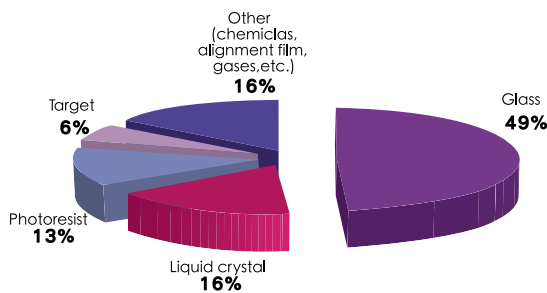
Localization of Material Selection

To accelerate new product development, we prioritize local materials for the primary front-end materials. In 2017, nearly 87.62% of primary front-end materials were purchased locally from Taiwan, then 5.85% from Japan, 3.76% from China, and 2.31% from South Korean to shorten material preparation time and significantly raise the flexibility of changes in customer demands.

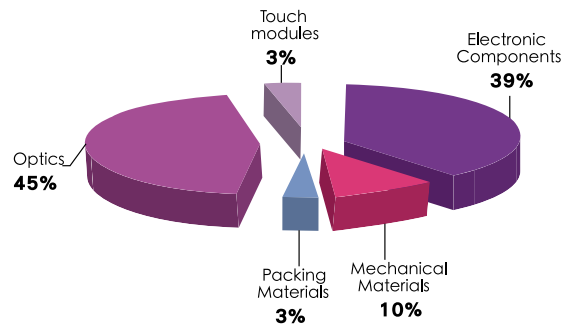
By Key Component Ratio

Based on the amount of procurement from high to low, front-end materials include glass, liquid crystal, photoresist, target, and others (chemicals, alignment film, gases, etc.)

Front-End Material Distributions 2017



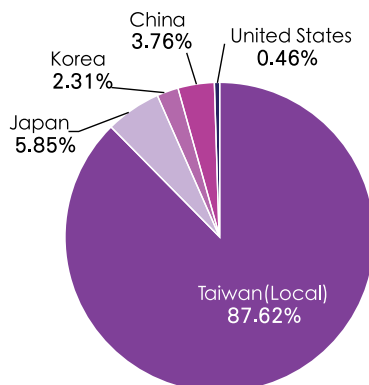
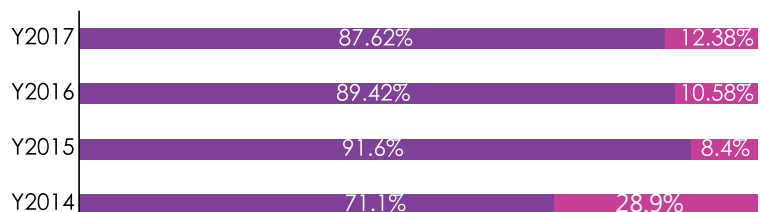
Back-End Material Distributions 2017



By Procurement Amount

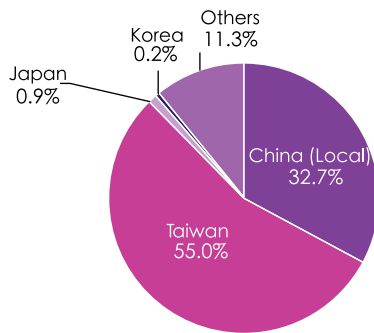
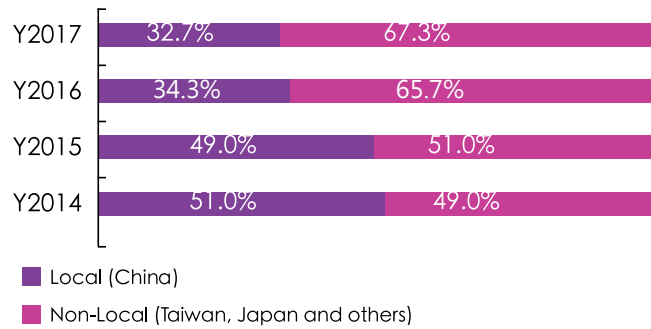
In 2017, nearly 87.62% of primary front-end materials were purchased locally from Taiwan, 32.7% of back-end modules used by plants in China were purchased locally in China, and 90.6% of back-end modules used by plants in Taiwan were purchased locally in Taiwan.

2017 Taiwan (local)

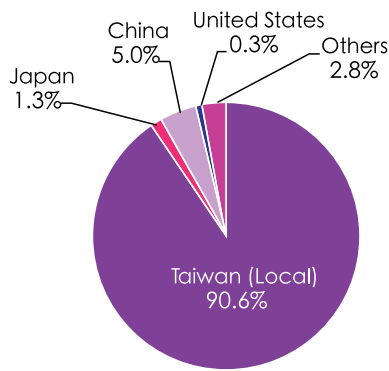
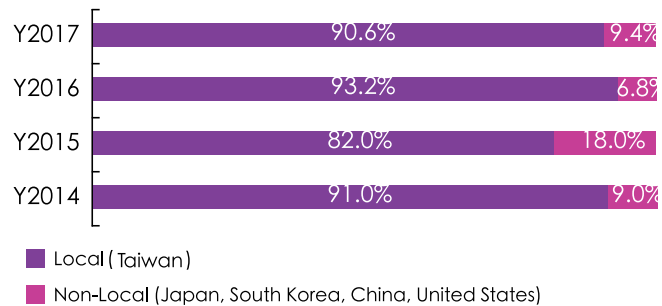


■ Local (Taiwan)
■ Non-Local (Japan, South Korea, China, United States)

2017 China (local)



2017 Taiwan (local)



Note

1. Front-end materials refer to TFT, CF, and LCD materials used in the front-end process mostly in Taiwan.
2. "Local" refers to the origin of manufacture.
3. Back-end materials refer to the parts and materials used in the LCM mostly in China.

Procurement Risk Management

• Disaster Risks

To prevent natural disasters or uncontrollable factors from affecting the stability of material supply, we prioritize procurement from suppliers meeting the following requirements:

1. At least two production plants preferably located in two different counties or cities.
2. At least two material supply sources.
3. Increase in stock to meet customer demands if 1 and 2 are not met.

After a disaster breaks out, we offer assistance at the supplier's request. Apart from the immediate investigation of the condition of plant facilities, employee safety, upstream material supply, and product shipping and transportation, we provide information for related INX units to take countermeasures. In addition, we will ask suppliers to immediately establish a report mechanism in order to capture the recovery progress and confirm the shipping status of suppliers.

• Shortage Risks

We ensure supply chain fluency by discussing the stock preparation mechanism with suppliers and set the safety stock based on the lead time of material preparation.

To prevent material shortages or single sourcing, we select at least two qualified suppliers based on the product development and material assessment mechanism. If there is only one supply source, we cultivate new qualified suppliers based on product demands through selection and evaluation to ensure uninterrupted material supply.

2.5.2 Low Carbon Supply Chain

[Low Carbon Supply Chain]		[Management approach of material issue]
Materiality	With the rise of green supply chains, apart from handling internal environmental issues, enterprises need to pay attention to supplier management. Along with the rising demand for suppliers to establish carbon reduction plans and targets from customers, the international trade thresholds such as the Carbon Footprint Label, and the Paris Agreement signed at COP21, the supply chain should keep closer cooperation to reduce carbon emissions as the pressure from low-carbon demands escalates.	
Boundary	Within organization: INX Outside organization: Front-end and back-end materials suppliers	
Management Approach	Promote green participation to suppliers at supplier conferences; promote conflict minerals management through responsible procurement; inventory the CFP of products and established the product CFP database; and launch the Material Flow Carbon Reduction Promotion Plan to collaborate with suppliers in order to build a low-carbon supply chain.	
Medium-to-Long Term Strategy	Promote the green value of the low-carbon supply chain in collaboration with suppliers with our supply chain influence to develop a low-carbon supply chain.	
2017 Performance	<ul style="list-style-type: none"> Inventoried 20 suppliers under the Material Flow Carbon Reduction Promotion Plan. Suppliers voluntarily reduced carbon emissions up to 4,424 tCO₂e/year. We have implemented the Supplier GHG Inventory and Carbon Reduction Project for nine consecutive years and inventoried 82 suppliers (top 88% in transaction amount) in 2017. The actual carbon reduction contribution was 133,971 tCO₂e, achieving the target at 133,100 tCO₂e. 	
2018 Promotion	<ul style="list-style-type: none"> Continue to promote carbon reduction of the supply chain and increase the number of suppliers to receive carbon inventory: Invite the top 89% suppliers in accumulated amount to join the inventory and set the carbon reduction contribution target to 135,000 tCO₂e. Continue with the carbon emissions inventory and build a complete product CFP database. Continue to promote the Material Flow Carbon Reduction Promotion Plan and increase the number of participants every year, and develop a material-reduction cooperation model with suppliers to enhance material efficiency. 	

For suppliers to understand our green product policy and belief, and the latest trend of regulatory controls, we hold the Green Supplier Conference every year as a platform for communication and experience sharing with suppliers. It is hoped that we can grow together with suppliers through a green supply chain.

2017 Supplier Conference

In 2017 we held supplier conferences in Tainan, Ningbo and Foshan respectively, with 401 participants from 306 suppliers. Topics discussed at these conferences included updates of restricted substances, GHG inventories, MFCA promotion, and the explanation of VOCs, latest regulatory trends, and material GP/safety regulations and confirmation.

(No. of Participants)			Year	No. of suppliers		
Foshan	Ningbo	Taiwan		Taiwan	Ningbo	Foshan
97	99	205	2017	166	74	63
62	95	218	2016	167	75	46
93	134	236	2015	200	73	61
36	58	177	2014	96	36	24



Supplier Material Flow Carbon Reduction Promotion Plan

We have launched the Supplier Material Flow Carbon Reduction Promotion Plan to actively promote green participation of the supply chain. By 2017, 20 suppliers had participated in the plan voluntarily. By offering inventory tools, sharing experience and providing guidance and consultation services, we have completed the 3R improvement of 12 materials in collaboration with suppliers to reduce about 4,424 tCO₂e of carbon (belong to suppliers' performance).

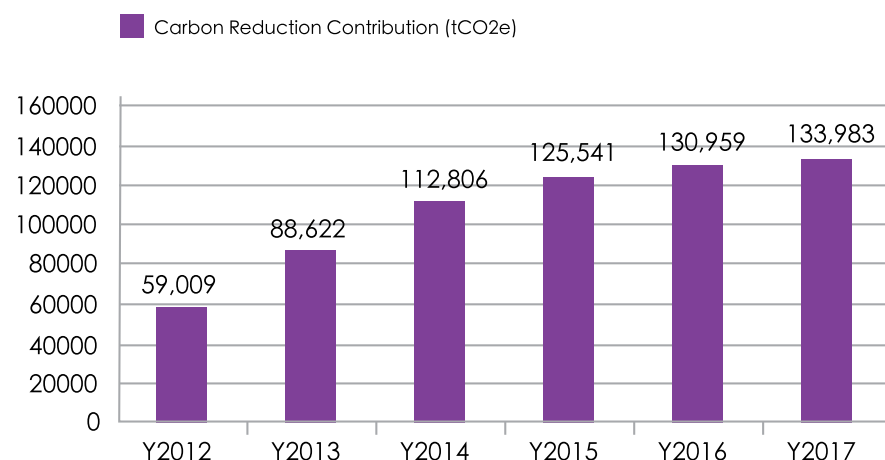
Persistent Promotion of the Low Carbon Supply Chain

In 2009 we started the supplier GHG inventory. In 2012 we developed the carbon disclosure questionnaire according to the CDP and selected suppliers for inventory by procurement amount. In 2017 we focused the inventory on the top 88% suppliers by accumulated procurement amount. Suppliers are requested to complete ISO 14064-1 certification or disclose their GHG emissions, Carbon Management Risk Form, GHG reduction plan, and the status of reclaimed water use. Should suppliers refuse to cooperate with the inventory, we punish them or request them to make improvements according to the procedures for handling supplier cooperation refusal. In 2017, after inventorying the 2016 overall emission data of suppliers, we found that their actual contribution was 133,983 tCO₂e, achieving the target of 133,600 tCO₂e.

Year	Target Supplier	GHG Inventory		Number of Suppliers for Water Disclosure
		Number of Key Suppliers	Carbon Reduction Contribution (tCO ₂ e)	
2017	<ul style="list-style-type: none"> Top 88% suppliers by transaction amount Suppliers of materials with high carbon emissions. Suppliers included in the inventory 	82	133,983	68
2016	<ul style="list-style-type: none"> Top 87% suppliers by transaction amount Suppliers of materials with high carbon emissions. Suppliers included in the inventory 	72	130,959	63
2015	<ul style="list-style-type: none"> Top 85% suppliers by transaction amount Suppliers of materials with high carbon emissions. Suppliers included in the inventory Y2014 	60	125,541	57
2014	<ul style="list-style-type: none"> Top 80% suppliers by transaction amount Suppliers of materials with high carbon emissions. Suppliers included in the inventory Y2013 	51	112,806	43
2013	<ul style="list-style-type: none"> Top 70% suppliers by transaction amount Suppliers of materials with high carbon emissions. 	43	88,622	--
2012	<ul style="list-style-type: none"> Top 60% suppliers by transaction amount 	38	59,009	--

* The volume of carbon reduction is estimated based on the level of reduction of unit emissions and the actual capacity of the year.

Supplier GHG Inventory Carbon Reduction Trend



3 Green Vision: to Earth, with L.O.V.E.

Green Vision

In the environmental dimension, we care about the environment with a green vision: “To Earth, with LO.V.E.” Through green living, green operations, green value chain and green environment, we care about the land, which gives birth to us. We spread our corporate influence, drive a green economy, and strive for the sustainability of Earth.





3.1 Green Living

Green catering

Organic farming uses no chemical fertilizer and focuses on friendly farming. Countless organic farmers struggle with finances due to small economic scale. We think that our engineers should eat healthier because of their hard work. Therefore, our catering started to serve organic vegetables in 2008. The Jhunan site in Miaoli was the first factory to start this. After the merger of Innolux, Chimei and Toppoly in 2010, organic vegetables was also sent to Southern Taiwan so employees in the Tainan site can also enjoy organic vegetables. In 2018, we will advocate “Local organic, local food”, the organic agriculture rehabilitation propagated by the Tainan City Government. We plan to sign an organic catering contract with the Taikang Organic Farmer Cooperative in Tainan and become the largest and most stable exporter of organic farmers and support eco-friendly cultivation.

Green office

Air conditioner has been set at 26°C and will automatically be off every hour for all meeting rooms in the factory. Innolux offers free shuttle buses for shift workers' commutes and a free green commute shuttles between our factory and the train station. Workers can take the cross-plant shuttle that comes every half hour. They can also take coaches to commute between the Jhunan site and Tainan site every day during the morning and evening time. We set the elevators in the office section so that they stop less frequently on low floors. The air conditioners in the restroom, and the copy machines, fax machines, and printers in the office are controlled by a computer and will be turned off at night after work. Bottled water is not sold in convenience stores in the factory. We conserve paper and hold environmental events occasionally to advocate a green life with employees. We often hold green life events. For example, Nanjing site holds Arbor Day every year. More than 500 employees in the Nanjing site joined the Arbor Day event, “Seeding green, a beautiful Innolux”, on March 10th, 2017. They planted saplings, which symbolize vitality and hope, based on “green creation, care and protection”. We hope that these saplings will grow with our company.

3.2 Green Operations

Innolux carried out an impact evaluation in 2017. The results showed that the environmental impact is greater on the upstream and downstream than our own operation. Through the means of the Technology Committee of the Facility Engineering Department, the Safety Health and Environment Committee, and the CSR Committee, together with its 3 workgroups, Innolux has promoted green operations, namely pollution prevention, clean production processes, carbon reduction and energy conservation, and green product management.

In 2017, six factories in Taiwan obtained the “Clean Production Certificate”, one factory obtained recognition as a “Water Conservation Excellence Unit” and two factories obtained the “Green Factory Label”. It marks the ninth year in a row that Innolux obtained “Green Purchase Excellence Units” recognition, together with many other honors. In addition, all sites in Taiwan and China are ISO14001 certified.

Intelligent Management Platform

The Facility Engineering Department of Innolux developed its own iFM (intelligent Facility Management) to cope up with the introduction of industry 4.0 factory management strategy. iFM adopted the structure of Industry of Internet in core data collection, including IaaS data storage, PaaS algorithm, and SaaS App application, to achieve a systematic and intelligent factory management. In terms of green factory, we have introduced:

Air emissions light signal: data at iFM system will be automatically compared with regulatory requirement simultaneously and reflected as light signal. Red means violation, yellow means alert, and green means normal. Any abnormality will be warned by instant MAPP message system. The alert efficiency was raised from 1 hr to 0.5 hr.

Virtual measurement for effluent quality: The wastewater stayed within treatment facility for 1 to 2 days. The effluent data reflected the treatment result of only 1 day ago. Operator could not preview the result of parameter adjustment. To accelerate the data instantaneity, an effluent risk index was established based on the historic data. Currently the system is able to forecast the effluent quality risk 1 day before.

Project examples deployed via the Technology Committee of the Facility Engineering Department in 2017:

Foshan project deployed to Ningbo, Nanjing, and Shanghai sites

The “energy optimization cold water storage project” was carried out at the Foshan site to regulate the usage of the ice condenser reasonably. It combines the electricity rate structure to store cold energy at night and release it in the day. Therefore we can reduce the power consumption during peak hours to gain profits from the price gap of the electricity rate. We fulfill our corporate social responsibility while reducing our power consumption during the peak period and reduce the wear on the power grid.

1. Establishment of an evaluation program: We consider the local electricity rate structure and policy implementation altogether, including the usage of cooling machines in the factory throughout the year, usage of the ice condenser, land for factory buildings, and the safety and reliability of the ice water system. The ice storage tank will be used as the extinguisher pool when building new factories.
2. We carried out investment and construction by adopting contract energy management. The general benefit in 2017 was approximately RMB 2,115 thousand.

Tainan project deployed to Jhunan site

The water content of the Tainan site must be sent to the QRA every month due to the waste liquid of the stripper. As a result, we could not discover the process error immediately to attain risk control. Therefore, we carried out improvements and rolled out to conduct pretreatment of the waste liquid properly:

3. We conducted graphic control in the stripper recycle system (SRS) to create a real-time alarm for the water content of the waste liquid. We can control the energy consumption of operation and the scope of impact of operation and equipment errors any time.
4. We can replace real-time data monitoring with lab analysis and cut down the testing fee.

Recognition of green operations throughout the years

Fab/Award/ Authority	Outstanding Water Conservation Enterprise Award, Water Resources Agency [Ministry of Economic Affairs]	Outstanding Energy Conservation Enterprise Award, Bureau of Energy [Ministry of Economic Affairs]	Green Building Label [Ministry of the Interior]	Clean Production, Industrial Development Bureau [Ministry of the Interior]	Clean Factory [Ministry of Economic Affairs]
T1	●				
T2	●		●Gold Level	●	
T3	●			●	
Fab1				●	
Fab2	●	●(Excellent)	●Gold Level	●	
Fab3			●Gold Level	●	●
Fab4	●	●(Excellent)		●	
Fab5	●	●(Outstanding)		●	
Fab6	●	●(Outstanding)		●	
Fab7	●	●(Outstanding)		●	
Fab8	●	●(Excellent)			
FabC					



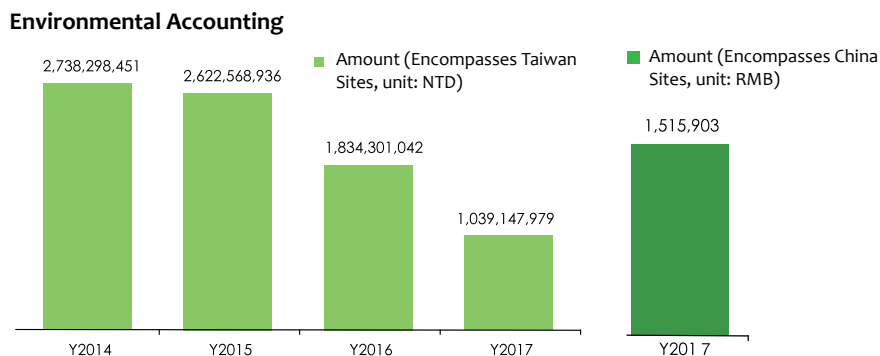
The clean production evaluation system of the factory in Southern Taiwan Science Park (STSP) (STSP B site)



Green Factory Label for the sites in STSP (FAB2&FAB3)

Environmental Accounting

Innolux integrated the purchase requisition system and accounting system and set an “environmental account” as an independent title according to the EPA's Environmental Accounting Guidelines for Taiwan's Industries. This title aimed to manage and identify the company's environmental expenditures, and to encourage employees to promote measures that make source improvements and generate end-of-pipe treatment benefits. In 2017, Innolux promoted various environmental activities and improvement solutions. Our environmental expenditures at our Taiwan sites in 2017 accounted for NTD 1.039 billion. In 2017, we included Ningbo, Foshan, and Nanjing sites in the environmental accounting management scope. The environmental expenditures in China sites accounted for RMB 1.5 million.



2017 Environmental Expenditures

Item/Year/Amount	Taiwan sites (NT\$)	China sites (RM\$)
Operating Cost	1,023,945,497	978,484
Pollution prevention costs: Air pollution prevention, water pollution prevention, and other forms of pollution prevention	954,016,871	845,558
Recycling and reuse costs: Water recycling, chemical recycling, energy saving improvement, and other costs of resource sustainability	63,715,134	5,200
Global environmental protection costs: Greenhouse effect prevention	6,213,492	127,726
Environmental Management Cost: Environmental training costs, certification fees, environmental detecting and monitoring activities, environmental management system	7,847,722	536,524
Environmental Protection End-of-pipe treatment R&D costs, production process pollution reduction R&D costs, marketing and R&D costs for pollution reduction	6,994,326	417
Customer and Supplier (Up- and Down-Stream) Relationship Cost Green procurement, product recycling, packaging material recycling, other customer environmental requirements	70,634	478
Social Activity Cost Community relations costs, corporate marketing costs, other social activity costs	289,800	0
Loss and Compensation Costs Pollution clean-up and restoration, pollution litigation and compensation, other losses and compensation	0	0
Total	1,039,147,979	1,515,903

Corrective and preventive action for Violation of Environmental Protect Laws:

There was one penalty at the Jhunan site in 2017. It was a violation against the Waste Disposal Act and the design standard for temporary storage of business waste.

- **Event description:** In T2 at Jhunan, the waste solvent was displaced to other tanks for temporary storage. The disposal certificates for the declaration of the quantity of the temporary storage and the recording of the date of the waste liquid disposal were not declared as specified due to negligence. This was a violation against Articles 31 and 36 of the Waste Disposal Act, and Articles 7 and 15 of the Methods and Facilities Standards for the Storage, Clearance, and Disposal of Industrial Waste. In addition, T2 outsourced the cleaning and maintenance work of the sewage disposal facility and the sludge cleaning to a certain contractor. However, this contractor did not obtain a certificate as a cleaning institute, therefore violating Article 28 of the Waste Disposal Act. Miaoli County Government issued a ticket based on the two violations above, fined NT\$ 150 thousand and required improvement before the deadline.
- **Correction and prevention:** The operation and labels of all the waste liquid tanks comply with the requirements in the Waste Disposal Act and “Business Waste Cleaning Proposal”. We checked the risk management of the contracting of waste disposal to qualified contractors. We required all sites to adhere to and implement risk management to avoid violations due to negligence.

Environmental Issues Communicated

Innolux places importance on internal and external feedback. All internal and external corporation environmental feedback is reported and monitored with an electronic system. Any cases that need to be improved will be consigned to the department concerned. A closure report will be attached and sent to the ESH department for review after the improvement is complete. There is no significant environmental issue and all reported cases in 2017 are closed.

	Items/Cases	Number of Reported Cases in Taiwan and China	Number of Processed and Resolved Cases	Percentage of Processed and Resolved Cases
2017	Internal Feedback	117	117	100%
	External Feedback	306	306	100%



3.2.1 Climate Change Mitigation and Adaption

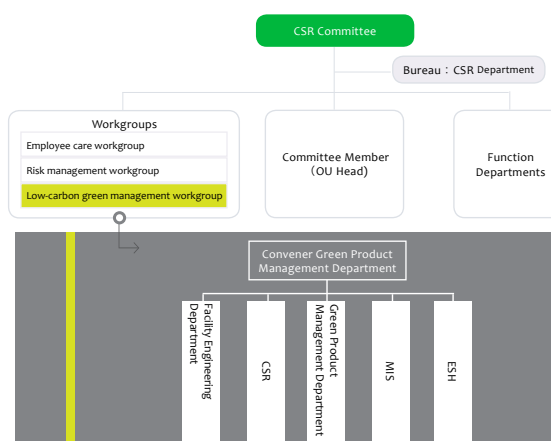
[GHG emissions]	[Management approach of material issue]
Materiality	In the “2017 Global Risk Report” , extreme climate events are the most highlighted global risk out of all environmental risks. Innolux faces unstable water and power supply, disconnected supply chain, and the rise of the cost of raw materials. To adapt to international trends, regulations, and higher customer demands, we implement the GHG reduction plan with regulation benefits. We strive for strong low carbon competitiveness, and the reduction of operational risks on the external environment, finances and the market.
Boundary	Inside the organization: the Company - Outside the organization: Suppliers, customers, and the public
Management	We conform to the national policies on GHG reduction. We standardize the internal GHG inspection, enhance the efficiency of energy conservation, reduce the GHG emission of electricity, and reinforce the PFC reduction technology. The Technology Committee of the Facility Engineering Department and the CSR Committee review and reach the goal of GHG reduction.
Medium-to-long term strategy	Approach to low-carbon green enterprise through energy conservation
2017 performances	<ul style="list-style-type: none"> ● The carbon offset program of the Environmental Protection Administration (EPA) was carried out for the etching process in Fab3. We expect a reduction of 35,503 tCO₂e per year. The program is expected to be implemented for seven years and the estimated reduction amount is 248,521 tCO₂e. We are registering the proposal application with the EPA. The expert consulting system has approved and amended the proposal. ● GHG emission intensity per input substrate at the TFT-LCD stage of Taiwan sites was 43.2 kgCO₂e/m² in 2017, reducing by 5.6% compared to 2016. ● GHG emission target of electricity at China sites in 2017 was 0.0843 MMTCE and outperformed the annual target of 0.0853MMTCE. ● Local scrubbers were installed in Taiwan sites to remove FCs. FCs emissions was 0.0978 MMTCE, outperformed the target of 0.100 MMTCE.
2018 promotion	<ul style="list-style-type: none"> ● We set the annual goal of energy conservation and reduced the GHG emissions of electricity. The intensity target for electricity consumption per unit input substrate area for TFT-LCD manufacturers is 2.4% reduction (vs. 2017). The target of electricity consumption for the output area (kwh/m²) of the products at China sites is 26.97 kwh/m² for the Ningbo site, 19.34 kwh/m² for the Foshan site, 174.78 kwh/m² for the Nanjing site and 197.15 kwh/m² for the Shanghai site. ● The annual FCs emissions target of Taiwan sites is 0.1063 MMTCE. ● We implemented the “EPA carbon offset program” and we will deploy to the suitable sites. ● We help suppliers with carbon reduction by offering the programs below: “Product Carbon Footprint database” , “Material Flow Carbon Reduction Promotion Plan” , and “Supplier GHG inventory project” .

The 2017 Global Risk Report of the World Economic Forum stated that the environment is the core of the global risk pattern. Climate change is the secondary major trend. The extreme climate event, natural disaster, man-made environmental disaster, water crisis, and failure of adaptation and mitigation of climate change are five major environmental risks. Extreme climate events are the most significant global risk out of all environmental risks. Innolux faces unstable water and power supply, disconnected supply chains and the rise of the cost of raw materials. These issues are challenges to operations.

They are two ways to cope with climate change, by mitigation or adaptation. Mitigation means to reduce the emissions of man-made GHGs in the climate cycle. Adaptation means to regulate the nature or human system to adapt to the impact of climate change and reduce damage. Innolux complies with the “Adaptation Strategy on Climate Change in Taiwan” and adopts the GHG reduction plan by the government authorities. The emissions in 2020 specified in the Greenhouse Gas Reduction and Reduction and Management Act are 2% less than 2005, the base year. It is expected that the emissions will be reduced by 10% in 2025, by 20% in 2030, and by 50% in 2050 compared to 2005. Innolux strives for the national target of long-term GHG emissions reductions. Therefore, we will continue to check the capability and planning of adaptation measures, increase productivity and competitiveness, and reduce the risk of the external environment and operations.

Climate Change Management Organization

Climate change management is under review in the CSR Committee. The “Low-carbon green management workgroup” under the committee aims to keep track of climate change information and risks and opportunities incurred and formulate programs for improvement. The workgroup must set KPIs and visit the CSR committee to report the progress and relevant issues every quarter.



