2021
ESG REPORT

INNOLUX

INNOLUX
群創光電

Contents /

Foreword

1 A Focus on Creating Sustainable Value

2 A Win-Win Situation for Corporate Governance and Integrity

3 Innovative Transition in Hand with Procurement

4 A Harmonious Workplace and a Prosperous Society

5 Green Transformation and Environmental Co-Prosperity

6 Appendix

0.1 /Editorial Principles

Innolux has published the ESG Report (formerly the Corporate Social Responsibility Report) for 14 consecutive years. In the report, we cover corporate governance and our social and environmental goals and achievements. In order to present the Company's corporate governance, social and environmental performance, and managerial approach and responses to major topics to our stakeholders, Innolux has published this report in accordance with the Comprehensive option of the GRI Sustainability Reporting Standards released by the Global Reporting Initiative.

Scope of the Report

This report discloses Innolux's sustainability performance from January 2021 to December 2021 and is divided into internal and external sectors based on the scope of the topic:

- Internal: Material topics related to Innolux's Taiwan Sites and China Sites, which include the Ningbo Site (Ningbo Innolux Optoelectronics Co., Ltd, Ningbo Innolux Display Ltd., and Qunan Electronics Co., Ltd), Foshan Site (Foshan Innolux Optoelectronics Ltd.), Nanjing Site (Nanjing Innolux Optoelectronics Ltd. and Nanjing Innolux Technology Ltd.), and Shanghai Site(Shanghai Innolux Optoelectronics Ltd.).
- External: Customers, suppliers, and material topics in local communities communities.

Report Assurance

All information and data in this report were compiled by the editorial team, which consists of employees from the Human Resources Department, Legal Affairs Department, Intellectual Property Department, Finance Department, Facility Engineering Department, Environment, Safe and Health Department, General Administration Department, R&D Department, Procurement Department, Quality Assurance Department, Sales Department, Public Relations Department, and Innolux Education Foundation who were invited to collaborate with the Sustainable Development Management Department in collecting data. The data was then reviewed for credibility and integrity through an internal administrative process and verified by a third party before being published.

- This report was verified by SGS Taiwan (an independent third party) as fully meeting the Comprehensive option of the GRI Standards and Type 2 high assurance on reliability and quality of the Account Ability 1000 Assurance Standard (AA1000AS). In addition, Innolux passed SGS verification after the sustainability indicators disclosure requirements were issued by the Sustainability Accounting Standards Board (SASB) for the first time. The independent assurance statement is included in the appendix of this report.
- Data concerning greenhouse gas inventory was inspected by a third party in accordance with ISO14064-1.
- Cost and accounting information in the Company's annual report was reviewed and verified by certified accountants.

Issue Period

Innolux publishes ESG reports on a regular annual basis. The reports are available for download on our website in Chinese and English.
Current Issue: Publishing in June 2022
Previous Issue: Published in June 2021
Next Issue: Scheduled to publish in June 2023

Contact Us

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

- Phone:+886 6 505 1888
- E-mail: csr@innolux.com
- Website: www.innolux.com
- Headquarters Address: No. 160 Kexue Road, Jhunan Township, Miaoli County 35053 (Jhunan Science Park)

0.2 / A Message from the Chairman

Over the past year, Innolux has faced a profusion of economic, social, and environmental challenges as a new generation of risks arose from the global COVID-19 pandemic, out-of-control carbon emissions, and global warming-induced extreme weather events and ecological crises. In spite of these challenges, Innolux has continued to uphold its mission to create value for stakeholders and bring benefits to society while pursuing lasting business growth, and to fulfill its corporate social responsibility of generating positive environmental, economic, and social value.

As a leading corporate citizen in the display industry, Innolux actively promotes sustainable development while pursuing business growth. In 2021, we saw the fourth consecutive year of Innolux's inclusion in the DJSI World Index and DJSI Emerging Markets Index, which rated Innolux the highest in social performance among our competitors in the display industry. The company was also included in the Carbon Disclosure Project (CDP) Supplier Engagement Leaderboard for the second consecutive year and received an A rating in supplier engagement.

In keeping with the global trend of achieving net-zero carbon emissions, Innolux founded the Carbon Risk Management Committee to formulate development strategies and actively participate in global campaigns to promote a climate risk management culture. The company also applied to join the Science Based Targets Initiative (SBTi) and pledged to reduce its greenhouse gas emissions by 15% between 2020 and 2026. In light of global carbon pricing trends, Innolux has utilized internal carbon pricing (ICP) to convert CO_2 emissions from non-monetary targets into monetary costs, thereby fulfilling our commitment to green manufacturing and environmental protection and achieving our goal of establishing a low-carbon production ecosystem. Furthermore, Innolux has encouraged supply chain partners to improve our carbon reduction effectiveness, pioneering the Greenhouse Gas Management Implementation Strategy "D-C-I-R" to help suppliers disclose their greenhouse gas emissions. DCIR 2.0 was subsequently implemented in 2022 to initiate the transformation from low to net-zero carbon emissions, thus building a low-carbon supply chain by working jointly with supply chain partners to achieve the goal of carbon neutrality.

Innolux is committed to a sustainable development philosophy of building a mutually beneficial relationship with society and has long worked with the Innolux Education Foundation to organize charity events that promote environmental education and social care. During the height of the pandemic, Innolux donated 6 positive pressure testing booths to the local governments and medical institutions of New Taipei, Taoyuan, Miaoli, Tainan, and Kaohsiung, and additionally donated 2,700 rapid tests to Da Chien General Hospital in Miaoli in hope of encouraging more enterprises to support the government's epidemic prevention. In addition, the company joined hands with its employees to launch a series of charity events for rural education access, including the Make Dreams Possible, the Sapling Rural Student Aid Project, and the Christmas Gift Drive. Our employees also volunteer as study companions to provide rural children with access to a range of educational opportunities, thereby providing educational resources and a spark of hope for rural children.

In the face of growing business impacts and challenges arising from increased competition in the industry and global climate change, Innolux has maintained its core competencies to keep the company's growth momentum and continues to commit to green manufacturing, building a friendly and inclusive workplace, and boosting the company's social engagement. Innolux adopted its 3Gos (Go Green, Go Responsible, Go Sharing) sustainable development strategy to fulfill its environmental, social, and corporate governance values and achieve corporate sustainability. To fulfill our duties as a corporate citizen, we will stay true to our mission and move steadfastly forward in our pursuit of a sustainable future and a mutually beneficial relationship with society.

Jim Hung, Chairman and CEO

0.3 / Company Overview

Panel Your Future

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

As a leader of the global optoelectronic supply chain, Innolux is committed to its responsibility and obligation not only to continuously develop cutting-edge technology and outstanding products, but also to use “inimitable competitiveness“ as a driving force for sustainable corporate management, so as to achieve the satisfaction of our shareholders, customers, and employees, and the well-being of the community. We are committed to attaining coexistence and shared prosperity through sustainable management.

Company Profile

Capital
NT$ 105.6 billion

2021 Revenue
NT$ 350 billion

Stock symbol
3481

Number of Employees
52,846 employees globally

INNOLUX 群創光電

Innolux Corporation
January 2003

Chairman Jin-Yang (Jim) Hung

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

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

Production Capacity
Large panels 148 million pcs
(10-inch and above)
small-medium panels 332 million pcs
(10-inch and below)

Innolux Global Presence

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

Product Applications

Large Size

- Monitor Applications
- LCD TV Applications
- Notebook Applications
- PID Applications

Small and Medium Size

- Tablet Display Applications
- Automotive Display Applications
- Consumer Electornics Applications
- Smart Phone/ Mobile Applications

Others

- Smart Medical Applications
- Industrial Display Applications

Participation in Organizations

Innolux hopes to achieve growth throughout the panel industry through the sharing of industry experience and perspectives; therefore, the company actively participates in industry associations and societies. All participation is carried out in accordance with Article 4 of the Innolux Code of Conduct, which prohibits the Company from engaging in campaign finance for commercial gain or to gain a competitive advantage in return. This ensures that Innolux' s charitable donations do not potentially devolve into influence peddling. In 2021, the Company' s total expenditures in association/society participation was NT$ 2.95 million.

Organization	Form of participation in 2021			Amount invested (NTD)				
	Role	Member	Participated in a project or on a committee	2021	2020	2019	2018	2017
Responsible Business Alliance (RBA)			✓	1,023,969	278,362	992,912	500,334	692,236
Business Council for Sustainable Development (BCSD)_Taiwan Corporate Sustainability Forum (TCSF)		✓	✓	60,000	60,000	60,000	60,000	60,000
Taiwan Panel & Solution Association (TPSA) *	Managing Director (President); Executive Supervisor (Chairman)	✓	✓	960,000	1,200,000	1,200,000	1,200,000	1,200,000
Taiwan Listed Company Association		✓		100,000	100,000	-	-	-
The Allied Association for Science Park Industries		✓		810,000	810,000	-	-	-

Note : The Taiwan TFT LCD Association (TTLA) officially changed its name to the Taiwan Panel & Solution Association (TPSA) on April 20th, 2021.

0.4/ Sustainability Performance

- 5 Rural School Aid Programs
- Disabling Injury Frequency (FR) is 0.25
- Total investment in community participation NT$45 Million
- Healthcare services: served over 38,100 persons
- Held over 2,774 Environment Safety and Health Training Sessions; over 184,598 employees trained

- Total Revenue NT$ 350 million
- Number of Intellectual Property Rights (IP) 12,200
- R&D Expenditures NT$ 15 Billion
- Lighthouse Factory 1 Site
- Customer Satisfaction 86.4 %

- Process water recovery rate 97.2 %
- Renewable Power generated annually 38,280,000 kWh
- FC emissions intensity per unit area reduced by 46.5 % compared to 2016
- Submission of Science Based Target Initiative application to reduce carbon emissions
- Expanded the scope of circular economy and increased the company's chemical self-recycling rate

0.5 / Honors and Affirmations in 2021

Sustainability Evaluation

Dow Jones Sustainability Indices

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

4 consecutive years

DJSI World Index & DJSI EmergingMarkets Index

Score in the Social Dimension -
Ranked 1st in the panel industry

S&P Global

Sustainability Award Bronze Class 2022
S&P Global

Electronic Equipment, Instruments&Components

Rated **(Bronze Class)**

CDP

CDP SUPPLIER ENGAGEMENT LEADER 2021

Water Management

Rated **(A- Leadership level)**

Climate Change

Rated **(B-)**

Supplier Engagement Rating
SER

2 consecutive years
Received"Leaderboard", the highest evaluation

Taiwan Index Plus

FTSE4Good TIP Taiwan ESG Index

Named to the FTSE4Good TIP Taiwan ESG Index

Received a **4.1 rating**

MSCI ESG Ratings

MSCI ESG RATINGS BBB

MSCI ESG rating - **BBB**

Awards

Taiwan Sustainability Action Awards
(TSAA)

"World's first liquid crystal extration technology to promote green economy"

Awarded (Gold Award)

Taiwan Corporate Sustainability Awards
(TCSA)

Awarded 6 Major Awards in the 2021 TCSA

National Talent Development Awards

The Ministry of Labor

Awarded a
National Talent Development Award

CHR Corporate Health Responsibility

The 2021 3rd CHR Corporate Health Responsibility - 5000+ people group (hosted by the Common Health Magazine)

Awarded (Gold Award)

5-Hearts Excellent Workplace Recognition

The Tainan City Government Labor Affairs Bureau

2021 Best Companies to work for in Asia

Authoritative international HR professional publication, HR Asia.

Received 2021 Best Company to work for in Asia Award

Taiwan Excellence Award

Floating Image Smart Speaker

Won the 30th "Taiwan Excellence Silver" Award.

Lighthouse Factory

Kaohsiung 8.5 + 8.6G Manufacturing Site

Selected as a 2021 World Economic Forum (WEF) Lighthouse Factory

1

INNOLUX
2021 ESG Report

A Focus on Creating Sustainable Value

1.1 / Sustainable Development Management Operations

1.1.1ESG Policies and Commitments

The Responsible Business Alliance (RBA) Code of Conduct forms the basis of Innolux' s pursuit of a more sustainable environment and humanistic society. The company has developed five-pronged ESG policies that cover corporate governance, environmental protection, employee care, supply chain SER management, and community engagement. The company' s CSR plans, objectives, and results are regularly reported at company board meetings in accordance with the Innolux Corporate Code of Conduct.

/ Innolux Corporate Code of Conduct Commitments /

Integrity

Integrity is the most important core value of Innolux.

It consolidates Innolux' s leading position in the display panel industry.

Innolux pursues to acquire trust and respect from its customers, shareholders, employees, suppliers and the society.

Compliance

Innolux respects and upholds democracy and the rule of law.

It abides by the applicable laws and the standards agreed by the industry.

Furthermore, it pursues the higher standards of operational excellence.

Respect for human rights

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

Environmentally friendly

Deterioration of the living environment is human beings'common challenges.

Innolux should use its capacity to reduce the environmental impact of the production process and product to attain the sustainable development of the global environment.

Community and social involvement

Innolux is not satisfied with its own growth and robustness.

Innolux is willing to facilitate the development of nearby communities with the way of sharing its profits and public achievement.

Be the Influential leader in supply chain

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

Balancing and continual improvement of financial, social and environmental performance

Innolux concentrates on the company operation, creating profits for shareholders and employees.

It then contributes to the improvement of the society and the environment.

1.1.2 Sustainable Development Management Committee and Promotion Organization

In 2011, Innolux established the Sustainable Development Management Committee, formerly known as the CSR Committee. As the primary ESG promotional body in the company, the Sustainable Development Management Committee is responsible for developing corporate sustainable development policies and strategies. The chairman of the board serves as chair of the committee, the president serves as deputy chair, and the director of human resources is the director of sustainability. Committee members include the top executives from the manufacturing centers in Taiwan and China and top executives from functional departments. The Sustainable Development Management Department serves as Secretariat and is responsible for understanding the needs of stakeholders, analyzing global trends in sustainable development, adjusting and mitigating the impact of materiality analysis on operations, discussing and executing plans with other departments, and completing the annual ESG Report. Through annual management review meetings, quarterly committee meetings, and group meetings, the committee examines potential material sustainability issues that may impact corporate ESG, discusses corresponding measures, and sets annual goals to ensure the implementation of CSR in the company's daily operations. The committee representative makes an annual report to the board on the effectiveness of implementation and follow-up plans.

/ Sustainable Development Management Committee Operations /

Sustainable Development Management Committee
Chairman: : Chairman of the Board
Deputy Chairman:President
Director of Sustainability : Director of HR

Affairs Bureau
Sustainable Development Management Department

Members
Senior Management of Each Factory Site

Representatives of Functional Departments
Related to Corporate Governance, Environment, Social Aspects and RBA issues

Committee Operations

- Annual Management Review Meeting
- Quarterly Committee Meeting
- Annual Director' s Report
- Group Meetings

2021 Sustainable Development Management Department Board Report Summary

2021 Performance

- Examined company energyefficiency to implement circular econ omy in response to the Net Zero Goal.
- Injected funds forthe talent cultiwvati on planto spur growth in the industy.
- Due to COVID-19 gepidemic, added employee care and provided paid vaccine leave.
- Improved education in remcte areas and launched the Student Assisance Program to contribute to school children with insufficient resources in remote areas.

2022 Goals

- Optimize corporate governance and improve ESG evaluation.
- Carry out customer' s RBA Code of Conduct requirements and refund migrant worker placement fees.
- Continuously manage carbon risk, develop renewable energy, and expand circular economy.
- Promote sustainable supply chain management toward Net Zero Goal, and require suppliers to set targets for carbon reduction.
- Bring environmental education to rural schools with Net Zero and grow with the schoolchildren.

2021 Sustainable Development Management Committee Annual Management Review

Performance

Environmental Aspect

A total of 24 targets were tracked under four major issues, including energy conservation, greenhouse gas (GHG) inventory, water resources management, and waste reduction, and 4 were not up to expectations. An improvement plan was submitted to management for review.

Social Aspect

A total of 15 targets were tracked under five major issues, including overtime hour control, disability employment, occupational safety, responsible minerals management, and supply chain carbon reductions, and 3 were not up to expectations. An improvement plan was submitted to management for review.

Corporate Governance

A total of 8 targets were tracked under three major issues, including corporate governance, ESG evaluation, and TCFD, and 2 were not up to expectations. An improvement plan was submitted for management review.

1.2/ Stakeholders and Materiality Sustainability Issues

In its promotion of corporate sustainability, Innolux focuses on environmental sustainability, social co-prosperity, and economic governance (ESG), which are the key factors affecting the company's sustainable operations. Innolux has adopted the Global Reporting Initiative (GRI) Standards and the AA1000 Stakeholder Engagement Standard (SES), and thus bases its materiality analysis on the factors of inclusivity, materiality, and responsiveness to create a framework for its ESG disclosure. Innolux conducts materiality analysis, identifies material issues, examines long-term sustainable development goals (SDGs), takes action according to risk impacts, and tracks progress and performance to create a sustainable business model based on shared values.

1.2.1 Stakeholder Communication

Innolux values the opinions of its stakeholders and stays informed of their expectations and feedback through four major mechanisms: information sharing, consultation, engagement, and collaboration. Innolux maintains regular communication with six major stakeholder groups—employees, customers, shareholder/investors, supplier/contractors, government, and society (communities, media, and non-profit organizations)—to ensure the timely disclosure of information about progress, changes, and our goals in sustainable management to the public.

Employees

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

Issues of Concern
- Recruitment and retention of competent employees
- Human Rights
- Talent development and training
- Diversity and equality
- Workplace digital transformation

Communications in 2021
- 298 labor management meetings
- 1,021 cases handled through internal communication channels.

Customers

Communication/ Frequency
- Customer satisfaction survey analysis
- Voice of the Customer (VOC) system
- Customer complaint handling and review/ irregular
- Customer meetings/ irregular
- Customer audits/ irregula

Issues of Concern
- Innovation of products and technologies
- Financial performance
- ESG risk management
- Air pollution control
- Water resources management

Communications in 2021
- >10 key account cooperative development and quality meetings
- >100 VIP customer quality evaluation meetings
- >1,000 daily operations meetings

Shareholders/ Investors

Communication/ Frequency
- Shareholders' meetings/ annual
- Institutional investor conferences/ semi-annual
- Investment forum/ quarterly
- Company annual report and ESG report/ annual
- Investor-analyst communication meetings/ irregular
- Investor hotline and mailbox/ irregular

Issues of Concern
- Financial performance
- GHG emissions
- Waste and circular economy
- Recruitment and retention of competent employees
- Community participation and care

Communications in 2021
- >40 investor communication meetings
- 73 replies to investor hotline and mailbox

Society

Communication/ Frequency
- Volunteering/ irregular
- Media (press conferences and releases) / irregular
- Project involvement and visits / irregular
- Neighborhood communication/ irregular
- Hosting events and forums/ irregular
- Innolux Sustainability DNA official Facebook page/ irregular

Communications in 2021
- 1,880 beneficiaries
- 5 rural school sponsorships
- 300 texts and calls for media communications
- 27 press releases and 5 press conferences
- 9 media events and 9 media interviews

Issues of Concern
- Financial performance
- GHG emissions
- Recruitment and retention of competent employees
- Waste and circular economy
- Community participation and care

Government

Communication/ Frequency
- Official documents and correspondence / irregular
- Meetings (seminars, briefings, public hearings, forums)/ irregular
- Consortia/ irregular

Issues of Concern
- Air pollution control
- Water resources management
- GHG emissions
- Waste and circular economy
- OHS

Communications in 2021
- 256 government related meetings
- 22 industry consortium meetings

Suppliers

Communication/ Frequency
- Regular supplier meetings/ bi-weekly and monthly
- Supplier conference/ annual
- Supplier self-assessment questionnaire/ annual
- Anti-corruption whistleblower mailbox/ irregular
- On-site audits and mentoring/ irregular

Issues of Concern
- Recruitment and retention of competent employees
- Talent development and training
- Occupational health and safety (OHS)
- Diversity and equality
- Human rights

Communications in 2021
- 395 supplier CIP meetings
- 107 supplier communication meetings
- 34 external reports processed

1.2.2Materiality Sustainability Issues

Innolux conducts a survey each year to gain a clear understanding of the concerns of internal and external stakeholders. In compliance with the GRI Standards and the AA 1000 SES (Stakeholder Engagement Standards）, Innolux bases its materiality analysis on the factors of inclusivity (identification stage), materiality (analysis stage), and responsiveness (confirmation stage).Through the three stages, Innolux identifies internal and external stakeholders' concerns on sustainability issues and their impact on Innolux, determines the boundaries and scope of sustainability information disclosure, and sets long-term SDGs.

Materiality Analysis Methods

1 STEP Identification（Inclusivity）

Innolux employs the five principles of the AA1000 SES to identify priority stakeholders with the highest operational relevance as key communication targets for the ESG Report. A thorough scrutiny of its internal organizational development, the GRI Standards, a sustainability evaluation, and the expectations and needs of its stakeholders resulted in the identification of 22 sustainability issues needing inclusion in the company's materiality analysis. Since 2020, Innolux has added corporate governance and ESG risk management (under the economy dimension) and workplace digital transformation (under the society dimension) to its list of issues.