3.2.1.1 Climate Change Risks and Opportunities

I. Physical Disasters	
Risk	Opportunity
The temperature and rainfall patterns have changed. Business risks are gradually escalating due to the decreasing effective storage levels of dams caused by deposition, the degrading water environments caused by the extremes in precipitation during wet and dry seasons, and the increasing droughts and floods caused by climate change.	<ul style="list-style-type: none"> Strengthen the water resource management, namely the development of alternative water sources, protection of water sources, efficient water quality management and reuse, optimization of the water supply system, and participation in the government's water source protection management. Implement procurement risk dispersion management and establish a "Business Continuity Management Team" to analyze the impact of natural disasters on business operations, plan contingency measures and drills, and reinforce client confidence. Regular meetings with the science park administration, water company, and irrigation association to discuss water allocation issues and water shortage countermeasures. Support water sustainability by signing the MOU of the Reclaimed Water program held by the Tainan City Government and Tainan Science Park Administration.
II. International Conventions and Local Regulations	
Risk	Opportunity
Taiwan's Regulations for the Formulation and Implementation of Energy Saving Targets stipulates that users with a capacity exceeding 800 KW should achieve an average annual energy conservation rate of >1% between 2015 and 2019.	In terms of the Regulations for the Formulation and Implementation of Energy Saving Targets, Innolux filed the report for its 12 plants in Taiwan in 2017. All of them met the requirements of the authorities and their average power saving rate was 1.1%, proving that they were able to cut down the energy cost.
China's 13th Five-Year Energy Saving Plan sets targets for the control of total energy consumption, energy conservation for key areas, and the reduction of the discharge of major pollutants. These targets will impact the company operation.	Foshan site achieved the target of 0.6 kilograms standard coal/unit set by the Guangdong Province Commission of Economy and Informatization in 2017. Nanjing site achieved the target of 1.2T standard coal/10,000 unit set by the Nanjing Municipal Commission of Economy and Informatization in 2017. These achievements have shown our green competitiveness.
Tainan site complies with Article 23 of the Tainan City Self-Government Ordinance for a Low-Carbon City released in December 2014. Article 23 states that a user with a power usage contract capacity of 800 kilowatts or above, as designated by the City Government in a public announcement, shall select a suitable site in the City to set up a solar photovoltaic system to generate at least ten percent of the contract capacity. Users shall complete the establishment in three years from the date of release.	<ul style="list-style-type: none"> Tainan site filed the application according to the relevant regulations in 2017 and obtained the approval of the Tainan City Government for the record on July 14. Taipower will set up the power meter for us on April 30th, 2018. Innolux has continued to establish a solar energy system since 2012. The total solar energy generated in 2017 in Taiwan & China sites was 24,914,794 kWh, approximately 300 times that of 2012. Our ratio of clean source usage has increased.
The Water Act was amended in May 2016 to request the company to aid in water conservation. A water usage fee will be imposed against companies and this caused an increase in operation costs.	<p>The enhancement of water efficiency helps reduce cost. Water usage fees can be deducted upon conditions like clean production evaluation, Green Building Label, Outstanding Water Conservation Enterprise Award and the standard on the water conservation fee, such as the recycling rate of process water.</p> <p>In 2017, six of our factories in Taiwan obtained the "Clean Production Certificate". In the same year, one factory obtained the recognition of "Water Conservation Excellence Unit" and two factories obtained the "Green Factory Label". We maintained a great balance between the operation cost and environmental friendliness.</p>
III. Company Reputation and Consumer Behavior Changes	
Risk	Opportunity
<ul style="list-style-type: none"> The entire supply chain has encountered the low carbon issue due to the international trading threshold, carbon label requirements, and international trends led by the Paris Agreement. The upstream and downstream suppliers must collaborate closer on carbon reduction. Many Innolux customers are EICC members and request supply chain disclosure on carbon emissions, energy data, carbon management, and capacity increases of energy management planning. 	<ul style="list-style-type: none"> Innolux issues an annual CSR report and participates in the CDP to show stakeholders the results of its efforts in climate change management. Innolux achieved a score of B for the 2017 CDP. Innolux continues to promote low-carbon-logistics to improve transportation and management. A total of 1,598,799 tons was saved during 2012 to 2017. Innolux built a collaboration with upstream suppliers and downstream customers for material conservation and carbon reduction to promote the "Material Flow Carbon Reduction Promotion Program". Twenty suppliers joined this program voluntarily in 2017. The carbon reduction for these suppliers reached approximately 4,424 tCO₂e/year. The GHG inventory of the actual contribution to carbon reduction for suppliers reached 133,971 tCO₂e in 2017 and the target, which was 133,100 tCO₂e.

3.2.1.2 Management of Climate Change Mitigation



Carbon Disclosure Project (CDP)

The Climate Change Program, initiated by CDP in 2003, has been carried out for 13 years. Thousands of enterprises around the world are invited to disclose data, risks and opportunities of carbon management every year. The two major categories in the comprehensive evaluation of CDP are climate change and water management. The results of the climate change of Innolux decreased from A⁻ in 2016 to B in 2017. The main reason of the decrease could probably be the big earthquake on February 6th, 2016, leading to a significant increase in the intensity of electricity consumption per unit area. As a result, we failed to achieve the goal of our energy conservation. Our water conservation evaluation was highly recognized based on the evaluation of water management. Our level raised from B in 2016 to A⁻ in 2017.

Greenhouse Gas Inventory

The inventory data of greenhouse gas emissions by Innolux has been collected for 13 years and all passed the third-party verification according to ISO14064-1. Innolux uses its self-developed "Greenhouse Gas Information Platform", which helps effectively reduce inspection time, maintain information consistency, and enhance emissions information control.

The organizational boundary of our greenhouse gas inventory is in accordance with the operational control in 2017. There are 7 greenhouse gases which have been inventoried: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃, and the Y2006 AR4 version for GWP values was adopted. Innolux sets the rolling base year as the baseline because the about 85%±5% of GHG emissions are from purchased electricity and affect the amount of emissions in accordance with the actual power factor every year.

According to the results from the GHG emissions inventory in 2017, Scope 1 is 0.436 million tCO₂e, Scope 2 is 3.034 million tCO₂e, and Scope 3 is 0.022 million tCO₂e.

Scope 1: Direct GHG Emissions

Inventory Scope:

This is the quantitative and qualitative inventory of various FCs, such as SF₆, NF₃, and CF₄, and fuels in the public systems. These FCs have a greenhouse effect potential.

Unit: 0.346 million tCO₂e

Annual Emissions (Unit: million tCO ₂ e)	Y2014	Y2015	Y2016	Y2017
Taiwan	0.495	0.428	0.440	0.425
China	0.016	0.011	0.015	0.011
Total	0.511	0.439	0.455	0.436

Scope 2: Indirect Energy-Based GHG Emissions

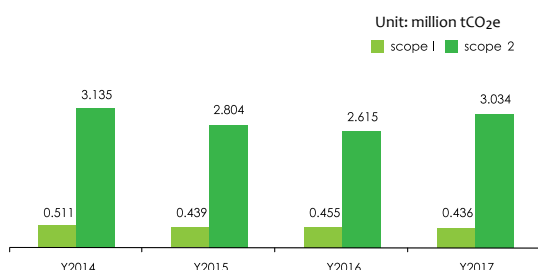
Inventory Scope:

Quantitative and qualitative inventory of purchased electricity

Unit: 3.034 million tCO₂e

Annual Emissions (Unit: million tCO ₂ e)	Y2014	Y2015	Y2016	Y2017
Taiwan	2.681	2.388	2.277	2.690
China	0.454	0.416	0.338	0.344
Total	3.135	2.804	2.615	3.034

GHG Emissions Inventory



Scope 3: Other Indirect GHG Emissions

Inventory Scope:

- Emissions amount for business travel (airplanes) and commuting (transport vehicle dispatch) in 2017 was 0.008 million tCO₂e.

- Emission amount for waste transport, incineration, and buried waste in 2017 was 0.015 million tCO₂e.

Annual Emissions (Unit: million tCO ₂ e)	Y2014	Y2015	Y2016	Y2017
Waste Treatment	0.032	0.010	0.019	0.014
Business Travel and Commuting	0.003	0.008	0.006	0.008
Total	0.035	0.018	0.025	0.022

1: Carbon emission coefficients are adopted from Ecoinvent v3.01.

2: Airplane emissions has been included in the business travel since 2015. The scope of waste treatment extended to China in 2016.

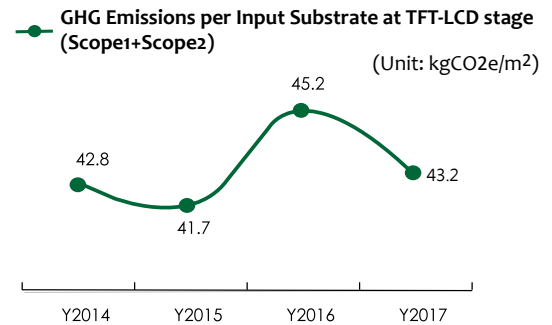
Greenhouse Gas Reduction

Among the greenhouse gas emissions of Innolux, 87.4% originated from purchased electricity (Scope 2) and 12.6% was from FCs (Scope 1). Thus, Innolux sets energy conservation goals each year to enhance our energy utilization efficiency and improve our clean manufacturing process of specific procedures. These goals focus on major energy consumption systems, such as the chilled water system, mechanical system, instrumentation system and air compressor. Innolux optimizes the procedure regulation and installs the tail gas treatment unit to conduct thermal destruction for reduction of FCs emission. Besides, local combustion scrubbers were installed in Fab3 in Tainan to remove SF₆ emitted during the etching process by combustion. These scrubbers were used to reduce the GHG emission and environmental impact. In 2017, Innolux submit an application to the EPA for the carbon offset program. The application for reduction credits was agreed to after initial review, expecting a reduction of emissions by 35,000 tCO₂e per year.

The review of the outcome of GHG management indicators in 2017:

1. About the Greenhouse Gas Management Indicators of Innolux, the GHG emission intensity per input substrate at the TFT-LCD stage of Taiwan sites was 43.2 kgCO₂e/m² in 2017, which was reduced 5.6% compared with 2016.
2. The carbon equivalent is 0.0843 MMTCE for the GHG emissions of electricity at China sites, outperformed the annual target 0.0853MMTCE.

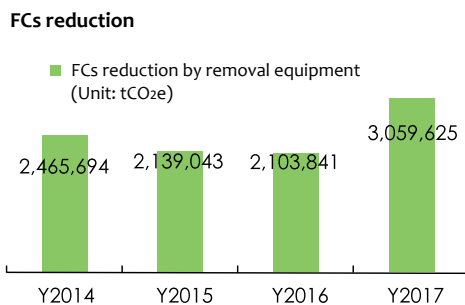
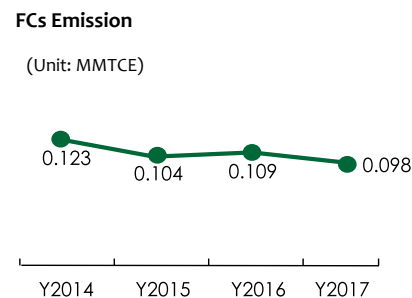
Innolux aims to reduce the intensity target for electricity consumption per unit input substrate area of TFC-LCD manufacturers in 2018 by 2.4% (vs. 2017). The target of electricity consumption for the surface area (kwh/m²) of the products at different China sites is 26.97 kwh/m² for the Ningbo site, 19.34 kwh/m² for the Foshan site, 174.78 kwh/m² for the Nanjing site and 197.15 kwh/m² for the Shanghai site.



(Fig.) Historical trend of GHG emission intensity
Note: The calculation is based on the 2006 IPCC Guidelines.

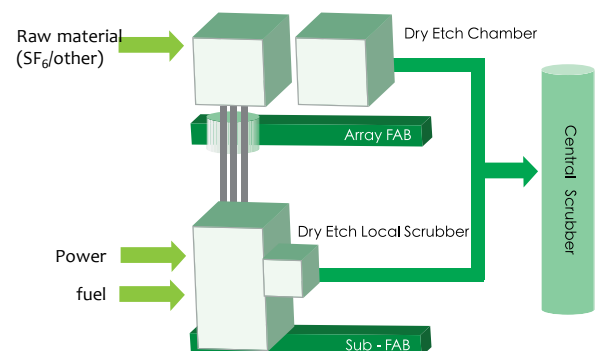
FCs Emission Reduction

Innolux installed additional combustion local scrubbers to eliminate FCs by FCs processing and removal. In 2016, there were three additional local scrubbers installed to eliminate more FCs. Innolux increased the utilization of local scrubber based on the capacity allocation planning. The reduction of FCs emissions is calculated relative to the reduction based on baseline emissions. The calculation is based on the actual FCs usage and amount of local scrubbers installed following the methods of IPCC 2006. The total reduction in 2017 was 3,059,625 tons. The FCs emissions in 2017 was 0.0978 MMTCE, outperformed the annual target of 0.1000 MMTCE. The annual target for FCs emissions in 2018 is 0.1063 MMTCE.



Application of the carbon offset program

Innolux aims to convert the outcome of energy savings and carbon reduction to valuable carbon assets. Therefore, Innolux implemented this program for the etching process in Fab3. SF₆ is the raw material used for the etching process in the industry of flat-panel displays. It is a GHG with Global Warming Potential (GWP). For the carbon offset program, Innolux installed local scrubbers (LS) based on the method of FCs removal specified in the IPCC announcement. The FCs structure is broken down by combustion to remove the SF₆ not used up during the etching process but directly emitted into the atmosphere. Therefore, power and fuel needs for the devices required for this project appeared. Such devices were installed in 2016 and activated at the beginning of 2017. They are expected to reduce the emissions by 35,503tCO₂e per year and up to 248,521tCO₂e in seven years. Innolux is currently registering for the proposal application and submitting the application to the EPA. The proposal has been approved and amended by the expert consulting conference and it is now waiting for the official approval document.



(Fig.) The diagram for the FCs removal by the TFT-LCD processing machine

3.2.2 Energy Resources Management

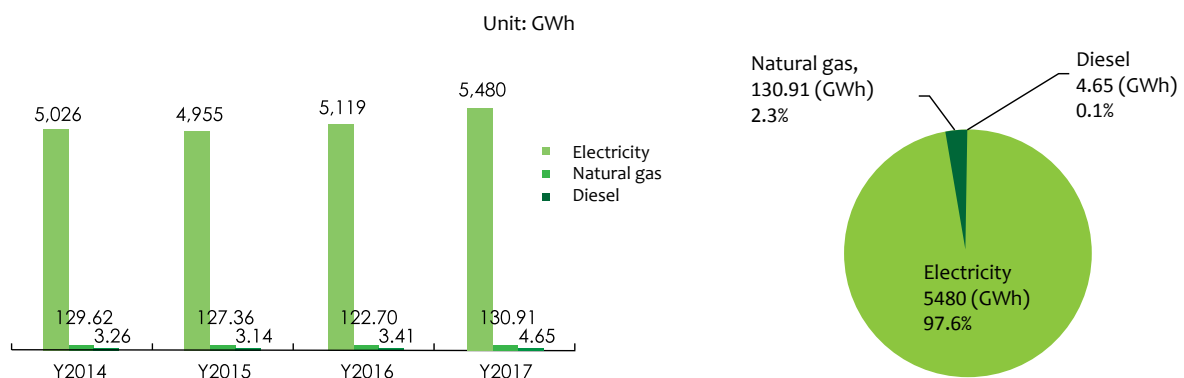
[Energy Resources Management]	[Management approach of material issue]
Materiality	The global energy and resource crises are all over the world. Corporations face the impact of the era of the low-carbon economy. Increasing energy efficiency and the reduction of the cost of energy consumption have become important issues for sustainable development. To correspond with national energy directives and the international trend of energy conservation and carbon reduction, Innolux aims to enhance our energy efficiency and recycling rate, achieve a win-win situation for the operating cost and environmental protection to enhance enterprise competitiveness.
Boundary	Within the organization – the Company
Management	The major energy consumption of the company includes electricity, diesel, natural gas and solar energy. Electricity is the major source (97.6%). Innolux checks the power consumption of buildings, processes, manufacturing cells, equipment and factories to identify the chances for reduction of energy consumption. Innolux saves the energy via operation and control adjustment, equipment updates and system integration. The Technology Committee of the Facility Engineering Department and the CSR Committee are responsible for supervision and implementation.
Medium-to-long term strategy	Develop new technologies, enhance energy efficiency.
2017 performances	<ul style="list-style-type: none"> Numerous energy saving programs were implemented at Taiwan sites. The electricity consumption intensity of electricity consumption for TFT-LCD manufacturers failed to attain the annual target of 3% reduction owing to the reasons of annual overhaul, blackouts, earthquakes and voltage drops related to Taipower, despite the 2% reduction (vs. 2017). The solar panel system was set up at Taiwan and China sites. The power generation in 2017 was 24,914,794 kwh, approximately 300 times more than in 2012. China sites achieved the requirements of the 13th Five-Year Energy Saving Plan in 2017.
2018 promotion	<ul style="list-style-type: none"> Annual target for Taiwan sites: Innolux aims to reduce the electricity consumption intensity per unit input substrate area for TFT-LCD manufacturers by 2% (vs. 2017). Annual target for China sites: Innolux aims to reduce the power consumption of the pieces per unit output by 1% for the Ningbo and Foshan sites, 2% for the Nanjing site and 1.5% for the Shanghai site.

Energy Consumption Review

The major energy consumption of Innolux includes electricity, diesel, natural gas and solar energy. In 2017, the total consumption was 5,616 GWh. Electricity was the major source (5,480 GWh, 97.6%), followed by natural gas (130.9 GWh, 2.3%). Diesel occupied only 4.65 GWh (0.1%).

All sites formulated improvement proposals for energy and resource utilization. These proposals were carried out through the Technology Committee of the Facility Engineering Department and its platforms of various aspects including water, electricity, gas and air conditioning. Relevant KPI will be reviewed in the CSR Committee meeting quarterly. In 2017, a total of 19 projects of horizontal improvement were deployed via the technology committee and 33 documents were produced.

Energy and resource consumption

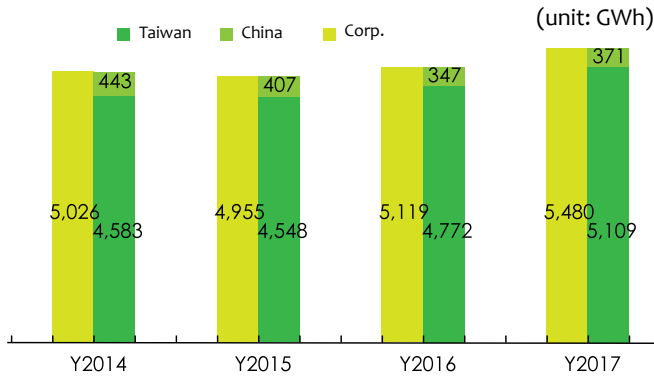


Energy Efficiency Review

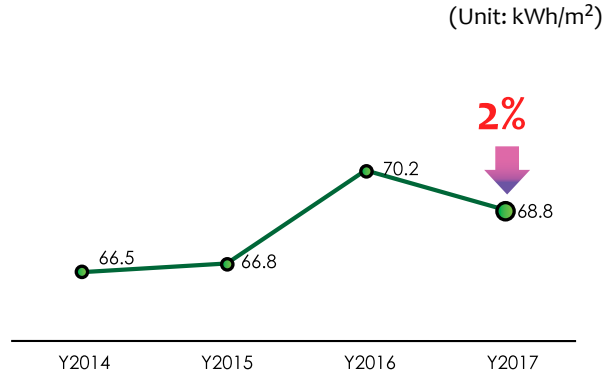
The electricity consumption of Innolux in 2017 was 5,480 GWh, 5,109 GWh (93.2%) was in Taiwan and 371 GWh (6.8%) was in China.

Energy conservation projects of 2017 include replacement of coolers with centrifugal air compressors, installation of energy-saving controllers, adoption of the frequency converter model for the PV vacuum device, and reduction of the number of FFU operators. The “TFT-LCD Electricity Consumption per Unit Input Area” of 2017 was 68.8 kWh/m², a fall of 2% compared to 70.2 kWh/m² of 2016, but failed to reach the target of 3% reduction. For Taiwan sites, the causes include annual overhaul, blackouts, earthquakes, and voltage drops related to Taipower, and the actual capacity was under the expectation. The target of 2018 is to reduce 2% of the electricity consumption per unit input area compared to 2017.

Electricity Consumption



Taiwan Electricity consumption of TFT-LCD input substrate



China Electricity consumption of TFT-LCD output substrate



2017 Major Energy Conservation Projects

Site	Factory	Name of Measures	Brief Description of Features and Actions	Estimated efficiency (kwh/year)
Jhunan	T1	Adopt intelligent control for the ice condenser.	Add the reminder control function to optimize the load of ice condenser. During the shift, the load increase and decrease can be carried out in advance based on the suggestions from the program to save the power for the ice condenser.	83,243
	T2	Reduce U power (DUPS#2 shutdown).	Complete the reduction for U power in the first stage. One machine in the DUPS set can be shut down for energy conservation and cutting of maintenance costs.	700,800
	T3	The water cleaning pump of MAU adopts frequency conversion instead.	The operation of the water cleaning pump is changed to frequency conversion. A total of 18 MAU AW PUMPs will be using the frequency converter instead of full-load operation. The MAU AW PUMPs are operated with a lower frequency based on the load to achieve energy conservation.	584,086
Tainan	FAB1, 3, 5, 6, 7	The air compressor cooler is replaced.	The cooler in the first section of the centrifugal air compressor is worn and rusted. Its cooling efficiency is low. Replace the old cooler with a new one to increase cooling efficiency and reduce the energy conservation of operation.	3,785,414
	FAB4, 8, C	The frequency converter model of PV vacuum machine is adopted.	A fixed frequency is adopted for the process vacuum. We must drive multiple process vacuum machines at full load to satisfy the greatest needs. However, the change of needs depends on the situation on the site. This might lead to a waste of energy. Therefore, we chose the frequency converter model instead to meet the actual change of needs and avoid the waste of energy for the vacuum machine.	2,040,284
	FAB5	Carry out the group control for air compressors.	The CDA usage changes significantly. Therefore, the BOV would be open to emit CDA into the atmosphere when adjusting the centrifugal air compressor. Therefore, we changed the IGV that is available for group control of multiple air compressors to carry out capacity control and avoid the BOV being open.	1,091,507
Foshan	HB	Modify the cooling pump by adding the function of frequency conversion.	The abundant flow of the ice water cooling pump of HB is high. It is better to adopt the frequency converter for control instead. After the modification, the system conducts the adjustment by frequency conversion based on the temperature of cooling water for energy conversion.	443,300
Nanjing	LCM1	Attach the bypass pipe of the secondary pump to the cooling water system.	Attach the bypass pipe to the secondary pump to turn off the secondary pump. Use the primary chilled water pump to provide all the power for the side with the chilled water to save the power of the secondary pump.	26,352
	LCM1	The frequency converter is attached to the RO high-pressure pump.	The water pump is now activated directly. The outlet valve is opened by 10% and the flow is 45 CMH. After installing the frequency converter, we can save the power and the valve is 100% opened. In this situation, we can still satisfy our needs.	12,960
	LCM1	Implement the alteration work for recycling and energy conservation. The GEX (general exhaust)	Install a recycling wind pipe on the GEX to lead the air to the opening of the MAU for recycling. Therefore, the MAU can spend less effort to process the new air volume and cut down the volume of ice and hot water.	110,919
	LCM2	Modify the inlet filter of the air compressor by installing the filter.	Do not use the filter of the air compressor anymore. Install high efficiency filters to enhance the inlet cleanness and reduce the pressure drop.	89,027

Response to Regulatory Issues >

● Full Compliance ○ Partial Compliance

Site	Local authority	Requirements	2017 compliance status
Taiwan	Bureau of Energy, Ministry of Economic Affairs	Regulations for the Formulation and Implementation of Energy Saving Targets	Annual energy conservation rate of 1% or more (2015-2019) ● Achieved an average of 1.1% for power conservation
Foshan	Guangdong Province Commission of Economy and Information	13th Five-Year Energy Saving Plan	0.6 kilogram standard coal/unit ● 0.555 kilogram standard coal/unit
Nanjing	Nanjing Municipal Commission of Economy and Information	13th Five-Year Energy Saving Plan	1.2 T standard coal/10,000 units ● 1.108 T standard coal/10,000 unit

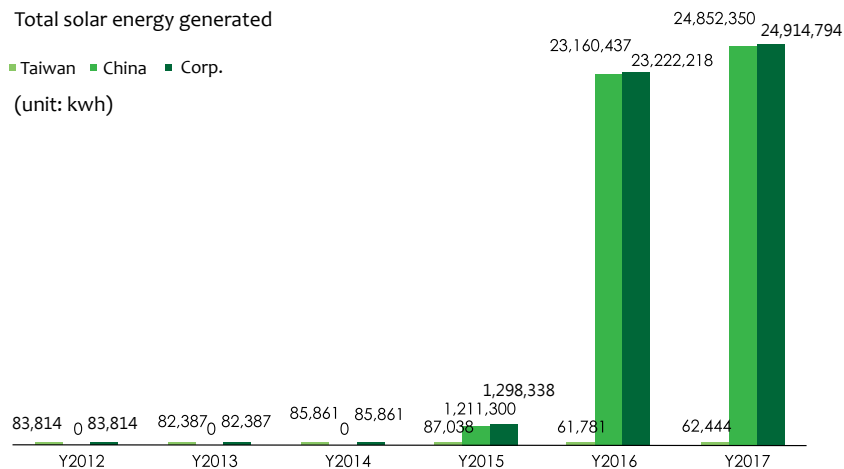
Solar Energy

In 2017, the sites operating the solar panel system included Jhunan, Tainan, Ningbo and Foshan, with a total annual energy generation of 24,914,794 kWh.

Site		Year of launch	Total energy generation in 2017 (kWh)	Self-operation % in 2017	Sales % in Y 2017
TW	JN	Y2012	27,702	100%	0
	TN	Y2012	34,742	100%	0
CN	NGB	Y2015	9,360,990	100%	0
	FS	Y2015	15,491,360	97%	3%

Total solar energy generated

■ Taiwan ■ China ■ Corp.
(unit: kwh)



Response to regulatory issues>

The Tainan site complies with Article 23 of the Tainan City Self-Government Ordinance for a Low-Carbon City released in December 2014. Article 23 states that a user with a power usage contract capacity of 800 kilowatts or above, as designated by the City Government in a public announcement, shall select a suitable site in the City to set up a solar photovoltaic system to generate at least ten percent of the contract capacity. Users shall complete the establishment in three years from the date of release.

Applicable site: Tainan site

Description for implementation: Tainan site has to set up at least 3,992kW capacity. The facility is planned to be set on the roof floor of the buildings. The Tainan site set up the electric facility according to regulations from the Bureaus of Administration and Energy. It obtained the approval of Tainan City Government for the record on July 14th, 2017. Taipower will set up the power meter on April 30th, 2018.

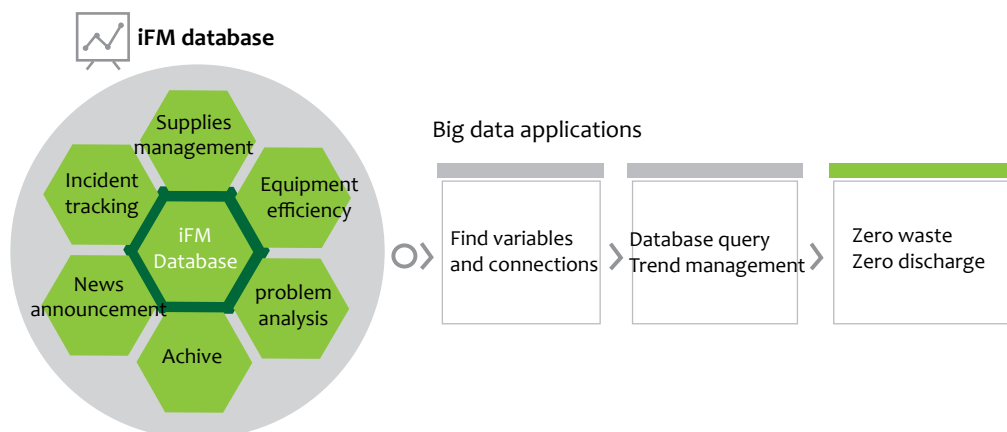
3.2.3 Water Resources Management

[Water Resources Management]	[Management approach of material issue]
Materiality	Climate change increases the frequency of flood and drought. The service water is in shortage and water pollution occurs. Taiwan is small but densely populated. It has steep hillsides and the rainfall is very focused. Rivers are short and flow fast. Most of the rainwater flows into the ocean quickly. As a result, Taiwan faces a water crisis. Innolux has a great need for process water, therefore it requires effective water resource management to reduce operating risks.
Boundary	Within the organization - the Company
Management	Innolux reviews our water efficiency through the development of alternative water sources, protection of water sources, efficient water quality management and reuse, optimization of our water supply system, and participation in the government's water source protection management. Furthermore, our Technology Committee of the Facility Engineering Department reviews the progress every month and lays out the technology and the CSR Committee reviews the outcome every quarter.
Medium-to-long term strategy	Develop new technology to enhance water efficiency.
2017 performances	Innolux implements the water conservation improvement program to increase water efficiency. The water usage per unit area for TFT-LCD manufacturers was 0.329m ³ /m ² , reduced by 0.2% in 2016. However, Innolux failed to attain the annual target of 6% reduction owing to the delay of the water conservation program and the fact that the recycled raw water didn't reach the design value.
2018 promotion	<ul style="list-style-type: none"> • The annual target of Taiwan sites is to reduce 5% of the water consumption per unit input area for TFT-LCD stage (vs. 2017) and reduce 20% of the water consumption per unit input (vs. 2016) in 2020. • The annual target set by China sites is to reduce the water consumption per output unit by 5% for the Ningbo site, 5% for the Foshan site, 3% for the Nanjing site and 1.5% for the Shanghai site (vs. 2017). • Innolux continues to pay attention to the progress of the addition of the source of law for the imposition and deduction of water usage fees and to reduce the cost of water consumption accordingly. • Innolux plans to help Fab 3 obtain the Outstanding Water Conservation Enterprise Award and help Fab 8 and Fab C to obtain the approval of the clean production evaluation system.