2 STEP Analysis（Materiality）

In its materiality analysis, Innolux focuses on the two major principles: stakeholder's concerns and operational impacts. To address stakeholders' concerns, we select a representative sample from the target audience based on interactivity, importance, and influence. To analyze operational impacts, we evaluate each issue in terms of revenue growth, customer satisfaction, risk reduction, and effectiveness with regard to employee engagement. Five senior executives then jointly determine the importance of each issue. After internal discussion and confirmation of the evaluation results, Innolux added Waste and Circular Economy (which is of great importance to company operations) to the list and set an annual target for this long-term issue. In the end, a total of 15 material issues were identified, including Diversity and Equality, another SDG that was added this year.

3 STEP Confirmation (Responsiveness)

The impacts of each of the 15 issues on the value chain—upstream, company operations, and downstream—were identified, and Innolux disclosed the material topics in accordance with GRI Standards. The collection and disclosure of sustainability information was carried out in compliance with the reporting requirements and management policies of each topic. This year, the company added Water and Effluents, Waste, and Diversity and Equal Opportunity.

1 Identifying key communication targets

6
key stakeholders

Innolux has identified 6 stakeholders as key communication targets—employees,customers/ shareholders/investors, suppliers the government, and society (media, communities, NPOs)—in accordance with the AA1000 SES.

2 Identifying sustainability issues

22
sustainability issues

After an analysis of global sustainability standards and regulations (RBA, SDGs, GRI Standards, ISO26000), sustainable investment organizations (DJSI, CDP, MSCI ESG Index), and past disclosures and communications with stakeholders, a total of 22 sustainability issues were identified.

3 Identifying stakeholder's concerns

2,644
surveys

A total of 2,644 valid online and paper questionnaires were collected, including 2,532 from employees, 4 from customers,61 from suppliers,20 from government officials, 27 from members of the community, along with investor feedback from DJSI, CDP, FTSE4Good, and MSCI ESG evaluations.

4 Identifying operational impacts

5
senior executives

5 senior executives participated in identifying the operational impacts of sustainability issues based on four factors: revenue growth, customer satisfaction, risk reduction, and effectiveness with regard to employee engagement.

5 Determining material issues

15
material issues

Finally, a materiality matrix based on the results of the level of concern survey and operational impacts analysis was drawn up. After discussion of the results, the Sustainable Development Management Committee ultimately selected 15 material issues.

6 Determining disclosure boundaries

3
stages

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

7 Disclosure content review

16
GRI standard topics

The 15 material issues correspond to 16 GRI topics in the GRI standards. Sustainability information was collected and disclosed according to reporting requirements and management policies for each topic. Other sustainability issues will also be disclosed after evaluation by the Sustainable Development Management Committee.

Materiality Matrix

■ Note: Corporate governance, integrity management, ESG risk management, information security, legal compliance, and financial performance are considered standard disclosures, and are disclosed annually for objective and performance reviews, but are not included in the materiality matrix.

Material Issues and the Value Chain

● direct impact ○ indirect impact ▲ business relationship impact

Aspects	Material Issue	GRI Standards Topic	Significance to Operations				Value Chain Stage and Relationship				Corresponding Chapter
			Revenue Growth	Customer Satisfaction	Operational Risk	Employee Engagement	Procurement Phase	Manufacturing	Customer Usage	Society	
	Innovation of products and technologies	Innovation of products and technologies *	✓	✓				●	▲		3.1 R&D and innovation
	Customer relationship management (CRM)	Customer privacy GRI 418	✓	✓					▲		3.2 Customer Service
	Supply chain management	Procurement practices GRI 204, supplier environmental assessment GRI 308, supplier social assessment GRI 414		✓	✓		▲				3.3 Supply chain management
Environmental	Water resources management	Water and effluents GRI 303			✓			●		○	5.3 Water resources management 5.4.1 Water pollution control
	GHG emissions	Emissions GRI 305			✓			●		○	5.2 Climate change and energy management
	Energy management	Energy GRI 302			✓		▲	●	▲		5.2 Climate change and energy management
	Green product management	Customer health and safety GRI 416		✓			▲	●	▲	○	5.6 Green products
	Air pollution control	Emissions GRI 305			✓			●			5.4.2 Air pollution control
	Waste and circular economy	Waste GRI 306			✓			●			5.5 Waste management
	OHS	Occupational health and safety GRI 403			✓	✓	▲	●			4.3 Employee-friendly workplace 4.5 Safety protections
	Recruitment and retention of competent employees	Employment GRI 401				✓		●		○	4.1 Talent strategy
	Talent development and training	Training and education GRI 404				✓		●			4.1 Talent strategy 4.3 Employee-friendly workplace
Social	Human rights	Human rights assessment GRI 412				✓	▲	●			2.3 Legal compliance and operational integrity 4.4 Employee rights and labor relations
	Community participation and care	Indirect economic impacts GRI 203, local communities GRI 413				✓				○	4.6 The common good
	Diversity and equality	Diversity and equal opportunity GRI 405				✓		●			4.1 Talent strategy 4.3 Employee-friendly workplace 4.4 Employee rights and labor relations

■ Innolux custom topic

Material Issue		Management Strategy			Corresponding Chapter
		Management Approach	Promotion and Response Targets	Medium- to Long-Term Goals	
1	**Innovation of products and technologies**	"Growth and Advance"	• Launch Innolux XYZ transformation strategy to build a lights-out unmanned factory • Diversify through applications in non-display, high-end automotive, and smart medical fields	• Promote higher added value products • Expand to new fields and emerging market interests • Complete layout of next-generation display applications to solidify leading position in the panel industry	3.1 R&D and innovation
2	**CRM**	Continuously pursue maximum customer satisfaction and increase customer trust	• Complete intelligence gathering • Smart analysis and diagnosis • Precise ranking prediction • Rapid implementation of improvements	• Build comprehensive intelligent quality management • Key accounts to account for 75%	3.2 Customer service
3	**Supply chain management**	Use influence to guide suppliers into low-carbon value chain, create sustainable supply chain benefits, and implement co-benefits	• Material souce control against its environmentally sustainable performance • Establish decision-making assistance mechanism for supplier selection • Execute a 3-year carbon reduction plan for 91% of the suppliers in procurement	• Cooperate only with certified smelters • Expand the scope of annual supplier management and assist suppliers into low carbon value chain • Strengthen supplier ESG management to achieve sustainable supply chain.	3.3 Supply chain management
4	**Water resources management**	Actively develop new technologies to improve water efficiency	• Through development of alternative water sources, obtain multiple water resources and lower water management risks • Tainan site (FAC-6) to obtain ISO46001 water efficiency management system certification as the pilot plant	• Reduce water consumption per unit area by 30% in 2025 (vs. 2016) • Actively implement water consumption management and water shortage mitigation measures in response to climate crisis • Actively develop new technologies to increase water recycling rate	5.3 Water resources management 5.4.1 Water pollution control
5	**GHG emissions**	Promote beneficial GHG emissions reduction programs, strengthen low-carbon competitiveness, and reduce environmental, financial and market operational risks.	• Increase implementation of fluorocarbons (FCs) reduction technology • Set Net Zero 2050 goal • Execute internal carbon pricing (ICP) mechanism	• Reduce FCs emissions intensity per unit area in TFT manufacturing by 49% in 2025 (vs. 2016) • Reduce GHG Scope1 and Scope2 emissions by 15% in 2026 (vs. 2020)	5.2 Climate change and energy management
6	**Energy management**	Increase energy efficiency and resource recycling rate, and increase competitiveness in both operating costs and environmental protection	• Install renewable energy generation equipment and acquire renewable energy and REC certification • Take action on energy efficiency, promote energy conservation measures, and increase energy efficiency	• Increase average annual energy savings rate from 2020 to 2025 to ≧ 1% and strive for ≧ 1.6% • Achieve 60 million kwh/year renewable energy generation for self-use by 2025	5.2 Climate change and energy management
7	**Green product management**	Implement hazardous substance management, reduce impacts on environment and ecosystem in compliance with international regulations, customer requirements, and eco-friendly trends	• Optimize hazardous substance management system • Monitor regulatory trends, industry standards, and customer specifications, and make timely responses in material and product control • Continuously improve product design to reduce environmental impacts by using high efficiency, low-energy materials and reducing packaging	• Implement comprehensive smart green product management with control-at-the-source and globally certified strategies	5.6 Green products
8	**Air pollution control**	Find solutions for air pollution in Taiwan through industry-government-university cooperation platform, corporate peer influence, and air pollution education.	• Green manufacturing for continuous reductions in air pollution emissions • Forge industry chain consensus to reduce stationary pollution source emissions • Establish Air School platform to promote air pollution knowledge	• Continuously promote the reduction of air pollutant emissions • Cultivate the Air School platform to monitor air pollution jointly with the public • Work with suppliers to fight air pollution	5.4.2 Air pollution control

Material Issue		Management Strategy			Corresponding Chapter
		Management Approach	Promotion and Response Targets	Medium- to Long-Term Goals	
9	**Waste and circular economy**	Implement green manufacturing and green recycling to build competitiveness	• Promote waste reduction by waste source sorting and requiring suppliers to provide low chemical consumption equipment • Collaborate with business partners to develop new waste recycling technologies and increase the amount of waste recycled and reused	• Waste landfill rate <2.0% (2021-2025) • Promote circular economy and implement materials recycling efficiency • Continuously develop new self-recycling technologies for chemicals	5.5 Waste management
10	**OHS**	Construct a healthy and safe environment in accordance with international ESH management system to reduce exposure to occupational hazards	• Cultivate risk management culture, and develop and promote integrated risk management • Establish a health management system and provide an intelligent information platform • Promote healthy events that support employee mental and physical health	• Strengthen the scope of management in keeping with global trends and expand actions and influence on supply chain and industry chain • Keep disabling injury frequency rate (FR) under 0.22 (2020-2025)	4.3 Employee-friendly workplace 4.5 Safety protections
11	**Recruitment and retention of competent employees**	Optimize HR system to attract suitable number of qualified employees in a timely manner	• On-campus talent recruitment and cultivation • Internal talents: create passive talent pipeline and promote cross-domain engagement for talent retention.	• Recruit talent from different fields for comprehensive industry development • Keep employee replenishment rate above 90% in 2025 (vs. 2019) • Keep key talent attrition rate under 5-10% by 2025 (vs. 2019)	4.1 Talent strategy
12	**Talent development and training**	Provide talent cultivation in aspects of value creation, diversification, and platformization along with interchangeable dual career ladders, integrate 6 major competencies evaluation plan, combine performance evaluations and daily management, and actively promote talent diversification	• Provide internal and external training channels, cultivate an adequate pool of high-quality professionals and T-shaped management specialists • Develop Talent Development Roadmap and provide education and training according to the capabilities needed for the position (job) • Build Digital Transformation Academy to cultivate interdisciplinary talent leaders for system development, operations, and maintenance, and AI and BI technologies	• Continuously diversify talent development while maintaining social responsibility and gender equality • Achieve 100% training plan completion rate annually until 2025	4.1 Talent strategy 4.3 Employee-friendly workplace
13	**Human rights**	Abide by international labor standards, ensure equal job opportunity, and eliminate discrimination, inhumane treatment, and harassment	• Investigate internal human rights situation through external RBA SAQ self-assessment questionnaire, VAP evaluation, internal human rights risk assessment, and internal CSR audit • Communicate supply chain human rights through customer, supplier, and community conflict minerals inventory, supplier CSR risk evaluation, and CSR mailbox (csr@innolux.com)	• Enforce human rights protections • No serious violations with a fine of over NT$ 1 million before 2025 • Average RBA SAQ score of over 90 at all sites by 2025	2.3 Legal compliance and operational integrity 4.4 Employee rights and labor relations
14	**Community participation and care**	Society with co-benefits and co-prosperity	• Contribute to environmental education and culture/arts in collaboration with the foundation • Interact with all sectors of the community, combine forces of company, employees, and public welfare groups, and demonstrate corporate care and commitment to the community	• Promote environmental education in schools • Increase Innolux volunteer participation • Provide tutoring for rural schools and cultivate local cultures	4.6 The common good
15	**Diversity and equality**	• Ensure gender equality for an employee-friendly workplace • Diversify employee communication channels • Continue to hire employees with disabilities • Hire migrant workers	• Make continuous improvements to gender equality in the workplace so that female employees can work with peace of mind and not worry about unequal career development • Continue to hire employees with disabilities • Strengthen workplace bullying prevention and sexual harassment prevention efforts	• Achieve 1.2% enrollment rate for disability employment • Achieve 100% annual employee complaint closing rate	4.1 Talent strategy 4.3 Employee-friendly workplace 4.4 Employee rights and labor relations

1.3/Commitment to Sustainability

Innolux has incorporated the environment, society, and corporate governance into its decision making as well as the formulation of the company's ESG strategy "Innolux Sustainability on the Go," which is divided into 3 sustainable development GOs: go green (drive towards a cleaner environment), go sharing (nurture a co-prosperity society), and go responsible (achieve optimal corporate governance.) By referencing the 17 goals of the UN SDGs and Innolux's own Sustainability on the Go strategy, Innolux has integrated SDGs into its company culture and daily operations, set long-term goals, and made a commitment to achieve its sustainable development goals by 2025.

Sustainability Vision

Innolux Sustainability DNA

Panel Your Future

E Environment — Go Green — Drive towards a cleaner environment

S Social — Go Sharing — Nurture a co-prosperity society

G Economy — Go Responsible — Achieve optimal corporate governance

1.3.1Innolux Sustainability Impacts

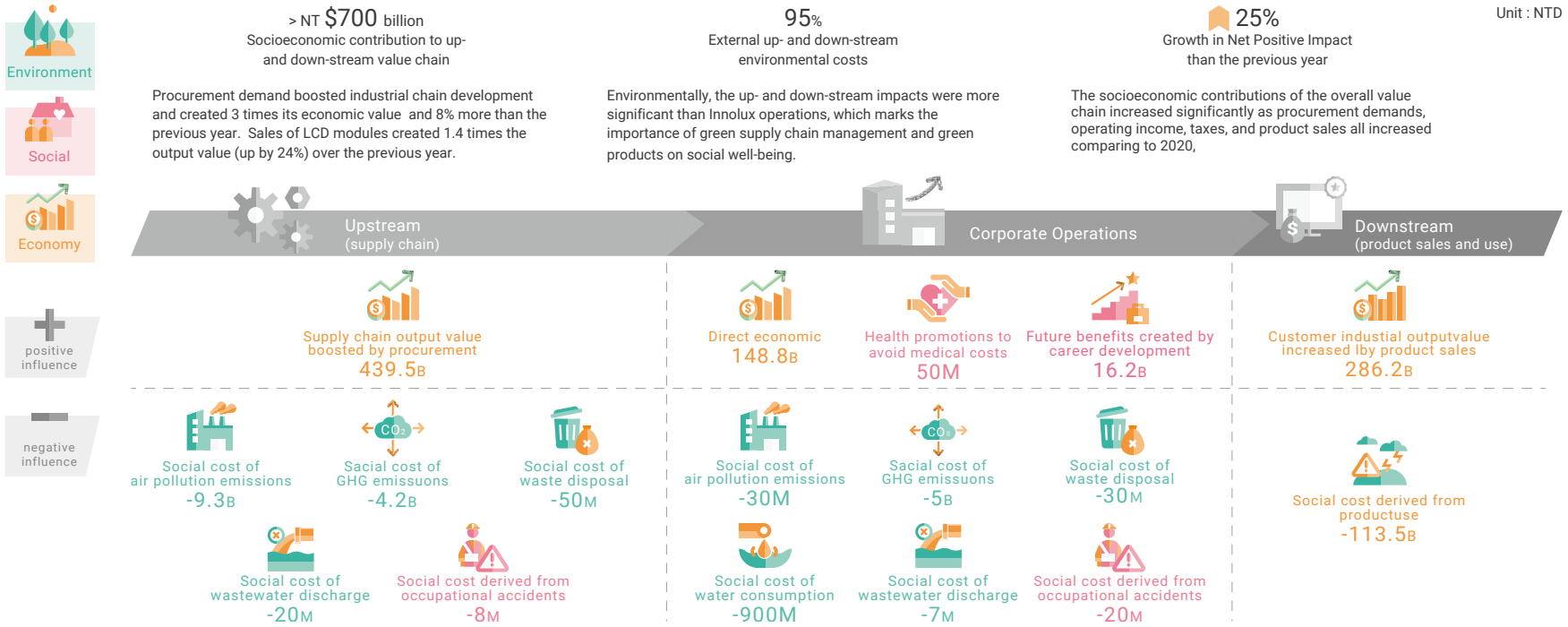
Innolux understands that influence is the key to achieving corporate sustainability. Since 2017, Innolux has worked with academic institution to measure the potential impacts brought by the company’ s value chain activities on human well-being and the social economy, based on the profit and loss approach and the triple bottom line (TBL) concept of profit, people, and the planet.

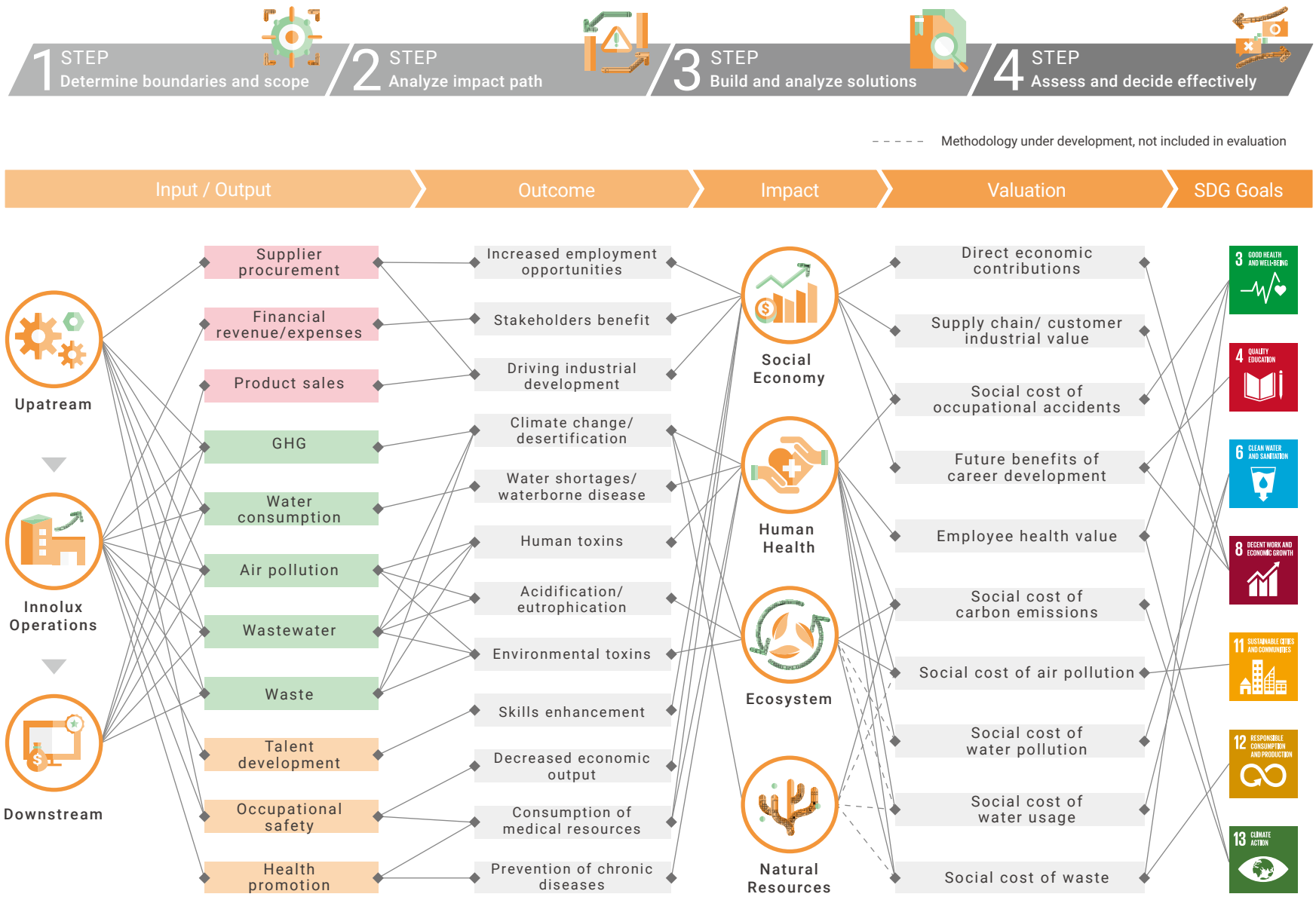
In 2021, Innolux generated a total of NT$350.1 billion in operating revenue and reported NT$94.4 billion in taxes, dividends distributions, employee compensation, depreciation, and amortization, which not only had a positive impact on stakeholders, but also promoted the social economy. However, occupational accidents brought about a social cost of NT$15.17 million, and the environmental footprint and resource consumption resulting from the production process led to an environmental cost of NT$6 billion. While the upstream supply chain generated a value of NT$439.5 billion, an environmental cost of NT$13.6 billion and a social cost of NT$8.04 million from occupational accidents were incurred. Downstream, a total output value of NT$286.2 billion in customer’ s industries was created by Innolux product applications in TVs, desktop computer monitors, laptops, mobile phones, and other commercial end products, but an environmental cost of NT$113.5 billion was derived from end product use.

Overall, Innolux created a near NT$757.6 billion Net Positive Impact * in 2021. Of this, procurement and product sales in the upstream supply chain and the output value of downstream industries had the most significant impact. However, the resulting environmental cost should not be underestimated. In the future, besides continuously optimizing and strengthening the sustainability impact management framework, identifying opportunities for reducing environmental impacts, and increasing social well-being, Innolux will further engage in supply chain transformation and energy-efficient product development to drive sustainability impacts and create more significant positive value for society.

* Net Positive Impact = Positive Impact - Negative Impac

2021 Innolux Sustainability Impact




1 STEP
Determine boundaries and scope
2 STEP
Analyze impact path
3 STEP
Build and analyze solutions
4 STEP
Assess and decide effectively
Methodology under development, not included in evaluation
Input / Output
Outcome
Impact
Valuation
SDG Goals
Upatream
Innolux Operations
Downstream
Supplier procurement
Financial revenue/expenses
Product sales
GHG
Water consumption
Air pollution
Wastewater
Waste
Talent development
Occupational safety
Health promotion
Increased employment opportunities
Stakeholders benefit
Driving industrial development
Climate change/ desertification
Water shortages/ waterborne disease
Human toxins
Acidification/ eutrophication
Environmental toxins
Skills enhancement
Decreased economic output
Consumption of medical resources
Prevention of chronic diseases
Social Economy
Human Health
Ecosystem
Natural Resources
Direct economic contributions
Supply chain/ customer industrial value
Social cost of occupational accidents
Future benefits of career development
Employee health value
Social cost of carbon emissions
Social cost of air pollution
Social cost of water pollution
Social cost of water usage
Social cost of waste
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Description of Impact Valuation

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

- Note 1: Main methodology reference: ISO 14008:2019 and White Paper: Operationalizing Impact Valuation (2017) framework.
- Note 2: All currency value conversions are based on the 2017 inflation rate and NTD-foreign currency exchange rate.

1.3.2 UN SDGs

In 2015, the United Nations proposed the 2030 Agenda for Sustainable Development, which set 17 major goals and 169 minor targets in the economy, environment, and society, with the goal of achieving co-prosperity of mankind and the earth and working together to achieve sustainable development. Innolux has utilized a combination of the company's sustainability strategy, international benchmarks, and major issues that stakeholders are concerned about to formulate the company's 2025 SDGs and 11 core SDGs after internal discussion, which will be implemented through cross-organizational cooperation to create a better world.

/ Innolux 11 core SDGs /

SDG6 Clean water & sanitation

- Water withdrawal intensity at 0.249 m³/m², decreased by 24.6% (vs. 2016)
- Process water recycling rate 97.2%, best year yet

SDG7 Affordable & clean energy

- 38.28 million kWh of clean energy, solar energy, and biogas power generation
- Electricity consumption intensity 72.57KWh/m², decreased by 2.9% (vs. 2020)
- ISO 50001 action plan to save 29.74 million kWh of electricity and improve energy efficiency

SDG12 Responsible consumption and production

- Waste landfill rate 1.12%, lower environmental impact
- Promote circular economy and expand chemical recyling items
- Zero major violations

SDG13 Climate action

- TFT-LCD FCs emissions to be reduced by 46.5% (vs. 2016)
- Apply to join SBTi initiative, commit to reduce GHG emissions by 15% in 2026 (vs. 2020)
- nitiate GHG management, promote D-C-I-R strategy, and invite suppliers to set GHG reduction targets
- Low carbon logistics, optimizing transportation to reduce carbon emissions by 4.03 million tons

SDG3 Good health and well-being

- Health promotion activities have not stopped due to the pandemic. Up to 17,400 people participated.
- Around 21.53 million masks were distributed globally to protect employee health during the pandemic.
- Disability injury frequency is 0.25, far better than the industry average.
- Promote EAPs to address employee health, mental health, and family issues

SDG4 Quality education

- 2,774 OHS education and training sessions were held, with a total of 184,598 trainees.
- Student assistance programs for 5 rural schools

SDG5 Gender equality

- Females in management positions 21%
- For 2 consecutive years, the promotion rate of female workers has been higher and not restricted due to gender. Colleagues have fair promotion opportunities.
- 13 sexual harassment cases were filed, 100% were closed.

SDG17 Partnerships for the goals

- 100% completion rate of mid- to high-risk supplier 3TG and Co inventory check
- 124 Supplier GHG inventory check. Actual carbon reduction contribution of 151 kiloton.
- For 2 consecutive years, achieved the highest rating, "Leaderboard," in CDP Supplier Engagement Rating

SDG8 Decent work and economic growth

- NT$ 350.1 billion revenue with 26.14% operating gross profit margin, best year yet
- 584 employees with disabilities in 2021, enrollment rate 1.1%
- Zero placement fee policy implemented for all migrant workers in 2021

SDG9 Industry innovation and infrastructure

- Kaohsiung site was recognized as a Lighthouse by WEF, first of Innolux
- 400 new global patents have been added, current total patents granted 12,200
- NT$ 15.04 billion invested in R&D, accounting for 4.3% of total revenue
- Taiwan sites have passed ISO27001 information security managmenet system certification

SDG16 Peace, justice and strong institutions

- Completion rate of the course "Prevention of Insider Trading, Trade Secrets, Personal Data Act, and Anti-Corruption Overview" 98%
- Anti-corruption case closing rate 81%

2

A Win-Win Situation for Corporate Governance and Integrity

2021 Achievements

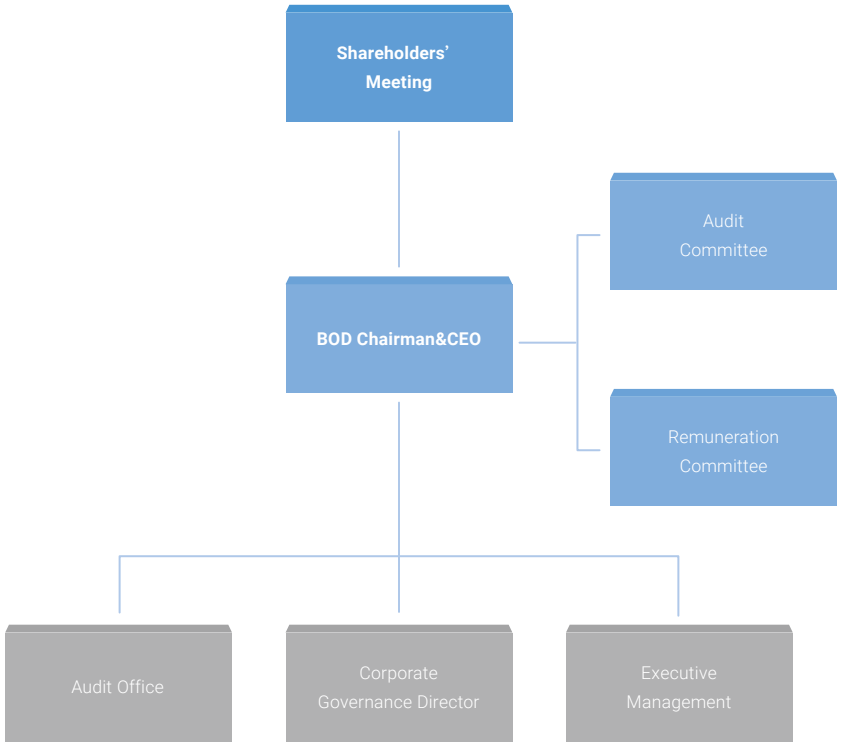
DJSI	Featured on DJSI World Index and Emerging Market Index for 4 consecutive years; rated No. 1 in the panel industry in social dimension
Gold	Awarded a gold medal by EcoVadis for CSR rating
1st Time	Taiwan sites passed ISO27001 certification
3,50.1B	Announced NT$ 350.1B in gross revenues and hit record high in gross profit margin, operating margin, and net profit margin
81%	Managed integrity in an orderly manner; completion rate 81% for reported corruption cases
100%	Accomplished 100% internal RBA audit and RBA training for new employees

2.1 / Governance Body

Innolux Corporate Governance Blueprint

Innolux attaches great importance to its corporate governance and has formulated an effective framework in compliance with the Corporate Governance 3.0- Sustainable Development Blueprint launched by the Financial Supervisory Commission, the OECD's Principles of Corporate Governance, corporate law, the Securities Exchange Act, and other regulations. We are committed to protecting shareholders' rights and interests, strengthening the functions of the board of directors (BOD), respecting stakeholders' rights and interests, and improving information transparency. Innolux works continuously to improve the quality and effectiveness of its corporate governance, truly instill the spirit of corporate governance, and maximize shareholder equity to strengthen corporate sustainability and competitiveness in the international market.

/ Innolux Corporate Governing Body /



Structure and Operations of the BOD

Innolux has improved the structure of the BOD by establishing the Remuneration Committee, Audit Committee, and Audit Office, which assist managerial officers and the BOD to ensure the company's operating results, the reliability of its financial reports and regulatory compliance, and to achieve proactive corporate governance with credibility and integrity.
*Please refer to the Market Observation Post System (MOPS) or corporate website for corporate governance regulations.

*Please refer to the Market Observation Post System (MOPS) or corporate website for corporate governance regulations.

Implementing Sustainable Development

To improve the managerial efficiency of our corporate sustainability efforts and to live up to stakeholders' expectations for corporate governance, environmental sustainability, and community care, Innolux has sets up the Sustainable Development Management Committee, formerly known as the CSR Committee. By promoting comprehensive programs, integrating horizontal resources, and actively complying with international laws regarding corporate sustainability development, the company has become an exemplary sustainable corporation. In 2021, Innolux was included in the Dow Jones Sustainability Index (DJSI) for the fourth consecutive year for its corporate sustainability development, achieved outstanding results in several international ESG evaluations, and gained several recognitions, including the Taiwan Corporate Sustainability Awards (TCSA).

BOD Operations

The BOD at Innolux is responsible to the company and its shareholders for overseeing corporate strategies, monitoring executive management, planning and implementing the corporate governance system, and exercising its functions and powers in accordance with the law, company regulations, and the decisions of the shareholders, and is committed to maximizing shareholder's rights and interests. The BOD currently consists of 7 directors, all males over the age of 50, three of whom are independent directors. Each director comes from a different educational background and has work experience in finance, science and engineering, and other related fields, which strengthens the structure of the BOD. Innolux has purchased Directors' and Officers' Liability Insurance to cover their duties.
The terms to prevent conflicts of interest on the part of board directors and thereby effectively protect the company's interests are listed in the Rules of Procedure for board meetings and in the Audit Committee Charter. The opinions of independent directors are fully considered in discussion of any issue, and their reasons for approval or disapproval are included in the minutes.
The BOD holds board meetings at least once per quarter and as well as ad hoc meetings in the event of emergencies. A total of 6 board meetings were held in 2021 with an attendance rate of 97.62%.

Please refer to the 2021 Annual Report for more details about director remuneration (including independent directors), the president, and vice president, corporate governance operations, CSR performance, operational integrity performance, and education and training hours.

/ Board Members /

Name	Title	Tenure of Independent Director (years)			Gender	Professional Knowledge & Skills	Age			Employment Status
		3	3-9	9+	Male /Female	Business, legal, financial, accounting, or work experience required for company business	<30	30- 50	>50	
Jin-Yang (Jim) Hung	Chairman				Male	✓			✓	✓
Jyh-Chau Wang	Director				Male	✓			✓	✓
Chu-Hsiang (James) Yang*	Legal entity Director				Male	✓			✓	✓
Chin-Lung Ting	Legal entity Director				Male	✓			✓	✓
Chi-Chia Hsieh	Independent Director		✓		Male	✓			✓	
Chen-Wei Wang	Independent Director	✓			Male	✓			✓	
Yuk Lun Yim	Independent Director		✓		Male	✓			✓	

- James Yang is the company president
- Please refer to the Market Observation Post System or page 17 of the 2021 Annual Report for information on the composition of the BOD

Audit Office

The BOD has established an audit office to implement on-site inspections and document reviews for audit plans authorized by the BOD. The audit office conducts audits on regulatory compliance, process design, systems compliance, financial reporting accuracy, and operational effectiveness and efficiency, and it also provides each department with recommendations for improvement to assist the board members and officers in reasonably ensuring that the company's internal controls are being continuously and effectively implemented. Audit results are periodically reported to the audit committee and the BOD. Every year, the audit office supervises and assists each department in assessing its own internal control system to implement the company's self-monitoring mechanism.

Audit Committee

The audit committee is responsible for assisting the BOD in supervising and strengthening internal control mechanisms, ensuring the appropriate disclosure of financial statements, appointments, dismissals and remuneration of CPAs, the effective implementation of internal controls, regulatory compliance, and control of existing and potential risks.
The audit committee consists entirely of independent directors, all of whom conform to the requirements of the Regulations Governing Appointments of Independent Directors and Compliance Matters for Public Companies. The current committee members have unanimously elected Director Chi-Chia Hsieh to serve as convener of the audit committee. The audit committee holds at least one meeting every quarter. A total of 4 committee meetings were held in 2021 with an attendance rate of 91.67%. Please refer to the Market Observation Post System (MOPS) or page 43 of the 2021 Annual Report for more information on the operations of the audit committee.

Remuneration Committee

The remuneration committee is responsible for the formulation and regular review of the policies, systems, standards, and structuring of performance evaluations and compensation of directors and officers, as well as regular assessments to determine their compensation.
Pursuant to the remuneration committee charter, the BOD appoints three independent directors to serve on the remuneration committee. The current committee members have unanimously elected Director Chi-Chia Hsieh to serve as convener of the remuneration committee. The remuneration committee holds at least two meetings annually. A total of 3 remuneration committee meetings were held in 2021 with an attendance rate of 88.89%. Please refer to the MOPS or page 54 of the 2021 Annual Report for more information on the operations of the remuneration committee.

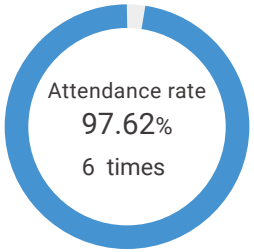
Executive remuneration and sustainability performance

Pursuant to Innolux's remuneration policy for the BOD, CEO, and senior executives, the remuneration committee comprehensively considers the operational performance, individual performance and duties, and connections between and reasonableness of future operational risks and industry trends as well as the standard remuneration for comparable positions in the industry. A final decision is made after the BOD considers the amount and form of remuneration. To achieve co-prosperity and the common good of Innolux and society, the annual performance evaluations, which include financial aspects such as operating revenue and EPS, and non-financial aspects such as environmental, social, and governance (ESG) sustainability achievements, were conducted as self-assessments in 2021.Please refer to the MOPS or page 54 of the 2021 Annual Report for more information on the operations of remuneration committee.

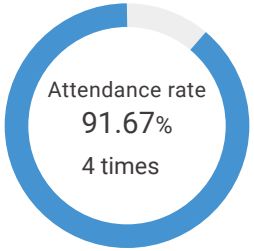
Chief Corporate Governance Officer (CCGO)

The BOD hired Vice President Vincent Yu as CCGO to be responsible for the planning and oversight of corporate governance, which includes handling matters related to board meetings, audit committee meetings, remuneration committee meetings, and shareholders' meetings in accordance with the law, assisting directors in their appointment and continuing education, providing the directors with information about company operations, and assisting the directors in regulatory compliance. Innolux's corporate governance operations are regularly reported to the BOD.

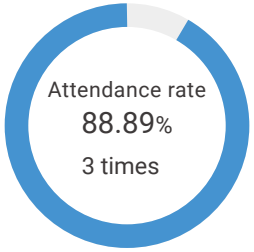
Board Meetings



Audit Committee Meetings



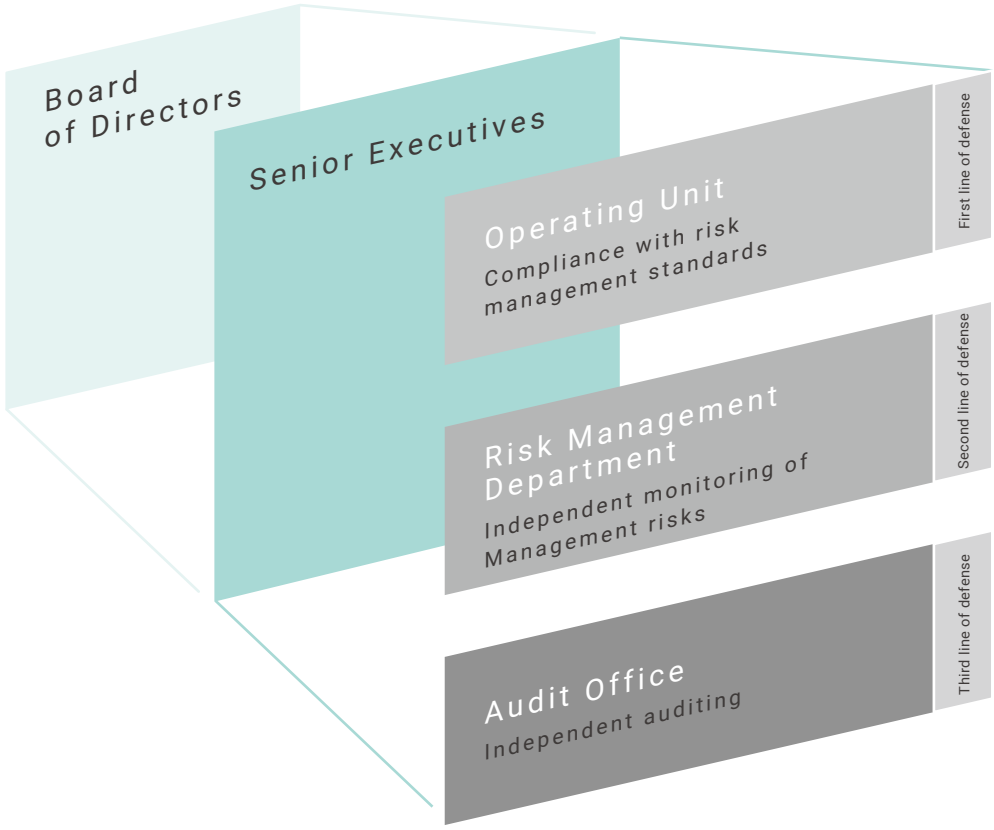
Remuneration Committee Meetings



2.2 / Risk Management

Long-term and emerging threats to business operations include legal risks, changes in the economy and environment, natural disasters, industry competition, new technologies, reputational damage, and operational disruptions. Innolux established its Risk Management Policy and Procedures with the BOD's approval. The risk management group consists of the audit committee, BOD, audit office, and all risk management units and subsidiaries, while the BOD approves the overall risk management policies and major decisions.

/ Innolux Risk Management Procedures and Organizational Chart /



/ Identification and Analysis of Major Risks in 2021 /

Risk		Monitoring Mechanism	Complete Management Information Links
 Economic	**Industry Competition**	Innolux has activated its XYZ transformation strategy based on the concept of “Grow and Advance”. By continuing to improve its technologies and optimize processes, Innolux increases its product/cost competitiveness and expands applications into new fields and emerging markets to create maximum benefits for stakeholders such as shareholders and employees .	P43
	Finance	Innolux regularly evaluates, analyzes, and formulates strategies to manage external risks (global economic conditions and financial market trends) and internal risks (operating conditions and the direction of strategy development), and submits regular reports to the audit committee and BOD for review.	P29
	Regulatory Compliance	Innolux has formulated its own corporate regulatory system, and optimized its legal risk prevention mechanism. We work continuously to ensure and increase employee’s awareness of compliance and performance, maintain our corporate image, and reduce operational risks.	P33
	Supply Chain Disruptions	To counter the risk of materials shortages caused by the pandemic, such as the shortage of display driver ICs and PMICs, Innolux has adopted flexible materials specifications, an enhanced organizational supply strategy, and product mix optimization as well as strengthening our cooperation with our partners. Innolux has also adopted immediate response and investigation to confirm situations through the Supply Chain Map Platform to avoid supply chain disruptions.	P56
 Environmental	**Climate Change**	Innolux has established the carbon risk management committee, which is responsible for formulating and achieving the company’s carbon emissions reduction targets by progressively integrating the targets into company operating decisions and strengthening climate risk assessment and governance with the support of senior management.	P118
 Social	**Health and Safety**	To enhance the company’s competitiveness in the post-pandemic future, Innolux has formulated its Corporation Epidemic BCP Guidelines containing general principles to ensure quick responses and flexibility.	P95、P96
	Information Security	Innolux’s information security incident response team uses the Information Management Operating System to continuously strengthen its ability to protect confidential information and enhance employee’s knowledge and awareness of information security to minimize the risk of information leaks. The company obtained ISO27001 certification in 2021.	P30

2.2.1Financial Risk Management

To effectively reduce corporate operating risk, achieve SDGs, and respond to external risks (global economic conditions and financial markets) and internal risks (operating conditions and the direction of strategy development), the finance department regularly assesses, analyzes, and formulates risk management strategies before making hedging transactions in accordance with its level of authority under the continuous supervision of its internal controls and regulatory compliance from the audit department. All hedging transactions are posted in compliance with laws and regulations, and the implementation outcomes are regularly reported to the audit committee and the BOD.