Water Resources Management Policies

The environmental risk is becoming increasingly severe. Water scarcity, extreme weather events, natural disasters, man-made environmental disasters, and failure to adapt to and mitigate climate change were listed as the top 5 global risks in the Global Risk Report of the World Economic Forum 2017.

Innolux performed business impact analysis and business continuity planning based on water resource risks, outlining water conservation and water recycling/reuse as the two focal aspects. Innolux developed the iFM (intelligent facility management) and used various data statistics to control the water abundance, predict the risk of shortage, and adapt to the water crisis by optimizing the mid and long term stable management of operation. Innolux formulated water-related plans and goals. The Technology Committee of the Facility Engineering Department conducted cross-site integration and implementation and the CSR Committee reviewed the outcome of the plans and goals.



Innolux withdrew 26.73 million tons of water in 2017. The Taiwan site withdrew 25.04 million tons of water, accounting for 93.7% of the total water usage. At the Taiwan site, most of the water was used in the front-end Array and CD processes. The China site withdrew 1.69 million tons of water, accounting for 6.3% of the total water usage.

Water Resources and Risk Analysis↓

Item	Taiwan		China			
	Jhunan	Tainan	Ningbo	Foshan	Nanjing	Shanghai
Water source	Yonghe Mountain Reservoir Liyutan Reservoir	STSP: Nanhua Dam, Zengwun Dam KSP: Agongdian River, Nanhua Dam, Gaoping River Weir	Ninghai Baixi Reservoir	Tanzhou Waterway	Qinhuai River	Yangtze River
Destination of Water Discharged	Hsinking River	STSP: Yanshuei River KSP: Agongdian River	East Sea	Xinan Chong	New Qinhuai River	Mid and lower Reaches of Yangtze River
Water Conditions	Taiwan's annual rainfall is approximately 1,650 mm which is not regarded as scarcity. However, owing to the high population density, geographic restrictions, and uneven rainfall season, the average rainfall per person is only 1/5 of the global average value. Taiwan's water resource now faces challenges.		Approximately 1,650 mm of rainfall a year. No immediate risks.	Approximately 1,600 mm of rainfall a year. No immediate risks.	Approximately 1,090 mm of rainfall a year. No immediate risks.	Approximately 1,166 mm of rainfall a year. No immediate risks.
Floods and storms*	High risk	High risk	High risk	Extremely high risk	Extremely high risk	High risk
Municipal usage (million ton)	4.35	20.69	0.62	0.61	0.29	0.17
Water use percentage	16.3%	77.4%	2.3%	2.3%	1.1%	0.6%

* Innolux adopted the water risk assessment tool developed by the WRI to identify the situation of sites located in dry areas and the risks of floods and storms, and consequently formulate appropriate management countermeasures.

2017 Major Water Conservation Projects

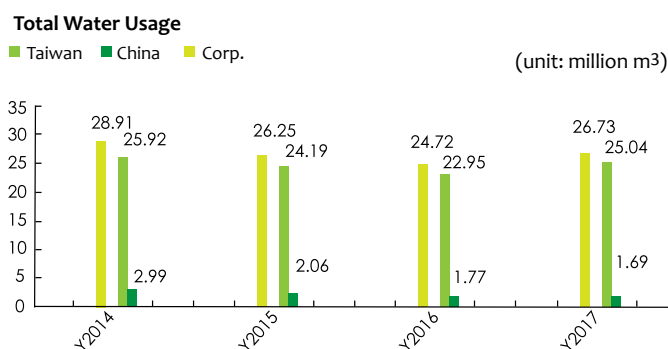
Site	Factory	Project name	Project content	Estimated benefit (m3/year)
Jhunan	T2	The water discharge recycling, and the rinsing water from the OMB of the water discharge recycling (VWR)	The OMB resin tower carries out the ion exchange treatment for recycling process and reuse. The resin is saturated and injected with chemicals for regeneration to reduce water consumption.	8,820
	T3	In the MBR system, the organic sewage recycling of a small amount of CF is implemented.	A small portion (6%) of organic processing wastewater from CF is recycled to the MBR collection tank to save the tap water.	905
Tainan	Fab6	Recycling of backwashing water during 2B3T resin cleaning	The resin cleaning water is recycled to the TFT recycling system of W18.	13,440
	Fab7	Sewage recycling through thin discharge for TMAH	Use the special resin to absorb the TMAH in the sewage and lead the TMAH to the RO filter for recycling.	292,000
	Fab7	Water discharge recycling VDG+RO	The discharged condensate is recycled to the ACF recycling unit of W17.	29,200
	Fab7	REST FR water discharge recycling	The membrane bioreactor (MBR) system is implemented for recycling.	51,100
	Fab7	REET FR water discharge recycling	The bio polisher system is introduced for recycling.	40,150
	Fab8	Sewage recycling project for the sewage through the thin discharge of TMAH (TMAH FR)	Use the resin to remove the TMAH and lead the sewage to the TFT recycling system of W18 for recycling.	350,400
	Fab8	RO concentrate sewage recycling project (RRO)	Use the RO for the treatment of the raw MBR RO concentrated water to increase the recycling water and reduce the sewage.	262,800
FS	HA	Water discharge recycling plant of LCM 3	Recycle the discharged process water and use it for bathroom to save the tap water.	25,584
	HA/HB	Recycling of water discharge for the fire spray cooling device in HA and HB	Modify the fire spray cooling device in HA and HB. The discharged water is recycled to the industrial pool for the water pump and water house. The water is used for the water supplement of cooling tower and bathroom flushing.	14,400

Water Efficiency Review

In 2017, Innolux participated in the expansion of the membrane bioreactor system (MBR) and improvement work of suspended solids (SS), used secondary recycling water for the wastewater scrubbers, enhanced the PIT recycling and reuse rate, and recycling of process water.

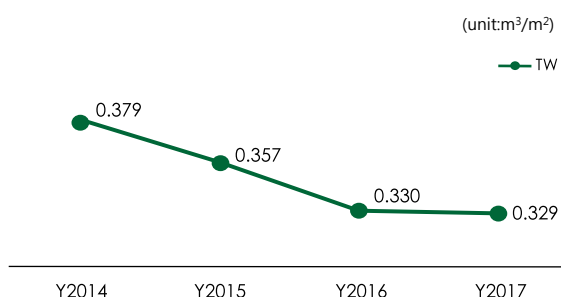
Innolux examined the outcome of the water use indicator “TFT-LCD water consumption per unit input substrate area”. The water consumption intensity in 2017 was 0.329m³/m², 0.2% lower than 0.330m³/m² in 2016. It failed to attain the target of 6% reduction. After analysis, Innolux found out that the main reasons were the delay of water conservation projects, recycling water of MBR RRO failed to meet the design value, the recycled raw water discharged by the DMSO and MBR+RO unit did not meet the design value, and the actual capacity is below the estimated value.

In 2018, Innolux anticipates further reducing the water consumption per unit input substrate area by 5%, compared to 2017. The China sites set their annual target for reducing the water consumption per unit input substrate area by 5% for the Ningbo and Foshan sites, 3% for the Nanjing site and 1.5% for the Shanghai site.

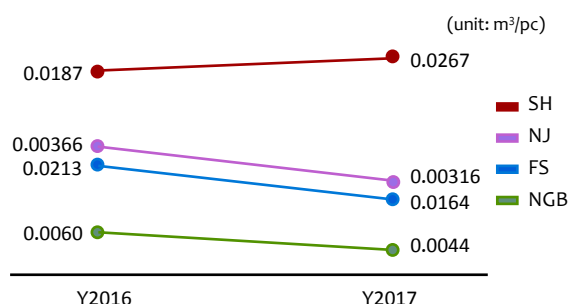


Water Conservation Performance

Taiwan Water consumption of TFT-LCD input substrate



China Water consumption per unit output substrate



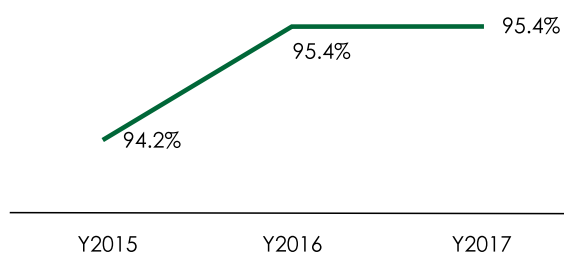
Increasing the Recycling Rate of Process Water

The Taiwan site saved 288,678,559 tons of process water in 2017 (equivalent to roughly 115,471 standard-sized swimming pools), for an average process water recycling efficiency of 95.4%*. These results exceeded the requirement of 85% regulated by the Science Park Administration.

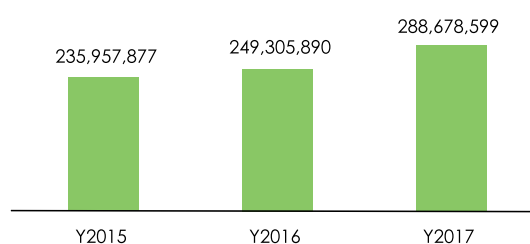
* Process water recycling rate = (recycling amount of process water + amount of recycled use) / (process water withdrawal+ accumulated amount of recycled water used)

Year	Process water conservation amount (ton)	Process water recycling efficiency	Number of standard-sized swimming pools (approx.)
Y2017	288,678,559	95.4%	115,471
Y2016	249,305,890	95.4%	99,722
Y2015	235,957,877	94.2%	94,383

Taiwan Recycling Rate of Process Water



Taiwan Process water conservation amount (ton)



3.2.4 Pollution Control and Environmental Impact Reduction

[Pollution Control]	[Management approach of material issue]
Materiality	Innolux pays attention to environmental protection. Competent authorities responsible for environmental protection actively revise regulations and impose strict pollution control measures and emission standards. Regulations for environmental protection conventions and trading among nations have become stricter. Customers care about environmental issues very much. Innolux must reduce the burden and impact of the production process on the environment to strengthen our “green competitiveness” .
Boundary	Within the organization - the Company
Management	<p>Innolux installs pollution prevention and control facilities, and carries out the proper treatment for waste gas, sewage, hazardous substances and noise. Innolux also continues to invest in control of fugitive sources of air pollution, enhance sewage and waste recycling, and reduce waste. Innolux establishes indicators to evaluate management and conducts regular tracking and review.</p> <p>Innolux fulfills its own corporate responsibility. Air pollution is an immediate issue in Taiwan. Innolux plans to discuss and focus on this issue with experts from environmental engineering, public health, society and government to search for solutions and methods.</p>
Medium-to-long term strategy	Promote optimal resource utilization on sites and reduce environmental impact
2017 performances	<ul style="list-style-type: none"> • Taiwan sites carried out the solution for the reduction of organic and inorganic sludge and SRS residue. The reduction of inorganic sludge and SRS residue met the annual goal. • Chemical recycling rate: Stripper 77.1%, NMP 80.1%, PGMEA 73.0% and TMAH 29.0%. • Innolux devoted itself to air pollution issues, inspected the implementation of its own air pollution prevention and control, and optimized the indoor air quality. Innolux consulted with seven professors in Taiwan who are specialized in relevant fields. These professors are from Taiwan University, National Central University, National Chung Hsing University, National Cheng Kung University and National Sun Yat-sen University. After the consultation, Innolux and these professors concluded the possible main reasons of PM 2.5 pollution and searched for feasible solutions.
2018 promotion	<ul style="list-style-type: none"> • Innolux will promote solutions for the reduction of organic and inorganic sludge, copper etching waste liquid, and potassium hydroxide. It will also continue to enhance the recycling of Stripper, NMP, PGMEA and TMAH. • Innolux will continue to optimize the system and technology, and increase the treatment efficiency of pollution control facilities. • Innolux will appeal the spirit of “enterprises affect each other in a positive way, the public fights against air pollution” and improve air pollution with the power combined from the industry, government, and academia.

The production process of TFT-LCD at Innolux involves dozens of types of raw materials. Innolux establishes pollution control facilities and monitoring mechanisms to treat the environmental impact of waste gas, sewage, hazardous substances and noise generated during the process. The environmental department, the facility engineering units and process units cooperated with each other for improvement. Innolux enhanced the treatment through industry-academia projects. The Technology Committee of the Facility Engineering Department is in charge of the operation and management to meet regulations, gain economic benefits, and achieve environmental performance.



2017 Industrial-academia cooperation projects

Site	Project name	Content of cooperation	Expected performance	Project period
Fab4	<p>“Suggestions for Innolux on services for improvement of acid exhaust odor and white smoke”</p> <p>Partner: NCKU Research & Development Foundation</p>	<ol style="list-style-type: none"> 1. The composition of waste gas and its impact factor 2. The composition and cause of white smoke and improvements 3. The method for increasing the efficiency of the acidic gas scrubber and the optimal operating conditions. 4. Lower the possibility that the acidic exhaust gases settle on the ground on the site. 	<ol style="list-style-type: none"> 1. Keep track of factors affecting the operating conditions of equipment for process and prevention control. These operating conditions have impacts on the composition and concentration change of the white smoke and acidic gas. 2. Improve the opacity, occurrence and frequency of white smoke by adjusting the design of prevention and control equipment, operating conditions or specifications of the exhaust tunnel to change the negative perception of the public on white smoke. 3. Increase the efficiency of acidic gas scrubbers and minimize issues on the emission concentration of acidic gas. 	2017/10~2018/9
FAB 6/ FAB 7	<p>“The analysis on the optimal procedure for the copper wastewater treatment system and the feasibility analysis on chromatic treatment”</p> <p>Partner: National Cheng Kung University</p>	<ol style="list-style-type: none"> 1. Optimize the chromatic wastewater to improve the public perception. 2. The biological system conducts studies and tests on the treatment capacity and inhibition of copper wastewater by the biological system to create the optimized operating conditions in order to meet the effluent standards. 	<ol style="list-style-type: none"> 1. For the process sewage of TFT-LCD, Innolux continues to monitor the treatment capacity of biological processes provided by the treatment system and the optimized control on the treatment procedure of removal of chromaticity in water. The monitoring above is carried out on-site. 2. For the process sewage of TFT-LCD, Innolux creates a mechanism of performance control for the optimization of copper removal by the biological treatment system and the inhibition of biological treatment. The mechanism above is implemented on-site. 	2017/05~2018/04

Air Pollution Prevention Mechanisms

The air pollutant discharged by Innolux comprises VOCs, NOx, SOx, NH₃, Cl₂, HCl, HNO₃, H₃PO₄, and particulate matter. Air pollutants are filtered during processing to sort out organics, acids, alkalis, and particulate matter. After the sealed collection, Innolux sets up specific equipment for air pollution prevention and control and sends these substances to the equipment based on their properties for processing to meet the discharge standards.

Innolux's VOCs treatment in 2017

Site	Fab1	Fab2	Fab3	Fab4	Fab5	Fab6	Fab7	Fab8	Fab C	T1	T2	T3
Actual treatment efficiency * Note	92%	93.6%	88.6%	95.6%	94%	92.5%	92.3%	98%	< 0.4 kg/hr	98.6%	94.4%	92.1%
Legal treatment efficiency	85.0	75.0%	75.0%	75.0%	75.0%	90.0%	75.0%	92.0%	0.0315 kg/hr	85.0%	92.0%	85.0%

Note: The VOC treatment efficiency is the result of a one-time test and does not include the treatment efficiency of wet scrubber.

Regulatory impact

Regulatory revision in 2017	Risks and opportunities
EPA Taiwan announced a draft of the “Stationary pollution source hazardous air pollutants (HAPs) emission standards”. The EPA will impose emission controls on air pollutants with health concerns. It must implement the simulation mode of air diffusion to evaluate affected areas before effectively improve the HAP emission.	Innolux strives for the emission reduction of air pollutants by controlling the source of purchased raw materials, designing and planning the air pollution prevention and control system, investing in equipment and reviewing the operation performance. For stricter control on hazardous air pollutants (HAPs), Innolux will continue to fulfill its own corporate responsibility and improve prevention control actions. Innolux will provide test reports to prove and confirm that its practice complies with the process emission standards of HAPs
Article 11 of the Greenhouse Gas Reduction and Management Act promulgated by the Taiwan EPA states that GHG regulatory goals will be set in stages on a five-year basis. In the first stage of the GHG regulatory goal (draft), it is expected to reduce the net GHG emission by 2% in 2020, which means that the emission has to be 2% lower than in 2005.	Innolux reviews the current effort in GHG reduction and continues to improve the equipment and technology invested in the reduction. Innolux evaluates the requirements from the draft amendment of regulatory provisions. After analysis, Innolux predicts that a 3.91% reduction of the GHG emission can be achieved by 2020. (The calculation assumes the difference caused by the adjustment of coefficient in 2016.) Innolux expects to meet the control target.
EPA Taiwan commenced the draft amendment “Stationary Sources of Public-Private Access Should Set up a Continuous Emission Monitoring System and Transfer Data to the Authorities”, and “Optoelectronic Materials and Components Manufacturing” of “Management Regulations of Continuous Emission Monitoring System for Stationary Source Air Pollutants”. The EPA included the draft amendment in the fifth announcement. Its continuous auto-monitoring facilities must be connected to the competent authorities.	The continuous auto-monitoring facilities for air pollutant emissions and related report generation devices have been built on all Innolux sites. After the official promulgation of regulations, Innolux will comply with the relevant execution details and coordinate with the government by monitoring the SO _x , NO _x and the VOCs from process. All these substances come from the stationary source of pollution. Innolux will complete the entire management system.

Major air pollution prevention and control projects in 2017

Site	2017 project	Improvement benefit	Regulatory standard
Tainan Fab4	RCW is replaced with tap water for washing the zeolite rotor.	The rotor efficiency was approximately 77%-82% when the rotor was washed with RCW. It is increased to 88%-94% after using tap water instead.	The removal efficiency of VOCs is above 75%, better than the legal value.
Tainan Fab3	The old zeolite rotor (VOC#A) is replaced.	The operating efficiency increased from 75%-80% to 95%.	The removal efficiency of VOCs is above 75%, better than the legal value.
Ningbo	The scrubber of VEX during the process and the reconstruction project of absorption column of active carbon.	More than 90% of VOCs were removed.	The removal efficiency of VOCs is above 75%, better than the legal value.
Foshan HA/HB	The VOCs treatment equipment is attached to the rooftop exhaust device, including six UV photolysis and active carbon treatment mechanisms, and five scrubbers and active carbon treatment mechanisms.	In the debugging stage, the sampling inspection is carried out by the third party testing institutions. The overall emission efficiency reaches 92%.	“Emission limits of air pollutants” of Guangdong Province Local Standards (DB44/24-2001): The efficiency of the treatment equipment of waste gas VOCs is equal and greater than 90%.

Enhancement of indoor air quality

The Indoor Air Quality Management Act from the EPA stipulates the quality standard of PM 2.5, PM10, CO₂, formaldehyde and ozone. Our premises are not one of the places specified by the EPA that must comply with the Indoor Air Quality Management Act. However, we still decided to optimize the indoor air quality even more.

To find a proper basis for our implementation, an agreement was reached in our internal meeting. Our workspace adopts the requirements for the premises of the official authorities. Therefore, we focus on the air quality regarding PM 2.5, PM 10 and CO₂. We inspected all of our sites in Taiwan and installed the AHU during the alteration work for increasing the filtering efficiency. We continue to clean the office area and AHU more thoroughly by changing from annual to quarterly maintenance. In the end, we achieved great outcomes. In the data from the initial inspection in December 2017, the average PM 2.5 level was 4 (35 for the regulation value) and the average PM 10 level was 9 (75 for the regulation value). We continue to monitor the office air quality for better respiratory health.

Immediate air pollution problems in Taiwan

The air pollution level has hit the red and purple levels continuously. Air pollution is definitely an immediate life issue in Taiwan! Hsing-Chien Tuan, the Honorable Chairman of Innolux, often traveled across Taiwan by high speed rail in 2010. He sensed that the air quality was evidently worse and worried about the health of tens of thousands of Innolux employees in Tainan and Kaohsiung. People have been paying attention to air pollution issues for years. Where is the pollution source? Is there a way for prevention and control? Is legislation standard appropriate? Is law enforcement powerful? All these questions need professional answer. We thought about what our role can be as a corporation.

To find out the answers to these questions, in 2017 our Chairman Hsing-Chien Tuan consulted with seven experts in the pollution prevention field, including Professor Yi-Lin Wu from National Cheng Kung University, Adjunct Emeritus Professor Ming-Xian Zhou from National Sun Yat-sen University, Professor Zu-En Zhang from National Cheng Kung University (former EPA Director), Professor Yu-Liang Guo from College of Public Health from Taiwan University, Professor Xiu-Hui Yan from Taiwan University, Professor Chong-De Li from National Central University, and Professor Bing-Jie Zhuang from National Chung Hsing University. Chairman Tuan wanted to find out the actions that the entire society must take for a specific goal. He was exploring the right perspectives and fundamentals for the air pollution issues in Taiwan in a comprehensive and professional way. In the end, he realized that, "The key to the action is up to the public authority."

We plan to hold public forums and carry out relevant projects in 2018. We will discuss with experts from environmental engineering, public health, social and government fields and focus on main points to find solutions together and propose suggestions to the government. We hope to set an example for others and anticipate seeing that other corporations will start to pay attention to air pollution prevention and control.

Experts Consult List			
	Professor Yi-Lin Wu National Cheng Kung University	Adjunct Emeritus Professor Ming-Xian Zhou National Sun Yat-sen University	Professor Zu-En Zhang National Cheng Kung University
			
Professor Yu-Liang Guo College of Public Health , Taiwan University	Professor Xiu-Hui Yan Taiwan University	Professor Chong-De Li National Central University	Professor Bing-Jie Zhuang National Chung Hsing University

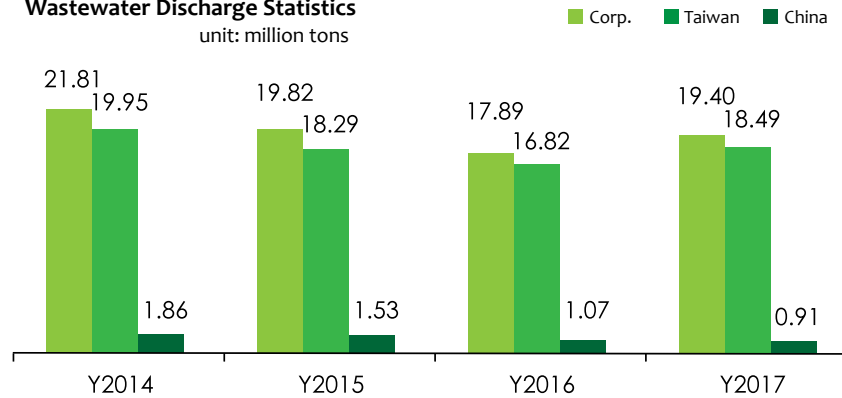
Water Pollution Prevention

The types of wastewater produced during various production processes include wastewater from cleaning, dying, etching, developing, stripping, as well as water containing chrome and fluoride. Because the wastewater covers organic, acid/alkali and metals and other characteristics of different wastewater, the operational wastewater is diverted and separately collected from the design stage to effectively enhance the efficiency and stability of wastewater treatment equipment. Then, based on the type of wastewater, a combination of biological, fluidized bed crystallization, and coagulation and sedimentation treatment methods is employed to process the wastewater, ensuring that the discharge complies with park regulations.

Innolux produced a total of 19.40 million tons of wastewater in 2017. Of which, the Taiwan sites produced 18.49 million tons, comprising 95.3% of the overall amount, and China sites produced 0.91 million, comprising 4.7% of the total amount.

Wastewater Discharge Statistics

unit: million tons



Item/Year/ Site	Y2014			Y2015			Y2016			Y2017		
	Taiwan	China	Total	Taiwan	China	Total	Taiwan	China	Total	Taiwan	China	Total
Wastewater amount (tons)	19,946,773	1,860,422	21,807,195	18,288,309	1,534,232	19,822,541	16,824,226	1,067,548	17,891,774	18,485,079	913,364	19,398,443
COD (tons)	1,870.50	282.2	2,152.70	1,489.20	289.3	1,778.50	1,892.1	209.7	2,101.7	2,089.9	47.8	2,137.7
BOD (tons)	584.3	119	703.3	447.3	109.1	556.4	648.6	59.89	708.5	799.2	30.49	829.7
SS (tons)	797.6	205.7	1,003.30	734.2	133.5	867.7	632.4	46.85	679.3	1071.2	55.83	1127.0

2017 Water-Pollution Prevention Projects

Site	Factory	2017 project	Improvement benefit	Regulatory standard
Tainan	Fab6/ Fab7/Fab8	The wastewater treatment system for thin discharge of copper process – resin adsorption	The copper ion of thin-discharged wastewater is treated to N.D. (not detected).	The controlled copper ion is below 3 mg/L.
Tainan	Fab6/Fab7	Copper concentration system with high concentration - distillation	Transform the high concentration sewage into the copper sludge for waste reduction.	NA
Tainan	Fab6	The removal of chroma in the discharged water, the modification from the sand filter tower of the discharged water to the active carbon tower, and the chroma absorption	Reduce the damage caused by acts of God and avoid hurting the corporate image.	NA
Tainan	Fab7	The recycling treatment system for the second phase project of recycling of thin-discharged TMAH wastewater –resin adsorption	Use the special resin to absorb the TMAH in the wastewater to prevent the TMAH from being discharged to the wastewater and recycle the thin-discharged TMAH wastewater.	The controlled TMAH concentration is below 60 mg/L.
Tainan	FabL	HF etching boron wastewater treatment system – chemical coagulation + resin adsorption	Use the chemical coagulation and special resin to treat BF ₄ in the wastewater, prevent boron from being discharged into the wastewater, and keep the controlled boron concentration below 1 mg/L.	The controlled boron concentration is below 1 mg/L.
Foshan	HA	Installation of the wastewater treatment facility for the painting workshop: integrated air float device, and integrated oil skimmer and plate and frame press filter	The painting treatment and wastewater press washing reach 250Mm ³ /day to ensure that the wastewater discharge meets the requirement.	The third standard of the second period in the “Emission limits of water pollutants” of Guangdong Province Local Standards (DB44/26-2001)

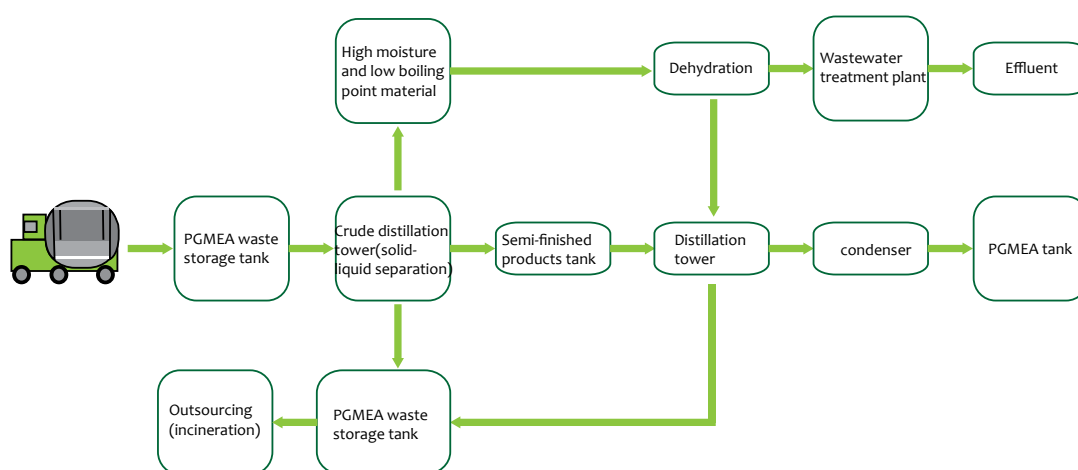
Regulatory amendment impact>

Regulatory amendment	Possible impacts on the company	Risk management and opportunity
Tainan Science Park increased the concentration standard for the control of effluent ammonia-nitrogen and controlled the concentration of effluent phosphate on January 1st, 2017.	This tests the capacity and technology level of the current wastewater treatment system facility. We must make breakthroughs to meet the control standard for the pollutants in effluent.	<ol style="list-style-type: none"> 1. Effluent ammonia-nitrogen: We increase the removal efficiency of the system to stabilize the operation of the biological nitrification-denitrification and increase the efficiency of TMAH recycling equipment to meet the control standard of the ammonia pollutant in the effluent. 2. Effluent phosphate: Increase the efficiency of dosing removal of phosphorus in the wastewater to meet the control standard for the effluent phosphate.
The Reclaimed Water Resources Development Act from the Water Resources Agency, MOEA (passed on December 30th, 2015)	A certain portion of reclaimed water must be used for new factories to comply with the Reclaimed Water Resources Development Act. We must take proper actions for the risk management on the impact of the quality of reclaimed water.	<p>We expect to use 4,500 CMD of reclaimed water for the Tainan site.</p> <ol style="list-style-type: none"> 1. We provide the water quality that meets the standard during the process by using the water quality instrument and the existing system to avoid any impact on the product. 2. We estimate the impact of the reclaimed water on the existing system and water quality as the basis for the planning of new factory. We comply with regulations and achieve effective water conservation; therefore we can become a competitive green corporation.