/ Description of Financial Risk Management /

1 STEP Risk Identification

Identify risks arising from regulatory requirements, industry standards, and global development trends

2 STEP Risk Assessment

Determine the risk level with thorough consideration of severity and probability

3 STEP Risk Response

Establish control measures and countermeasures based on risk level, including effectiveness, feasibility, and cost

The finance department makes hedging transactions in accordance with its level of authority, and assesses risks and operating performance under the continuous supervision of its internal controls and regulatory compliance by the audit department, and regularly reports the implementation outcomes to the audit committee and the BOD.

/ Major Financial Risks and Controls /

Major Financial Risks and Controls Short-term (2022)	**Market Risk**	The finance department evaluates exchange and interest rate risks, establishes hedging strategies, and executes hedging transactions. Hedging transactions mainly limit exchange and interest rate risks arising from hedged positions and are financial commodities at major financial institutions with a simple structure and high liquidity. Hedging is required for foreign currencies generated by company operations to reduce or avoid potential economic losses.
	Credit Risk	Innolux evaluates transaction methods and credit lines based on the credit ratings of its customers and continuously monitors accounts receivable payment status, and collect accounts receivable on demand after transactions.
	Liquidity Risk	Innolux allocates corporate capital based on the principle of high liquidity, continuously expands long- and short-term financing channels to improve the diversity of capital sources and to avoid systemic liquidity risks caused by financial market emergencies, and raises funds from the capital market to strengthen its capital structure while improving its operating capabilities.
	Asset and Business Interruption Risk	After weighing the costs of risk management, insurance expenses, and underlying retention, Innolux purchased different types of insurance to transfer risk to third parties (risk-taking institutions).
	Corporate Investment Risk	Innolux assists and monitors individual investment targets to ensure conformity with the company's strategic and financial goals, withdraws from investment targets with high-risk or of no strategic value given the opportunity and recovers the capital for the investment cycle.
Major Financial Risks and Controls Long-term (3-5 years)	**Market Risk**	Innolux has formulated internal management measures and operating procedures, which are used as principles to manage and control exchange rate and interest rate risks in the medium-term.
	Credit Risk	For the medium-term, customer credit management is used as the criterion to control sales risks.
	Corporate Investment Risk	Considering that the primary business and its industrial chain are maturing, Innolux will follow conservative investing principles, including regularly reviewing the vertical integration of investment portfolios and primary business operations and making optimal position adjustments. To meet the company's medium- and long-term development goals, investment into innovative transformation, high-end technology, and horizontal integration will be added to assist the company in achieving its development goals and dispersing business and equity investment portfolio risks.

2.2.2 Information Security Risk Management

Information Security Policies, Organization, and Targets

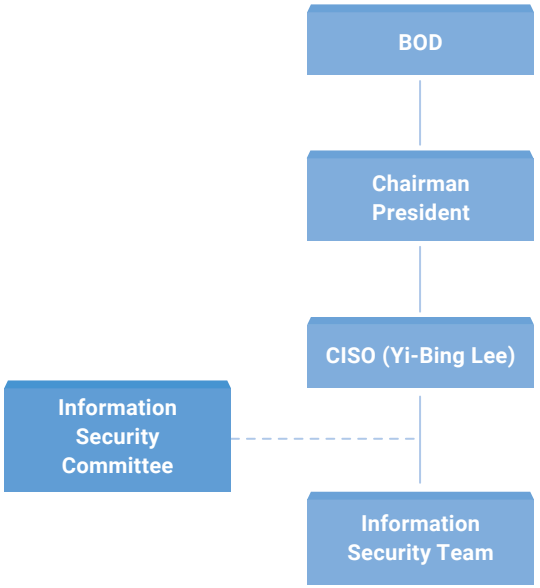
Innolux is on the road to automation and INX4.0, which makes information security essential. The company has established its Information Management Procedures as the highest governing principle for controlling information security to ensure the confidentiality, integrity, and availability of important information properties, compliance with relevant laws and regulations, and trust of our customers, as well as to improve our competitive advantage and secure the company's sustainable operations. Innolux conducts regular information security risk assessments in accordance with the relevant laws and operational objectives for the BOD and senior management to grasp the company's current information security issues and status and as a basis for establishing information security guidelines, strategies, and goals.

The Chief Information Security Officer (CISO) is responsible for instructing the Innolux information security management framework, regularly communicating and reviewing information security management planning and incident response, and reporting to the BOD in the fourth quarter. Our Taiwan sites passed ISO27001 certification in 2021, and no official fines have been issued for information security violations.

Information Security Certification and Maturity

Information security is the foundation of business operations. Innolux has always attached great importance to information security management. We identified internal and external information security risks and developed countermeasures by implementing the Industrial Technology Research Institute's (ITRI) Security Platform as a Service (SECPAAS) maturity assessment in 2020. We promote network security programs and improvement plans at our domestic and foreign sites to enhance information security and overall maturity, and prevent and reduce the impact of security incidents. The security maturity assessment score improved from 72 in 2020 to 82 in 2021. Our goal is to upgrade to grade A in Q4 2022. We have also worked to strengthen employee information security awareness through education and training to avoid major information security incidents, and we continue to make improvements to our operational resilience so that we can increase the confidence and satisfaction of stakeholders and achieve the goal of sustainable operation.

Dedicated Information Security Organization



Information Security
Maturity Assessment

ITRI SECPAAS
self assessment

Compliance with customer-required certifications
TISAX、ISO27001(passed)

MOEA IDB SECPAAS Information Security Maturity Rating

2020	2021	2022
NIST SP 800-82 National Institute of Standards and Technology	IEC 62443 International Electrotechnical Commission	SEMI E6506 Semiconductor Equipment and Materials International
B Rating	B Rating	Target Q4 2022 Upgrade to A
72 Overall Score	82 Overall Score	A

- This SECPAAS information security rating is self-assessed in accordance with international standards NIST SP 800-82, IEC 62443, and SEMI E187.
- SEMI 6506C draft was officially included in the SEMI E187 standard in January 2022.

Management Strategy

Comply with ISO 27001 framework; control properties such as computer mainframes, database systems, application software systems, personal computers, operational information, and personal privacy information; establish principles conforming to the information security management system (ISMS)

Publicity & Drills

- ✓ Establish complete management procedures; e.g., the Information Security Incident Management Standard and Information Security Incident Recovery Mechanism and Standards
- ✓ Implement event simulations for testing and drill every year
- ✓ Educate employees with the System Startup Publicity Platform

Internal Audits

Based on the audit plans approved by the BOD, the audit office conducts an internal Computer Cycle: Information Security Inspection audit and submits the completed audit to the audit supervisor for review. The audit supervisor then reports the implementation status to the BOD.

Prevention of Cyber Breaches

- ✓ Set up firewall system to prevent external intrusions ◦
- ✓ Arrange hierarchical management based on employee account privileges to minimize the extent of impact if an individual computer is invaded
- ✓ Strictly control guest data communication equipment and network usage

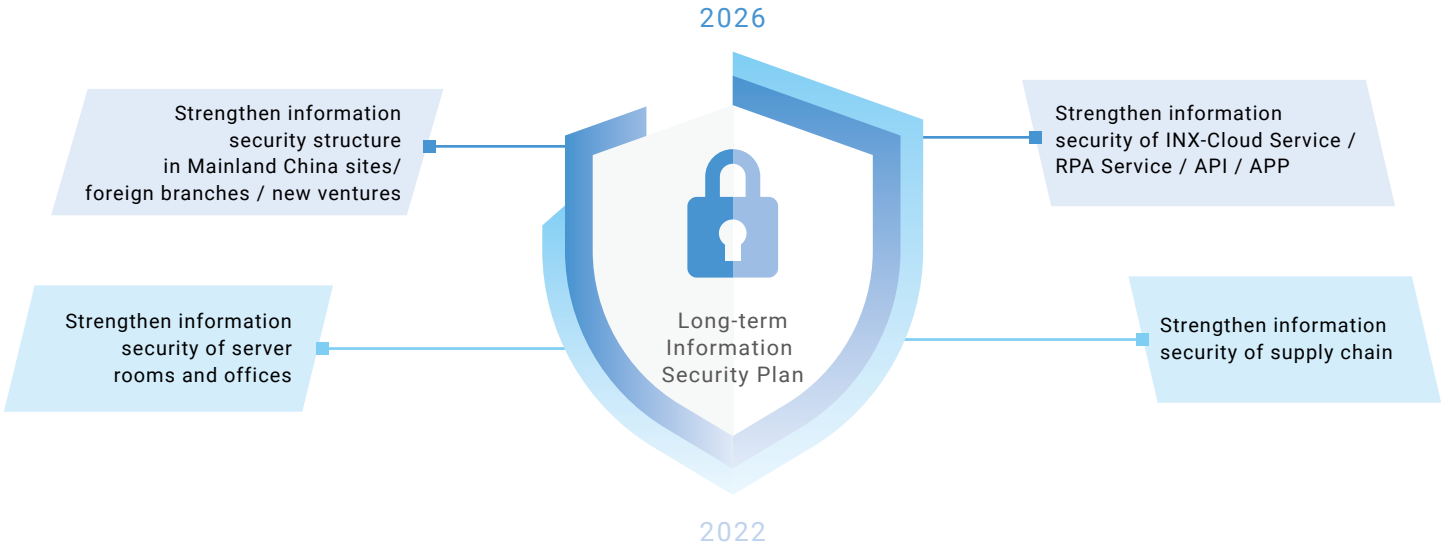
Dedicated Enterprise Instant Messaging Software

- ✓ Develop independent INX MApp for internal use and avoid risk of confidential information leakage due to the use of instant messaging software

Factory Production Information Security Platform

Set up complete cross-site firewalls, OA-Fab firewalls, machine firewalls, and information security management index to improve proactive risk identification and prevent malware attacks from spreading immediately by identifying the latest attack patterns

/ Long-term Information Security Plan /



/ Information Security Risk Management /

2021 Performance	**TISAX certification for automotive panels**	Obtained TISAX AL3 temporary label for the Shanghai site in 2021
	Email protection against social engineering attacks	Promoted activities for Innolux Information Security Month, publicized concept of information security protection, executed social engineering drills in the Greater China region to improve employee’ s email vigilance
	Information security key protection work	• Completed cross-site firewalls in the Greater China region • Completed OA-FAB firewalls • Ongoing machine firewall construction • Information security indicator: Eliminate all Windows XP and domains in the OA area, continue the plan to upgrade Windows 7 to Windows 10 in older computers by the end of December 2024
	SP-ISAC Information sharing and training	Exchanged information with SP-ISAC on information security, trained information security talent, and conducted cyber security attack/defense drills in the Science Park
	Strengthened ServerFarm backups	Strengthened ServerFarm backups to avoid ransomware damage: expanded scope of equipment backups, strengthened management mechanism for backups
	Firewall construction on high-risk key machinery	Installed firewalls on high-risk key machinery to strengthen security capabilities of production line computers and to reduce risk of losing factory productivity
2022 Objectives	**TISAX certification for automotive panels**	Expect to obtain AL3 label for the Netherlands, Ningbo China, and Taiwan sites
	Information security key protection work	• Establish ServerFarm, an enhanced information security defense, in the mainland region to protect data center equipment from attacks • Establish web application firewalls in DMZ area in the Taiwan region to protect DMZ web from malware attacks • Establish INX-Drive file cleaning center to filter risk of employees using personal devices to transfer files to internal system • Build Log Server, a log management system to store equipment system logs and carry out log maintenance and management
	Email protection against social engineering attacks	• Conduct regular information security briefing drills to train personnel’ s responsiveness • Continuously conduct employee email social engineering drills to reduce the risk of personnel clicking on phishing emails
	International information security organizations	Participate in international information security organizations; exchange international information security information
	Sheltered Harbor	Integrate Sheltered Harbor program, strengthen protection of important data backups, and ensure smooth functioningin the event of an incident or accident.
	ISO27001	Maintain the validity of ISO27001 certification

▫ TISAX stands for Trusted Information Security Assessment Exchange.

2.3 Legal Compliance and Integrity Management

Innolux adheres to the Code of Corporate Governance, Innolux Sustainable Development Best Practice Principles, Innolux Integrity Management Code, and Innolux Code of Conduct for Sustainable Development to ensure business integrity.

2.3.1 Regulatory Compliance

Innolux has set up a legal department to manage and execute compliance policies, undertake the investigation of internal violations such as corruption cases and information leaks, and conduct regular training courses to update all employees on the latest laws and regulations and strengthen their compliance awareness to effectively prevent legal violations. Employees needing contract reviews or consultation for legal disputes can submit requests through the company contract review system, and the legal department will provide professional legal services after the case is assigned.

In 2021, Innolux received a total of 37 reported cases. Eleven cases involving corruption according to Innolux's bylaws were investigated and passed on to the investigative team, whereas in 26 cases, corruption was precluded and the case was passed on to the respective authorities for further processing. Among the 11 reported corruption allegations, 3 have been found to be guilty, one has been closed as it does not meet the standard for charges to be brought, and 7 are under investigation. The 3 cases with guilty verdicts were closed as follows: (1) In the case of a supplier's failure to fulfill its obligation to deliver products and the resulting damage to the company, Innolux has discontinued cooperation with the supplier, whereas the employees involved in the case who failed to perform their duties were penalized according to their relevant circumstances. (2) In the case involving soliciting improper benefits from suppliers, Innolux has dismissed the employees involved. (3) In the case of employees taking advantage of their positions to profit from suppliers, Innolux has penalized the employees involved according to the relevant circumstances and fined the suppliers.

Legal Risk Management

To ensure legal compliance, Innolux has established a management system to obtain, identify, assess, and ensure compliance with the laws, regulations, and rules governing the operations, processes, products, and services relating to our organizational operations. Innolux has also strengthened employees' compliance awareness and performance to protect the company image, reduce operational risks, and emphasize a culture of regulatory compliance.

Ethical Risk Management

1 STEP Policies and Procedures

Innolux has established the Integrity Management Code, the Code of Ethics for Directors and Officers, and Employee Code of Conduct to define the responsibilities of employees engaging in business activities and to achieve a company culture of integrity. The above regulations are published on the corporate website, MOPS and the intranet GLOBAL DCC system, enabling anytime access for our employees.

2 STEP Regulatory Identification

Besides keeping track of laws, regulations, and legal amendments that may significantly impact the company and regularly identifying new laws and regulations that may affect the company, Innolux also reviews and updates internal regulations accordingly and thereby ensures legal compliance when conducting business.

3 STEP Risk Assessment

Innolux regularly assesses the risk of implementing business ethics management, reduces the risk of harm to labor rights and unethical business action, and establishes corresponding management goals and plans.

4 STEP Education and Training

Innolux employs training courses, posters, etc. to further enhance employees' understanding of laws and regulations. Training courses touch on important issues such as corruption, personal data security, trade secret protection, and anti-trust. Insider Trading Prevention is incorporated into the annual legal course to improve employee's compliance awareness and prevent legal violations.

/ Integrity Management /

Internal promotions and employee training：
We regularly promote anti-corruption policies on the corporate website and computer start-up screens. All indirect employees in the Greater China region are required to participate in the anti-corruption course and complete an anti-corruption questionnaire.

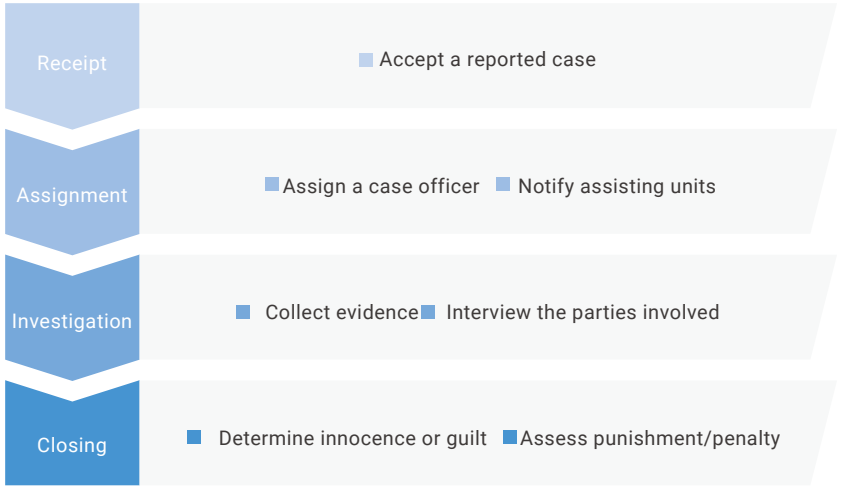
Target	Item	Business Secret, Personal Data, and Anti-corruption Course	Anti-trust Course	Insider Trading Prevention and Case Analysis**
Internal* employees	Number of trainees	13,612	3,819	9,167
	Number of trained trainees	13,450	3,679	7,858
	Passing rate	98.8%***	96.3%	85.7%
External_suppliers and customers		Promote Innolux anti-corruption and integrity policies to the top 20 suppliers and customers		

- * : Sites in Taiwan and China
- ** : Publicized the key elements, case descriptions, and prevention of insider trading in the Securities and Exchange Act to indirect personnel and supervisors above junior employee
- *** : Legal department regularly follows up on the status of personnel whose training is incomplete to control risk. Courses will continue to be promoted in 2022.

Corruption Report Management

Innolux has set up a corruption reporting mailbox (speak-up@innolux.com) for employees and outsiders to submit reports anonymously. Whistleblowing is encouraged, as the reported contents and personal information of the whistleblower are strictly confidential.

/ Report Flow Chart /



/ 2021 Analysis of Corruption Reporting Mailbox /

Item	Report	Under Investigation	Closed
Internal Responses*	3	1	2
External Responses	34	6	28
Total	37	7	30
Handling Rate	100%	19%	81%

- Internal response are responses from employees or self-proclaimed employees

/ Violations of the Innolux Code of Conduct in 2021 /

Case Status / Number of Cases	Reported	Confirmed	Closed	Under Investigation
Corruption and Bribery*	11	3	1	7
Discrimination, non-disclosure breach, conflict of interest, fair trade	0	0	0	0

- A total of 37 reports have been received in the corruption reporting mailbox. According to Innolux bylaws, 11 cases involved corruption and were passed on to the investigation team, whereas in 26 cases, corruption was precluded and the case was passed on to respective authorities for further processing. Among the 11 reported corruption cases, 3 cases were found to be guilty, 1 case was closed as it did not meet standard for bringing charges, and 7 cases are under investigation.

Responsible Business Alliance (RBA) Compliance

Innolux complies with the Code of Conduct of the Responsible Business Alliance (RBA), and has established its RBA management system to ensure workplace safety, respect for employees, environmental protection in our production processes, and conformity with business ethics. Innolux organizes regular awareness courses and improved management approaches to comply with the updated regulations. In 2021, in response to the RBA' s supplier management regulations requirements, Innolux has requested all designated on-site service providers at its Taiwan and China sites to conduct self-assessments and onsite evaluations, and to conduct spot checks on the working hours of new personnel from on-site service providers to understand their working hour management.

/ RBA Implementation in 2021 /

Item	Tasks in 2021
 **RBA Training & Publicity**	• New employee training: 27,950 persons • Recurrent training for all employees: 7,723 persons • Training for junior management of production lines: 647 persons • Training for on-site suppliers (securities): 435 persons
 **RBA Internal Audits**	Completed internal RBA audits at 6 sites: Jhunan and Tainan in Taiwan; Ningbo, Foshan, Nanjing, and Shanghai in China. A total of 27 risks were found and improved with systematic follow-up management: • Labor & human rights: 22 findings • OHS: 1 finding • Environmental aspect: 1 finding • Management system: 3 findings
 **Customers' RBA Requirements**	1. Zero placement fee policy for migrant workers: • Before amendment: According to the local laws and regulations in Taiwan, the Philippines, and Vietnam, migrant workers are required to pay placement/service fees not exceeding the statutory amount. • After amendment: In accordance with RBA requirements, responsible employment and recruitment cover the expenses and costs of migrant workers, which is highly important in protecting the rights of workers. Since 2021, Innolux has paid the placement fees occurred in overseas and in Taiwan for their migrant employees. In addition, to retain talent, Innolux plans to implement retention bonuses with reference to the cost of migrant workers coming to Taiwan to encourage their willingness to work in Taiwan and creates a win-win situation for the industry, society, and the economy. 2. GHG emissions management: Innolux has initiated its GHG investigation and emissions reduction plan and set long-term goals since many years ago. The company discloses carbon management performance through the Carbon Disclosure Project (CDP) and ESG reports to meet customer requirements.

2.4/ Financial Performance and Tax Governance

In 2021, the pandemic increased demand for TVs, monitors, and laptops. Quotations for all sizes of panels have also risen due to supply shortages, ushering in explosive demand. Innolux' s gross profit margin, operating margin, and net profit margin after tax have hit record highs since the merger in 2010. In the future, resources will be devoted to technology upgrades, field construction, and new ventures. Innolux plans to maintain stable capital expenditures and establish stable dividend policies to minimize the impact of dividend distributions under fluctuating profits.

2.4.1Operating Results

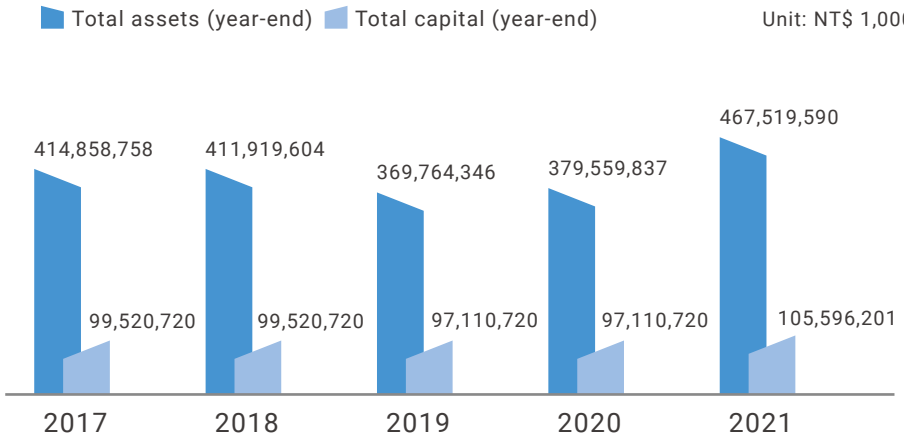
In 2021, Innolux earned a net profit of NT$ 57.5B, an annual increase of 3409% with NT$ 5.53 earnings per share, both hitting record highs.

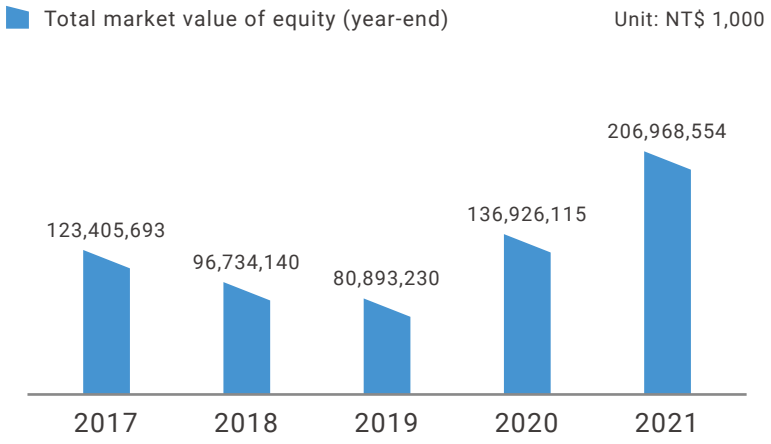
both hitting record highs

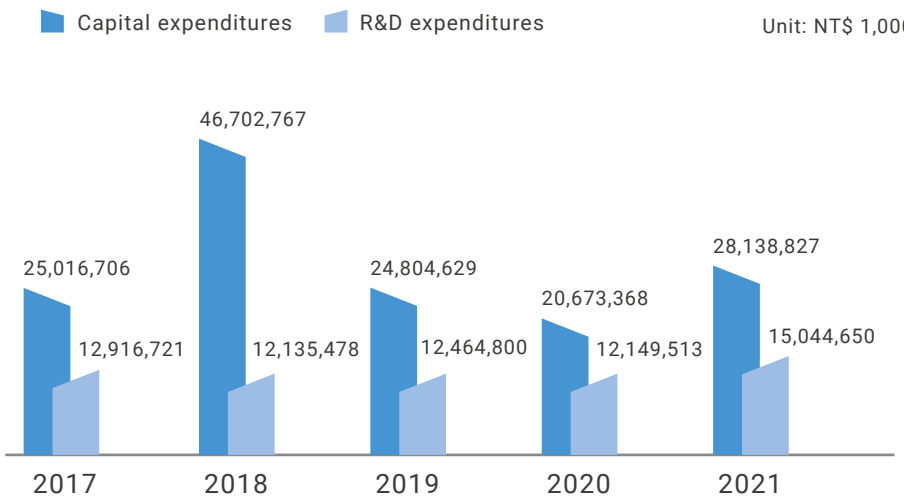
net profit of NT$ 57.5 B an annual increase of 3409 % with EPS NT$ 5.53

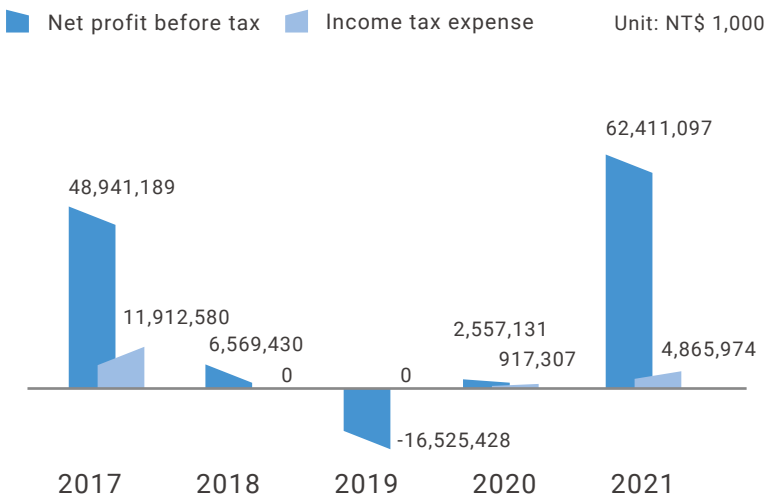
Consolidated Total Revenue NT$ 350.1 B	Gross Profit NT$ 91.5 B	Gross Profit Margin 26.14 %
Operating Income NT$ 62.7 B	Operating Margin 17.91%	Net Profit After Tax NT$ 57.5 B
Earnings Per Share (EPS) NT$ 5.53		

Operating Performance









Tax Governance

/ Tax Policy /

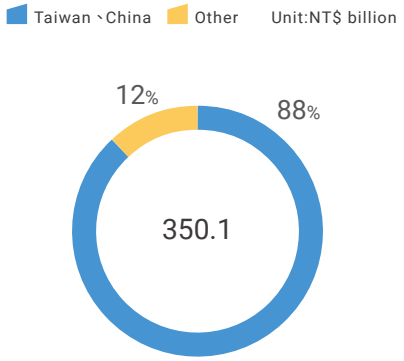
- Comply with tax regulations, accurately calculate and file taxes, execute Arm’s Length Principle
- Promptly assess the impacts of all aspects of changes in local and international tax laws, and formulate countermeasures
- Disclose tax data to the public in financial statements and annual reports to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

/ Description of Tax Risk Management /

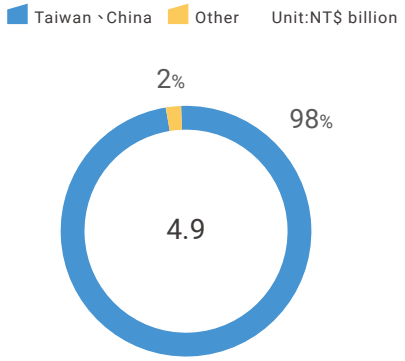
Risk	Complicated tax laws and systems of different countries may affect Innolux’s tax cost in transnational investment and operations.	In transnational operations, the tax authority of each country oversees its own comprehensive tax data and information. Without learning the tax laws and regulations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

An analysis of operating income, net profit before tax, income tax expense, and the sales locations that have paid income taxes shows that the headquarters in Taiwan and manufacturing branch sites in China made the highest contributions in 2021. The statutory tax rates in Taiwan and China are 20% and 25% respectively. In addition, HQ’s loss carryforward in the previous period is sufficient to write off the income tax payment.

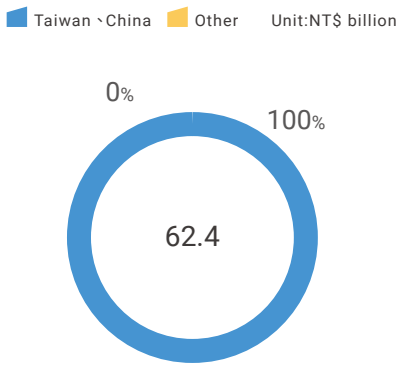
/ Operating income /



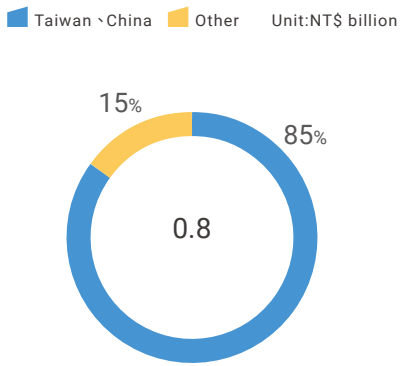
/ Income tax expense /



/ Net profit before tax /



/ Income tax paid /



Shareholder/Investor Communication

Innolux has set up a dedicated Investor Relations Department and Stock Administration Department to provide investors with complete information disclosure. The investor relations department is responsible for assisting domestic and foreign juridical persons and relevant institutions, maintaining transparency and instant communication between the company and the investment market, conducting semi-annual investor briefings, and participating in domestic and foreign investor forums and roadshows held by securities firms on a quarterly basis to disclose the company's operating status, financial performance, strategy development, and business guidelines. In 2021, Innolux has conducted 2 investor briefings, participated in 40 communication meetings with investors and analysts, and answered calls from investors and analysts.

/ Shareholder Structure /

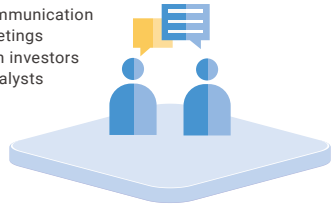
Type / Number	Government Entity	Financial Institution	Other Juridical Person	Individual	Foreign Institution & Individual	Total
Number of people	8	29	677	627,234	1,411	629,359
Shareholding (shares)	83,794,049	261,985,331	1,096,150,792	6,853,623,430	2,264,066,449	10,559,620,051
Shareholding ratio (%)	0.79%	2.48%	10.38%	64.90%	21.44%	100.0%

- Note: Reference date is April 26, 2022

Innolux has also established an Investor Relations section on the corporate website in both Chinese and English for investors to inquire about important company matters, download financial reports, annual reports, and other important financial information, and browse information on investor briefings and shareholders meetings. Besides proactively disclosing financial highlights every quarter, Innolux informs over 1,000 website subscribers of the company's major activities and events via email. In addition, an exclusive investor contact window has been set up to facilitate email communications with investors. Investors' opinions and feedback are sent to management as a reference for policy making.

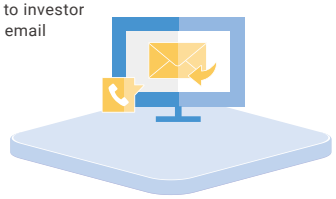
40

Communication meetings with investors /analysts



73

Responses to investor hotline and email



- Investor Relations link https://www.innolux.com/tw/ir.html

- Investor Relations mailbox ir@innolux.com

3

Innovative Transition in Hand with Procurement

2021 Achievements

1 site	In a first for Innolux, the Kaohsiung Site has been selected as a manufacturing Lighthouse by the WEF.
2nd Largest	2nd largest supplier of large panels with a market share of 15.2% in total shipped surface area
12,200 patents	Applied for approximately 400 new global patents; 12,200 patents in total
4.3%	Invested NT$ 15.04 billion into R&D, 4.3% of total revenue
86.4%	Customer satisfaction rate of 86.4%, 6.2% higher than last year
100%	100% inventory rate of medium to high risk supplier sourcing of conflict minerals (3TG) and cobalt
151K tons	Inventoried greenhouse gas emissions of 124 suppliers; cut 151K tons of carbon emissions
A rating	Received CDP Supplier Engagement Rating's "Leaderboard" certification for two years in a row

This Chapter’s Management Guidelines Regarding Material Issues

Innovative Transition in Hand with Procurement

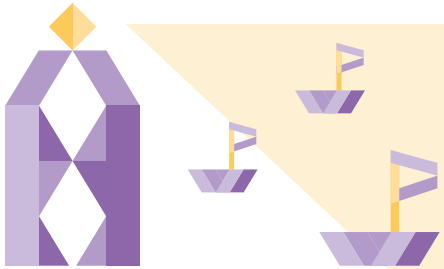
	Innovation of Products and Technologie	Customer Relations Management	Supply Chain Management
Strategic Goals for 2021	• Initiate Innolux’s XYZ Transition Strategy to establish lights-out factories • Research cross-domain applications in non-display panel, high-grade automotive displays, and intelligent health care	• Collect complete data • Intelligent analysis and diagnosis • Predict rankings accurately • Implement improvements swiftly	• Material source control for sustainable environmental management • Establish an assistive mechanism to help finalize the selection of suppliers • Conduct three-year carbon reduction plan for suppliers with cumulative purchasing expenses in top 91%
Implementation Results in 2021	• The Kaohshiung Site was selected as a manufacturing Lighthouse by the WEF • Large panels achieved a market share of 15.2% in total shipped surface area • Applied for 400 new global patents, pushing our total number of global patents to 12,200 and increasing competitiveness • Accumulated innovation capital by devoting 4.3% of revenue to R&D funding, with staff of 4,462 researchers	• Customer satisfaction rating reached 86.4%, 6.2% higher than last year • Pushed for QMC digital transformation and used intelligent tools to improve COPQ and raise customer rankings • Established a “Task Force” team to respond to key customer complaints while carrying out quality improvement projects to meet the needs of customers	• Improved supply chain risk management for materials shortages and transport disruptions; utilized secondary suppliers and supply sources • 100% inventory rate of medium to high risk supplier sourcing of conflict minerals (3TG) and cobalt for responsible procurement
Main Goals for 2022	• Increase our production capabilities of ultra-large-sized panels in response to recent trends • Strive for high product added value. • Make a complete blueprint of new generation panel applications to consolidate our leading position in the industry	• Improve the functioning of quality-improvement platforms to satisfy the needs of customers • Reach a key customer ratio of 75%	• Track certification status of smelters in real-time and add a risk evaluation mechanism to maximize the effectiveness of management • Accelerate analysis of anomalies and optimize materials analysis assistive decision system • Continue to carry out three-year carbon reduction plan for select suppliers • Draft inventory checklist for supplier’s renewable energy to increase sustainability of supply chain
Commitments to Medium- and Long-Term Development	• Continue to refine technology and optimize manufacturing to increase product and cost competitiveness • Increase the number of novel applications and profit in emerging markets	• Establish comprehensive intelligent quality management • Maintain a key customer ratio of 75%	• Smelters are 100% certified • Expand scope of supplier management over time and assist suppliers in introducing low carbon value chain • Improve supplier ESG management to maintain a sustainable suppl

Grow and Advance

The continuation of the COVID-19 pandemic has had a disruptive impact on the world economy. However, with the help of stimulus packages planned by governments around the world plus the increase in demand for panels brought forth by the rise of the stay-at-home economy, buying power has recovered in some regions. Thanks to the surge in demand for laptops, tablets, and television terminal equipment and the withdrawal of Korean sites from the LCD market, supply and demand in the overall market is gradually returning to normal. In the first half of 2021, the panel supply was not able to meet demand, which caused prices to rise significantly. It was not until the latter half of 2021 that demand lessened, and as the newest LCD G10.5 site launched at the same time as the productivity of Korean OLED sites increased, the supply of panels gradually caught up with demand. In 2022, the China sites will continue to increase their capacity and will also move toward producing more ultra-large-sized panels. The Taiwan and Korea sites will also look to increase their ultra-large-sized panels capabilities in preparation for increasing competition.

Digital transformation is trending in industries worldwide. Innolux continues to uphold its commitment to its core value of "Grow and Advance" by moving towards automated production lines and "zero touch" lights-out factories and utilizing 4IR cutting edge technology to increase the company's capacity and overall operational efficiency for high profit products. In 2022, we will continue to move toward high-added-value products, work with our partners to develop a diverse range of applications, and create ultra-high-performance products to stake our claim in the new generation of panel technology.

The Very First! Kaohsiung's 8.5+8.6 Site Has Been Selected as a WEF Manufacturing Lighthouse



"Manufacturing Lighthouses" were jointly proposed by the World Economic Forum (WEF) and McKinsey & Co. in 2018. Their goal was to find leaders in the industry who are moving toward intelligent production by utilizing the cutting-edge technologies of the Fourth Industrial Revolution (4IR) to optimize production processes and organizational management. In launching its "XYZ Transition Strategy" and utilizing advanced Internet of Things, big data, and AI applications, Innolux has successfully built a world-leading high-end, high-performance panel site. Innolux's digital transformation to create a complete blueprint for our new generation panel applications has already seen initial results with the introduction of an intelligent digital system to improve order fill rates and production effectiveness. In the future, we will continue act on the principle of "Grow and Advance" in order to maintain our growth and consolidate our leading position in the panel tech industry.

/ Innolux XYZ Transition Strategy /

By working hand in hand with domain experts, data scientists, and data technology experts, Innolux has integrated automation, digitization, and intelligentization into its production line. We have created a world-leading zero-contact lights-out factory that provides accurate design, intelligent production, and intelligent detection combined with digital twin technology that furthers intelligent energy-savings, intelligent factory management, intelligent warehousing, and intelligent personnel management, for increased quality and efficiency and decreased costs and inventory.

Cultivation Project

- 3 colleges
- 1 center
- 18 subjects
- 300 learning charts
- 14,241 classes

X Machinery Automatio

Develop talent through computer-integrated manufacturing (CIM) to increase production efficacy.

Y Machinery Automatio

Implement mobile learning projects to develop crucial technologies for AI engineering and gradually increase intelligent production capabilities, while linking front- and back-end smart factories to move toward production.

Z Machinery Automatio

Collaborate with the Taiwan AI Academy and knowledge experts from National Cheng Kung University to program artificial intelligence and business intelligence courses to train senior managers in strategic thinking about digital transformation, and assist employees to develop skills in the field of digital transformation.

- ↑ Per capita value 8%
- ↑ Production outcome 10%
- ↓ Electricity use 2%
- ↓ Production costs 11%
- ↓ Yield losses 33%

vs. 2018

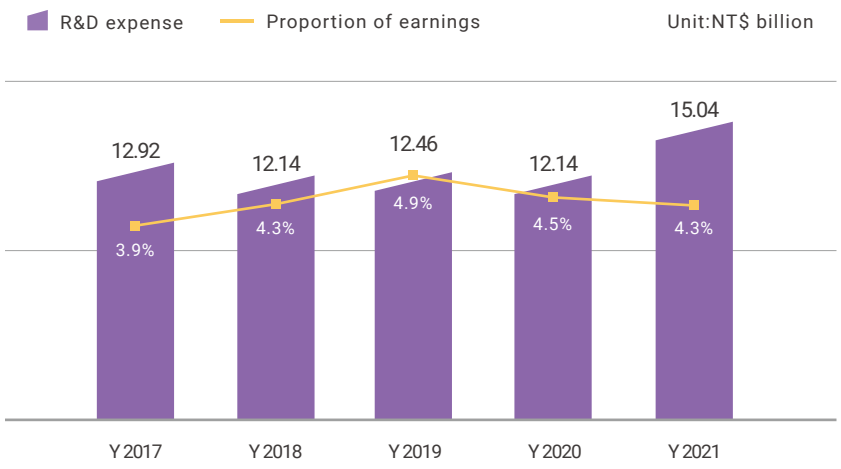
3.1 / Innovation and Research

In face of the volatile and fiercely competitive display panel market, Innolux has responded with our core value of "Transition and Rebuild to Increase Value." We are not only looking to increase the value of our panels by pushing for higher added value; in recent years, we have explored new applications and new fields to increase our competitiveness in the industry.

3.1.1 Breakthrough Innovative Technologies

Innolux is committed to developing new technology and exploring new fields. Our development team has utilized their advanced R&D capabilities to design a one-stop solution service to help customers fulfill their unique needs, and we now offer comprehensive panel solutions. In addition to innovation and development of TFT-LCD products, Innolux is also fully invested in R&D talent and funding. We are committed to researching cross-disciplinary technologies such as applications in the medical field and smart LCD windows, helping us to diversify and shine in a wide range of fields. In 2021, Innolux invested NT$ 15.04 billion into R&D funding, equivalent to 4.3% of our total revenue, and fields a staff of 4,462 researchers.

/ Annual R&D Expense /



The World's First Fan Out Panel Level Packaging (FOPLP) with Panel Factory

Innolux is devoted to pushing for dual transformation in Panel Semiconductors. We have worked with the Industrial Technology Research Institute to develop new panel applications and advanced production semiconductor packaging. By redesigning the materials and production parameters used in our 3.5-generation panel production line, we have overcome warpage problems in large-area substrate interconnect layers, while also decreasing the number of components used and shrinking the size of the packaging. Together with our strategic partners, we developed high uniformity plating equipment and production technologies for the world's largest size substrate, using cross-disciplinary integration and technological innovation to build an industry chain for advanced packaging for panel-level semiconductors.