Effective reuse of the chemical waste liquid

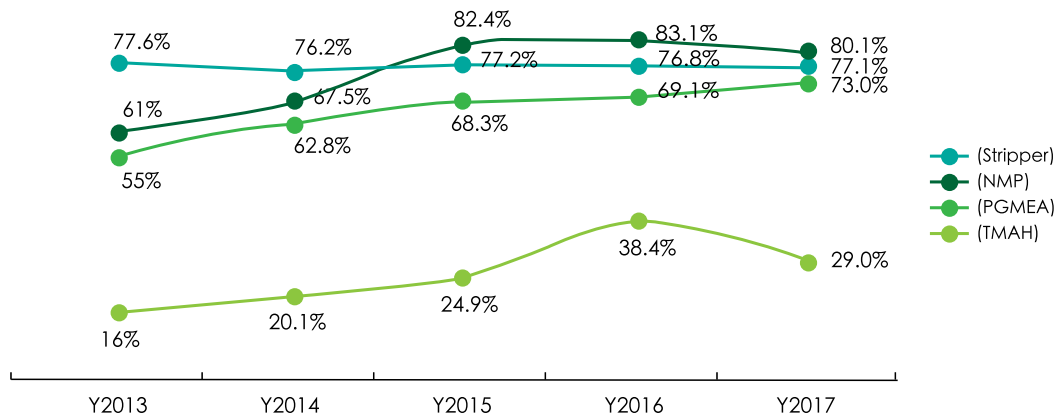
The use of chemicals during the process leads to the discharge of acid, alkaline and organic waste liquid. Proper treatment of waste liquid is one of our major issues. We stick to the 3R Principle, think about how to use the chemical waste liquid system to provide the waste liquid to vendors for effective reuse, and reduce the treatment cost for the sewage treatment plant and the discharge of waste liquid. Various types of waste liquid are available and they all have different properties. Therefore, we often examine and analyze the concentration and quality of the chemical waste liquid to find out if the liquid can be provided to other industries. We expect a win-win situation for the environmental protection and industry by selling or feedback. The process in the future is ever-changing. We will definitely need to deal with the types of chemical waste liquid that are challenging in treatment. Innolux will continue to find the ways to reduce the environmental impact and develop new recycling technologies to become a competitive and green corporation.

In 2017, we implemented process recycling. Furthermore, we cooperated with supplier and treatment plants to achieve a better recycling rate via purification, recycling process and reclamation. The recycling rate was 77.1% for the stripper, 80.1% for the NMP, 73.0% for the PGMEA and 29% for the TMAH.



Reclamation of Cu Stripper

Chemical Recycling Reuse rate



Low-Carbon Logistics

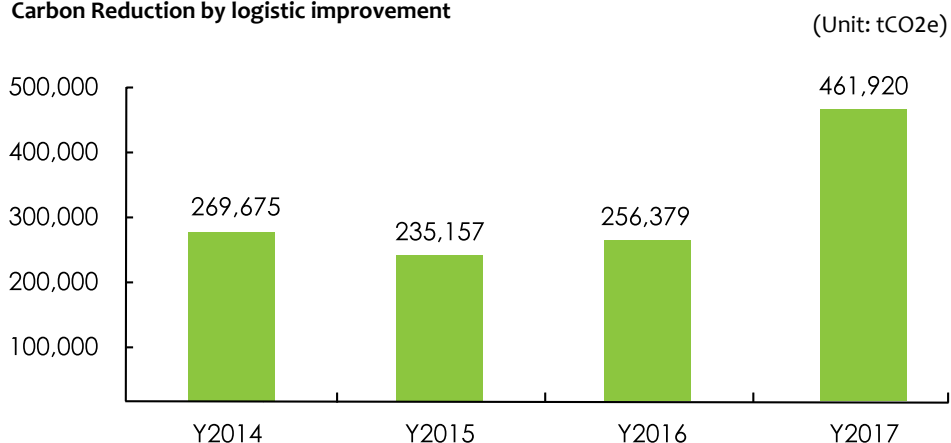
Innolux responds to the requirement of the low-carbon economy and addresses the severe exploitation of social resource by devoting itself to the development of low-carbon logistics to achieve the resource efficiency in logistics. We keep the usage rate of the re-export devices of inbound cargo by controlling the cargo status via the cargo control platform to reduce the number of empty cargo containers transported between ports and increase shipping efficiency. We replaced the export solution requiring air transport with the sea-land intermediate solution while meeting the deadlines required by the customer. We separate different ways for filling orders to create a three-win situation by saving the transportation cost, reducing the carbon emissions, and creating a green environment.

We work with suppliers to reduce the environmental impact of logistics. For the time and location that cannot fit in the marine shipping schedule provided by customers and downstream plants, we cooperate with transport suppliers to plan for the cross-strait express steamer and short-term ports of entry. In addition, we provide intermodal transport and make intermediate stops to ship goods to various locations in China. With all these efforts, we realize the optimization of transport cost and create greater efficiency than air shipment.

With the improved transportation planning and management in 2017, we reviewed our performance and confirmed that we reduced 461,920 tons of carbon emissions. We've reduced 1,598,799 tons¹ of carbon emissions from 2012 to 2017.

¹ Carbon emission = Transportation distance x cargo weight x emission factor x number of trips

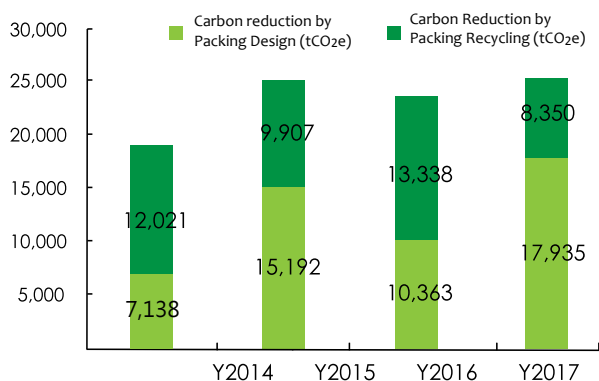
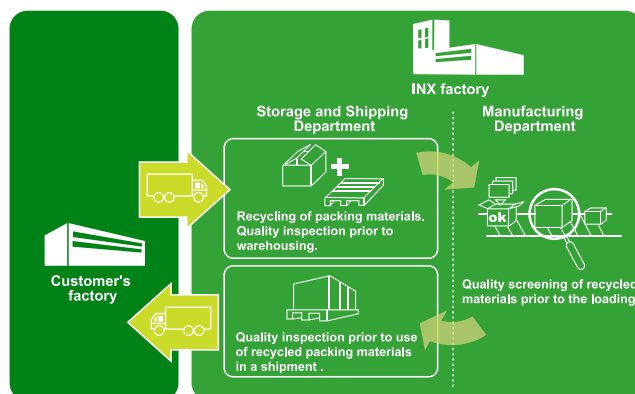
Carbon Reduction by logistic improvement



Package reduction and carbon footprint

A corporation shall fulfill its basic corporate social responsibility by carrying out the inventory for the environmental footprint of its own product. The choice of package becomes a critical issue. Innolux aims to minimize the environmental burden caused by the waste of disposable materials by putting in lots of effort to reduce the package. In addition to compliance with customer specifications and international regulations, Innolux actively looks for the way to reduce the package waste. Innolux enhances the recycling rate via the procurement process management to recycle the package supply from upstream suppliers. Innolux also reaches an agreement with downstream customers for package recycling and reuse and cooperates with the upstream and downstream production chains on the reduction. In 2017, the recycling rate was 76.9% for the DSPK box, 57.3% for the hard box and 26.8% for the PP box.

Furthermore, Innolux conducted statistics to find out the carbon reduction in 2017. The statistics include the carbon reduction in design due to lighter materials and higher numbers of loading pieces, and the carbon reduction in recycling by replacement of a new product with recycling products. A total of 26,285 tCO₂e was reduced from these two types of reduction, equivalent to the annual carbon reduction by 68 Daan Forest Parks.



- Carbon reduction in design: We have been using hard boxes with various sizes in design since December 2012. We sum up the reduction in the amount of carbon emissions due to weight and amount reduction of all materials.
- Carbon reduction through recycling: The purchase quantity of recycled materials was screened to convert the weight of the reduced new production materials and calculate the weight of the reduced carbon emissions.
- The carbon reduction in design and recycling does not include the MD package (for small and medium sized products).

Waste reduction

Innolux is committed to promoting waste reduction and utilization at the source. Innolux produced roughly 116,129 tons of waste in 2017, of which 83,709 tons were non-hazardous waste and 32,420 tons were hazardous waste. The recycled proportion was 79.36% throughout the whole company. All waste is treated by qualified treatment vendors with periodical audits for checking legitimacy. One vendor violated a law in 2017. We required the vendor to perform legal, proper treatment, stopped cooperating and enabled the backup vendors immediately.

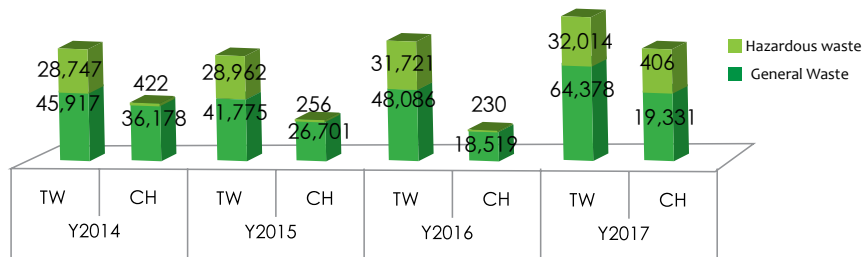
Regulatory amendment impact

Regulatory amendment	Risks and opportunities
The Guidelines for Identifying the Due Care of an Enterprise to Contract Disposal of Wastes from the Taiwan EPA require a business to assume relevant obligations and responsibilities when the cleaning and treatment vendors violate a law. The Guidelines specify that business units shall adhere to the relevant obligation guidelines, including the amendments on the contract waste stream, audit on cleaning and treatment vendors, and internal self-management and audits.	The joint and several liabilities of the source are highly reinforced according to the regulatory amendment. If the trustee did not carry out proper cleaning and the trustor did not fulfill its obligation for paying attention, the trustor and trustee shall assume their responsibilities for waste cleaning and environmental improvement. This incurs numerous risks for the company. However, the Guidelines specify a disclaimer in case the business has carried out management accordingly to the Guidelines. Innolux will reinforce the internal and external process management, pay attention to the waste decomposition, reduce improper waste treatment, and carry out the on-site audit for cleaning and treatment vendors with the help of the public associations.

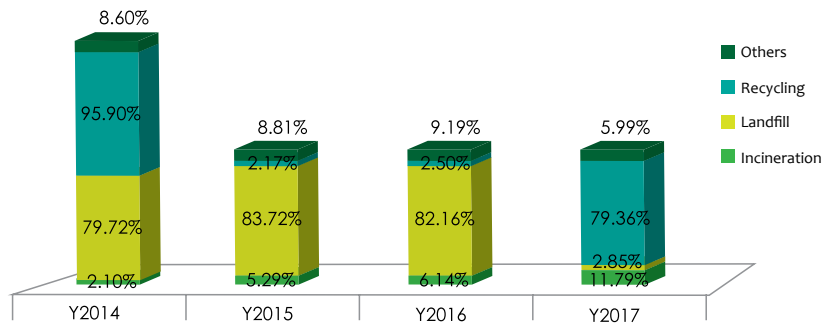
Waste treatment

Waste Disposal by Outsourcing

(Unit: tons)



Waste Disposal by Treatment



Overseas treatment of hazardous waste

Item/annual overseas treatment	Y2014		Y2015		Y2016		Y2017	
	Weight (tons)	Proportion	Weight (tons)	Proportion	Weight (tons)	Proportion	Weight (tons)	Proportion
Cadmium batteries	7.42	0.025%	0	0.000%	12.01	0.038%	7.69	0.024%

Y2017					
Treatment (ton)			TW	CN	INX
Hazardous business waste	Incineration	Incineration	2,894.33	186.46	3,080.79
	Recovery	Recovery and reuse (off-site)	18,223.63	207.82	18,431.45
		Physical treatment	3,493.31	0	3,493.31
		Heat treatment	163.37	0	163.37
		Washing treatment	710.85	0	710.85
	Others	Solidification treatment	12.69	0	12.69
		Chemical treatment	6,508.08	11.57	6,519.65
		Landfill	7.69	0	7.69
	Amount		32,013.95	405.85	32,419.80
Non-hazardous business waste	Incineration	Incineration	7,062.11	3,554.06	10,616.17
	Landfill	Landfill	2,176.05	1,134.92	3,310.97
	Recovery	Recovery and reuse (off-site)	22,196.90	14,642.15	36,839.05
		Recycling	194.74	0	194.74
		Heat treatment	23,989.56	0	23,989.56
		Washing treatment	31.79	0	31.79
		Physical treatment	8,307.68	0	8,307.68
	Others	Heat treatment	129.29	0	129.29
		Physical treatment	289.43	0	289.43
	Amount		64,377.55	19,331.13	83,708.68

3.2.5 Environmental material flow information



1. The Taiwan site's heating value coefficient of electricity 860 kcal/kWh, solar energy 860 kcal/kWh, natural gas 8,000 kcal/m³, diesel 8,400 kcal/L are adopted from 2015 Energy Handbook of Bureau of Energy, Ministry of Economic Affairs. The China site's heating value coefficient of electricity 860 kcal/kWh, diesel 10,200 kcal/kg, natural gas 8,505 kcal/m³ are adopted from the 2016 China Energy Statistical Yearbook.
2. For VOCs, NOx, and SOx, the measured values were converted into emission intensity (kg/m²), then the total emission was calculated using the actual panel area.
3. COD, BOD, and SS are calculated based on actual test results.
4. The scope of data includes Taiwan and China, with the exception of SOx, NOx and "Recycled Process Water" which only encompassed the Taiwan site.

Item/Year		Y2013	Y2014	Y2015	Y2016	Y2017
Energy and material use	Water use (Mm ³)	29.23	28.91	26.25	24.72	26.73
	Power use (MWh)	4,941,587	5,025,675	4,954,781	5,119,279	5,480,337
	Diesel (MWh)	3,223	3,261	3,144	3,413	4,654
	LNG (MWh)	123,018	129,622	127,364	122,701	130,909
	Liquid crystal (tons)	62.7	101.1	100.01	94.2	103.3771
	Al etching (tons)	16,552.00	17,670.00	19,280.60	19,003.73	20,051.60
	Developer (tons)	22,378.1	20,800.8	21,294.3	21,404.9	24,200.14
	Stripper (tons)	16,108.0	16,111.0	6,647.2	14,237.8	17,532.35
	Thinner (tons)	7,133.3	7,466.9	15,048.3	6,051.6	7,221.88
	Photo resists (tons)	6,070.6	6,499.3	7,190.7	6,221.5	6,491.40
GHG emission	Scope 1 (million tCO ₂ e)	0.523	0.511	0.439	0.455	0.436
	Scope 2 (million tCO ₂ e)	2.857	3.135	2.804	2.615	3.034
	Scope 3 (million tCO ₂ e)	0.013	0.035	0.018	0.025	0.022
Wastewater discharge	Wastewater (tons)	21,895,687	21,807,195	19,822,541	17,891,774	19,398,443
	COD (tons)	1,723.20	2,152.70	1,778.50	2,101.7	2,137.68
	BOD (tons)	334.1	703.3	556.4	708.5	829.7
	SS (tons)	621.9	1,003.30	867.6	679.3	1,127.0
Water recycling	Process water reclamation rate	82.8%	84.9%	94.20%	95.4%	95.40%
	Process water reclamation amount (tons)	65,154,840	69,873,633	235,957,877	240,354,817	288,678,559
Waste disposal	Total waste (tons)	112,364	111,264	97,694	98,556	116,128
	Hazardous waste (tons)	40,423.0	29,168.5	29,218.2	31,951.0	32,419.8
	Non-hazardous waste (tons)	71,941.1	82,095.2	68,475.9	66,604.5	83,708.7
Air pollution emission	VOC (tons)	111.2	151.9	104.7	158.2	157.8
	SO _x (tons)	14.1	15.2	42.3	46.2	38.3
	NO _x (tons)	9.3	16.3	15.8	15.3	20.2

3.3 Green Value Chain

[Green product management]	Management approach of material issue]
Materiality	More and more international environmental conventions, agreements and standards have been stipulated to achieve the corporate economic performance and meet eco-friendly needs. Innolux aims to reduce the environmental damage during all sections from material source to production, make selections beneficial to ecological balance and increase competitiveness in international markets.
Boundary	Within the organization
Management	Innolux carries out comprehensive green product management via smart green, source control, eco-friendliness and global certified strategy.
Medium-to-long term strategy	Promote the green value chain and build the low-carbon supply chain.
2017 performances	<ul style="list-style-type: none"> • Innolux activated the Smart Green Workstation and integrated the PLM (product lifecycle management) system with iGCD. It also kept track of the progress of product development and hazardous substance management of material. • Innolux optimized the “Customer's green product requirements” to control the technical requirement documents for the customer's green products and respond to customer needs immediately. • From 2012 to 2017, the accumulated weight of material conservation by material flow cost accounting is 1149.6 tons and the carbon reduction performance achieves 3,161 tCO₂e.
2018 promotion	<ul style="list-style-type: none"> • Innolux will carry out comprehensive preparation, reinforce the supply chain control standards, inspect the hardware and internal training, and welcome the new ROHS 2 directive. • Innolux reduces the risk of hazardous substances in the internal operation and supply chain. We plan to complete the version conversion certification of QC080000:2017 by 2019. • Innolux obtains the labels and certifications around the world to increase competitiveness in product sales. • Innolux implements a smart system to increase the management efficiency.



Green, low carbon, safe and compliance are the management criteria for our green products. We implement these criteria simultaneously in the industry chain from four perspectives. Innolux carries out comprehensive green product management via smart green, source control, eco-friendliness and global certified strategy. Innolux implements the smart system to increase the management efficiency. Furthermore, Innolux implements source control to ensure product compliance. Innolux achieves environmental friendliness by striving for goals of low-carbon, non-toxicity, energy conservation and material reduction. Innolux obtains the labels and certifications around the world to increase competitiveness in product sales.

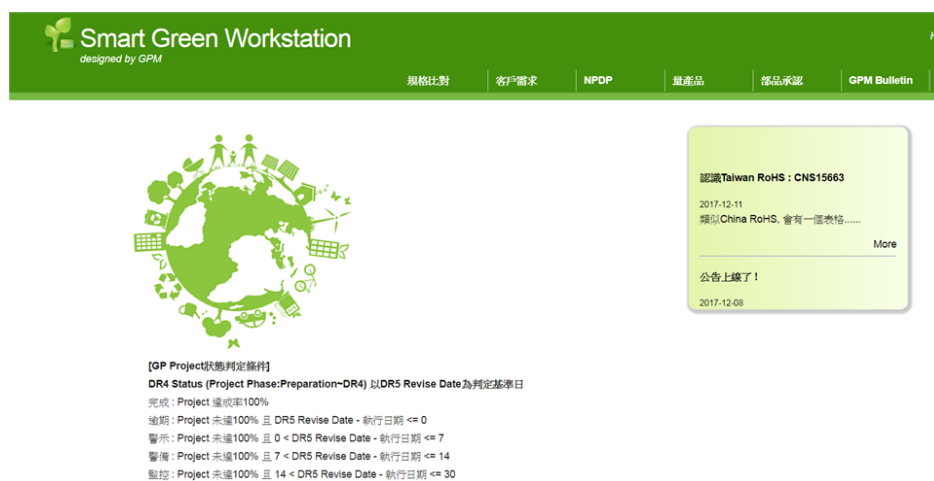
3.3.1 Smart green

Besides automated production, Innolux also attaches importance to management intelligentization. From 2014 to 2016, the intelligentization of green products focused on the system development and optimization of the iGCD of supply chain. In 2017, the idea of smart green extended from the material platform to product platform. To correspond to numerous product applications and real-time control, Innolux continues to strengthen the smart management to actively respond to the needs of smart green and keep track of the progress of product development as soon as possible. In addition, Innolux reinforces the search communication platform for green technology documents from customers, keeps track of the fulfillment of customer needs and traces back to the historical data for information transparency, and optimization of management efficiency and resource utilization.

Smart Green Workstation

The Smart Green Workstation, launched in 2017, integrated the PLM (product lifecycle management) system with the iGCD. Employees can check the progress of product development and whether materials comply with the management of non-hazardous substance immediately. In the meantime, they can arrange jobs based on the urgency of product needs. The Workstation gathers historical information on product compliance and generates the trend chart to help decision makers analyze and handle abnormal data and achieve progressive green management.

In addition to current functions of the Smart Green Workstation, we plan to connect all the systems important for green management. We will integrate the information of customers, products and materials to follow the product progress and customer requirements, cut down the time cost incurred by scattering systems, and reinforce the idea of smart green.



Customer GP Request System

Innolux products are suitable for various applications. Customers from all fields may request different technology documents on green recognition from the supply chain to ensure that products conform to corresponding green regulations and standards. Innolux built the Customer GP Request System at the end of 2016 to respond to various technology document requirements from customers. Therefore, Innolux can strictly control technology requirement documents of green products from all customers. Innolux continued to regulate and optimize system functions in 2017. The number of cases from customer requirements was 50% higher in 2017 than in 2016. Through the systematic management, Innolux kept track of case handling immediately and increased the response efficiency, which was useful when employees arranged jobs. Furthermore, employees can also lay out the records on customer requirement document based on different aspects such as the customer and product. They can find out the trend of customer surveys and possible risks based on the historical information to respond in time and quickly fulfill customer requirements. Therefore, they can increase the customer satisfaction.



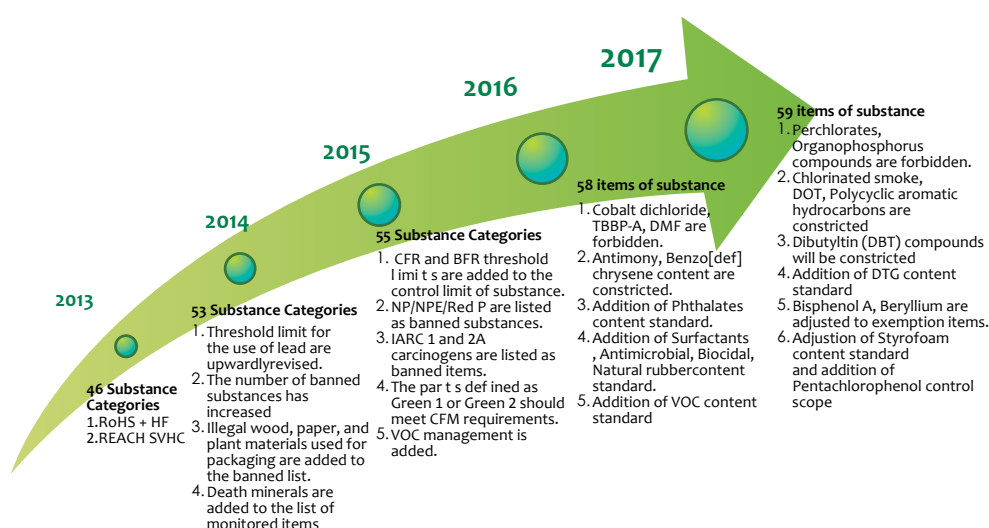
3.3.2 Source control

Product life cycle must have sufficient supply chain support to lead products to innovation and growth. Innolux actively promotes its influences on supply chains based on the implementation of green product policies, concepts, and experiences. Moreover, the company encourages the sharing of professional knowledge and experiences, frequently inviting suppliers to collaboratively promote green initiatives.

An important revolution in RoHS Regulations is about to take place. Ten types of hazardous substances will require product control instead of six types beginning July 22nd, 2019. Four types of PAEs (DEHP, BBP, DBP and DIBP) are included in the scope of control. To correspond to the regulatory amendment, Innolux has initiated the plan for policy change in advance, including internal and external promotion, training and confirmation of material compliance, in hoping to mitigate the impact of the official implementation of the regulation and seamlessly adapt to the regulatory amendment.

Prohibition/Limitation of Chemical Substances Used in Products

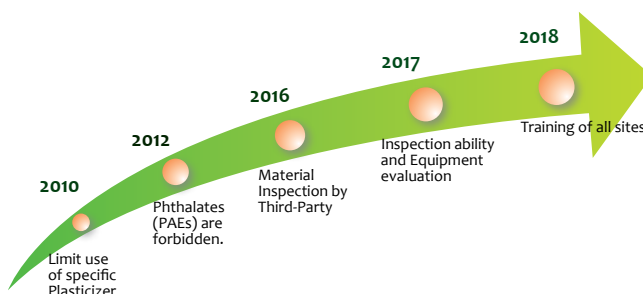
Innolux developed the Innolux Restricted Substances Management Standard based on the requirements for prohibition and limitation of the use of toxic substances specified in the international environmental protection directives, and industrial and customer specifications. This Standard is implemented for the management of chemical substances in the supply chain materials to meet international regulations and the customer trend towards non-toxic product management. Innolux aims to enhance the contribution of non-toxic materials from the supply chain progressively and continuously. Therefore, Innolux evaluates the appropriateness of directions according to the external management trend and feasibility of the current technology and proposes plans for the reduction of toxic substances regularly every year.



Response plan for revision of RoHS 2

The control on four types of PAEs (generally known as plasticizer) will be added to the Restriction of Hazardous Substances 2 (RoHS 2) 1 on July 22nd, 2019. Ten limited substances are included instead of six. A plasticizer is a type of EDC, and therefore it harms children's development according to studies. Innolux has been using materials containing certain plasticizers since 2010 and has prohibited the use of these four types of plasticizers since 2012. Innolux initiated the third-party test report and validation process on raw materials in 2016 for this amendment to the RoHS regulations. Innolux also aroused the attention of suppliers to this amendment in the supplier meeting. Furthermore, Innolux ensures that materials meet the plasticizer control requirements by rigorous third-party analysis. For the screening and management of plasticizers, Innolux actively searches for analysis equipment and acquires detectability to complete the internal monitoring process, despite the IEC (International Electrotechnical Commission) having not expressly stipulated any quick detection method for plasticizer.

In addition to the reinforcement of the standard for supply chain control and detection hardware, Innolux will initiate a series of internal training programs in 2018 with consideration of regulatory requirements and corresponding operating procedures. These programs aim to raise the awareness of employees on green products and prepare everyone for the era of new RoHS 2 in an all-round way.



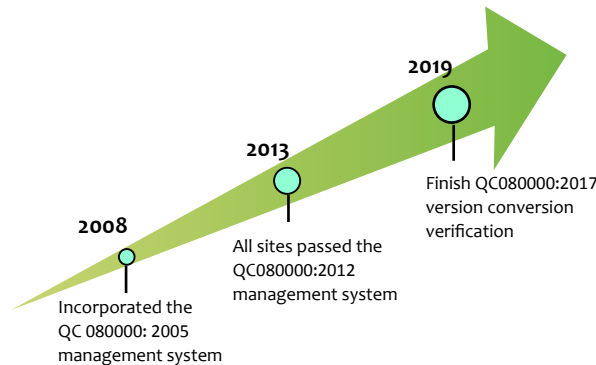
1. Directive 2011/65/EU: Restriction of Hazardous Substances 2 is generally known as RoHS 2.
2. Directive 2015/863: This amendment changes the number of controlled substances from six to ten. It is indicated as New RoHS 2 to identify the discrepancy of regulations in different periods or based on different types of control.

3.3.3 Environmental friendliness

For environmental friendly policies, Innolux looks for opportunities for innovation and improvement in the details of the value chain. Innolux seeks to reduce the environmental impact of our products and increase resource utilization based on core factors including non-toxicity, and energy and material conservation. Innolux introduces energy and material conservation during product design and development and carries out validation of the overall management via system certification to continue to increase the green competitiveness of product.

Continuous implementation of QC080000 (HSPM: Hazardous Substance Process Management System)

In 2008, Innolux implemented the QC080000 (HSPM: Hazardous Substance Process Management System) proclaimed by the IEC (International Electrotechnical Commission) and passed verification by international third-party notaries. Innolux reduces the risk of hazardous substances in the internal operation and supply chain via process management. Furthermore, Innolux plans to complete the version conversion certification of QC080000:2017 by 2019 to achieve sustainable development through continuous improvement.



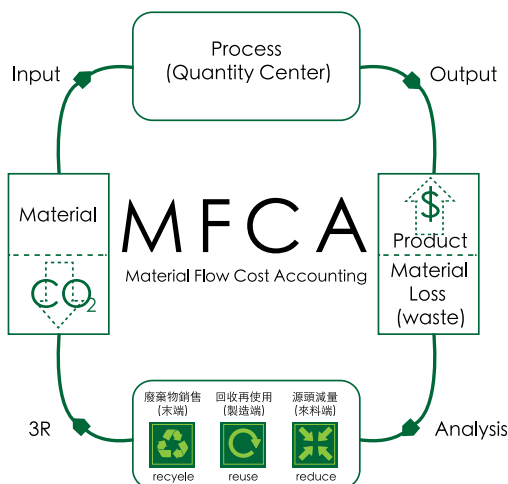
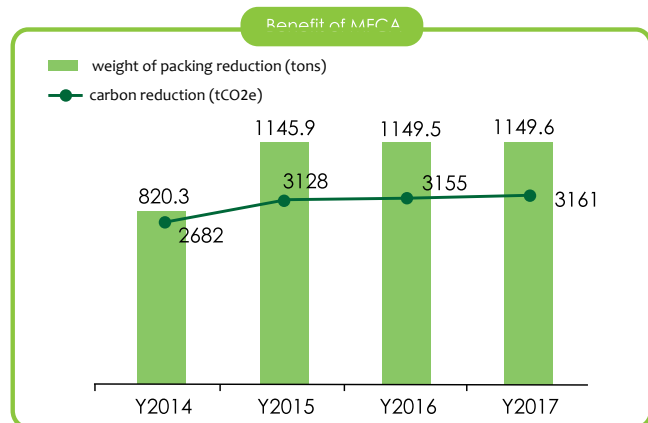
Continuous improvement of cost accounting of material flow

Innolux introduced the Material Flow Cost Accounting (MFCA) and relevant resource utilization improvement as well as material/carbon reduction plans in 2011. Foshan BLC site passed and received ISO 14051 accreditation in 2012, and the company took the Foshan BLC site methodology and experience as the template and implement to the BLC sites of Foshan, Ningbo, and Nanjing, as well as the Tainan SMT site, FAB3 site, and Jhunan T3 site in Taiwan.

In 2016, Innolux began to implement 3R improvement projects for Fab3 and T3 in front-end Taiwan sites in a parallel way. A total of 31 improvement projects of 3R have been carried out, including 29 projects on reducing material losses (Reduce), developing the technology for reusing the waste panel LCD (Reuse), and conducting valuable recycling of gold from the Au spacer (Recycle). (These projects have not been closed except for the Au spacer). A total of 15 3R improvement projects were launched in 2016 during the MFCA inventory on Jhunan T0/T1 sites (yet to be closed).

Innolux completed valuable recycling of gold from the Au spacer for northern sites (T1/T2/T3) in 2017 and the carbon reduction reached 6,206 kgCO₂e.

Starting from the project initiation in 2012, by 2017 the weight of material conserved from 3R in the front-end production process and the backlight has been accumulated to 1149.6 tons and the carbon reduction benefit is about 3,161 tCO₂e. Continuous improvement based on the win-win situation between economy and environment



Accumulated weight of material conservation and carbon reduction

Energy and material conservation in product design

Innolux products are used in various applications. We have different development teams for different application fields. Our teams are always challenging the optimization of green design for energy and material conservation.

1. Frameless technology development (material conservation)

The frame is reduced significantly in product design and only the bottom front frame remains. The plastic material is greatly reduced to save the space for wire and frame. In addition, Innolux enhanced the process capability to increase the effective visual zone, add design to the panel and achieve material conservation.



ME5 Series rectangle-shaped plastic front-frame product



B02 Series frameless product

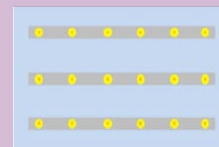
- Only the bottom front frame remains. The plastic material is greatly reduced. The effective visual zone is expanded.
- The integral rectangle-shaped plastic front-frame (198 g of plastic) is replaced with the bottom front frame (85 g of plastic), reducing the plastic material by 57%.
- The conductive material is only attached to the bottom side instead of wrapping all sides to save conductive materials for the rest of the three sides and time for manual work.

2. Enhancement of the product development technology (energy and material conservation)

Innolux aims for reduction of energy consumption and material conservation by using the product development technology. Innolux expects to maintain the same level of product performance before with minimum energy and contribute to environmental protection indirectly.



ME optical structure



D03 optical structure

- The bottom edge lift design is replaced with the direct lit design. The LED is embedded to reduce the optical path length and light losses, and increases efficiency.
- The number of LEDs is reduced by 60.9%, replacing 92 monocrystalline LEDs with 18 polycrystalline LEDs. The energy conservation is increased by approximately 1%.
- Two optical films are used instead of three to reduce the material consumption by 33%.
- The light guide plate becomes thinner. The 2 mm light guide plate (996 g) is replaced with the 1 mm diffuse plate (445 g), reducing 55.3% of thickness.

3.3.4 Global certifications

We have always been following our new Innolux principle, which indicates that our root is technology development and our essence is smart manufacturing. We strive upward for technology innovation, forward for product integration, and outward for global export. To enter the international market, Innolux progressively obtains the labels and certifications around the world for our products to pass certifications in different countries and ensure free access to the international market

Product labels and certifications

User's safety always comes first. Therefore, Innolux integrates regulations in different countries into the internal specifications of parts and components and carries out product compliance management in all aspects. The scope of product certification extends from modules to audio, video and medical products. Our medical products have obtained EU CE certificates and the U.S. FDA medical device licenses. For our audio and video products, we have acquired the CCC certification in China, the BSMI certification in Taiwan and the BIS certification in India. Our module and molding factories comply with the UL certification regulations in the U.S. Our product application and manufacturing integrity are expanded in depth and breadth. We continue to enhance the control of product safety level to export our products around the world smoothly.

3.4 Green Environment

The Innolux Education Foundation has been actively devoted to “environmental education” and “arts and culture” events since 2008. The Foundation celebrated its 10th anniversary in 2017. It continues to pay attention to issues on air quality, soil and water. In 2017, the Foundation planned a series of foundation-based environmental education programs including “Native ecology plan”, “Native ecology academic promotion education plan”, “Green power summer camp” and “Environmental education animation” based on the “Native ecology, endless vitality” program. While Innolux carries out restoration, it sticks to the principle that the right plant must be cultivated on the right land. This principle is our core of action. We use the power of broadcasting and social media management to draw attention of more people on environmental education. We hope that people can understand the importance of coexistence between soil, water and air and human beings.

Implementation of restoration of native ecological base

Innolux Education Foundation promotes the program “Native ecology, endless vitality” program to implement the community-based program for the restoration of native ecological base. Starting from the restoration of native ecological bases on the Jhunan and Tainan sites, Innolux and Innolux Education Foundation adopted Public Park No.3 in Jhunan to plan for native plant zones and save endangered species in Taiwan by restoration. They bring birds and insects back for restoration of native ecology. Dingpu Village in Jhunan was a sugar cane field a hundred years ago and Taisugar Livestock Research Institute sixty years ago. It was approved as a science park in 1997. Innolux works with experts in botanical ecology to look for native plants suitable for Hsinchu and Miaoli and restore the ecological landscape in low altitude localities in Taiwan. We plan for native plant zones in Public Park No.3 and mostly cultivate native Taiwanese species in low elevation mountains in Miaoli and Hsinchu and rare and endangered plants. Furthermore, Miaoli is one of the breeding grounds for milkweed butterflies and swallowtail butterflies native in Taiwan. We organized herbivorous and nectariferous plant zones in Miaoli as the bases for butterfly breeding, in hoping to contribute to ecological conservation in Taiwan.

ECO- Navigation



Through getting close to the nature, the school children have the opportunity to get the knowledge of Native ecology and native plants and are inspired of loving the eco-environment.

Campus approach program – Native base touring

Innolux and the Innolux Education Foundation adopted Public Park No.3 in Jhunan to plan for native plant zones, including the native, herbivorous and nectariferous plant zones. In 2017, Innolux organized ten tours in the native base. Our events include the park tour, enjoying cookies and citrus lemon water made of native plants, sketching and quizzes. About 1,000 students from 8 elementary schools in Miaoli participated in this event. Our employees and volunteers introduced native plants students and helped them experience and understand the impact of native plants on Taiwanese habitat. The Innolux Education Foundation is devoted to environmental education. It had more than 3,000 Facebook fans by the end of 2017. The videos on environmental education we made have reached over 20,000 views with the help of the network push.



Native ecology promotion education plan

5/24 Dingpu Elementary School



4 Humanistic Vision: To People with S.M.I.L.E

Humanistic Vision of People

“To People, with a S.M.I.L.E” is our humanistic vision to take care of employees and promote community and societal development in the aspects of safety, mental and physical wellness, initiatives for social care, living, and an employee-friendly workplace. We also constantly enhance human harmony and co-prosperity



4.1 Safety

The Innolux Environment, Safety, and Health Policy (ESH Policy) was established and comprehensively developed based on regulations such as ISO14001, OHSAS 18001, and TOSHMS. By implementing the ESH management system, we improve our safety culture toward INX4.0 with ESH in order to build a smart ESH management platform featuring “instantaneity, standardization, and trendiness.” INX Foshan further advocates the Industrial Green Manufacturing System Training Society.

4.1.1 Health and Safety Strategies and Management

[Occupational Health and Safety]		[Management approach of material issue]	
Materiality	According to UN SDG3: Ensure healthy lives and promote well-being for all at all ages, building a healthy and safe work environment is key to sustainable development and essential for enterprises to improve competitive advantages.		
Boundary	Within the organization		
Management Approach	Abide by applicable domestic and international laws and regulations; continually improve safety performance; engrain a corporate risk management culture; develop and promote an integrated risk management framework; build a health management system; provide warnings and information; implement health-promotion activities; and improve the mental and physical wellness of employees.		
Medium-to-Long Term Strategy	Abide by the international ESH management system; build a healthy and safe work environment; and reduce occupational accidents.		
2017 Performance	<ul style="list-style-type: none">• Development and implementation of the Smart ESH Management System.• Earthquake mitigation: Actively engaged in collaborative research on seismic resistance equipment and earthquake mitigation with experts and scholars of MOST and research institutions to shorten disaster recovery time and enhance organizational competitiveness.• Passed the ISO 14001 certification and acquired the certificate for the Environmental Management System.		
2018 Promotion	<ul style="list-style-type: none">• Implement the ESH toward Industry 4.0 and the IoT era and build a smart ESH management platform featuring “instantaneity, standardization, and trendiness.”• Establish the plan to implement ISO 45001 Occupational Health and Safety (OH&S) Management System and prepare for certification in 2019 to acquire the certificate.• Implement damage prevention and risk inventory to review the damage prevention preparedness, improve the weaknesses in damage prevention, and improve damage prevention management in order to deal with plant construction and expansion; new process, chemical, and machine implementation; and damage prevention over the years.		

Organization Design and Labor Participation

Under the President's Office, besides setting up a central planning unit to develop the ESH management system and drawing up the risk management strategy, we have established a responsible unit to take charge of ESH management affairs in each plant. Every quarter we hold the ESH Committee Meeting with the OU head of each plant, the head of reach responsible unit, and labor representatives to discuss issues regarding the goals, progress, internal/external communication items, performance measurement and evaluation results. In 2017, 701 labor representatives from Taiwan, or 32% of all attendees, and 236 labor representatives from China, or 35% of all attendees, attended the meeting.

We also implement ESH Ranking at all plants with passive indicators, including ES accidents and internal and external audits, and active indicators including ESH management and education/training involvement, along with the extra score indicator voluntary/active management. The score of active indicators is 25% of the ranking and is an extra score indicator as an incentive. We have also established ESH KPI control based on the FR mean between 2013 and 2016 and adjusted this according to the status of expansion of individual plants. The 2017 KPIs included challenging items such as severe occupational accidents, lost workday cases, restrictive workday cases, fire, OH&S violation tickets, and environmental violation tickets. With the ESH Ranking, we aim to build a healthy and safety work environment.



The heads of fabs hold the ESH Committee meeting

Occupational Hazard Reduction

At INX, we build the IT systems and databases for ESH management to enhance ESH communication efficiency within the organization. In addition, we link the hazard identification and risk management systems, occupational safety surveillance system, and occupational safety analysis with IT systems to eliminate the potential hazards in operational activities of employees and contractors and thereby enhance work environment safety. Furthermore, we implement corrective and preventive actions for anomalies in INX plants across the world with the Parallel System to prevent anomalies from recurrence. In 2016, we began to develop the mobile smart ESH management system and establish the plant ESH management and risk management indicators to enhance the capacity of and capture the trends of change in ESH management and risk management.

Our FR and SR began to turn down in 2013. Compared to that of 2016, FR and SR in 2017 reduced by 11% and 12% respectively, and no work-related fatalities were reported. Apart from implementing various management and improvement plans, enhancing equipment safety protection, promoting process automation to reduce operational hazards between employees and equipment and human factor hazards, and implementing human factor engineering risk assessment and hazard prevention, all INX plants voluntarily proposed improvement and parallel items to increase the weight of plant performance ranking and encourage employee participation. Aiming to make continual improvement, we will continue to set the 2018 annual target of lost workday cases and restrictive workday cases for each INX plant.

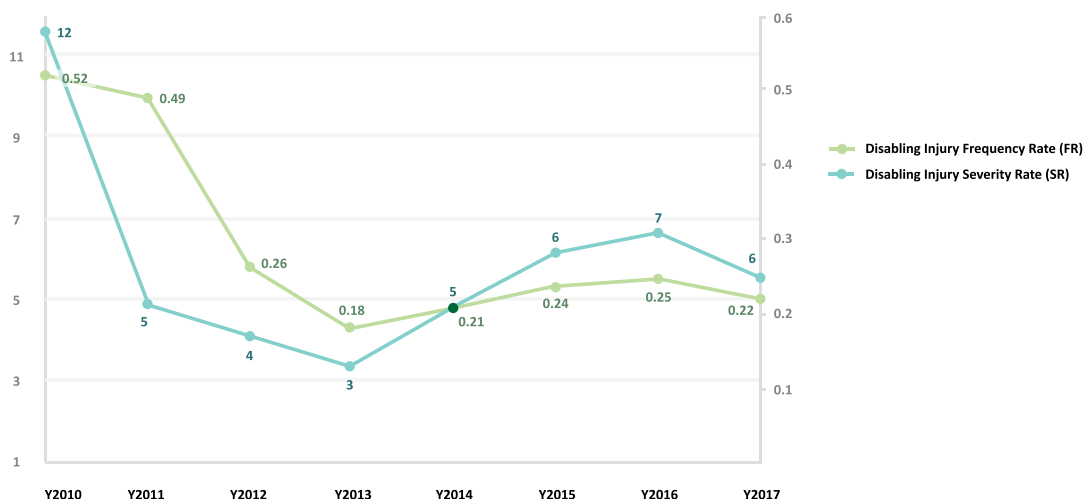
2017 Occupational Hazards

Item		Y2017		
		Taiwan	China	Innolux
Disabling Injury Frequency Rate (FR)	Female	0.24	0.04	0.15
	Male	0.60	0.07	0.27
	Total	0.42	0.06	0.22
Disabling Injury Severity Rate (SR)	Female	7	0	4
	Male	16	1	7
	Total	12	1	6
Injury Rate (IR)	Female	0.10	0.01	0.06
	Male	0.18	0.02	0.08
	Total	0.14	0.02	0.07
Lost Ray Rate (LDR)	Female	1	0	1
	Male	3	0	1
	Total	2	0	1

Note:

1. Data Range: Full-time employees and contract employees.
2. FR: Disabling accidents per million hours of work (equation: number of disabling accidents x 1 million hours of work/total hours of work).
3. SR: The number of lost workdays due to accidental injuries per million hours of work (equation: accumulated number of lost workdays due to accidental injuries x 1 million hours of work/total hours of work).
4. IR: The number of injuries per 200,000 hours of work (equation: number of lost workday cases and restrictive workday cases x 200,000 hours of work/total hours of work).
5. LDR: The number of workdays lost due to disabling injuries per 200,000 hours of work (equation: accumulated number of lost workdays due to disabling injuries x 200,000 hours of work/total hours of work).
6. Lost days are counted by calendar day and do not contain the accident and reinstatement day.
7. Data has eliminated "adhesive bandage accidents" without the need of further medical attention and injuries requiring confirmation by medical diagnosis.

FR and SR Trends for Occupational Hazards and FR over the years and SR over the years



Work-Related Fatalities over the Years

Item/Year	2011	2012	2013	2014	2015	2016	2017
Work-Related Fatalities ¹	0	0	0	0	0	0	0

Contractor Management

In addition to the regular two-way communication meetings and irregular construction safety courses held and organized to raise the ESH management awareness of contractors, we assist contractors with completing the hazard identification, risk assessment, and emergency response plan for high-risk operations. After an accident occurs, we investigate and analyze the accident with the Accident Management System and take corrective and preventive actions. For accident prevention, we plan and implement projects and education/training activities to improve the hazard assessment and prevention capacity of contractors and arrange rescue and response drills for potential accidents of operations and activities. Compared to that of 2016, although both the accident rate (0.29 vs. 0.23) and injury rate (0.06 vs. 0.05) rose slightly in 2017, both the work-related fatality rate (0 vs. 0.02) and lost day rate (2 vs. 139) reduced.

Contractor Accident Rate in Taiwan

Item	Male	Female	Total	
	2017	2017	2016	2017
Contractor Accident Rate (per million hours)	0.44	0.00	0.23	0.29
IR (per 200K work-hours)	0.09	0.00	0.05	0.06
LDR	3	0	139	2
Work-related Fatality Rate	0	0	0.02	0

Data range: Contractors in Taiwan

1. Contractor refers to contractual workers of INX and working in INX-managed areas, including labor outsourcing.
2. Contractor Accident Rate = Number of Contractor Injuries x 1,000,000/Total Contractor Work Hours.
3. IR: The number of accidents per 200,000 hours of work (equation: number of lost workday cases and restrictive workday cases x 200,000 hours of work/total hours of work).
4. LDR: The number of workdays lost due to disabling injuries per 200,000 hours of work (equation: accumulated number of lost workdays due to disabling injuries x 200,000 hours of work/total hours of work).
5. Work-related Fatality Rate= Contractor Fatalities x 200,000/Total Contractor Work Hours.
6. Lost days are counted by calendar day and do not contain the accident and reinstatement day.



OS&H Family Activity



Collective Bargaining Meetings

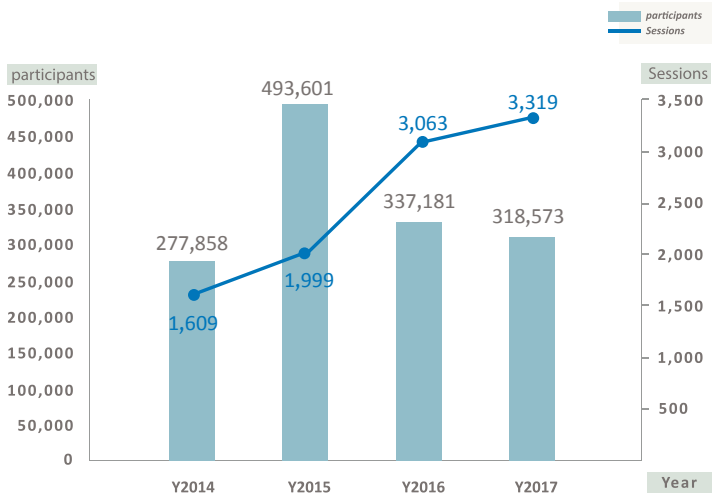


Education/Training Activities

ESH Education and Training

Education and training are the foundation to promote and practice the ESH Management System. Therefore, we constantly organize general education activities on OH&S and training activities regarding professional knowledge and skills, such as emergency response training activities and drills for chemical spillage and fire, environmental management, damage prevention, business continuity management, plant and equipment safety, chemical hazards and protection, fire management, occupational diseases prevention and health talks. In 2017, a total of 3,319 ESH education and training activities were organized for 318,573 people, about 5 activities/person.

ESH Education and Training Activities and Participants



Session, Participant and Length of ESH Courses 2017 (including employees and contractors)

ESH Course	Y2017	
	Employees	Contractors
Session	3,319	456
Participant	318,573	20,338
Length	311,028	30,431

Stress Relief Talks

To promote employee mental health, we arranged the Stress Relief Talk in 2017. A total of 41 talks were held in Taiwan for 1,461 participants. The content includes interpersonal communication, suicide prevention, stress relief, and emotion management. Related courses were organized for teams and line workers on a long-term basis to help more employees.

Traffic Safety Talks

To raise the traffic safety awareness of employees, we organized a wide variety of traffic safety talks on various driving skills and safety advice in 2017, including preventive driving, check before driving, driving habits, and shift effect.



4.1.2 Occupational Safety and Risk Management

In 2014, we completed the overall risk inventory of all plants. After categorizing risks according to the inventory results, we persistently included them in the annual KPIs for improvement. To enhance the reliability of the safety protection system of production facilities, we implemented the subject matter audit (SMA) on damage prevention risks in Greater China (including plants in Taiwan and China) during 2015-2016. In 2017 we implemented damage prevention risk and safety management audits and various disaster mitigation improvement projects to practice the risk management system and enhance risk resistance.

(1) Damage prevention inventory and KPI improvement

Apart from continuously promoting the items requiring improvement found in the 2016 damage prevention inventory, we included fire equipment functionality tests and established the targets for defects found in the damage prevention inventory in 2017 to make continual improvement, enhance risk resistance, and ensure the availability of fire equipment in each plant.

(2) Fire prevention reform and self-inspection

We established a fire prevention task force in each plant to implement fire prevention reform. The reform includes the legal compliance of building fire prevention, electrical safety, flammable objects control, fire system, and self-inspection items of risk control for fire contingency and the TDT-LCD panel process, in order to eliminate potential fire risks and supervise fire prevention management.

(3) Damage prevention and risk and safety management audits of plants in China

The central ESH unit audited plants in China onsite in six major aspects: fire prevention management, equipment safety, self-inspection, chemical management, accident parallel prevention, and change management; checked the effectiveness of implementation of the change control of factory buildings/processes and the safety management system; and examined the integrity of the current damage prevention and safety management system to strengthen the damage prevention and risk and safety management of plants.

(4) Optimization of the damage prevention and risk management system

Apart from regularly reviewing the organizational management regulations to ensure legal compliance in line with the change in operational risks of plants and related laws and regulations, we optimized and integrated related safety and risk management specifications (e.g. risk engineering specifications for plant construction and expansion and the safety regulations for auto guided vehicles and other system equipment) in accordance with the international trend of risks and the status of organizational operations.

(5) Earthquake Mitigation Project

All factory buildings and production equipment are built and purchased in accordance with related domestic and international standards. In view of the damage caused by earthquakes, we engaged in collaborative research on seismic resistance equipment and earthquake mitigation with experts and scholars of MOST and research institutions to shorten disaster recovery time and enhance organizational competitiveness. The outcomes include seismic resistance for automation equipment (OHCV and STK) and precision process equipment and earthquake warning systems.

(6) Business continuity management

In addition to human-factor incidents, natural disasters, such as water shortages and snowstorms, can impact business continuity. To prevent natural disaster from affecting plant operation, we keep track of the situation and draw up countermeasures for potential incidents to deal with the consequential impacts and thereby lower the risks of business interruption. For example, we have established the drought response and preparedness team to deal with the water supply trend in Taiwan and the snowstorm response guide, snow surveillance mechanism, and response SOPs for plants located in snowstorm-prone areas in China.

BCP Drill 2017 Records

- **Drilling Topic: Abnormal water and power supply outside the plant and damage of important equipment in the Fab 2 plant in Tainan.**

- **Scenario Simulation:**

Outside Fab: Power outage for 20 hours, reservoir and pumping stations shutdown for 60 hours due to power outage and equipment damage, and park sewage treatment plant shutdown for 3 days.

Inside Fab: An earthquake caused fires from electrical short circuits, gas pipeline rupture, Air Liquide gas station damage, and optical trunk line rupture.



- **Drilling Topic: Machine operation failures caused by an abnormal chilling water supply due to system failure at Fab 8 (L6) after an earthquake in Tainan.**

- **Scenario Simulation:**

Supply system failure due to a facility chilling water sub-main rupture, key machine dislocation in L6 after the quake, all lifters failed and were difficult to restore or calibrate immediately.



Plant	Drilling Items	Sessions in 2017	Persons in 2017
TW	Fire, equipment electric shock, bodily injury, chemical spillage, water leakage, ERT, evacuation, toxic gas leakage, sprinkler damage, chiller trip, food poisoning, abnormal power supply, diesel spillage, smoke, earthquake evacuation, and flood.	928	10131
	Fire, bodily injury, chemical spillage, water leakage, ERT, evacuation, toxic gas leakage, sprinkler damage, chiller trip, food poisoning, abnormal power supply, diesel spillage, smoke, and earthquake evacuation.	105	4936
NGB	Fire, bodily injury, chemical spillage, food poisoning, LPG leakage, evacuation, smoke, and power outage.	395	27255
FS	Fire, smoke, chemical spillage, waste liquid spillage, water leakage, stuck in an elevator, power outage, and flood.	193	1821
NJ	Fire, chemical spillage, diesel spillage, bodily injury, evacuation, checkpoint hit, confined space, evaluation, gas tank leakage, and smoke.	107	9374
SH	Flood, electric shock, evacuation, fall in confined space, chemical spillage, heatstroke, poisoning, and various ERT items.	19	3271

Practical Emergency Response Drilling

Plant	2017 Drilling Items
JN	Fire, equipment electric shock, bodily injury, chemical spillage, water leakage, ERT, evacuation, toxic gas leakage, sprinkler damage, chiller trip, food poisoning, abnormal power supply, diesel spillage, smoke, earthquake evacuation, and flood.
TN	Fire, bodily injury, chemical spillage, water leakage, ERT, evacuation, toxic gas leakage, sprinkler damage, chiller trip, food poisoning, abnormal power supply, diesel spillage, smoke, and earthquake evacuation.
NGB	Fire, bodily injury, chemical spillage, food poisoning, LPG leakage, evacuation, smoke, and power outage.
FS	Fire, smoke, chemical spillage, waste liquid spillage, water leakage, stuck in an elevator, power outage, and flood.
NJ	Fire, chemical spillage, diesel spillage, bodily injury, evacuation, checkpoint hit, confined space, evaluation, gas tank leakage, and smoke.
SH	Flood, electric shock, evacuation, fall in confined space, chemical spillage, heatstroke, poisoning, and various ERT items.



Cleanroom evacuation & chlorine gas leakage drill at JN.



Toxic gas leakage drill at TN.



Food pressure injury by an oil pressure vehicle drill at NGB.

Nickel 63 Radiation Leakage Response Drill and Joint Defense with Luzhu Fire Station

To ensure the response and joint defense effectiveness with the Luzhu Fire Station in STSP, we actively implement drills on various accidents with the local authority (Luzhu Fire Station). In May 2017, we teamed up with the Luzhu Fire Station to drill the emergency response to a nickel 63 ionized radiation leakage from a quality inspection instrument in cleanroom C12. Through the drill and review, we enabled the competent authority to plan the rescue route more efficiently and enhanced our emergency response skills to effectively control or eliminate disasters immediately after occurrence.



1. Luzhu Fire Station come to support and the safeguard direct the vehicular traffic



2. Set up the fire command station and deploy the assignment



3. Define "cool", "warm" and "hot" area and conduct the firefighting



4. On-site check the equipment and measure the radiation value



5. Set up the blockade line for the Radiation Leakage Area



6. Review after the fire drill

Sharing and Exchange

Name of Activities/Seminars 2017	Sharing Topics	Organizer	Attendee
Circular Economy in Cities and Industrial Symbiosis Forum at the 2017 HSP Industrial Safety and Environmental Month	Chemicals Recycling at INX	The Allied Association for Science Park Industries and the Hsinchu Science Park Bureau, MOST	200
Practical Management and Communication Skills for OH&S Personnel Taipei and Kaohsiung	Practice and Drill of OH&S Management and Communication Skills	Occupational Safety and Health Administration, Ministry of Labor; and Safety and Health Technology Center	100
22 nd Asian Conference on Occupational Health—Senior OH&S Managers or Executives Round Table	Fitness for Work in Reinstatement—Case Study	Taiwan Environmental and Occupational Medicine Association	250
Intelligent and Green Manufacturing	A Practical Plan for Seismic-resistance Engineering in High-tech Factory	International Display Manufacturing Conference	600

4.2 Mental & Physical Wellness

[Employee-Friendly Workplace]	[Management approach of material issue]
Materiality	At INX, we value the mental and psychical wellness of employees and are committed to creating an employee-friendly workplace, hoping to enhance organizational coherence and commitment to employees and reduce employee grievances and turnover rate, in order to stabilize the workforce and improve the organizational image.
Boundary	Within the organization
Management Approach	Maintain a healthy and safe work environment; organize activities to promote mental and physical balance; and offer competitive wages, comprehensive employee benefits, and fluent communication channels to employees; improve the living, food, housing, transportation, recreation, and recreation of employees; and set indicators to review effectiveness.
Medium-to-Long Term Strategy	Provide employees with a work environment featuring mental and physical wellness.
2017 Performance	<ul style="list-style-type: none"> • Taiwan: Designed the Employee-Friendly Workplace Questionnaire in terms of three constructs: leadership management, salary and benefits, and career development in Q3 of 2017. • China: Optimized the food, housing, transportation, education, and recreation of employees and set the employee turnover as an indicator of employee-friendly workplace, and the 2017 employee turnover was 2.83%, less than 3.98% in 2016.
2018 Promotion	<ul style="list-style-type: none"> • Taiwan: <ul style="list-style-type: none"> Q1, 2018: Design the questionnaire based on “activity organization” and “welfare policy” to keep closer to organizational development and employee appeals. Q2, 2018: Conduct the Employee-Friendly Workplace Questionnaire to discern employee needs and recommendations at the source and draw up related proposals and improvement measures. Q4, 2018: Conduct the Employee-Friendly Workplace Questionnaire after improvement to confirm the effectiveness of improvement. • China: <ul style="list-style-type: none"> Constantly improve the quality of food, housing, education, transportation, and recreation services for employees.