Innovation Highlights

Large Panels

Product Name	Highlights
92.4-inch P0.6mm 4K Quantum Dot AM-MicroLED Seamless Display **Display Technology MicroLED**	Overcomes existing technological limitations of LCD, OLED, and small pitch LED panels; displays superbly detailed picture quality on large panels. Contains features such as 3D-feeling, wide color gamut, super high contrast, fluid dynamic image, retina-level picture quality, and large seamlessness.
14-inch FHD PolarBlack Laptop Panel **Display Technology PolarBlack LCD**	Innolux's exclusive PolarBlack LCD technology achieves super high contrast levels of 3000:1 and provides super high color saturation, trumping high-grade OLEDs in picture quality.
27-inch 300Hz miniLED E-Sport Monitor **Display Technology MiniLED**	Features miniLED backlighting technology. An ultra-high refresh rate of QHD300Hz helps shorten reaction times to 1 millisecond and eliminates monitor ghosting, all while providing detailed picture quality. The product also complies with TUV's low blue light eye comfort certification, providing e-sports gamers with an upgraded immersive experience as if they were in the battle on-screen themselves.

Small and Medium Panels

Product Name	Highlights
Smart Invisible Camera LCD Device*	Equipped with an under display camera and notch-less design, the screen-to-body ratio is effectively enlarged to provide a wider viewing angle and an increased immersive experience. This product utilizes many patented technologies, including an innovative pixel design and innovative backlighting system to let images effectively penetrate the camera. Potential issues such as blurring, fogginess and suboptimal contrast are eliminated using AI picture restoration technology. 
Holographic Smart Speaker**	Features a highly curved design (R250mm), ultra-thin bezel connective panels and super-high brightness. Contains technologies such as an exclusive integrated display substrate, special optical design, and non-touch gesture control. AI technology can be integrated in the future to allow users to use hand gestures and holographic images to create an optimal interactive experience. 
Interactive LCD Monitor	Thanks to innovative integrated design components, features such as touch screen control, haptic feedback, and speaker are all integrated and hidden behind the screen, eliminating the need for speakers on the monitor. This creates a lighter and thinner monitor with a higher screen-to-body ratio that is also equipped with sight, hearing, and haptic feedback features, for an interactive experience.

- *: Received the 2021 Hsinchu Science Park Excellent Manufacturer Innovative Product Award
- **: Received the 30th Taiwan Excellence Silver Award

Touch Panels

Product Name	Highlights
13.3-inch 3D Hover Touch Self-Service Ordering Machine	With the arrival of the contactless retail economy after the pandemic, contactless interaction in public is becoming mainstream. Staying ahead of competition, Innolux has utilized our exclusive 3D naked-eye technology to present a more intuitive contactless hover touch system that helps prevent the spread of germs due to direct contact with touch-screen panels. 

Panels for Special Uses

Product Name	Highlights
21.6-inch Aerospace/ Navigation/Engineering Equipment Dashboard Display	Features a special panel drive design that allows the screen to function properly even when electrical circuits are damaged, thus substantially increasing the reliability and safety of aerospace, navigation, and engineering display equipment. 
12.3-inch MiniLED Backlight Car Display	Features regional backlight adjustment technology for high dynamic range and low power usage. The high dynamic range assists the display in better showing information under different lighting conditions to increase safety, and the low power usage reduces carbon emissions.

Medical-Grade Panels

Product Name	Highlights
21.3-inch 5M Monochrome Mammography Diagnostic Medical Display	The rise of zero-contact medical treatment in the post-pandemic age has accelerated digital transformation in the medical care industry. Innolux is using its expertise in display manufacturing to strengthen the connection between doctors and patients and embrace the opportunities provided by the need for intelligent health care in this new age by developing applications in several fields.
30-inch 6M Color Diagnostic Medical Display 	
15.6-inch Medical Monitor	
58-inch/31.5-inch 4K Surgery Monitor	
23.8-inch FHD Bezel-less Ultrasound Monitor	
N3D Medical Imaging Visualization System	

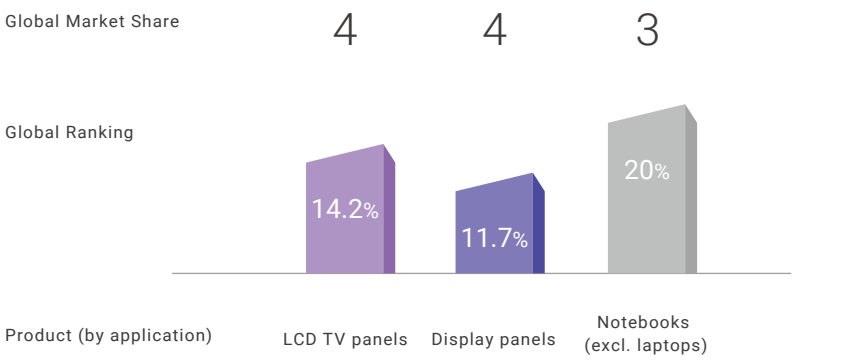
Non-Panel Technology

Product Name	Highlights
Smart Dimming Windows	Includes features such as ultra-fast response time (<1s), high transparency (transmittance between 0.5%-70%), low power usage (power usage can be effectively decreased depending on the environment), natural lighting, no color cast, and no size limitations. With intelligent sensors and IoT applications, the appearance of a room can be changed at will, helping to block out ambient light and achieve desired lighting effects.

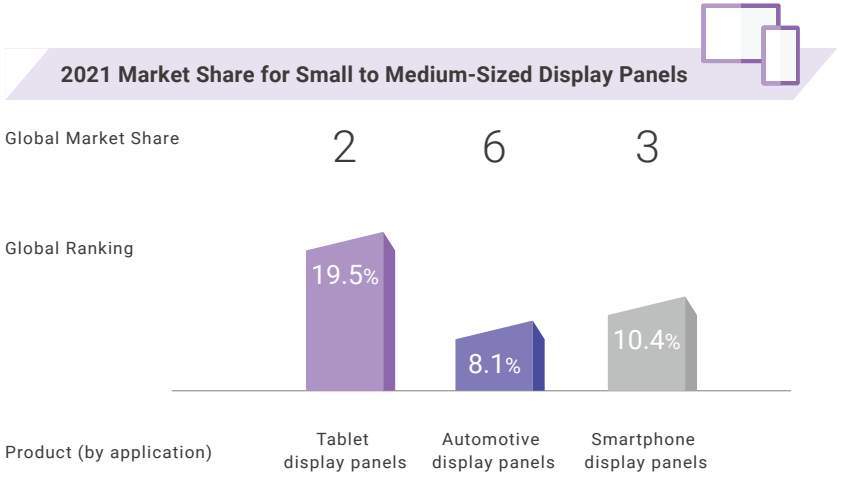
Product Market Share

According to Omdia market statistics, Innolux' s market share of large panels in 2021 was 15.2%, a 0.1 percentage point increase compared to last year, making us the world' s second largest LCD panel supplier. Based on product shipping volume, the market distribution of large-sized and small to medium-sized display panels are as follows:

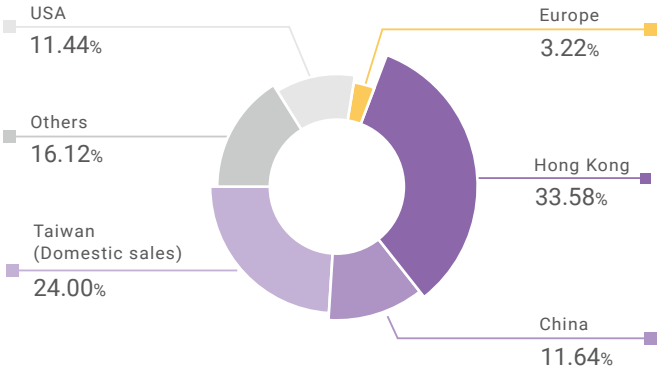
2021 Market Share for Large Display Panels

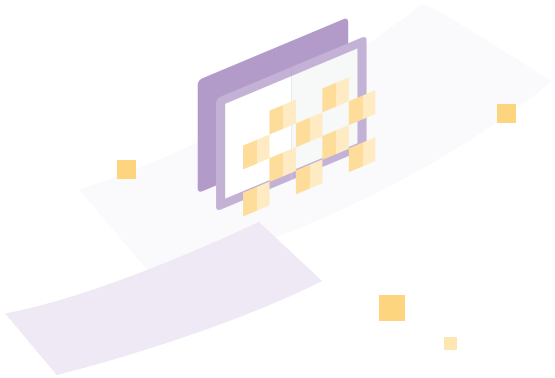


2021 Market Share for Small to Medium-Sized Display Panels



2021 Sales Regions for Major Products



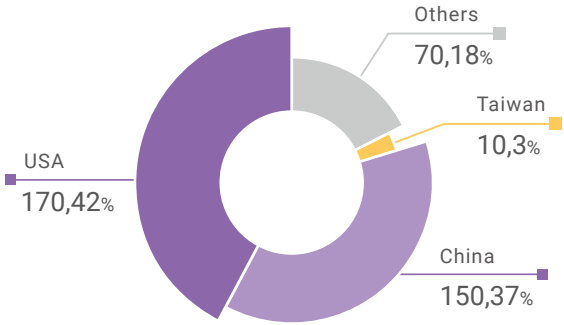


3.1.2 R&D Patent Deployment

Innolux’ s intellectual property management policy supports our business strategy by protecting the innovative technologies and intellectual properties of our company. At Innolux, the Intellectual Property Department works closely with the R&D Department starting from the moment a project is launched to secure technologies with potential through early patent deployment. The Department also stays informed of the progress of the research and development of technologies to establish robust intellectual property barriers so that patents will fully realize their value. The company periodically reports the status of our intellectual property management work to the Board of Directors and conducts internal reviews of patent meetings. Through timely adjustments made through our feedback mechanism, we have continued to improve the patent management system by establishing a digitized management system.

As our R&D technologies continue make strides, risk countermeasures must be taken to prevent confidential information from being leaked, and to accumulate R&D capital for the company. The partnership between technology R&D and intellectual property deployment allows us to create a global patent deployment net that protects our technology applications. In 2021, Innolux was awarded roughly 400 patents worldwide; the company has a cumulative total of 12,200 global patents.

/ Number of Patents /

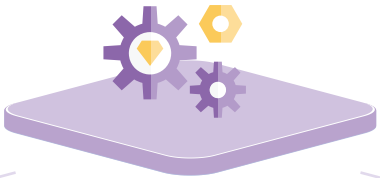


Intellectual Property Management Policy

When it comes to patent deployment and protective measures, Innolux has always emphasized the importance of patent deployment strategies, including patent education and training, a proposal judging system, an award system, evaluation after patent approval, and patent vitalization strategies. Our patent management system is a comprehensive patent management framework that improves the company’ s control and utilization of patent deployment.

1 **Set goals**

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

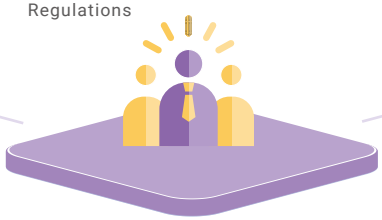


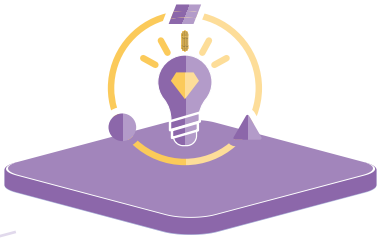
2 **Provide resources**

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

3 **Establish management system**

Execute patent proposal review, patent attainment process, and provide adequate rewards
Procedure document: Patent Management Regulations





4 **R&D and intellectual property empowerment**

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

3.2/Customer Relations

Innolux provides customers with the highest standard product quality and overall solutions to improve customer satisfaction and empower our customers, who are our indispensable partners.

Vision	Quality Makes Competency
Mission	Strive for optimal quality, Improve customer satisfaction, Lower cost of quality, Increase company profits
Strategy	Continue to refine technologies and management—and with the assistance of intelligent tools and methods—strike first to empower

3.2.1 Quality Management

Through employing the QM4.0 Intelligent Decision System, Innolux is able to swiftly solve quality issues while fostering thorough and careful quality management by all company staff. By specifying optimal quality policies and quality goals, and by proactively finding problems and making improvements through the intelligent quality management system, we are able to ensure high product quality and customer satisfaction levels that sustain and strengthen customers' trust in Innolux.

In 2021, Innolux expanded upon the Quality Management 4.0 (QM4.0) system. Now, the quality data of the entire company can be intelligently compiled in the "Quality Combat Information Center," from which key data can be shown in real time. Our three-tiered management platform is a dedicated quality data board that supports all levels of our company. The Management Situation Room* provides managers with precise knowledge of quality changes; the Thematic Decision Assistance System** aids decision makers in making decisions swiftly and precisely, and the Interactive*** helps employees focus on their daily tasks. By effectively utilizing smart tools, product quality can be raised. Through supply chain management, counseling, and education and training, along with customer satisfaction surveys and key customer rankings, we are able to compile data from both up- and down-stream, giving us greater flexibility in our decision-making that helps Innolux, our suppliers, and our customers work jointly to create an environment for sustainable management.

- *: Management Situation Rooms have been completed for all departments and are officially used in Quality Combat Information Center-QM combat morning meetings. CoPQ and customer rankings are used as operational indicators to improve management.
- **: Decision Assistance Systems are established according to the daily tasks of each department to help decision makers make decisions swiftly and with precision. 34 systems have been established thus far.
- ***: Personal Situation Rooms have been completed for all departments. These assist engineers to focus on their daily tasks and various quality system indicators, helping to reduce time spent on daily tasks so they can better concentrate on providing quality service.

QM4.0 Achievements

Innolux's QM is built on a solid quality management system that has its roots in statistical data. We have upgraded to version 4.0, and through the QM4.0 platform, "eight major features" platform, "four major technologies" platform, and our teamwork formula, we continually carry out our "Integration/Improvement/Innovation + Intelligent" improvement cycle. This has helped QM make great strides in decision assistance and

efficiency increases for ECRS-AA (Eliminate, Combine, Rearrange, Simplify Automation Anywhere).

In 2021, QM4.0 transitioned from project-based to corporate culture, becoming a forerunner to INX4.0. By expanding the QM information structure and data governance, and by establishing a foundational structure for Business Intelligence (BI), we have pushed QMC to digitally transition. We have completed the Three-Tiered Decision Assistance System and Knowledge Map, which has helped us achieve intelligent prediction and provides recommendations for solutions, and by improving Cost of Poor Quality (CoPQ) and raising customer ratings through intelligent tools, we are able to reach our goal of "strike first to empower." Through improvements to data collection, analysis, and application, we keep abreast of market information and understand our customers' needs. In doing so, we are able to respond immediately to market changes and proactively adjust our operating strategy. Far from the lagging indicators of the past, we now employ preemptive deployment management through the "INX Flexible Decision-Making System 2.0—Intelligent Operation," which has made Innolux a forerunner in digital transformation. This experience has served as a reference the second stage of other platforms to improve our overall operational value.

Skills Refinement—Establishing QM Learning Organizations

In order to accelerate the digital transformation of QM and improve the skills and overall professionalism of our employees, QM has established three learning environments at each level: book clubs, intermediate management consensus camps, and AI technology leadership classes and AI manager classes. Innolux encourages employees to take part in these educational activities, as shown below:

1. Book clubs: Departmental book clubs not only provide literature on digital transformation, but also allow employees to decide what other books they would like to read. This encourages employees to learn on their own, and through interdepartmental book report sharing events held every quarter, employees who have performed well in this regard are chosen and commended by senior executives in mobilization meetings to encourage employees to participate in book clubs.
2. Intermediate management consensus camps: Intermediate management is an important bridge between employees and senior executives. QM holds intermediate management consensus camps to improve four vital skills: communication and expression, organization and planning, talent selection and retention, and leadership. Through a structured training program that includes sharing books and movies related to their skills, intermediate management core skills training, and company core principle lessons from outstanding leaders, plus practical presentation exercises to aid low-level managers hone core skills, consensus camps help them perform key roles in bridging the gap between employees and senior executives.
3. AI technology leadership course and AI manager course: In response to the arrival of "INX Flexible Decision-Making System 2.0—Intelligent Operation," the company has developed courses managers and specialists at different levels. These courses help to cultivate professionalism and impart the latest AI technology information. Managers at various levels and specialists are encouraged to take these classes to broaden their knowledge and accelerate the pace of digital transformation for QM. Currently, 25 specialists have completed the AI technology leadership course, and 28 managers have completed the AI manager course.

Flexible Decision-Making System 1.0

Flexible Decision-Making System 2.0 (Intelligent Operation)

Describe | **Diagnose** | **Predict** | **Resolve**

Nine main platforms

TV | ITI | AA | MD | FE | BE | BM | Marketing | PUR

TOP DOWN

Increase efficiency

Distributed decision-making

- Data analysis/visualisation
- War rooms for each platform
- Process ECRS
- Digitization/Digital optimization
- Resolve downsides for all platforms
- Swift dispatch

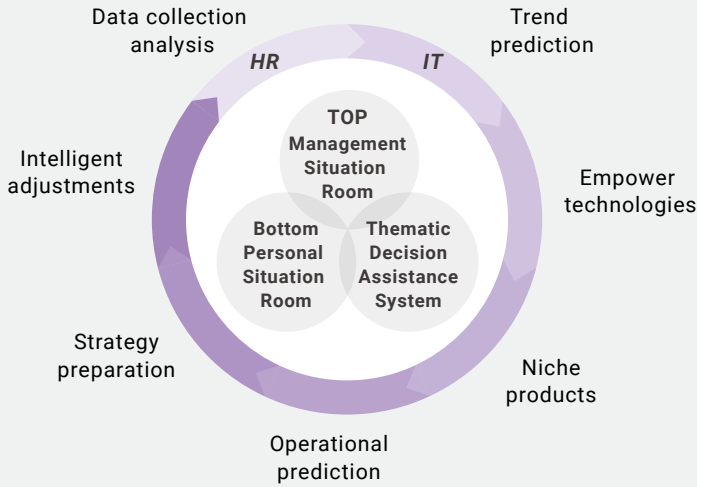
Passivity ▶ Proactivity

Lagging ▶ Leading

Decentralize & Centralize
Accelerate & Empower
Deepen & Widen

Business cycle

Build KG knowledge graph



Profitable growth

| SQE Source Material Quality Simulation – Project Commission Adjustment Optimization|

This project was submitted to the 2021 WEF manufacturing Lighthouse evaluation and was selected by the panel as a new use case in the WEF white papers as a worldwide reference

Description

By working with suppliers to utilize shipment inspection data, compliant materials can be allocated to the most suitable sites through the data bank to improve product yield and lower cost anomalies.

Past Downsides

1. Though materials passed quality checks, there were differences in product yield due to differing production capabilities at different sites
2. Could not conduct IQC tests on large materials and chemical materials
3. Material production line anomalies caused CoPQ to increase

Solution

Model Practice | CQE Work App

Description

The Work App was developed to solve issues met by regional customer quality engineers (RCQE) while on duty, and to help managers solve manpower deployment difficulties.

Before

1. One RCQE would be in charge of multiple customers, making it harder to respond to their needs immediately
2. RCQE’ s would need to adhere to customer rules, a complex and tedious process that required them to remotely connect to the company system.
3. Lack of an information communication platform affected efficiency.

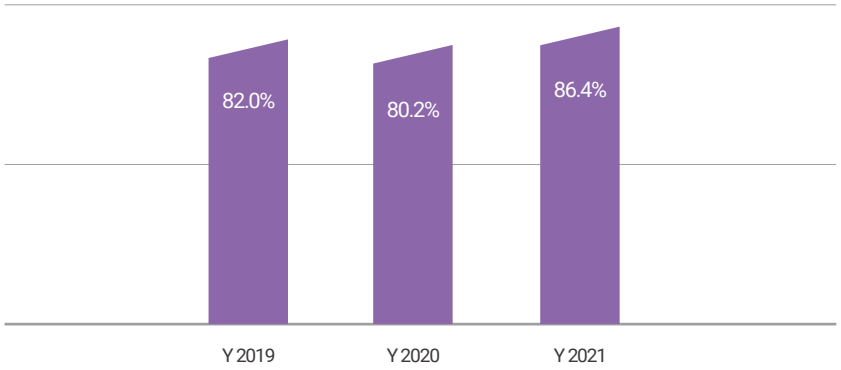
After

1. Staff deployment status can be shown at all times, allowing flexible dispatch according to customers’ needs.
2. The app provides information on verified line reject rate (VLRR) and a single-touch warranty search feature, for instant VLRR and warranty info.
3. The app also provides precise analysis information on defective products that have been returned to the factory, preventing resource waste and missed reports leading to repeat reports.