Recognizing employees as the bedrock of sustainable development, we value the mental and physical wellness of employees and are committed to building an employee-friendly workplace. Apart from organizing activities to promote mental and physical wellness, we provide a healthy and safe work environment, and fluent communication channels. We help improve the food, housing, transportation, recreation, and recreation of employee. In addition, we set employee turnover as an indicator of employee-friendly workplace, and the 2017 employee turnover in Taiwan and China was 3.39 %, slightly less than 4.46% in 2016. In Taiwan, we establish various welfare systems, organize various leisure and recreational activities, actively promote club activities, and build the EWC website through the Employee Welfare Committee (EWC) for employees to balance health and life after work.

We also arrange various facilities for employees to maintain mental and physical wellness in China. These facilities include the gym, massage room, internet café, and counseling room. Moreover, we organize various activities such as Family Day, parent-child activities, fairs, and club activities. With such, we aim to promote mental and physical wellness for employees through these stress-relief activities.

INX Nursery

For employees to balance family and work, EWC has signed a tuition and fees discount agreement with the Living Water Kindergarten nearby to benefit employees with toddlers at home. In 2017 we further established the INX Nursery to provide kiss and drop-off service through kindergarten teachers for the children of employees. Apart from offering a safe waiting place to ease the worries of employees, this policy can save employees from travel.



INX Nursery



Living Water Kindergarten



Activities to Promote Mental and Physical Wellness

Taiwan

Festival Sales: Year-end street fair



Excursion: Having fun in spring



Recreation Center



Sports Meet and Family Day



Sharing Love with Christmas Carol Singing



Ningbo

Monthly Theme Activities



Family Day



INX Karaoke Contest and Daqi Street Karaoke Contest



Sports Season



Family Visit and Tour for Outstanding DLs



Nanjing

Family Day



Green Green INX



Foshan

Christmas & New Year Fair



Beautiful Foshan All Way Through:
50km Walking



Mobile Library



Shanghai

Family Day



Passion Everywhere: Hey! Climb the
Mountain in Lamp's Walk



Funs with Clubs

To encourage employees to develop personal hobbies after work to balance work and life, we have established and subsidized a wide variety of clubs to meet the diverse activity needs of employees. In 2017, there were 37 clubs in Taiwan and 20 clubs in China to encourage employees to exercise, release work stress, and share interest and to promote mental and physical wellness, in order to create an energetic and joyful work environment for employees.

37 Clubs in Taiwan



Baseball Club of the Jhunan Plant
Won the championship at the 2017 Chairman Cup Softball Championship of Miaoli County Sports Federation



Badminton Club of the Tainan Plant
Both Men's Adult A and Men's Adult B won the champion at the 2017 Labor Club Badminton Competition

13 Clubs of the Ningbo Plant



Soccer Club
Won second place at the Daqi Street 12th Citizens' Sports Meet 2017 of Beilun



Basketball Club
Won fourth place at the 3x3 Basketball Competition 2017 of the Daqi Street Citizens' Sports Meet of Beilun

7 Clubs of the Foshan Plant



Basketball Club
Won the Best Entity Award and ranked in the top 16 at the Shizhan Enterprises Competition.



Badminton Club
Won the Taiwan Investor Men's Single Champion at the 2017 Badminton Competition organized by the Foshan City Taiwanese Investors' Association

Club Sketches
2017



Food: Cafeteria Service



Taiwan

Launched the restaurant alliance and booth rotation policies for employees of different plants to get the opportunity to enjoy the specialty foods of each booth.



Ningbo

Introduced the specialty food lane, pot foods, and teppanyaki lane; added beverage shops and mini boxes in the cafeteria for small employee reunions.



Foshan

Installed digital signage in the cafeteria to display occupancy, dishes, sales, and new dishes for employees to make their choices more easily.



Nanjing

Promoted the open kitchen and transparent cooking project for employees to see how their foods are cooked and the kitchen condition when they make their orders.



Shanghai

Supplied the most bargain set meals with the highest price-performance ratio compared to other plants around.

Stringent Food Safety Control

Taiwan:

Food suppliers update the ingredient data and inspection report ever month and conduct cafeteria/kitchen ESH tour inspection every week for employees to feel safe to eat.

Publicity on the system startup screen and posts on the cafeteria notice board regarding food safety documents to voluntarily disclose related information for employees to feel safe to eat.

Ningbo:

Audit ingredient suppliers quarterly and spot check ingredients weekly.

Foshan:

Implement the transparent kitchen policy for all-time surveillance of kitchen operations.

Nanjing:

Passed meat and vegetable quarantine and acquired the Class A restaurant qualification.

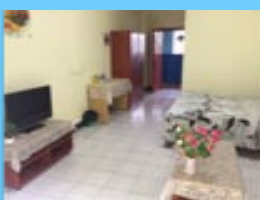
Housing: Dormitory Services

We care about and improve the housing quality of employee dormitories. By constantly upgrading housing services and equipment, we aim to provide a comfortable housing environment for boarding employees.



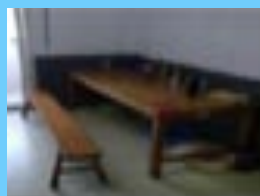
Ningbo:

- Twelve guestrooms for relatives to fulfill the accommodation needs of employee relatives.
- Improved the heater system of the Management Research Dorm to fulfill the daily needs of employees.



Foshan:

- Dormitories in the Living Area: Added the apartment-type rooms and established the employee recreation area and food court.
- Enhanced the Wi-Fi signals in the form for employees to surf the internet more smoothly.



Nanjing:

- Purchased new bench tables, bench chairs, toilet bowls, and accessible facilities in the dorm for employees with disabilities.

Transportation: Transportation Services



Taiwan:

We began to broadcast riding safety public information films (PIFs) on the plant shuttle bus and shuttle bus between plants in Taiwan to enrich the traffic safety knowledge and improve the riding manners of employees in 2017.



Ningbo:

- Introduced the ticket booking app for employees to book tickets of the train for their hometowns over the mobile.
- Built interior and exterior covered corridors to facilitate employees to come to work and go home in rainy days.



Nanjing:

Increased motorcycle and car parking spaces for employees.



Shanghai:

- Arranged transportation for employees working extra hours to save their spending on taxi fares.
- Repaired the employee EV carport.

4.3 Initiative on Social Care

[Community Participation and Social Care]		[Management approach of material issue]
Materiality	Upholding our belief in giving back what we take, we maintain our social sustainability by repaying society, hoping to bring positive social change through philanthropy and making use of our institutional influence. By combining our own core capacity and the resources of the Innolux Education Foundation, we have long contributed to causes supporting those with disabilities, vulnerable groups in remote rural areas, and environmental education. Apart from helping the less fortunate and the poor to stand up, we hope to bring about positive social developments by exerting our institutional influence.	
Boundary	Within the organization	
Management Approach	Help the less fortunate and the poor to stand up and form a mutually prosperous consumption system through care and empowerment.	
Medium-to-Long Term Strategy	Demonstrate sustainable development synergy by combining CSR and business strategies.	
2017 Performance	<ul style="list-style-type: none"> Empowered vulnerable groups by offering 20 job opportunities in collaboration with CCF and convenience store chains. Contributed NT\$6,618,831 to philanthropic causes: <ul style="list-style-type: none"> (1) Donation of NT\$4,215,000: Safeguard Love · Breakfast with Warmth fundraiser. (2) Donation of 1,814 gifts: Christmas Dreams gift presentation. (3) 136 hours of volunteer service: Christmas Dreams gift presentation, Safeguard Love · Breakfast with Warmth fundraiser, Endemic Exploration Summer Camp, and Campus Program: Endemic Site Guided Tours. 	
2018 Promotion	<ul style="list-style-type: none"> Expand the scope of community participation and contribution by extending the spirit of empowerment for vulnerable groups. Send Love Remotely at the end of 2017 to 2019 in collaboration with the Innolux Education Foundation and INX Club to send goodwill to students living in remote rural areas. 	

We believe that mutual prosperity with society at large is the way to sustainable development. As the leader of Taiwan's TFT-LCD panel industry, in addition to our business, we have long contributed to environmental protection and social care to fulfill our responsibility economically, environmentally and socially.

On the social side, apart from continuing philanthropy and care activities, we added environmental education-focused philanthropic activities for students from vulnerable groups in remote rural areas in collaboration with the Innolux Education Foundation in 2017. In philanthropy and care, we organized the Christmas Dreams gift presentation and Safeguard Love · Breakfast with Warmth. As for environmental education, we launched the endemic ecology base conservation program, Endemic Exploration Summer Camp, and Campus Program: Endemic Site Guided Tours.

In addition, we quantified our philanthropic investments according to the community investment assessment model introduced by London Benchmark Group (LBG). In 2017, we contributed a total of NT\$ 6,618,831 to philanthropic causes, including \$2,868,831, or 43%, for communities, NT\$2,050,000, or 31%, for charitable donations, and NT\$1,700,000, or 26%, for business promotion.

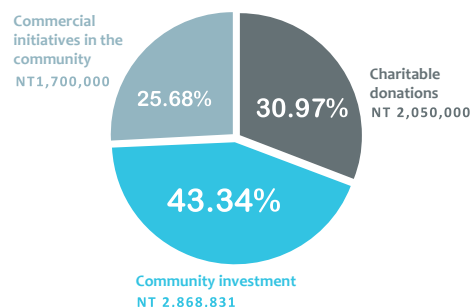
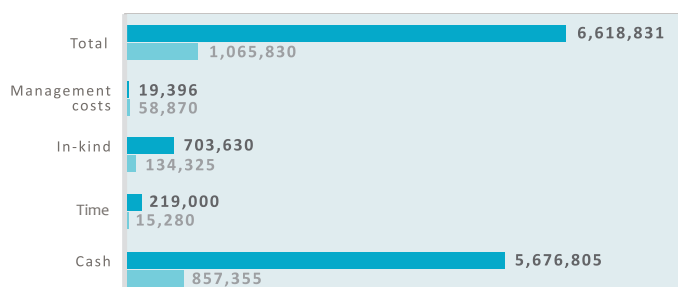
The Driver of Contribution in 2017	
Driver	Amount (NT\$)
Charitable donations	2,050,000
Community investment	2,868,831
Commercial initiatives in the community	1,700,000
Total	6,618,831

The Form of Contribution in 2017	
Form	Amount (NT\$)
Cash	5,676,805
Time ^{Note1}	219,000
In-kind	703,630
Management Cost	19,396
Total	6,618,831

Note1: Time contribution: quantified amount for contribution made during working hours or paid service time.

• Time contributed by employees ^{Note2} 976hr

Note2: Including volunteering during working hours/paid hours, and after-work.



■ Y2017 ■ Y2016

4.3.1 Philanthropic Participation

Empower Vulnerable Groups in Collaboration with CCF

In 2009 we began to promote the CCF Family Mart Convenience Store and CCF Love Shop in the plant in collaboration with CCF and the Family Mart convenience store chain. As a pioneering act in the science park, we hope to help voluntary groups, including single mothers, resettlement agency youths, and other young people in the community to make a stable income and be empowered. In 2017 we offered 20 job opportunities for employees help the poor and vulnerable while shopping.

Snowflakes Fly and Love from Innolux Spreads to the Rural on Christmas

Love from Innolux to the Rural on Christmas

The INX Charity Club began to collaborate with the World Peace in 2008 to show care to disadvantaged students in remote rural areas by recruiting Christmas wish cards from children living in poverty and in remote rural areas to help fulfill their dreams. In 2017, the Love from Innolux to the Rural program was expanded into a voluntary service. Within two weeks, INX, the Innolux Education Foundation, and the INX Charity Club recruited 1,800 gifts and organized the Love from Christmas party Innolux to the Rural on Christmas at Tianmei Elementary School in Nanzhuang, Miaoli. A total of 22 volunteers from the INX Charity Club distributed Christmas presents to 500 students from 19 elementary schools in Miaoli and 1,314 students from 60 elementary schools for disadvantaged students in Tainan were able to feel warmth from society and build up faith and the courage to pursue their dreams with the love of INX's employees.



INX Charity 333 · Love Safeguard · Warm Breakfasts Donation from INX

We began to support the STSP Charity Month in 2015 by offering emergency medical assistance for students from vulnerable families living near STSP. Apart from helping vulnerable families with medical needs access medical attention, we united the charity and power of our employees at the end of 2017 to demonstrate charity and care for local communities in Miaoli and Tainan by launching the INX Charity 333 · Love Safeguard · Warm Breakfasts donation in light of the need for a stable food supply and basic health and growth needs of their students. The donation raised a total of NT\$4,215,000 from INX and its employees for World Peace and World Vision Taiwan, benefiting 173 students in Miaoli and 198 students in Tainan. As of March 2018, World Peace and World Vision Taiwan will supply nutritional breakfast to 281 disadvantaged students for one year in collaboration with local breakfast shops to feed them and help them grow and learn in a healthy way.



Sponsoring CCF Students for Summer Camps

In 2017 the Innolux Education Foundation organized the Endemic Ecology Exploration Summer Camp at Huisun Forest in Nantou with the theme of Never Ending Endemic Ecology. Apart from the children of employees, we sponsored 20 students from CCF Miaoli and CCF Tainan to join the summer camp, which garnered a total of 120 participants.

Engraining environmental education is the aim of the summer camp for students to further understand the endemic ecology of Taiwan and let the concept of endemic ecology conservation begin to grow in its children. Apart from taking students out of the classroom to experience the importance of Taiwan's endemic plants, the camp arranged for university students to be team guides to provide a platform for would-be graduates to apply knowledge acquired from school to help instill critical thinking in children. As a result, university students were able to inspire elementary school students to understand and protect endemic plants through teamwork and growth.



Shanghai

Fraternity for Warmth in Society: Shanghai Guangzi Welfare Home for Children with Disabilities

Employees of INX Shanghai visited Shanghai Guangzi Welfare Home for Children with Disabilities. Apart from donating daily necessities to the facility, they bought biscuits made by the children there to replace simple donations with purchases.



Nanjing

Christmas with Tingting Kindergarten for the Hearing Impaired

Employees of INX Nanjing visited Tingting Kindergarten for the Hearing Impaired on 2017 Christmas to spread INX's care for children with disabilities by giving them Christmas presents.



Ningbo

Compassion for the Elderly: Spring Festival Visits on Elderly Homes

As part of its corporate social responsibility, INX Ningbo regularly visits welfare homes. Under the lead of President Kuo-Hsiang Kuo, more than 30 compassionate employees visited the Beilun Changlai Welfare Home for the Elderly in 2017 to send warmth to elderly people.



Charity Fund

To expand the influence of its philanthropic activities, show affection for vulnerable groups, and practice corporate social responsibility, INX Ningbo officially established the INX Ningbo Charity Fund in 2017 to improve the charitable image and brand awareness of INX.



Visits on Qunxiao on Mid-Autumn Festival

On National Day and the Mid-Autumn Festival, compassionate employees of INX Ningbo brought mooncakes and fruit to Qunxiao Kunting Elderly Home to further the tradition of respect for the elderly.



4.4 Living

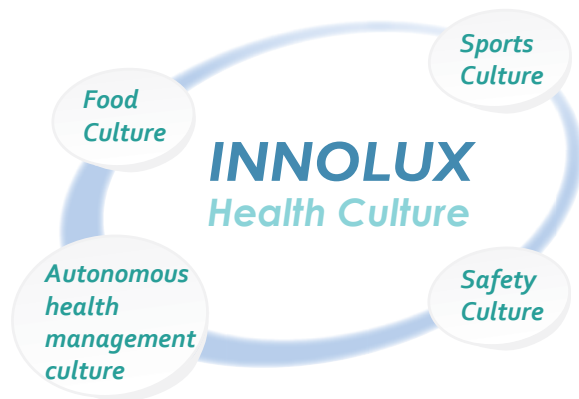
At INX, we care for employees from preventive health care to daily life care. For employees with disabilities, we plan and innovate related management policies with compassion.

4.4.1 Health Management

Health Risk Management

We have established a method of health risk analysis based on the OHSAS 18001 and TOSHMS management systems and with reference to both the World Health Organization (WHO) and other international literature and cases. By analyzing the health examination results and health survey results of the health management system built years ago, we have established management strategies corresponding to each risk level.

In addition, we have implemented health factors in operational risk identification to raise the awareness of hazard prevention. Every year, we identify plant-specific posts/stations that are hazardous to health according to local laws and regulations before implementing corresponding hazard-specific management measures, including orientation and on-the-job education and training, regular operation observation / environmental surveillance/testing, regular health examinations, and various other hazard controls. The table below shows the hazard categories of each plant. For posts/stations that are hazardous to health, we reduce their hazards on employee health according to local regulatory and statutory requirements and the INX management measures to achieve a zero occupational disease rate (ODR). In 2017, we were able to maintain our ORD.



Occupational Diseases Over the Years

	2011	2012	2013	2014	2015	2016	2017
Number of Occupational Diseases	0	0	0	1	0	0	0
ODR (n/MWH)	0	0	0	0.0039*	0	0	0

*n=Number of occupational diseases; MWH=million work hours

Region	Hazard Category	Operation Description
Taiwan	Ionizing Radiation	Operation, maintenance, and sample testing of X-ray machines
	Noise	Inspection or equipment maintenance in the noisy areas, such as the water treatment plant, HAVC system room, power equipment room, and operation machines.
	Indium	ITO target grinding and dust cleaning
China	X-ray	Operation of X-ray machines
	Heat	Machine maintenance
	Noise	Cutting, loading and unloading, machine maintenance; inspection or equipment maintenance in the noisy areas, such as the water treatment plant, HAVC system room, power equipment room.
	Ultraviolet	UV machine and sealing operations
	Dust	Cutting, abrasive grinding, grinding machines, and etc.
	Chemicals*	Chemical dispensing, gluing, welding, etc.

*N-heptane, isopropanol, acetone, ethyl acetate, tin dioxide, etc.

Management and Promotion of Mental Health

To offer a safe, secure and healthy work environment and atmosphere, we began to promote the workplace mental health and employee assistance program in 1993 and have established mental health management systems specific to plants in Taiwan and China. By regularly promoting workplace mental health, INX Taiwan plants were made the demo workplace for Value Life, Happy Workplace in Tainan City in 2013 (figure 1).

We have established counseling rooms at plants in China and arranged for psychologists to offer mental health services including an annual mental health screening, employee counseling, regular mental health publicity, care angel training, and annual mental health promotion. Apart from promoting mutual moral support among our employees, we organize stress relieving activities such as sand play therapy, stress-relieving crafting, yoga, meditation, and free hugs.

In Taiwan, we introduced our mental health counseling and promotion programs in collaboration with psychiatrists from the Chang Gung Memorial Hospital and Wei Gong Memorial Hospital, psychiatrists and clinical psychologists from the Chi Mei Hospital, and graduate students from the Department of Psychology at the Kaohsiung Medical Hospital. We also hired registered nurses with counseling backgrounds to manage these efforts and promote mental health to build an employee-friendly workplace through the Annual Mental Health Screening, Mental Health Counseling, Work Stress Relieving Talks, Flexible Competency Training, and Soul Keeper program.

Every year we conduct a mental health survey to measure the stress condition of our employees and screen mental health high-risk cases to offer early intervention, counseling or referral. The survey covers employees working at INX for one year, 93% of the total, as shown in Table 1. In addition, we introduced the Goal Keeper mechanism, a suicide prevention course to improve our sensitivity to emotional and behavioral changes in employees. This program also has the goal of equipping them with a general education about emergency reporting and referral. We also established a reward mechanism to encourage early discovery and early reporting. The Goal Keeper program demonstrated its function in 2017 to save one employee who did not come to work in time due to depression. Related staff and the plant manager were rewarded.

Table 1

Mental Health Screening Coverage = Mean of Plants (Screened Numbers/Plant Employees x 100%)

Plant	Screened Number	Plant Employees	Coverage
NGB	8,268	8,268	100%
FS	8,278	8,349	99.2%
NJ	6,106	6,106	100%
SH	1,901	1,907	99.7%
TW	24,158	25,853	93.4%

Figure 1



Prevention and Management of Maternal Health Hazards and Risks

To ensure the wellbeing and health of female employees and in consideration of the health impacts of gender difference and pregnancy, we implement maternal health protection and management through the following measures:

1. Offer allowances for parental leave according to local labor laws, uphold our employees' rights to pregnancy leave and family care leave, establish related health protection measures, and establish internal SOPs to practice health risk assessment, hazard control, risk communication, and job adjustment (as applicable) for pregnant employees. In Taiwan, we implemented a maternal risk protection assessment and managed maternal health for 623 female employees who were pregnant or delivered within one year in 2017.
2. Provide health instructions and advice as well as restroom areas and lactation rooms for pregnant or breastfeeding employees to create a work environment that is friendly to female employees by protecting maternal rights and gender equality at work.

Self-Health Management and Healthy Environment Building

To raise the health awareness of our employees, we arrange health examinations every year. In 2017, about 24,800 employees in Taiwan and about 23,500 employees in China received the health examination, with nearly 100% participation. In addition to the health examination, we also arranged cancer screenings, including breast cancer, cervical cancer, and liver cancer for employees in China, and oral cancer, colorectal cancer, breast cancer, cervical cancer, and liver cancer for employees in Taiwan so that diseases can be discovered earlier and employees can intervene early. In 2017 a total of 29,080 employees received cancer screenings. After the health examination and cancer screening, besides offering health anomaly consultation and health advice, we organize health talks, weight management, and free consultation services to build an atmosphere of health management and a healthy environment, encourage employees to practice healthy living and remind themselves the importance of personal health management. Apart from arranging health examinations for employees, we claim health examination discounts from hospitals for employee family for employees to implement health management in their family lives as well.

2017 Health Promotion Activities

Plants in Taiwan

- Blood donation



- Cancer screening



- Health talks



- Blood donation



Plants in China

- Free blood donation



- Weight loss



- Health talks



Plant		Taiwan					China			
Cancer Screening	Breast Cancer	Cervical Cancer	Liver Cancer screening with abdominal sonography	Colorectal cancer (FOBT)	Oral Cancer	Breast Cancer	Cervical Cancer	Gynecologic Cancers	Liver Cancer screening with abdominal sonography	
Recipients 2017	223	179	651	23,158	418	247	245	247	3,712	

4.4.2 Disability Care

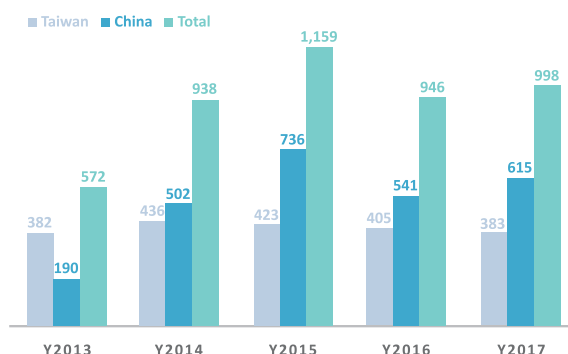
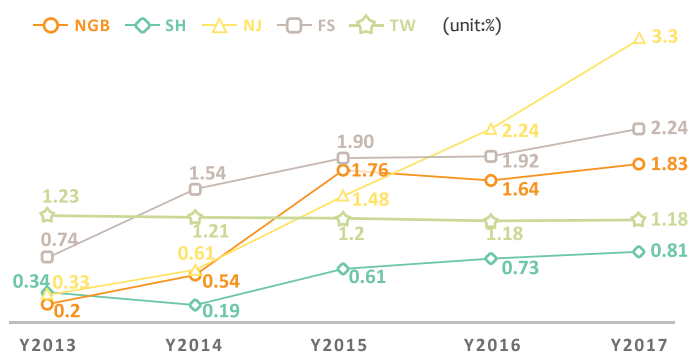
[Disability Employment]	[Management approach of material issue]
Materiality	We began a massive disability employment scheme in 2010 to give disabled people the opportunity to work with the belief that we can “repay society with what is taken from society.” Believing that by giving a man a fish and you feed him for a day, while teaching a man to fish and you feed him for a lifetime, we help people with disabilities change their roles from consumers into producers in the workplace, because it is the best support for them. We also hope that our successful experience can serve as an example for other enterprises, in order to provide people with disabilities with more job opportunities, to contribute to disability employment with other enterprises in Taiwan, and to bring this positive energy to society.
Boundary	Within the organization
Management Approach	In addition to meeting the regulatory requirements by maintaining a regular number of employees with disabilities, we optimized the quality of hardware and services in the plant area and the dormitory. In 2017 we set the competency improvement of employees with disabilities as our target. Furthermore, we surveyed employees with disabilities and their immediate supervisors to understand their actual interaction and daily needs in order to provide supervisors with assistance for routine operations and a reference for building a disabled-friendly workplace.
Medium-to-Long Term Strategy	In addition to meeting the regulatory requirements for hiring employees with disabilities, we have aimed to improve the competency of employees with disabilities in recent years. Moreover, we have arranged jobs according to their physical condition and talent for them to demonstrate the same performance of regular employees and thereby raise their organizational coherence and commitment.
2017 Performance	Disability employment rate in Taiwan was 1.18%, above the target at 1%. Disability employment rate of Ningbo was 1.83%, above the target at 1.5%. Disability employment rate of Foshan was 2.24%, above the target at 1.5%. Disability employment rate of Nanjing was 3.3%, above the target at 1.5%. Disability employment rate of Shanghai was 0.81%, below the target at 1.5%.
2018 Promotion	Continue to increase disability employment to 1.2% in Taiwan and 1.5% of all plants in China. Plan and implement competency improvement for employees with disabilities for them to demonstrate their talent and thereby increase organizational productivity.

We have established the Disability-Friendly Workplace Working Group to build a disability-friendly workplace through collaboration of the HR, manufacture, administration, ESH, and CSR departments. In 2017 the disability employment rate of different INX plants was as follows: Taiwan 1.18%, Ningbo 1.83%, Foshan 2.24%, and Nanjing 3.3%, were all above the target, except for Shanghai at 0.81%, below the target at 1.5%. In 2017 Taiwan hired 383 employees with disabilities, and a total of 998 in all INX plants.

We extended the Taiwan experience at plants in Taiwan in early 2013. In 2017, plants in China hired a total of 615 employees with disabilities. Three, including Ningbo, Foshan, and Nanjing, of four INX plants in China reached the target at 1.5%, demonstrating outstanding performance.

The performance of INX Nanjing at 3.3% was way above the target at 1.5%. Apart from arranging orientation for employees with disabilities, INX Nanjing as established a QQ group for them to show extra care for them, raising the number to 215 employees with disabilities. INX Ningbo also hired 189 employees with disabilities.

Being considerate to the inconvenient transportation for employees with disabilities, INX Foshan arranged a commuter bus for employees with disabilities and free umbrellas on rainy days to spread our care for employees with disabilities.



Disability Job Redesign Implementation Plan

Based on the Disability Job Redesign Implementation Plan, INX Taiwan applied to the Yunlin-Chiayi-Tainan Regional Branch, Workforce Development Agency, Ministry of Labor and the Labor Affairs Bureau of the Tainan City Government for NT\$125,000 to subsidize the LED marquee device to help employees with hearing impaired reduced workplace inconveniences, understand important work items in real time, and enhance their occupational safety.



Competency Improvement and Workplace Health

We offered the Competency Improvement and Workplace Health course in collaboration with the Labor Affairs Bureau of the Tainan City Government and the Department of Occupational Therapy of the National Cheng Kung University. It was the first course organized through industry-academia-government collaboration for a sustainable employee-friendly workplace. On that day Director-General Hsin-chi Wang of the Labor Affairs Bureau thanked INX and hoped that such linkage with outstanding enterprises would enable employees with disabilities to demonstrate their talents, increase organizational productivity, and create a win-win situation for the industry, the academia, and the government.



Imperfection Breeds Happiness: Exploring the Life Clinic of Hsin-yi Chu

For employees to understand more about employees with disabilities, we hired counselor Hsin-yi Chu with profound low vision in September 2017 to share her road to conquering disabilities. By showing employees how to overcome the five major psychological barriers and interpersonal impacts combined with positive thinking, Chu guided employees with disabilities to treat setbacks and challenges with a healthy mindset.