3.2.2 Customer Service

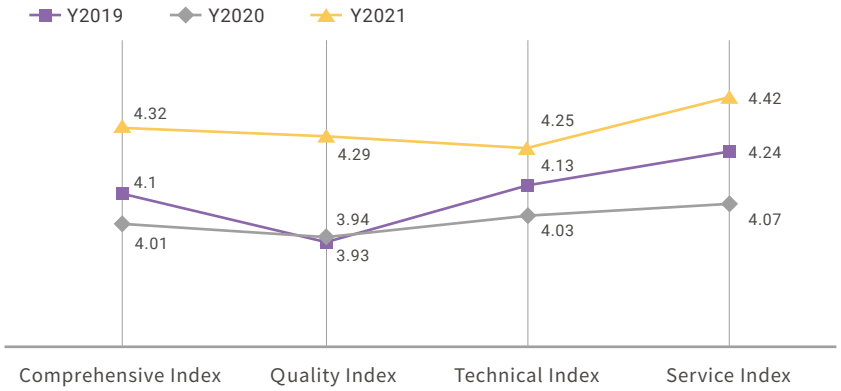
Innolux has developed a comprehensive data collection system that is assisted by intelligent analysis to quickly implement improvements and satisfy customer needs. Quality indicators are used for risk warnings, and careful attention is paid to customer relations to accurately predict customer ratings and ensure they work to the benefit of the company, making us a valuable data center.

Customer Satisfaction Survey



Through our customer satisfaction survey, we can perform an in-depth analysis of our customers' needs and expectations. In 2021, overall customer satisfaction was 86.4%, 6.2% higher than the previous year. The customer satisfaction survey covers four indices: the quality index, the technical index, the service index, and the comprehensive index; it can be seen that this year's indices all show a rising trend. Customer satisfaction has increased mainly due to our continual improvements in product quality. We have also established the Task Force team to respond to key customer complaints and carry out quality improvement projects to satisfy our customers' needs. The company values customer feedback and will continue to make improvements and adjustments to meet customer expectations.

Customer Satisfaction Analysis



Key Customer* Rating Results

Annual Goal – Reach a Key Customer Ratio of 75%

Innolux's customer satisfaction survey is aimed at brand customers in the strategic customer management system, customers with high shipment volumes, and original equipment manufacturers. We also periodically evaluate customers with development potential or customers who are leaders in their respective fields of application to add to our survey. In 2021, 48 index customers took the survey. This number is planned to increase to 50 in 2022.

In 2021, the key customer ratio reached 78%, outperforming our annual goal of 75%, and showed an 8% increase compared to 2020. Innolux will continue to optimize customer service, product competitiveness, and customer trust to ensure customer satisfaction.

Customer ratio reached 78% increase 8%(vs.2020)

* Key customers: Customers of top two in the rankings

Management Systems and Certifications

Management System	Certifying Body	Certified Site
ISO 9001 Quality management systems	Bureau Veritas	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
IATF 16949 Automotive quality management systems	Bureau Veritas	Jhunan (T3), Tainan (FAB A, FAB B, FAB C, FAB D), Ningbo, and Shanghai
QC080000 Hazardous Substance Process Management System	SGS	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO 17025 General requirements for the competence of testing and calibration laboratories	DQS	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO 45001 Occupational Health and Safety Management Systems	TW(bsi)/CN(CQC)	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO 14001 Environmental management systems	TW(bsi)/CN(CQC)	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO 50001 Energy management systems	TW(bsi)/CN(CQC)	Jhunan, Tainan and Foshan
ISO 14064-1 Greenhouse gases Part 1	DNV	Jhunan, Tainan, Ningbo, Foshan, Nanjing, and Shanghai
ISO 27001 Information security management system	Bureau Veritas	Taiwan

2021 Cuastomer Recognition

Skyworth
SKYWORTH Outstanding Quality Award

TPV Technology
TPV Best Service Award
/TPV Quality Excellence Award

Beacon
Beacon Excellent Supplier Award

TCL Electronics
TCL Quality Improvement Award

Jusha Medical
Jusha Strategic Collaboration Partner Award

Confidential Information Security

Innolux understands the importance of confidential information to customers, suppliers, and the company. The company complies with the Corporate Social Responsibility Best Practice Principals and Supplier CSR Code of Conduct Operating Standards to ensure that internal operations and the supplier-end all comply with government laws and regulations and customer requests to fully protect customer confidential information and customer rights.

Target of protection

In order to protect confidential information, any data exchanged with customers can only be retrieved and used by authorized employees for specified purposes.

Practice of protection

1. As for external data protections, NDA’s are signed with customers to define the exchanged data content, duration, and rights and responsibilities of Innolux and third parties.
2. Internally, tiered control is applied through employee account permissions, ensuring data confidentiality and restrictions and keeping records of access to confidential production and transaction data.

Assessment and audit

1. Protection of customer data confidentiality is a part of Innolux’s principal guidelines. Any breaches or infringements are investigated in accordance with relevant company regulations. If found to be true, they are handled in accordance with company procedures to protect customer confidentiality.
2. In 2021, Innolux received zero reports of conduct that infringed upon confidentiality.

3.3 / Supply Chain Management

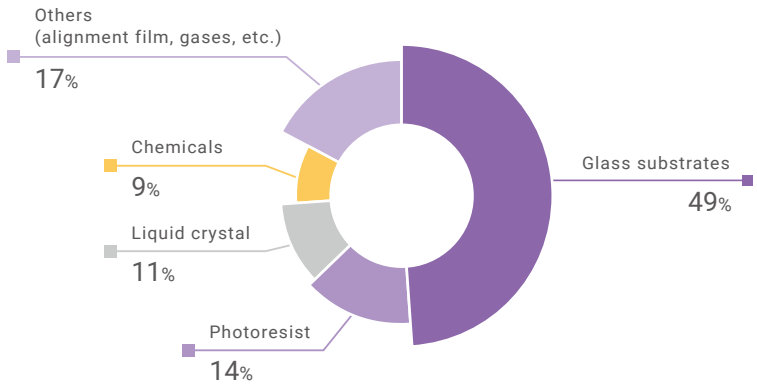
Innolux successfully manages its supply chains by establishing long-term partnerships with suppliers. In addition to greatly valuing the quality, delivery, and price of our supplier's products, we also expect our suppliers to fulfill their corporate social responsibility just as Innolux does. Innolux hopes to grow and prosper together with our suppliers, create sustainable benefits for the supply chain, and realize shared benefits.

3.3.1 Procurement Management

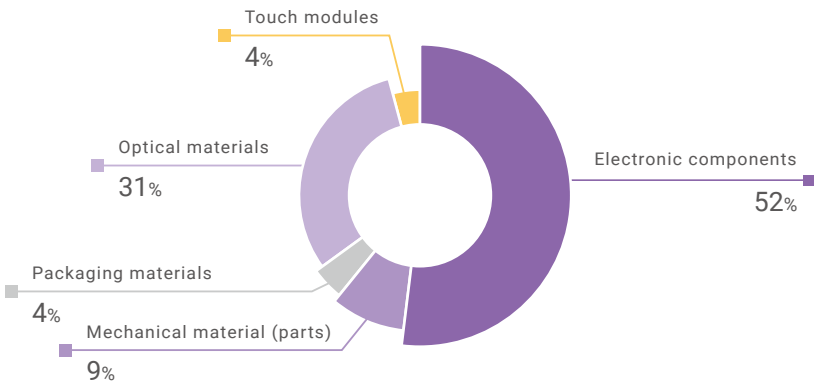
Innolux's Supply Chain Map is a visualized platform that provides instantaneous warnings and data feedback on disasters and material incidents. The platform allows for swift situation analyses, speeds up data transmission times and increases processing efficiency to prevent the risk of supply chain disruptions. Furthermore, to implement its "INX Flexible Decision-Making System 2.0 – Intelligent Operation" digital transformation, Innolux has established the "Smart Office – Procurement Top-Down Management Situation Room," which through the thematic decision assistance system and MApp notifications helps to provide up-to-date, accurate information.
Innolux's production lines are primarily situated in Taiwan and China. Our supply chain mostly consists of suppliers and contractors that provide equipment, essential components (such as glass substrates, color filters, polarizers, backlight modules, driver IC's, and printed circuit boards), materials, energy resources, and transport. The China-United States trade war and the COVID-19 pandemic are both major risk points. In order to lower supply risk and the limitations of single production zone, we have introduced countermeasures by finding secondary suppliers or supply zones and promoting industry clusters to realize localized materials production and supply. In addition to reducing transportation costs and carbon emissions due to the transportation process, these measures also promote local economic development.

Procurement Analysis of Key Materials and Parts

/ Front-End Materials Procurement Amount (%) /



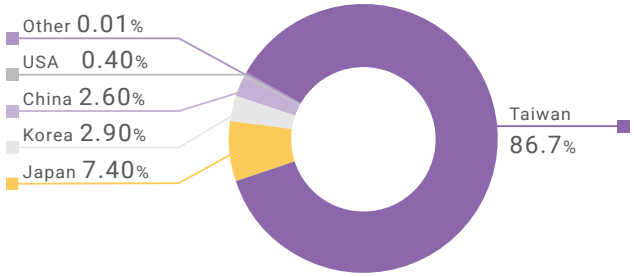
/ Back-end Parts Procurement Amount (%) /



Localized* Procurement Analysis in 2021

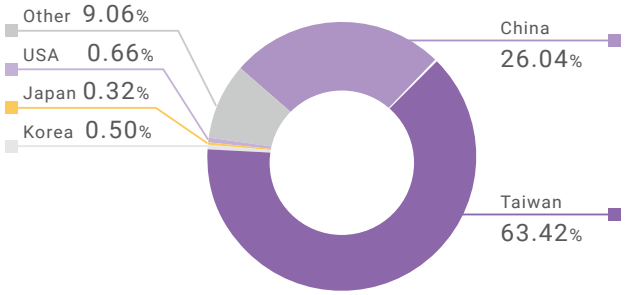
Front-end supplies include materials used in the front-end process of TFT, CF and LCD manufacturing.

Front-End M anufacturing Plants in Taiwan

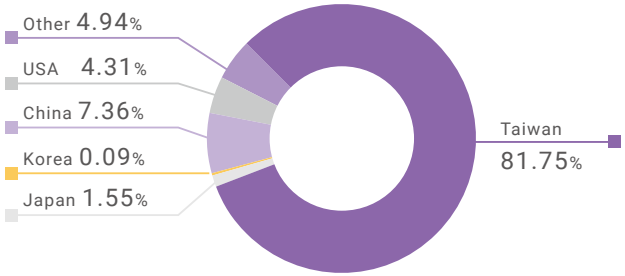


Back-end supplies include LCMs.

Back-End Module Plants in China



Back-End Module Plants in Taiwan



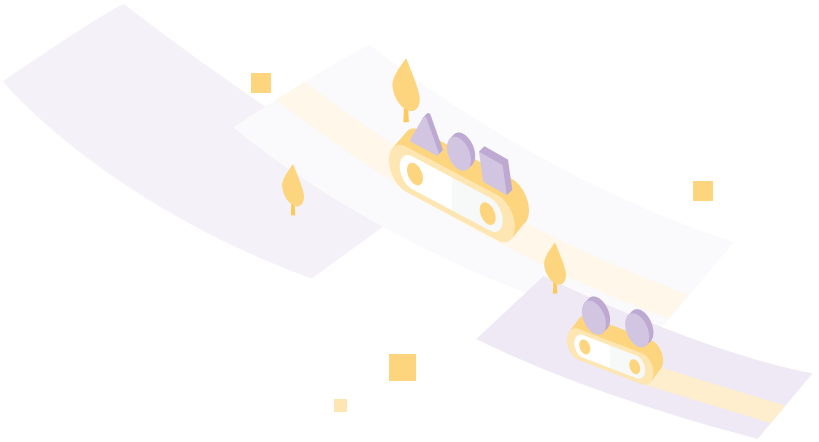
*: Conducted Ratio analysis of procurement amount to determine degree of localization

Supply Chain Risk Management

To prevent disruptions in the supply of raw materials or sudden increases in the need for materials in the supply chain caused by the pandemic, regulatory changes, or any other reason, Innolux uses intelligent platforms to rapidly calculate which raw materials required for products are lacking or in short supply to provide preemptive warnings and prevent the risk of shortages and supply chain disruptions.

To prevent supply chain disruptions caused by natural disasters or other force majeure events, Innolux implements the following measures:

1. Supply from at least two manufacturing sites, preferably in different counties/cities.
2. At least two sources of raw materials, all of which are required to have at least two sources of supply.
3. Suppliers who are not able to meet the preceding requirements are required to increase inventory so as to ensure that customer demand can be met at all times.



3.3.2 Supplier Sustainable Management

Innolux hopes to truly partner with suppliers so that we may grow and prosper together. We are dedicated to empowering our suppliers, and abide by the Responsible Business Alliance' s Supplier Corporate Social Responsibility Code of Conduct Operating Standards in the hope that our suppliers, too, will value business ethics, labor rights, environmental and health protections, and management systems in order to realize Environmental, Social, and Governance (ESG) management. By successfully executing risk management and business continuity plans, Innolux and its suppliers can empower each other.

/ Supplier Identification and Management /

Tier-1 Suppliers	• Identified according to essentiality of component part to production. In 2021, there were 922 tier-1 suppliers • Innolux collects data on tier-1 suppliers upstream supply chain for its ability to make immediate and flexible strategy adjustments
Tier-1 Key Suppliers	• Identified according to (1) Irreplaceability, and (2) Top 90% in annual procurement amount. In 2021, there were 532 tier-1 key suppliers
New Suppliers	• Sign Supplier' s Undetakings
Existing Suppliers	• CSR Risk Self-Assessment Questionnaire (SAQ) • RBA on-site audits

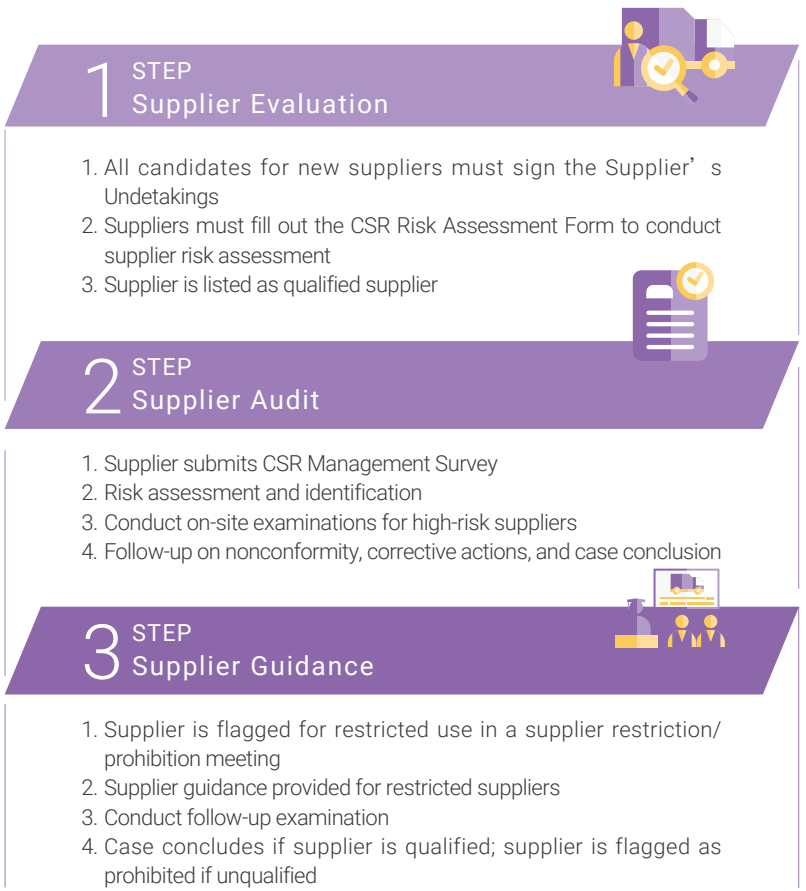
Supplier RBA Management Flowchart

The RBA management mechanism was established by Innolux and is split into three main stages: the supplier evaluation stage, the supplier auditing stage, and the supplier guidance stage. Through this annual process, Innolux ensures suppliers conform to our regulations.

New suppliers must sign the Supplier' s Undetakings before partnering with Innolux to promise that their operation will comply with RBA guidelines and ensuring that they will pass on related requests to the supply chain tier after them.

As for existing suppliers (key material suppliers), a CSR Risk Self-Assessment Questionnaire (SAQ) is conducted annually to evaluate suppliers' compliance with the five key aspects required by the RBA. The questionnaire results in a risk assessment which categorizes suppliers into low risk, medium risk, medium-to-high risk, and high risk. If a supplier is categorized as being high risk, an on-site inspection will be carried out, after which guidance will be provided for improvements.

/ Supplier RBA Management Flowchart /

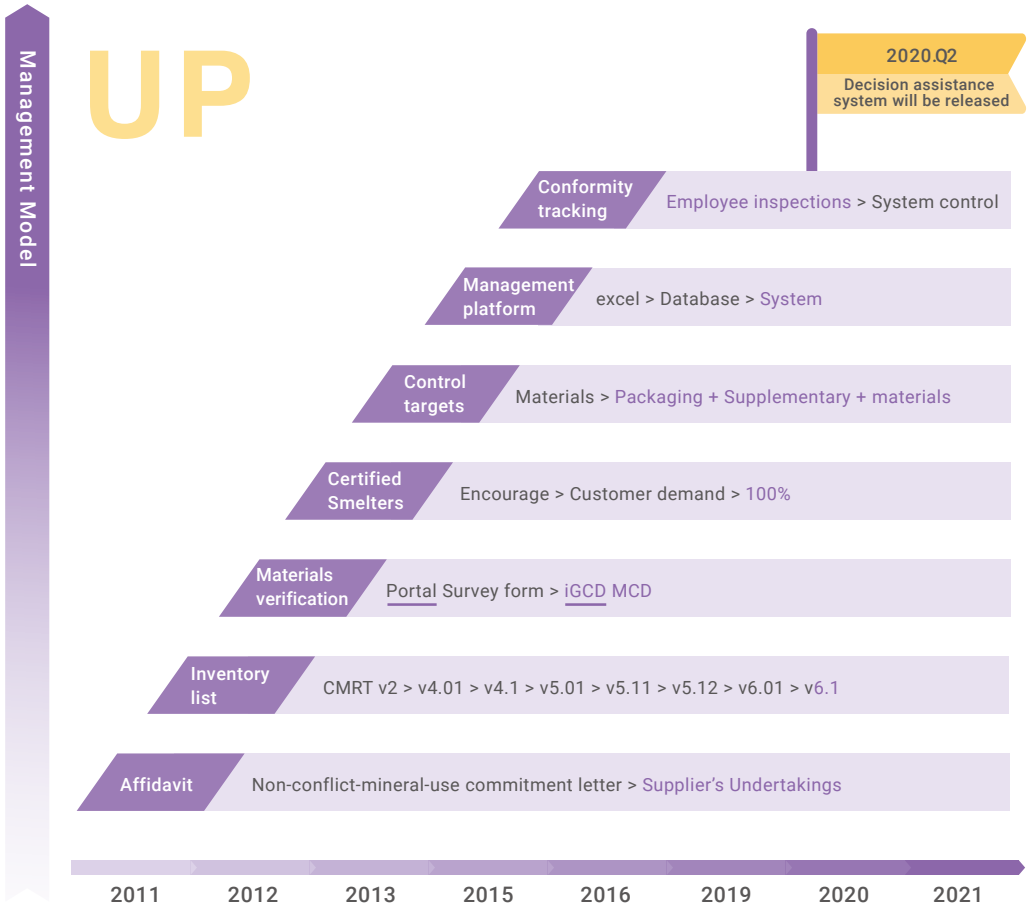


Supplier RBA Implementation Results

Innolux introduced the supplier risk assessments in 2010, and has executed risk assessments for 1,172 suppliers in total up to 2021. So far, no suppliers have been flagged as prohibited due to CSR-related reasons. In 2021, key supplier risk assessments were conducted on 90 suppliers, with one being flagged as a high-risk supplier and listed as an on-site inspection target for 2021. In 2021, an on-site inspection was conducted on the high-risk supplier, for a 100% completion rate. Ten nonconformities were filed, and after analysis it was found these nonconformities primarily involved insufficient management of labor rights and health and safety. Innolux has required the supplier to propose and execute solutions for the nonconformities.

Conflict Minerals Management

Innolux strives for responsible procurement and strictly forbids the use of conflict minerals. Conflict minerals (tantalum, tungsten, tin, and gold) and cobalt are routinely managed, with comprehensive supplier inventories carried out annually. We urge suppliers to utilize certified smelters, and use our system to track the conformance of smelters. We also conduct investigations of high-risk suppliers, with our goal being the promotion of non-conflict products. In 2021, Innolux introduced a visual interface for the management of conflict materials which displays the distribution of smelters around the world. The interface also incorporates the Responsible Minerals Initiative' s certification list, displaying inventory results in a factual manner to raise employee awareness. In addition to employing existing conflict minerals management systems, Innolux also pays close attention to other potential inhumane mining and usage of minerals including mica, lithium, and polycrystalline silicon. Through inspections of materials and component parts plus collaborations with customers and the supply chain, we ensure the responsible procurement of non-conflict minerals.