4.5 Employee-Friendly Workplace

4.5.1 Recruitment and Staffing

[Talent Attraction and Retention]		[Management approach of material issue]	
Materiality	Maintain long-lasting competitive strengths in global competitions by raising R&D and manufacture capacity through active talent attraction and retention.		
Boundary	Within the organization		
Management Approach	From external sources: Find and cultivate talents on campuses From internal sources: Retain talents through talent circulation and innovation.		
Medium-to-Long Term Strategy	From external sources: Campus recruitment, internships, R&D substitute military service, scholarship programs, and social networking sites. From internal sources: Fluent job rotation channels for vacancies and interviews with resigning employees to find out the root cause of resignation.		
2017 Performance	<ul style="list-style-type: none">Recruitment campaigns at focus schools: In 2017, about 1,000 IDLs reported for duty, the acceptance rate of focus schools was nearly 40%, thus improving professional literacy progressively.Continued with campus recruitment by enhancing exposure with a more sharp and eye-catching campus key vision and attracted more outstanding talents through internships, R&D substitute military service, scholarship programs, and overseas recruitment.		
2018 Promotion	<ul style="list-style-type: none">Massively recruit “Three-ward” talents from industry elites and high-mobility potential talents, and panel talents with a global view to focus on global deployment.Focus on “Upward-looking” talents with leadership charisma and strategy execution orientation; innovation “Forward-looking” talents that can lead pioneers and develop new technologies; and “Outward-looking” talents with overseas expatriation and high mobility orientation, hoping to attract top elites to join INX and enable INX to stand firm on the international stage in terms of R&D and overall capacity.		

External Talent Attraction

In 2017 we recruited 32,581 people in Taiwan, 27,342 people in China, and 269 people overseas, totaling 60,192 employees.

Recruitment channels in Taiwan included “Physical” and “SNS” channels. Physical channels included the Campus Cultivation Program in which face-to-face recruitments were conducted on-campus, R&D substitute military service, internships, and scholarship programs. Apart from raising the standard of new employees, this can bridge the education-to-employment gap to create a win-win situation between the industry and the academia. Moreover, industry-academia partnerships can enrich the practical skills of students and enable them to connect with the industry earlier.

We also organized large “INX Innovation: Upward Looking, Forward Looking and Outward Looking Talents Interview outside the organization to improve INX's brand image and recruit experienced outstanding talents.

In addition to continually hiring people with disabilities, we recruit outstanding talents through the R&D substitute military service in collaboration with the government. In 2017 we successfully recruited 60 substitute draftees.

In SNS channels, we interact with jobseekers through platforms like LinkedIn and Facebook to improve their preference to INX and recruit overseas talents. In 2017 we recruited 1,000 people from SNSes.



Connecting Academic Specialties with Industrial Practice

At INX, we offer job opportunities to interns after graduation and actively collaborate with vocational-technical (voc-tech) schools. In addition, we offer internship opportunities for students from STUST, KSU, and KYU to create seamless connection channels for students to accumulate workplace experience earlier. We have also designed the “Advance employment system” for students passing the assessment to work at their internship unit after graduation. Apart from earning the graduation-employment competitiveness, the system enables us to cultivate stable talents for long-term use.

INX Scholarship

To encourage outstanding students to engage in panel R&D in Taiwan, we offer grants and scholarships for postgraduate students specialized in science and engineering and the overseas study scholarship for the EMSP Program of National Taiwan University, hoping to help cultivate display and imaging professionals in Taiwan.

Innolux Academy: INX4.0 Internship Program

Aiming to enhance the ultimate visual enjoyment of people, we recruit and cultivate R&D professionals to engage in the automation and innovation of panel modules. Therefore, we maintain constant collaboration with various universities of science and technology and establish the Innolux Academy to provide internship opportunities, arrange mentors, plan and offer practical courses, and provide machines and equipment to cultivate professionals for automation through integrated practical courses and internship programs.

In response to Industry 4.0, we continued the collaboration with schools in 2017 to discover talents with high potential in Industry 4.0 through close cooperation with schools. With summer internship programs and collaborative research, we empowered IT talents for Industry 4.0 to constantly achieve a seamless education-employment connection to make the philosophy of “Learning is practice” and “Graduation is employment” a reality.



Internal Talent Circulation

Taiwan

- Vacancy Match Platform: By matching internal talents with the duty requirements, we match talents and vacancies with the internal talent pool to shorten internal vacancy matching time and fulfill the talent demand of hiring units.
- Real-Time Vacancy Information: Apart from allowing employees to actively recommend themselves to promote internal talent circulation, this mechanism offers employees more opportunities for career development to achieve the organizational goal for talent retention and the right place for the right person.

China

- INX Foshan chiefly recruits DLs through internal recruitment with rate increasing from 36% to 45%.
- INX Ningbo chiefly recruits DLs through internal recruitment, including back employment, internal recommendation, and inhouse recruitment.
- INX Shanghai recruits talents through comprehensive channels, including inhouse recruitment, internal recommendation, and various recruitment campaigns.

Human Rights Protection and Care for Foreign Workers

At INX, we value and protect the labor conditions and human rights of foreign workers. Apart from abiding by the RBA CoC and related laws and regulations, we conduct unannounced inspections, annual audits, and annual evaluation on agencies; request agencies to improve the daily care, management quality and equipment maintenance for foreign workers; and stringently review the legal compliance of agencies on the recruitment and management of foreign workers, including

- Compliance with environmental regulations in Foreign Worker's Care Service Plan promulgated by WDA.
- Legal compliance regarding the agency fee, service fee, and other fees charged on foreign workers.
- Identity documents are kept by foreign workers themselves.
- Arrangement of complete orientation and cleanroom training for foreign workers prior to work.
- Implementation of orientation for works to fully understand the work environment and job contents after foreign workers report for duty.
- Holding regular seminars and offering grievance mechanisms for foreign workers to freely express their opinions.

Respect for Human Rights

INX Human Rights Policy

With respect to Article 3 of the Innolux Code of Conduct: Respect for human rights is a universal value. When facing employees, customers, suppliers and society across the world, we maintain fair treatment for employees and respect for individual differences in accordance with the UN Global Impact.

Implementation

1. Compliance with the International Labor Standards	We establish a corporate culture with equal opportunities in accordance with the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, Declaration of Fundamental Principles and Rights at Work of the International Labour Organization, the BRA (formerly EICC) Principles on Business and Human Rights, and local laws and regulations.
2. Equal Opportunity and Non-Discrimination	We maintain diversity and equal opportunity and will not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership, or marital status in hiring and employment practices.
3. Ban of inhumane treatment and harassment	At INX, we ensure no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. We also provide a grievance channel (employee care email: 67885.HQ@innolux.com) for employees to report issues regarding human rights, labor-management, and sexual harassment. The employee relations unit will accept each complaint and supervise responsible units to handle the case and propose solutions. For complaints of sexual harassment, the Sexual Harassment Committee will review if a complaint is confirmed and punish the parties concerned based on the severity of the offence through resolutions.

Continual Assessment and Improvement

Employee	<ul style="list-style-type: none"> Every quarter we identify labor rights regulations and assess the applicability and compliance for regulations applicable to INX to ensure legal compliance is practiced. Every year we assess human rights risks, identify the impacts of all risks, and propose countermeasures.
Suppliers	<ul style="list-style-type: none"> Before cooperation begins, we request suppliers to sign the Supplier's Undertaking to define their management of labor human rights and conflict minerals. Every year we survey the management of labor human rights and conflict minerals of key suppliers.

Target	Topic	Assessment	Management Approach	2017 Performance
Employee	Work hours	Annual CSR internal audit	Establishment of a work-hour management system in each plant.	The worker score of all plants in the RBA Online SAQ was 95 (out of 100).
	Forced labor of foreign workers	Annual CSR internal audit	All foreign workers sign an employment contract by law in which the benefits, wage, and labor conditions are specified in the native language of foreign workers to ensure no forced labor.	No non-conformity with forced labor was reported in 2017.
	OH&S	Internal audit of related management systems	Review the OH&S compliance with OHSAS 18001 and RBA CoC in all plants.	1.All INX plants have passed OHSAS18001 certification. 2.The OH&S score of INX Tainan was 176 (out of 200) in the RBA VAP audit.
	Labor-management disputes	Annual CSR internal audit	We provide a grievance channel (employee care email: 67885.HQ@innolux.com) for employees to report issues regarding human rights, labor-management, and sexual harassment. The employee relations unit will accept each complaint and supervise responsible units to handle the case and propose solutions.	In 2017 all complaints on human rights and labor conditions were resolved.
Supplier	(1)Conflict minerals	(1) Annual conflict minerals inventory	(1) Request suppliers to purchase minerals from CFSI (Conflict-Free Sourcing Initiative)-certified smelters or switch minerals purchased not from such smelters.	Increased inventory on suppliers in 2017 and inventoried up to 642 suppliers, including 632 compliant makers, i.e. use no 3TG or use only 3TG from certified smelters.
	(2)Work-hour (3)Punitive wage deduction	(2) and (3): Annual supplier CSR risk assessment	(2)-(3) Conduct onsite audits on high-risk suppliers, and request those with overtime work and punitive wage deduction to propose related improvement plans.	One onsite inspection on high-risk suppliers was conducted in 2017, no overtime work was found but one punitive wage deduction was detected. That supplier was requested to make improvements as proposed.

Employment Type

2017 Taiwan site

Item	Full-time		Part-time		Contract (including foreign workers)		Commissioned		Interns		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
No. of staff	9,615	16,229	0	0	5,650	1,087	0	0	0	0	32,581
Total	25,844		0		6,737		0		0		32,581
% of total staff	79.32%		0		20.68%		0		0		100%

2017 China site

Item		Full-time		Part-time		Commissioned		Interns		Total
		Female	Male	Female	Male	Female	Male	Female	Male	
No. of staff	NGB	3,396	7,230	0	0	0	0	3	1	10,630
	FS	2,631	5,774	0	0	0	0	0	0	8,405
	NJ	2,383	4,090	0	0	0	0	0	0	6,473
	SH	1,267	567	0	0	0	0	0	0	1,834
	Total	27,338		0		0		4		27,342
% of total staff		99.99%		0		0		0.01%		100%

Employee Diversity

Item		Y2012		Y2013		Y2014		Y2015		Y2016		Y2017	
		No. of staff	Percent-age	No. of staff	Percent-age	No. of staff	Percent-age	No. of staff	Percent-age	No. of staff	Percent-age	No. of staff	No. of staff
Taiwan	Disability	329	1.22%	382	1.24%	436	1.21%	423	1.20%	405	1.18%	383	1.18%
	Foreigners ^{Note1}	44	0.16%	51	0.17%	50	0.14%	37	0.10%	32	0.09%	46	0.14%
China	Disability	17	0.03%	190	0.31%	502	0.80%	736	1.64%	541	1.76%	615	2.24%
	Racial Minority ^{Note2}	2,468	3.81%	2,999	4.77%	3,849	6.05%	2,197	4.92%	2,034	6.60%	2,311	8.39%
	Foreigners ^{Note3}	4	0.006%	3	0.005%	2	0.003%	0	0	0	0%	0	0%

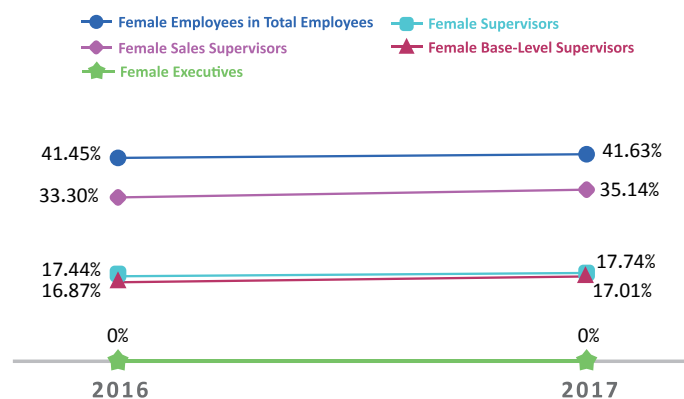
Note1.Foreigners: DLs or IDLs of a foreign nationality working in Taiwan.

Note2.Racial Minority: Ethnic groups other than Han working in the PRC.

Note3.Foreigners: DLs or IDLs of a foreign nationality working in the PRC.

Proportion of Female Employees

Year	Female Employees in Total Employees	Female Supervisors	Female Base-Level Supervisors	Female Sales Supervisors	Female Executives
2016	41.45%	17.44%	16.87%	33.30%	0%
2017	41.63%	17.74%	17.01%	35.14%	0%



2017 Workforce Structure

Site	Item	Management ^{Note1}				Specialist	Administration Staff	Technician	Total	Percentage of Local Managers ^{Note2}
		Primary Management	Middle Management	High-End Management						
Taiwan	<30	Female	2	0	0	324	81	4,593	5,000	99.83%
		Male	0	0	0	1,170	18	2,493	3,681	
	30-50	Female	199	15	0	1,021	813	8,067	10,115	
		Male	1,350	179	4	5,211	161	6,434	13,339	
	>50	Female	11	3	0	22	8	106	150	
		Male	62	63	14	111	5	41	296	
	Total		1,624	260	18	7,859	1,086	21,734	32,581	
	Percentage		4.98%	0.80%	0.06%	24.12%	3.33%	66.71%	100%	
China	<30	Female	16	0	0	416	176	5,378	5,986	83.59%
		Male	29	0	0	996	35	11,703	12,763	
	30-50	Female	216	1	0	410	218	2,837	3,682	
		Male	442	1	0	998	66	3,362	4,869	
	>50	Female	0	0	0	0	2	10	12	
		Male	3	0	0	4	5	18	30	
	Total		706	2	0	2,824	502	23,308	27,342	
	Percentage		2.58%	0.01%	0	10.33%	1.84%	85.25%	100%	

• Date time: Active workforce by December 31, 2017.

Note1: Supervisors: Assistant managers (AMs) and managers are elementary supervisors; and advanced supervisors are division or center directors and above.

Note2: Local Supervisors: In Taiwan, they are ROC citizens and section AMs or above. In China, they are PRC citizens including both elementary, intermediate, and advanced supervisors.

2017 Workforce Structure of New Employees

Site	Item	<30		30-50		>50		Total
		Female	Male	Female	Male	Female	Male	
Taiwan	No. of new employees	1,373	1,022	496	624	0	0	3,515
	Total employees	-	-	-	-	-	-	32,581
	Percentage of new employee ^{Note1}	4.21%	3.14%	1.52%	1.92%	-	-	10.79%
China	No. of new employees	NGB	930	2,074	211	285	0	3,500
		FS	572	1,083	178	234	1	2,069
		NJ	791	1,765	328	489	0	3,373
		SH	76	72	68	9	0	226
		Total	2,369	4,994	785	1,017	1	9,168
	Total employees	-	-	-	-	-	-	27,342
	Percentage of new employee ^{Note2}	8.66%	18.26%	2.87%	3.72%	0.004%	0.001%	33.53%

Note1: Taiwan new employees ratio= (Taiwan number of new employees/Taiwan year-end number of total employees) X100%.

Note2: China new employees ratio= (China number of new employees/ China year-end number of total employees) X100%.

Retention Efforts

- Interview: Describe the job and ensure job consistency after inauguration to reduce misunderstanding or difference and lower the resignation rate due to inadaptability after inauguration.
- Inauguration: Correctly introduce the consultation mechanisms of the organization during the orientation for newcomers to quickly understand the overall environment and explain to them the hazards of absenteeism and discharge to guide employees to complete the leave procedures before resignation.
- Resignation: Enhance care interviews for resigning employees.

In response to the resignation rate after the Spring Festival in China, apart from the retention incentives, we arrange the home return and work return plans, extra meals for the Spring Festival, employee care activities, and year-end dinner parties to retain employees.

Voluntary Resignation Rate

Site	Y2012	Y2013	Y2014	Y2015	Y2016	Y2017
Taiwan	0.50%	0.57%	0.54%	0.40%	0.57%	0.56%
China	12.23%	10.00%	11.65%	12.87%	3.89%	2.83%
Total	12.73%	10.57%	12.19%	13.27%	4.46%	3.39%

- Voluntary resignation: excluding the cases stipulated in article 11, proviso of article 13, article 14 and article 20 of Labor Standards Act.

- Formula:

Taiwan: monthly voluntary resignation number/[(number of employees at the beginning of the month + number of employees at the end of the month)/2]*100%.

China: monthly voluntary resignation number/[(number of employees at the beginning of the month + number of employees at the end of the month)/2]*100%.

2017 Turnover Rate

Site	Item	<30		30-50		>50		Total	
		Female	Male	Female	Male	Female	Male		
Taiwan	No. of employee resignation	1,923	1,219	1,386	1,637	9	18	6,192	
	total year-end employees	-	-	-	-	-	-	32,581	
	Percentage	5.90%	3.74%	4.25%	5.02%	0.03%	0.06%	19.00%	
China	No. of employee resignation	NGB	2,285	6,003	314	611	1	1	9,215
		FS	1,437	3,725	355	660	-	-	6,177
		NJ	999	2,806	311	540	1	-	4,657
		SH	489	290	296	56	4	-	1,135
		Total	5,210	12,824	1,276	1,867	6	1	21,184
	total year-end employees	-	-	-	-	-	-	27,342	
	Percentage	19.05%	46.90%	4.67%	6.83%	0.02%	0.00%	77.48%	

- Turnover rate includes voluntary resignation

- Formula in and before 2016

Taiwan: monthly resignation number/[(number of employees at the beginning of the month + number of employees at the end of the month)/2]*100%

China: monthly resignation number/[(number of employees at the beginning of the month + number of employees at the end of the month)/2]*100%

- Formula in 2017

Taiwan: (Total Resignations in Taiwan/Total Workforce End of Year in Taiwan) x 100%

China: (Total Resignations in China/Total Workforce End of Year in China) x 100%

Absence Rate

Item	TW		NGB		FS		NJ		SH	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
No. of absent days (a)	38,165.91	30,075.66	8,710	15,837	8,298	12,427	10,489	11,808	15,776	5,265
No. of working days (b)	3,693,031	3,849,694	1,105,067	2,501,428	787,248	1,870,012	520,500	907,500	353,684	161,218
Absence rate (a/b)	1.03%	0.78%	0.79%	0.63%	1.05%	0.66%	2.02%	1.30%	4.46%	3.27%
Absence rate (Total)	0.90%		0.68%		0.78%		1.56%		4.09%	

- Absence Rate = Total Absent Days during the Report Period/Total Workdays x 100% °

- Total Workdays = The actual number of days worked by IDLs in the year and the actual number of days attended by DLs in the year.

- Total Absence Days = HR Statistics

- Types of leave included in absence: Paid and unpaid sick leave and occupational sick leave, except for mensural leave and pregnancy leave.

4.5.2 Compensation and Benefits

[Compensation and Benefits]		[Management approach of material issue]
Materiality	Pay higher than the market average to attract and retain talents, encourage innovation and performance and involvement in organizational operations.	
Boundary	Within the organization	
Management Approach	Value the external competition and internal equality of compensation and benefits. External competition: Conduct regular market surveys to review the compensation policy. Internal equality: Pay according to the role and responsibility, academic background, professional service length, and market standard, regardless of gender age, race, nationality, and religion.	
Medium-to-Long Term Strategy	Offer competitive compensation to attract and retain outstanding talents.	
2017 Performance	Complied with the local minimum wage requirement; maintained the overall wage standard according to local compensation and benefits surveys; and ensure market competitiveness.	
2018 Promotion	Constantly review compensation and benefits and offer competitive incentives to attract and retain talents.	

Compensation and Benefits

Competitive compensation and benefits are key to talent retention. Therefore, we offer market competitive wages to employees. Apart from giving employees a raise, performance bonus, and dividend bonus according to the financial performance, business operations, and employee performance every year, we have established the employee stock ownership plan (ESOP) to retain outstanding talents for the long run.

In Taiwan all employees enjoy benefits offered by the company, except when there are special agreements in the employment contracts. In China both DLs and IDLs enjoy the same benefits.

Our compensation and benefits cover:

1. 12 months of fixed-amount salaries plus festival bonuses.
2. Integrated insurance: Labor Insurance, National Health Insurance, and group insurance.
3. Incentive bonuses based on organizational operations and personal performance.
4. Leaves and retirement systems specified in the Labor Standards Act.

At INX, we calculate the base salary of employees based on their roles and responsibilities of gender, and the overall difference in 2017 was below 0.02. Instead of the gender influence, this difference is the result of the role and service length of employees. In addition, employee standard wage analysis found that we pay employees above the minimum wage regardless of gender.

Wage Ratio (Indirect Laborers)

Site/Item		Management	Non-Management	Total
Taiwan	Female : Male	0.89:1	0.87:1	0.88:1
China	Female : Male	0.94:1	0.94:1	0.94:1
Total	Female : Male	0.92:1	0.91:1	0.91:1

*Salary includes the fixed wage and allowances, and supervisors are section chiefs or above officers.

Wage Ratio of the Standard of the Basic Employee to the local minimum

Site	TW	NGB	FS	NJ	SH
Ratio	1.71	1.26	1.73	1.40	1.34

*Elementary employee's refers to the administrative staff, clerical staff, and technical staff (including engineers and workers).

Well-Planned Pension System and Retirement Arrangements

All DLs enroll to a pension program. We regularly hire external actuarial agents to review the sufficiency of the pension preparation fund. The 2017 actuarial results show that the organizational contribution value is greater than the pension value collected by employees selecting the old pension plan. Therefore, we applied for suspension of contribution.

- Taiwan: Where the Labor Standards Act applies, apart from reviewing and contributing the pension preparation fund regularly to the Labor Pension Preparation Fund Special Account supervised by the Bank of Taiwan, we have established the Supervisory Committee of Workers' Pension Preparation Fund and hold committee meetings quarterly. Where the Labor Pension Act applies, we contribute 6% of the insured salary of employees to the employee personal account established by the Bureau of Labor Affairs to fully protect the rights and interest of employees.
- China: We provide the social insurance (covering pension, medical, unemployment, occupational injuries and birth) and the provident fund to provide employees with living protection after retirement.

2017 Labor Pension Contribution Rates

Item	TW	NGB	FS	NJ	SH
Employer Contribution	6%	14%	13%	19%	20%
Employee Contribution	0-6%	8%	8%	8%	8%

Note:

- Taiwan site is calculated in accordance with the Labor Standards Act, Labor Pension Act, and related laws and regulations.
- China sites in accordance with the Social Insurance Law of the People's Republic of China and all local sites (provincial /municipal) Human Resources and Social Security, local taxation bureau and 2016 Social security payment base notice to handle and pay social insurance and housing provident fund.

Work-Life Balance Program

- To balance work and life for employees in Taiwan, we offer a special annual leave that's longer than the Labor Standards Act requirements. Every employee is entitled to the special leave on arrival. In addition, we offer employees different types of paid leaves by law, such as marriage leave, pregnancy checkup leave, maternity leave, paternity leave, compassionate leave, military service leave, occupational sick leave, leave for statutory reasons, and special leave. Employees can apply for leave according to their own needs.
- Employees in China are entitled to paid leaves according to local laws and regulations: Annual leave, marriage leave, compassionate leave, maternity leave, and paternity leave. Employees can apply for leave according to their own needs to balance work and life.

We also organize various clubs and a wide variety of activities, including the Christmas cosplay party, singing contests, and Mid-Autumn Festival fair, to boost employee morale and improve teamwork. In addition, each department will organize reunions regularly to improve the interpersonal relationship, enrich the after-work life, and encourage the organizational fusion of employees.

Insurance Plan

In addition to the statutory social security insurance, i.e. Labor Insurance, National Health Insurance, and pension, we arrange additional group insurance covering life, accident, medical and cancer protection for employees in Taiwan. Employees are also entitled to buy additional insurance for themselves and their families with a discount. With such, we aim to provide employees with full protection while working at INX.

In China, we also arrange social security insurance covering pension, medical, unemployment, occupational injury, and birth protection for employees. We also arrange additional commercial group insurance for them for employees to enjoy additional protection when they are ill or after having an accident.

Parental Leave

After working at INX for six months, each employee is entitled to apply for the parental leave of absence (LOA) to take care of a child under three years old until he/she is three, provided that the maximum length of parental LOA is two years. In addition, when taking care of two (twins) or more infants at the same time, the length of the parental LOA should be combined, until the youngest one receives two years of parental care. When employees apply for reinstatement after the parental LOA, we will place them to their previous role or guide them to adapt to a new role, so that they can balance work and family care.

Analysis of Parental Leave in 2017

Taiwan	Female	Male	Total
Number of employees qualified for the parental LOA in 2017	1,779	2,583	4,362
Actual number of employees applied for the parental LOA in 2017	526	125	651
A: Estimated number of employees reinstate from parental LOA in 2017	551	164	715
B: Actual number of employees reinstated from the parental LOA in 2017	424	85	509
C: Number of employees continue to work for one year after restating from the parental LOA in 2016.	301	42	343
D: Number of employees restated from the parental LOA in 2016.	336	59	395
Return rate % = B / A	77%	52%	71%
Retention rate % = C / D	90%	71%	87%

1. Employees entitled to the parental leave are those who applied for maternity leave and paternity leave between 2015 and 2017, consistent with the number of employees qualified for the parental LOA.
2. Corrections are made to the errors regarding D: Number of employees restated from the parental LOA in 2016 in the previous disclosure.

4.5.3 Training and Development

[Talent Cultivation]		[Management approach of material issue]
Materiality	Upholding the belief in “Talents are the bedrock of sustainable development,” we arrange licensing/certification programs for employees to improve their expertise and enhance their organizational commitment.	
Boundary	Within the organization	
Management Approach	Cultivate and train sufficient and quality professionals and management talents through stringent training/certification requirements in coordination with our three strategic goals: Forward looking, upward looking, and outward looking.	
Medium-to-Long Term Strategy	<ul style="list-style-type: none"> • Develop the Employee Time-Space Development Conceptual Map and administer education and training relevant to the competencies required by their roles. • Promote INX4.0 and IIoT concept learning and improve and focus on the employees' awareness and thinking of organizational development and their application of what is learned from work. 	
2017 Performance	<ul style="list-style-type: none"> • Offered English and Japanese courses by integrating INX work situations in the materials to achieve learning for doing and learning from doing. A total of 307 employees attended the courses. • Arranged competency programs for supervisors of all levels; offered value-added training courses to deal with organizational change into business units; and planned and designed three-stage courses to sharpen competencies: General Instruction Courses, Team Trainer, and Mobile Learning management courses to improve learning efficacy. • Offered courses for the INX4.0 and IIoT concept learning with 15,000 participants to raise the awareness of the goal of INX4.0 and understanding of the direction of IIoT development. • Offered internship opportunities for students of TUST, KSU, and KYU for 45 interns and hired 39 outstanding talents, raising the employment rate to 87%. Earned a NT\$1.458 million subsidy from the Industrial Development Bureau (IDB) of the Ministry of Economic Affairs for the Industry Mentor Program. • Continued job certification based on the needs of individual units to complete the engineering training map for the back-end process. 	
2018 Promotion	<ul style="list-style-type: none"> • Implement INX 4.0 at full scale with the IIoT as the infrastructure for learning and improve and integrate the critical thinking of employees for the development of “Technology R&D and smart manufacture.” • Pioneer the “IT infrastructure talents” cultivation required by the organization, integrate academic resources to develop and expand “Data expert” talents, and improve the system maintenance and operation abilities of employees to promote talent transformation based on the needs of talent development units of the IIoT. • Actively design and implement value-added management courses of all levels in Greater China to enhance learning efficacy and accumulate management energy. • Continue to offer quality certification courses and design three-stage quality certification courses: Conceptual, fundamental, and advanced courses to improve quality. 	

Certification, Development and Management

To achieve the strategic goals of “Forward-looking, upward-looking, and outward-looking” technological advancement and Industry 4.0 promotion, organizational transformation into BUs was the training focus of 2017. To keep closer to the organizational needs, we arranged value-added training for management competency and foreign language proficiency to improve the foreign language communication and professional competencies of employees and thereby strengthen the overall R&D capacity, productivity, quality, and management competency of the company. By doing so, we aim to improve the per capita output and enhance overall organizational competitiveness to address Industry 4.0.

In 2017, apart from earning IDB subsidization for the Industry Mentor Program to continue the internship programs with TUST, KSU, and KYU, we maintained role certification according to the needs of individual units and completed the engineering training map for the back-end process.

In addition to constantly promoting the competency programs for supervisors of all levels, we offered English and Japanese courses in 2017 which integrated INX work situations in the materials to improve the English and Japanese proficiency of employees and to achieve learning for doing and learning by doing. Furthermore, we offered courses for the INX4.0 and IIoT concepts learning to raise the awareness of the goal of INX4.0 and understanding of the direction of IIoT development in employees.

2017 Statistical Analysis on Training

By Employee Category	Average Training Hours	Managers (Section and above)		Indirect Labor		Direct Labor	
		Female	Male	Female	Male	Female	Male
	TW	13.9	13.3	15.7	17.8	3.5	4.6
	NGB	8.2	8.0	7.9	10.3	4.3	4.4
	FS	6.1	7.9	7.6	8.9	7.3	7.1
	NJ	8.8	8.5	12.7	12.1	11.7	15.2
	SH	24.8	17.4	13.4	14.6	4.5	7.4

By Course Category	No. of people	TW	NGB	FS	NJ	SH
	Induction training	4,961	6,387	1,597	7,366	529
	Management training	227	66	5	3	22
	Lecturer training	88	7	19	19	0
	Leader training	281	579	288	150	191
	Training of policy	54,937	7,836	8,273	3,758	997
	Others	61,792	2,968	32,670	8,251	1,052

Language Courses

With “Forward-looking, upward-looking, and outward-looking” as the key strategic directions for 2017, apart from capacity cultivation, we focused on foreign language training for employees. The English course emphasized the effective use of existing English vocabulary with INX working situation through situated training to achieve learning for doing and learning by doing through onsite drills. Japanese was the second foreign language for employees, hoping that they could interact with Japanese customers and suppliers.



Management Course

To improve the management power of the management team, we offered management training courses according to the INX supervisor certification map to improve the management knowledge and optimize the management capacity of employees.



Performance Management and Development

It has been seven years now since we started the year-end employee performance assessment in 2010 in accordance with the Performance Management and Development Regulations. In addition to connecting with the objective assessment of routine management records and the employee review mechanism, the “Upward, forward, and outward” development was included in the assessment. We also designed differential rewards based on the assessment results to achieve “Talent identification and talent development.”

In 2017, a total of 58,432 employees were assessed, including male 58% and female 42%. These figures are consistent with the workforce distributions and show no sign of gender discrimination.

2017 Performance Appraisals

Item	Female	Male	No. of persons	Percentage of total staff
Executive Management	0	16	16	0.03%
Middle Management	27	277	304	0.52%
Junior Management	566	2,281	2,847	4.87%
Professional Technician	1,300	2,037	3,337	5.71%
Others	22,776	29,152	51,928	88.87%
Total	24,669	33,763	58,432	100.00%

4.5.4 Zero Distance Communication

Labor-management harmony has always been a focus at INX. Therefore, we have established a dedicated unit to address employee grievances. Apart from hold the quarterly labor-management meeting and the EWC meeting, we have built comprehensive communication channels, such as the hotline 67885 (homophonous to 'come to my help' in Mandarin Chinese) and the care email 67885.tw@innolux.com.

At INX Ningbo, employees report problems in food, clothing, housing, transportation, education and recreation over the WeChat interaction platform, with per capita occupancy at 1.3 times/person/day. The platform has been largely promoted by the Ningbo Federation of Trade Unions and awarded the HRSALON Best HR Practice Award.

At INX Nanjing, we have set up the WeChat Instructor Help Group to help newcomers adapt to the organizational environment and their job. Through the 'one-stop administrative care center,' employees can integrate the function windows including the dormitory, social insurance, fiscal card, resignation, express card, and employee care to resolve work and daily life problems.



Plant-Specific Channels for Negotiation and Communication

Plant	Taiwan	Ningbo	Foshan	Nanjing	Shanghai
1	Employee Care Hotline	Employee Care Hotline	Help Desk and Employee Care Hotline	Employee Care Hotline	Employee Care Hotline
2	Employee Care Email	Employee Care Email	Help Desk Consultation	Employee Care Email	Employee Care Email
3	Responsible Meeting	Care Staff Interview	Employee Care Email	Guestbook	Roundtable
4	Announcement System	Employee Suggestion Box	INX WeChat: Communication Interactive	QQ Group for hearing impaired employees	Union Consultation
5	Labor/Management Meeting	Care Center	WeChat Care Group for the Disabled	Announcement System	Plant Manager Hotline
6	EWC Meeting	Communication Interactive Platform	Labor/Management Meeting	Angel Service Station	
7	DL Seminars	Line Officer Seminars		WeChat Instructor Help Group	
8		Labor/Management Meeting		Labor Representative Conference	

When addressing employee grievances, apart from fulfilling the reasonable claims of complainants as much as possible, we trace the root cause of each problem to reduce its recurrence. For example, we timely offered the leadership management and communication courses for plant management officers to guide leaders to manage work more humanely. In 2017, plants in Taiwan and China received a total of 512 grievances regarding human rights and a total of 253 grievances regarding labor conditions, and all grievances were properly addressed and resolved. For sexual harassment grievances, the Sexual Harassment Review Committee reviews each grievance and punishes offenders according to the severity of offences through resolutions. In addition, we implemented various measures to protect employees against sexual harassment. Apart from the publicity during the orientation and the team and line leader training, we disclose on workplace protection posters and the computer startup screen our policy to address and grievance channels for sexual harassment and past sexual harassment cases to maintain an employee-friendly workplace. In 2017, all six reported sexual harassment cases were addressed and resolved.

Employee Grievances 2017

Human Rights

Item	Taiwan			China			Total
	recruitment	sexual harassment	leadership management	recruitment	sexual harassment	leadership management	
No. of Cases Reported	11	6	52	76	0	367	512
Percentage of Reported Cases Handled	100%	100%	100%	100%	100%	100%	100%
No. of Reported Cases Solved	11	6	52	76	0	367	512
Percentage of Reported Cases Solved	100%	100%	100%	100%	100%	100%	100%

Working Condition

Item	Taiwan			China			Total
	Compensation and Attendance	OH&S	Labor-Management Dispute	Compensation and Attendance	OH&S	Labor-Management Dispute	
Communicated Feedback (cases)	28	1	17	144	59	4	253
Addressed Feedback (proportion)	100%	100%	100%	100%	100%	100%	100%
Resolved Feedback (cases)	28	1	17	144	59	4	253
Resolved Feedback (proportion)	100%	100%	100%	100%	100%	100%	100%

Strengthening DNA Through Channel Diversification

Employee value is important to us. Therefore, we have established an open and quick communication platform. Apart from the INX Newsletter; system startup screen and screen savers, i-Media, WingHR app, and INXpire app, we founded the i-News real-time news platform and set the i-Facebook page. The former provides industrial movement information for the reference of our operational strategies, and the latter announces important information and material topics. We also launched the Smart Steering Meeting and Instruction to enhance the implementation of smart factories and smart offices, in order to absorb Industry 4.0 into our DNA through the weekly Smart Steering Meeting and media exchange.

Independent Assurance Opinion Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE INNOLUX CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

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 Corporate Social Responsibility Report for 2017 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the INNOLUX's CSR Report of 2017 and its presentation are the responsibility of the management of INNOLUX. SGS has not been involved in the preparation of any of the material included in INNOLUX's CSR Report of 2017.

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

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity at a high level of scrutiny for INNOLUX and moderate level of scrutiny for subsidiaries, joint ventures, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

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

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within INNOLUX's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of INNOLUX sustainability activities in 01/01/2017 to 12/31/2017.

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

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

INNOLUX has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, INNOLUX may consider initiate formal process for documenting engagement outcomes.

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 and the report addresses these at an appropriate level to reflect their importance and priority to these **stakeholders**.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, INNOLUX's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. It can be concluded that the reported information has been prepared in a manner that is understandable and accessible to stakeholders. In the future, INNOLUX may consider further enhance the mechanisms for evaluating the effectiveness of the management approach with detailed reporting on specific actions aimed at improving performance.

Signed:

For and on behalf of SGS Taiwan Ltd.



David Huang, Director

Taipei, Taiwan

21 May, 2018

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GRI Content Index

In accordance 2016 GRI Standards 101,102,103,200,300,400



GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 102: General Disclosures 2016	102-1 Name of the organization	• Innolux Company Overview	5	-	-
	102-2 Activities, brands, products, and services	• Innolux Company Overview	5	-	-
	102-3 Location of headquarters	• Innolux Company Overview	5	-	-
	102-4 Location of operations	• Innolux Company Overview	5	-	-
	102-5 Ownership and legal form	• Innolux Company Overview	5	-	-
	102-6 Markets served	• Innolux Company Overview • Market Share	5 38	-	-
	102-7 Scale of the organization	• Innolux Company Overview • 2.1 Company Organization • 2.4.1 Financial Performances	5 28 40	-	-
	102-8 Information on employees and other workers	• 4.5.1 Recruitment and Staffing	109	-	-
	102-9 Supply chain	• 2.5 Sustainable Supply Chain	49	-	-
	102-10 Significant changes to the organization and its supply chain	• No significant re-organization for Innolux in 2017	-	-	-
	102-11 Precautionary Principle or approach	• Operate the company according to The Rio Declaration: Principle 15 - the Precautionary Approach • 3.2.1 Climate Change Mitigation and Adaption	60	-	-
	102-12 External initiatives	• 1.2 Material Issues Analysis • 3.2.1.1 Climate Change Risks and Opportunities	19 61	-	-
	102-13 Membership of associations	• 2.1 Corporate Organization	28	-	-
	102-14 Statement from senior decision-maker	• Message from the Chairman	4	-	-
	102-15 Key impacts, risks, and opportunities	• 2.3 Risk Management • 1.2 Material Issues Analysis	36 19	-	-
	102-16 Values, principles, standards, and norms of behavior	• 2.2.1 Company Governance Organization • 2.2.2 Business Ethics and Internal Control • 2.2.3 Legal Compliance	30 32 34	-	-
	102-17 Mechanisms for advice and concerns about ethics	• 2.2.2 Business Ethics and Internal Control	32	-	-
	102-18 Governance structure	• Corporate Social Responsibility Operations and Performances • 2.2.1 Company Governance Organization	7 30	-	-

GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 102: General Disclosures 2016	102-19 Delegating authority	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances 2.2.1 Company Governance Organization 	7 30	-	-
	102-20 Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
	102-21 Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances 2.2.1 Company Governance Organization 	7 30	-	-
	102-22 Composition of the highest governance body and its committees	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances 2.2.1 Company Governance Organization 	7 30	Data not accessible	No ESG specific criteria considered in the selection of board members
	102-23 Chair of the highest governance body	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
	102-24 Nominating and selecting the highest governance body	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	Data not accessible	No diversity, independence, and ESG profession and experience specific criteria considered in the selection of board members
	102-25 Conflicts of interest	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization Please refer to P.22 of 2017 annual report for more information of board operations 	30	-	-
	102-26 Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances 	7	-	-
	102-27 Collective knowledge of highest governance body	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
	102-28 Evaluating the highest governance body's performance	--	-	Not applicable	No diversity policy and effectiveness evaluation for the board in place

GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 102: General Disclosures 2016	102-29 Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> CSR Committee and Promotion Organization 	7	-	-
	102-30 Effectiveness of risk management processes	<ul style="list-style-type: none"> CSR Committee and Promotion Organization 	7	-	-
	102-31 Review of economic, environmental, and social topics	<ul style="list-style-type: none"> CSR Committee and Promotion Organization 	7	-	-
	102-32 Highest governance body's role in sustainability reporting	<ul style="list-style-type: none"> CSR report was reviewed by the CSR Committee and approved by the Chairman 	-	-	-
	102-33 Communicating critical concerns	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances 2.2.1 Company Governance Organization (Audit Committee) The agenda of board meeting was arranged according to the Innolux's Rules and Procedures for Meeting of the Board of Directors which was derived from Regulations Governing Procedure for Board of Directors Meetings of Public Companies (http://www.innolux.com/Pages/TW/InvestorRelations/Corporate_Governance/Major_Internal_Policies_TW.html) 	7 31	-	-
		<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances Please refer to the Market Observation Post System for material information of Innolux (http://mops.twse.com.tw/mops/web/t05st01) 	7		
	102-34 Nature and total number of critical concerns	<ul style="list-style-type: none"> Corporate Social Responsibility Operations and Performances Please refer to the Market Observation Post System for material information of Innolux (http://mops.twse.com.tw/mops/web/t05st01) 	7	-	-



GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
102-35	Remuneration policies	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization (Remuneration Committee) CSR was not yet a performance indicator in the remuneration policy 	31	-	-
102-36	Process for determining remuneration	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
102-37	Stakeholders' involvement in remuneration	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization (Remuneration Committee) Remuneration Committee was set up by law but stakeholders were not yet consulted against remuneration policy. 	31	-	-
102-38	Annual total compensation ratio	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
102-39	Percentage increase in annual total compensation ratio	<ul style="list-style-type: none"> 2.2.1 Company Governance Organization 	30	-	-
102-40	List of stakeholder groups	<ul style="list-style-type: none"> 1.1 Stakeholder Communication 	16	-	-
102-41	Collective bargaining agreements	<ul style="list-style-type: none"> No labor union in place and so collective agreement 	-	-	-
102-42	Identifying and selecting stakeholders	<ul style="list-style-type: none"> 1.1 Stakeholder Communication 	16	-	-
102-43	Approach to stakeholder engagement	<ul style="list-style-type: none"> 1.1 Stakeholder Communication 	16	-	-
102-44	Key topics and concerns raised	<ul style="list-style-type: none"> 1.1 Stakeholder Communication 	16	-	-
102-45	Entities included in the consolidated financial statements	<ul style="list-style-type: none"> 2.1 Corporate Organization 	28	-	-
102-46	Defining report content and topic Boundaries	<ul style="list-style-type: none"> 1.2 Material Issues Analysis 	19	-	-
102-47	List of material topics	<ul style="list-style-type: none"> 1.2 Material Issues Analysis 	19	-	-
102-48	Restatements of information	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits 	-	-	-
102-49	Changes in reporting	<ul style="list-style-type: none"> No significant alterations has been made to the scope of disclosure. 	-	-	-
102-50	Reporting period	<ul style="list-style-type: none"> Editorial Principle 	2	-	-
102-51	Date of most recent report	<ul style="list-style-type: none"> Editorial Principle 	2	-	-
102-52	Reporting cycle	<ul style="list-style-type: none"> Editorial Principle 	2	-	-
102-53	Contact point for questions regarding the report	<ul style="list-style-type: none"> Editorial Principle 	2	-	-
102-54	Claims of reporting in accordance with the GRI Standards	<ul style="list-style-type: none"> Editorial Principle 	2	-	-
102-55	GRI content index	<ul style="list-style-type: none"> CONTENT INDEX 	123	-	-
102-56	External assurance	<ul style="list-style-type: none"> Editorial Principle Independent Assurance Opinion Statement 	2 121	-	-



GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	<ul style="list-style-type: none"> 2.4.1 Financial Performance Please refer to P.56 of 2017 annual report for more information of capital and issue of shares. 	-	-	-
	201-2 Financial implications and other risks and opportunities due to climate change	<ul style="list-style-type: none"> 3.2.1.1 Climate Change Risks and Opportunities Environmental Accounting 	61 58	Data not accessible	System to quantify to financial implications of climate change risk and opportunity is not yet available
	201-3 Defined benefit plan obligations and other retirement plans	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits 	115	-	-
	201-4 Financial assistance received from government	<ul style="list-style-type: none"> 2.4.1 Financial Performance 	40	-	-
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits 	115	-	-
	202-2 Proportion of senior management hired from the local community	<ul style="list-style-type: none"> 4.5.1 Recruitment and Staffing 	109	-	-
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	<ul style="list-style-type: none"> No relevant Infrastructure investments or donation in 2017 	-	-	-
	203-2 Significant indirect economic impacts	<ul style="list-style-type: none"> 2.3 Risk Management 2.4.1 Financial Performance 2.5 Sustainable Supply Chain 4.5.1 Recruitment and Staffing 	36 40 49 109	-	-
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	<ul style="list-style-type: none"> 2.5.1 Supply Chain Risk Management 	49	-	-
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	<ul style="list-style-type: none"> 2.2.3 Legal Compliance CSR internal audit is conducted according to EICC requirement and no significant risks was found in 2017 	34	-	-
	205-2 Communication and training about anti-corruption policies and procedures	<ul style="list-style-type: none"> 2.2.2 Business Ethics and Internal Control 	32	-	-
	205-3 Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> 2.2.2 Business Ethics and Internal Control 	32	-	-
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<ul style="list-style-type: none"> Please refer to P.109 of 2017 annual report for more information 	-	-	-



GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 301: Materials 2016	301-1 Materials used by weight or volume	<ul style="list-style-type: none"> 3.2.5 Environmental Material Flow Information No renewable material used. A total of 158,860 tons of non-renewable material used. 	80	-	-
	301-2 Recycled input materials used	-	-	Not applicable	No renewable material used
	301-3 Reclaimed products and their packaging materials	<ul style="list-style-type: none"> 3.2.4 Pollution Control and Environmental Impact Reduction (packaging material recycling) 	78	-	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	<ul style="list-style-type: none"> 3.2.2 Energy Resources Management 3.2.5 Environmental Material Flow Information 	64 80	-	-
	302-2 Energy consumption outside of the organization	-	-	Data not accessible	No quantified data for energy consumption outside the organization
	302-3 Energy intensity	<ul style="list-style-type: none"> 3.2.2 Energy Resources Management 3.2.5 Environmental Material Flow Information 	64 80	-	-
	302-4 Reduction of energy consumption	<ul style="list-style-type: none"> 3.2.2 Energy Resources Management 	64	-	-
	302-5 Reductions in energy requirements of products and services	<ul style="list-style-type: none"> 3.3.2 Source control 	84	-	-
GRI 303: Water 2016	303-1 Water withdrawal by source	<ul style="list-style-type: none"> 3.2.3 Water Resources Management 3.2.5 Environmental Material Flow Information 	68 80	-	-
	303-2 Water sources significantly affected by withdrawal of water	<ul style="list-style-type: none"> No significant impact to the water sources identified since the plants located at science parks 	-	-	-
	303-3 Water recycled and reused	<ul style="list-style-type: none"> 3.2.3 Water Resources Management 3.2.5 Environmental Material Flow Information 	68 80	-	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> 3.2.1.2 Management of Climate Change Mitigation 	62	-	-
	305-2 Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> 3.2.1.2 Management of Climate Change Mitigation 	62	-	-
	305-3 Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> 2.5.2 Low-Carbon Supply Chain 3.2.1.2 Management of Climate Change Mitigation 	53 62	-	-
	305-4 GHG emissions intensity	<ul style="list-style-type: none"> 3.2.1.2 Management of Climate Change Mitigation 	62	-	-
	305-5 Reduction of GHG emissions	<ul style="list-style-type: none"> 3.2.1.2 Management of Climate Change Mitigation 	62	-	-
	305-6 Emissions of ozone-depleting substances (ODS)	<ul style="list-style-type: none"> 3.2.5 Environmental Material Flow Information 	80	Not applicable	No ODS production or output
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<ul style="list-style-type: none"> 3.2.5 Environmental Material Flow Information 	80	-	-

GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	<ul style="list-style-type: none"> 3.2.3 Water Resources Management 	68	-	-
	306-2 Waste by type and disposal method	<ul style="list-style-type: none"> 3.2.4 Pollution Control and Environmental Impact Reduction 	71	-	-
	306-3 Significant spills	<ul style="list-style-type: none"> No significant spills in 2017 	-	-	-
	306-4 Transport of hazardous waste	<ul style="list-style-type: none"> 3.2.4 Pollution Control and Environmental Impact Reduction 	71	-	-
	306-5 Water bodies affected by water discharges and/or runoff	<ul style="list-style-type: none"> Innolux's plants located at science parks where wastewater was monitored by the administration office before discharge 	-	-	-
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	<ul style="list-style-type: none"> 3.2 Green Operations 	57	-	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	<ul style="list-style-type: none"> 2.5.1 Supply Chain Risk Management 	49	-	-
	308-2 Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> 2.5.1 Supply Chain Risk Management 	49	-	-





GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	<ul style="list-style-type: none"> 4.5.1 Recruitment and Staffing 	109	-	-
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits The compensation and benefits between permanent and non-permanent employees are more or less the same 	115	-	-
	401-3 Parental leave	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits 	115	-	-
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	<ul style="list-style-type: none"> Taiwan site legal compliance reference: Article 16, Labor Standards Act, China site legal compliance reference: Article 26, 27 and 30 of Labor Law 	-	-	-
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	<ul style="list-style-type: none"> 4.1.1 Health and Safety Strategies and Management 	90	-	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<ul style="list-style-type: none"> 4.1.1 Health and Safety Strategies and Management 4.5.1 Recruitment and Staffing 	90 109	-	-
	403-3 Workers with high incidence or high risk of diseases related to their occupation	<ul style="list-style-type: none"> 4.4.1 Health Management 	104	-	-
	403-4 Health and safety topics covered in formal agreements with trade unions	<ul style="list-style-type: none"> No labor union in place so no collective agreement 	-	-	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	<ul style="list-style-type: none"> 4.5.3 Training and Development 	117	-	-
	404-2 Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> 4.5.3 Training and Development 	117	-	-
	404-3 Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> 4.5.3 Training and Development 	117	-	-
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	<ul style="list-style-type: none"> 4.5.3 Training and Development 	117	-	-
	405-2 Ratio of basic salary and remuneration of women to men	<ul style="list-style-type: none"> 4.5.2 Compensation and Benefits 	115	-	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	<ul style="list-style-type: none"> 4.5.4 Zero Distance Communication 	119	-	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<ul style="list-style-type: none"> CSR internal audit and supplier SER audit were conducted according to EICC requirement and no significant risks were found in 2017 	-	-	-

GRI Standard	Disclosure	Chapter	Page	Omission	
				Type	Remark
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	<ul style="list-style-type: none"> CSR internal audit and supplier SER audit were conducted according to EICC requirement and no significant risks were found in 2017 	-	-	-
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	<ul style="list-style-type: none"> CSR internal audit and supplier SER audit were conducted according to EICC requirement and no significant risks were found in 2017 	-	-	-
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> 2.2.3 Legal Compliance 	34	-	-
	412-2 Employee training on human rights policies or procedures	<ul style="list-style-type: none"> 2.2.3 Legal Compliance 	34	-	-
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> No significant investment in 2017 	-	-	-
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> All Innolux plants comply with local regulations to conduct environmental assessment. Both Taiwan and China sites held community activities in 2017 	-	-	-
	413-2 Operations with significant actual and potential negative impacts on local communities	<ul style="list-style-type: none"> No material negative impact caused by Innolux against local communities identified in 2017 	-	-	-
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	<ul style="list-style-type: none"> 2.5.1 Supply Chain Risk Management 	49	-	-
	414-2 Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> 2.5.1 Supply Chain Risk Management 	49	-	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> 3.3.2 Source Control 	84	-	-
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	<ul style="list-style-type: none"> No violations against the regulations of health and safety for Innolux product and service in 2017 	-	-	-
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	-	-	Not applicable	Non-finished products. RoHS /HF/ GP labeled according to customer's need
	417-2 Incidents of non-compliance concerning product and service information and labeling	<ul style="list-style-type: none"> No product labeling violations identified in 2017 	-	-	-
	417-3 Incidents of non-compliance concerning marketing communications	<ul style="list-style-type: none"> No violation against the regulations of marketing communications in 2017 	-	-	-
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<ul style="list-style-type: none"> No violations of customer privacy and loss of information identified in 2017 	-	-	-
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> No significant penalty identified in 2017 	-	-	-

Material Issue	Material Issue Management Approach			
Material issues	GRI Standard	Disclosure	Chapter	Page
1. Financial performances	GRI 103: Management Approach 2016 GRI 201- Economic performance GRI 202- Market presence GRI 203- Indirect economic impacts GRI 204- Procurement practices	103-1 Explanation of the material topic and its Boundary	• 2.4.1 Financial Performance	40
		103-2 The management approach and its components	• 2.4.1 Financial Performance	40
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues) • 2017 Honors and awards	19 10
2. Product quality and customer satisfaction	GRI 103: Management Approach 2017 GRI 201- Economic performance GRI 418- Customer privacy	103-1 Explanation of the material topic and its Boundary	• 2.4.2 Customer Satisfaction	47
		103-2 The management approach and its components	• 2.4.2 Customer Satisfaction	47
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues) • 2017 Honors and awards	19 10
3. Energy resources management	GRI 103: Management Approach 2017 GRI 302- Energy	103-1 Explanation of the material topic and its Boundary	• 3.2.2 Energy Resources Management	64
		103-2 The management approach and its components	• 3.2.2 Energy Resources Management	64
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues) • 2017 Honors and awards	19 10
4. GHG emission	GRI 103: Management Approach 2017 GRI 305- Emissions	103-1 Explanation of the material topic and its Boundary	• 3.2.1 Climate Change Mitigation and Adaption	60
		103-2 The management approach and its components	• 3.2.1 Climate Change Mitigation and Adaption	60
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues) • 2017 Honors and awards	19 10
5. Water resources management	GRI 103: Management Approach 2016 GRI 303- Water	103-1 Explanation of the material topic and its Boundary	• 3.2.3 Water Resources Management	68
		103-2 The management approach and its components	• 3.2.3 Water Resources Management	68
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues) • 2017 Honors and awards	19 10

Material issues	GRI Standard	Disclosure	Chapter	Page
6. Pollution control	GRI 103: Management Approach 2016 GRI 301- Materials GRI 306- Effluents and wastes GRI 307- Legal compliance	103-1 Explanation of the material topic and its Boundary	• 3.2.4 Pollution Control and Environmental Impact Reduction	71
		103-2 The management approach and its components	• 3.2.4 Pollution Control and Environmental Impact Reduction	71
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
7. Supply chain management	GRI 103: Management Approach 2016 GRI 301- Materials GRI 301- Product and service GRI 416- Customer's health and safety	103-1 Explanation of the material topic and its Boundary	• 3.3 Green Value Chain	82
		103-2 The management approach and its components	• 3.3 Green Value Chain	82
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
8. Low-carbon Supply Chain	GRI 103: Management Approach 2016 GRI 204- Procurement practices GRI 308- Supplier Environmental Assessment GRI 414- Supplier Assessment for Labor Practices GRI 414- Supplier Assessment for impacts on society	103-1 Explanation of the material topic and its Boundary	• 2.5.2 Low-Carbon Supply Chain	53
		103-2 The management approach and its components	• 2.5.2 Low-Carbon Supply Chain	53
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
9. Compensation and benefits	GRI 103: Management Approach 2016 GRI 405- Equal remuneration for women and men	103-1 Explanation of the material topic and its Boundary	• 4.5.2 Compensation and Benefits	115
		103-2 The management approach and its components	• 4.5.2 Compensation and Benefits	115
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
10. Personnel training	GRI 103: Management Approach 2016 GRI 404- Training and education GRI 412- Investment	103-1 Explanation of the material topic and its Boundary	• 4.5.3 Training and Development	117
		103-2 The management approach and its components	• 4.5.3 Training and Development	117
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
11. Disability Employment	GRI 103: Management Approach 2016 GRI 405- Diversity and equal opportunity	103-1 Explanation of the material topic and its Boundary	• 4.4.2 Disability Care	107
		103-2 The management approach and its components	• 4.4.2 Disability Care	107
		103-3 Evaluation of the management approach	• CSR Committee and Promotion Organization	7
			• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10

Material issues	GRI Standard	Disclosure	Chapter	Page
12. Employee-friendly workplace	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	• 4.2 Mental & Physical Wellness	97
	GRI 103- Labor practices grievance mechanisms	103-2 The management approach and its components	• 4.2 Mental & Physical Wellness	97
	GRI 103- Human rights grievance mechanisms		• CSR Committee and Promotion Organization	7
	GRI 103- Grievance mechanisms for impacts on society	103-3 Evaluation of the management approach	• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
	GRI 401- Employment GRI 402- Labor/management relations		• 2017 Honors and awards	10
13. Integrity management		103-1 Explanation of the material topic and its Boundary	• 2.2.2 Business Ethics and Internal Control	32
	GRI 103: Management Approach 2016	103-2 The management approach and its components	• 2.2.2 Business Ethics and Internal Control	32
	GRI 103- Grievance mechanisms for impacts on society		• CSR Committee and Promotion Organization	7
	GRI 205- Anti-corruption	103-3 Evaluation of the management approach	• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
	GRI 419- Legal compliance		• 2017 Honors and awards	10
14. Community participation and social care		103-1 Explanation of the material topic and its Boundary	• 4.3 Initiative on Social Care	101
	GRI 103: Management Approach 2016	103-2 The management approach and its components	• 4.3 Initiative on Social Care	101
	GRI 413- Local communities		• CSR Committee and Promotion Organization	7
		103-3 Evaluation of the management approach	• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
15. Occupational health and safety		103-1 Explanation of the material topic and its Boundary	• 4.1.1 Health and Safety Strategies and Management	90
	GRI 103: Management Approach 2016	103-2 The management approach and its components	• 4.1.1 Health and Safety Strategies and Management	90
	GRI 403- Occupational health and safety		• CSR Committee and Promotion Organization	7
		103-3 Evaluation of the management approach	• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
			• 2017 Honors and awards	10
16. Recruiting and retaining of competent employees	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	• 4.5.1 Recruitment and Staffing	109
	GRI 405- Diversity and equal opportunity	103-2 The management approach and its components	• 4.5.1 Recruitment and Staffing	109
	GRI 406-Non-discrimination		• CSR Committee and Promotion Organization	7
	GRI 407-Freedom of association and collective bargaining	103-3 Evaluation of the management approach	• 1.2 Material Issues Analysis (Step4: Manage Material Issues)	19
	GRI 408- Child labor		• 2017 Honors and awards	10
	GRI 409- Forced or compulsory labor			
	GRI 412- Assessment			



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