Conflict Materials Management Framework

Management Strategy

1. Execute non-conflict minerals policy
2. Select qualified suppliers
3. Utilize conforming materials
4. Annual inventory of smelters

Medium-to-Long-Term Development Goals

- Utilize only certified smelters

2021 Results

- Medium-to-high-risk supplier 3TG* inventory rate=100%
- Medium-to-high-risk supplier Co inventory rate =100%

2022 Goals/ Execution Highlights

1. Annual medium-to-high-risk** supplier 3TG inventory rate= 100%
2. Annual medium-to-high-risk supplier Co inventory rate=100%
3. Real-time tracking of smelter certification status plus a risk assessment mechanism to maximize the effectiveness of management

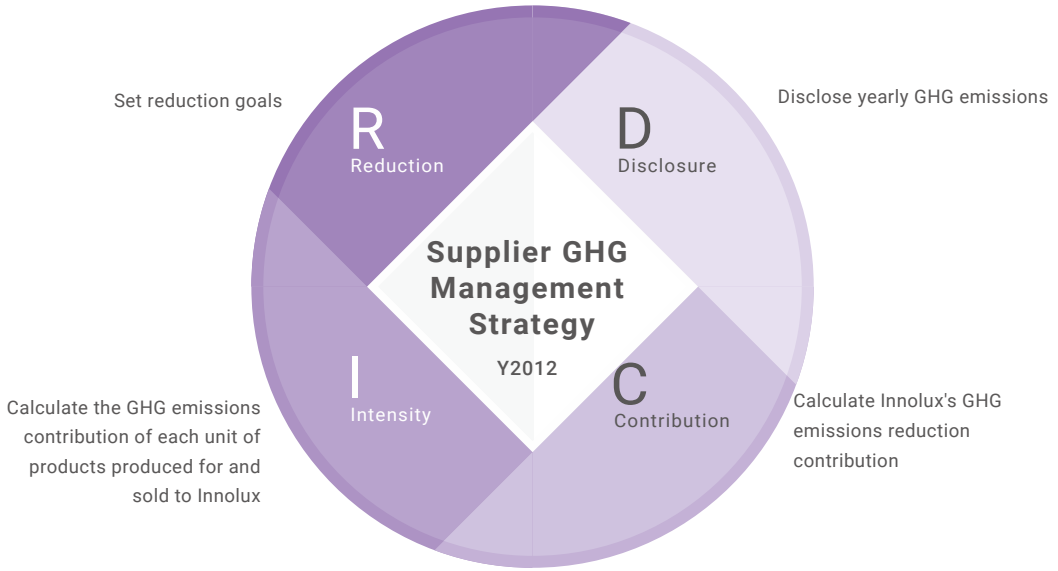
- *: 3TG stands for tantalum, tungsten, tin, and gold
- **: High risk: Utilizes 3TG, and utilizes non-certified smelters; Medium risk: Utilizes 3TG, but uses only certified smelters; Suppliers without the aforementioned conditions are considered low risk

Greenhouse Gases (GHG) "DCIR" Management Promotion Strategy

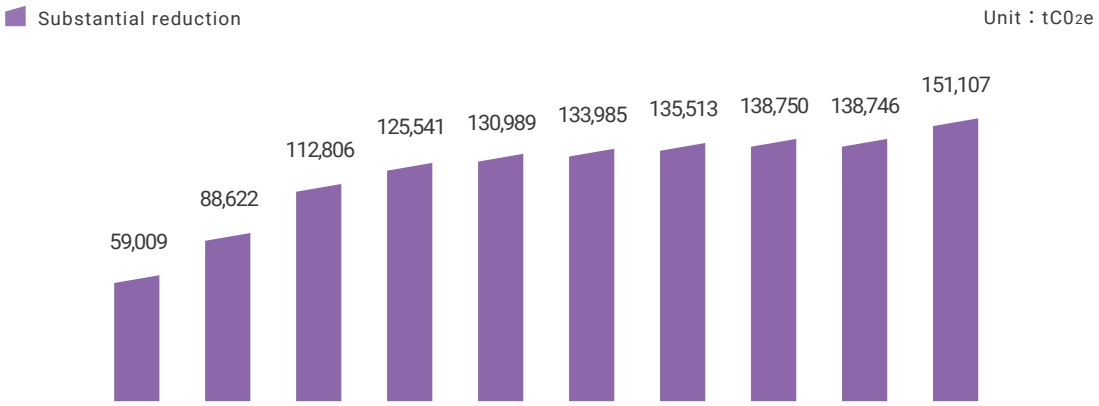
To promote low-carbon green supply chain management, Innolux activated its "DCIR" greenhouse gases management promotion strategy in 2009 to carry out supplier greenhouse gas inventories. In 2012, we consulted the Carbon Disclosure Project (CDP) and selected target suppliers according to transaction amount to better understand the greenhouse gas management situations of target suppliers, the components they provide, and their material emissions intensity with the goal of reducing the carbon footprint of their products. In 2021, the targeted suppliers are whose cumulative transaction amount is in the top 91%. To ensure the quality of the greenhouse gas data provided by suppliers, Innolux accepts ISO 14064-1 certifications, government data, or data sources disclosed by official websites or in ESG reports. When suppliers report their GHG emissions, they must also provide a Carbon Management Risk Form, their GHG reduction plan, and their water usage. The inventory conducted in 2021 aggregates the suppliers' emissions in 2020, with 124 suppliers being inventoried. The result shows a carbon reduction contribution* of 151,107 tCO_2e. A total of 121 suppliers were inventoried on their water usage.

- *: Carbon reduction is estimated based on the reduction in emissions/unit and the actual capacity of that year.

Transition from low carbon emissions to net zero



Supply chain GHG reduction contribution



Innolux plans to roll out DCIR 2.0 in 2022 with the goal of transitioning the supply chain from low carbon emissions to net zero. We also plan to introduce an online system, the green supply chain block chain platform, in hope of reaching carbon neutrality for the contribution from our products.

Received CDP Supplier Engagement Rating's (SER) highest "Leaderboard" honors for two years in a row

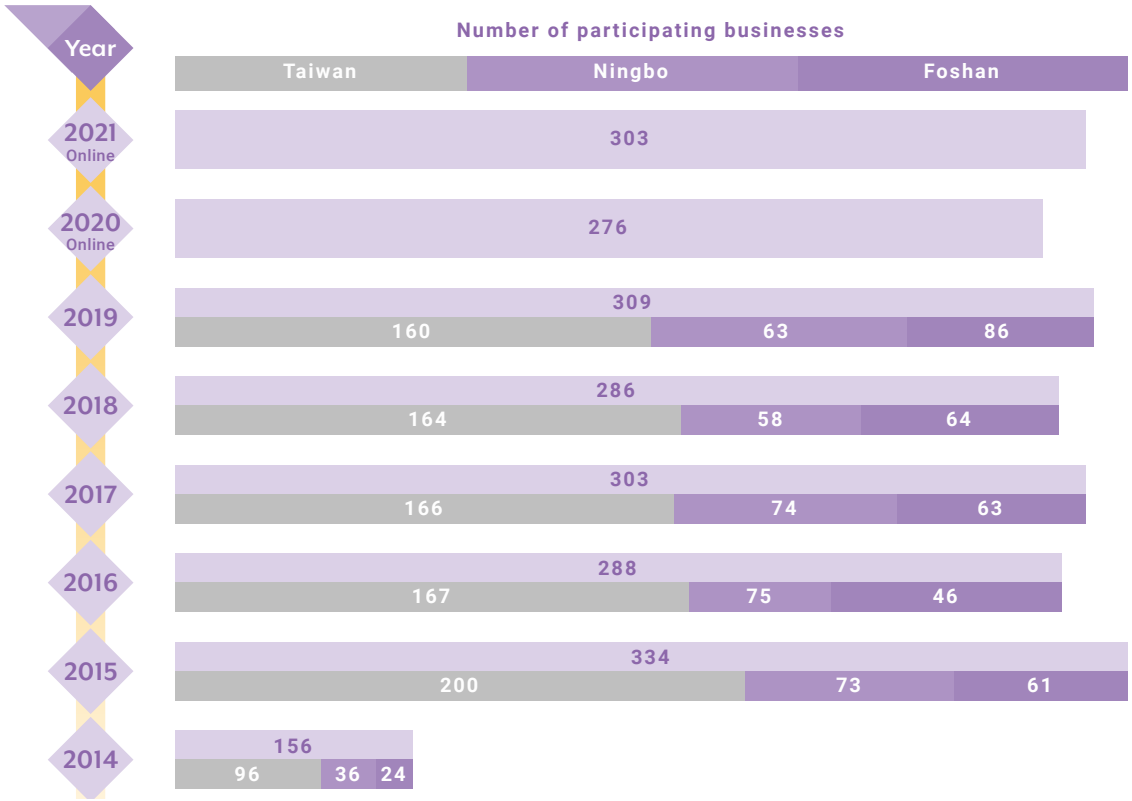
CDP SUPPLIER ENGAGEMENT LEADER 2021

In the 2021 CDP Global Supply Chain Report, Innolux was listed for the highest ratings in the Supplier Engagement Leaderboard. Innolux received the highest A rating in the Supplier Engagement Rating, which is considerably higher than the average of B- in the industry and in the Asian region, proving that the carbon reduction efforts of the company and its supply chain are worthy of recognition.

2021 Supplier Materials Certification and Newest Regulations Meeting

Innolux holds annual supplier meetings to convey important information and increase our opportunities of communicating with our suppliers. Due to the COVID-19 pandemic and the continuing spread of its variants, the 2021 annual meeting was once again held online. Suppliers from Taiwan, Foshan, and Ningbo participated at the same time. This year, it was a challenge getting the speakers from four locations (Tainan/ Jhunan/Foshan/Taoyuan) online. The focus of the meeting was on regulatory changes. Attended participants discussed topics such as safety certification requirements for key components, the latest version of the Regulations Governing Controlled Substances, and explanations about materials certifications and the testing of non-solid samples. The purpose of these discussions is to help suppliers better understand the materials certification process and to disclose information required for sample testing, establishing a positive communication channel in the process and ensuring that materials and products are properly certified. A total of 303 suppliers participated in this year's online meeting. The meeting was held in real time to let speakers raise questions and interact with the audience, with the suppliers responding actively and participating enthusiastically.

/ Supplier Attendance Over the Years /



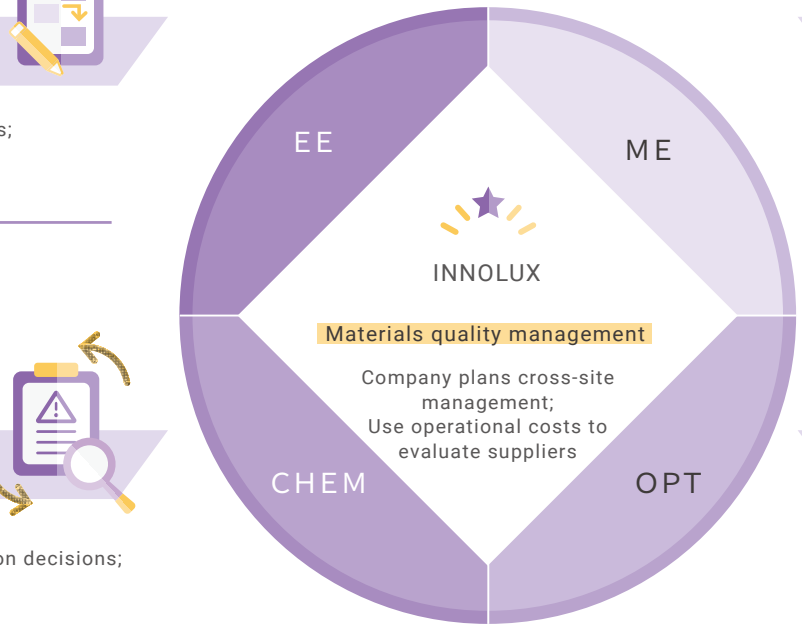
2021 Supplier Materials Certification and Latest Regulations Meeting

- Safety certification requirements for key components v.8
- Regulations Governing Controlled Substances v.21
- Explanation of product admittance key points and analysis of FAQ
- Explanation of testing of non-solid samples

3.3.3 Supply Chain Quality Management

Innolux’ s supply chain quality management has moved away from improving supplier selection, audits, quality evaluations, and handling daily anomalies. Now, we focus our efforts on various aspects of equipment, procurement, production, sales, and management to improve the completeness of supplier management; at the same time, through technological and managerial exchanges, we can grow together with our suppliers. The screening criteria for new suppliers include critical elements such as finances, technology, quality, price, and the implementation of green energy to help us find the most suitable, high-quality suppliers that are right for the company. It is Innolux’ s mission to “Optimize Material Decisions,” “Streamline Source Materials + Production,” and to “Optimize Material Quality.” We will continue to refine our professional skills and perform risk management to ensure quality.

Mission “Optimize Material Decisions” “Streamline Source Materials + Production” “Optimize Material Quality”



Intelligent testing for optimal procurement grade

Optimal materials grade adjustments;
Key point is to increase testing;
Flexibly adjust testing staff

Mass production quality prediction

Understand site conditions;
Emergency materials shipments;
Yield prediction; Preparation prediction

Design risk diagnosis

Accurately assist in supplier selection decisions;
Cross-level risk diagnosis

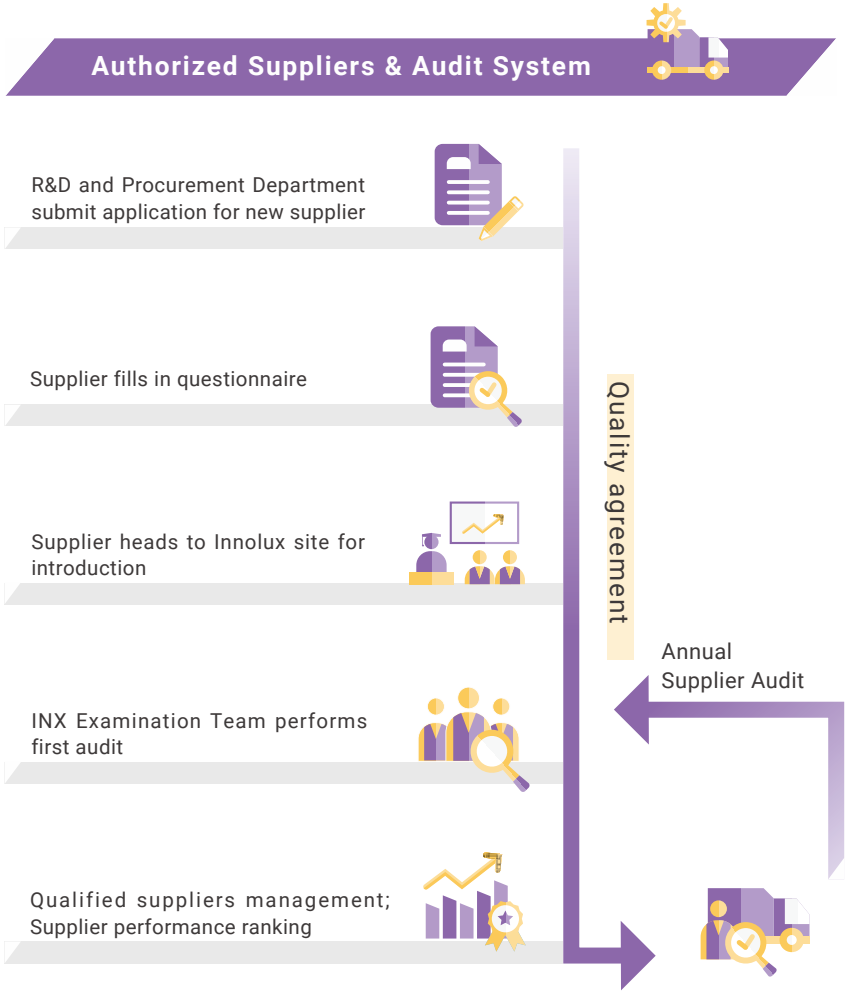
Sales containment

Quickly detect production risks;
Trace source of non-compliant materials;
Expose tracks

Screening and Management of New Suppliers

The screening criteria for new suppliers include critical elements such as finance, technology, quality, price, and implementation of green energy to help Innolux find the most suitable, high-quality suppliers that are right for the company. Through annual audits, Innolux ensures that these suppliers comply with our regulations.

/ Flowchart of screening and management of new suppliers /



Annual Supplier Audit

An audit plan is formulated annually based on the nature of the materials being supplied, then on-site audits are carried out. If nonconformities are discovered, Innolux requires the supplier to propose suitable corrective action and set clear goals and deadlines for executing solutions in order to meet our expectations.

Supplier Quality Evaluation and Guidance

The Supplier Quality Performance Ranking (SQPR) system provides timely, comprehensive supplier quality information, helping Innolux and its suppliers to quickly understand overall quality and whether there are any problems or issues. Innolux conducts monthly materials supplier evaluations of their dead-on-arrival rate, service quality, online rejection rate, and customer complaints. Suppliers are given an A-tier, B-tier, C-tier, or D-tier rating*; if a supplier is given a C- or D-tier quality evaluation rating, they are placed on the Warning Supplier List (WSL), with Innolux providing guidance. In recent years, Innolux has implemented project guidance and audits to improve the quality of the business operations of suppliers that showed frequent poor performance. In 2021 many new suppliers were added, but between 2018 – 2021, the percentage of A- and B-tier suppliers remained constant at 98.8% ± 0.3 %** . There were 30 C and D-tiered suppliers in 2021, and Innolux provided guidance a total of 118 times.

- *: A-tier: Score ≧ 95; B-tier: 95 > Score ≧ 85; C-tier: 85 > Score ≧ 65, flagged for guidance; D: Score < 65, flagged for guidance and volume adjustment.
- **: The data includes suppliers of TVs, notebooks, monitors, and touch panels.

4

A Harmonious Workplace and a Prosperous Society

2021 Achievements

17,400 participants	Innolux's health promotion events attracted more than 17,400 participants and raised their health awareness.
38,100 participants	The cancer screening event at workplace served 38,100 employees and helped them to develop the habit of having regular checkups.
0.25	The Disabling Injury Frequency Rate was 0.25, far below 0.84, the average rate for the electronic parts and components manufacturing industry.
584 participants	Hired 584 persons with disabilities in 2021, reaching a recruitment rate of 1.1%.
NT$ **45** million	Referenced the LBG Framework to quantify our contribution to social welfare, reaching a result of NT$ 45 million.
21%	Female management ratio reached 21%.
8%	Facilitated employees' learning by increasing employee training hours by 8% over 2020.
Zero recruitment fee	Starting from 2021, zero-fee policy was implemented against migrant workers

Material Social Issues Management Policy

Harmonious Workplace and Common Good Society

	Occupational Health and Safety	Recruitment and retention of competent employees	Talent Development and Training
Strategies in 2021	• Cultivate a corporate culture that emphasizes occupational health and safety risk management • Improve the efficacy of damage prevention and continuous operations management • Implement Covid-19 control and prevention measures	• External focus: Recruit and train talent from school campuses • Internal focus: Provide smooth internal mobility opportunities and encourage cross-departmental/ interdisciplinary experience tc recruit and retain talent	• Implement group performance evaluations to assure fairness and impartiality of performance evaluations • Establish Innolux Academy to provide internal and external training opportunities to nurture both interdisciplinary skills and specializations
Outcomes in 2021	• Refrained from using materials in Group 1 of IARC's 2020 classification in manufacturing processes • Complete the pre-start safety check of Equipment Sign-Off Level 1 before operating manufacturing equipment • Employee mental health care rate reached 100% in 2021 • Self-initiated health checkup rate reached 100% in 2021 • Implemented epidemic control measures to protect 56,000 families and ensure their health	• Manpower replenishment rate increased by 6% (compared to 2020), reaching 81% • Outstanding employees had a 1.53% turnove rate • 83.9% of management positions were filled internally	• In both 2020 and 2021, the promotion rate of female employees was higher than that of male employees, a demonstration of gender equality in workplace. • Annual training completion rate reached 100%, and employee training hours increased by 8% compared to 2020
Objectives for 2022	• Continue to strengthen smart management of environmental safety and health • Reach occupational safety and health management KPIs • Improve the identification and elimination of occupationa illness factors to lower occupational health risks	• Improve the Company's image in academia and reinforce its connections with academia • Create a stronger social media presence to connect with job seekers and expand the poc of recruits • 80% of management positions filled internall	• Each faculty continues to design a range of courses for different departments • Open a Chinese course in Center for General Education for migrant workers to help them adapt quickly to their work and living environment
Medium- to Long-Term Development Commitment	• Keep up with international trends and expand oversight to exert our influence on our supply chain and the industry chain • Disabling Injury Frequency Rate (FR) in 2025 ≤0.22 • Lower chemical risks through improvements to the ratin system and damage prevention management • Promote employee well-being and build a healthy and friendly workplac	• Invite talented workers to participate in transformation of the industry • Long-term goal: maintain a manpower replenishment rate of at least 90% (based on 2019 statistics) • Long-term goal: Turnover rate of outstandinc employees in 2025 of between 5% to 10% (based on 2019 statistics)	• Continue to facilitate multiple talent development while upholding the spirit of CSR and gender equality. • Long-term goal: Annual training completion rate of 100% from 2025 onward

	 Social Engagement and Care	 Human Rights	 Diversity and Equality
Strategies in 2021	• Exert corporate influence to spread love and happiness • Share our managerial experience and achievements in occupational safety and health to fulfill CSR requirements	• Abide by international labor standards to ensure equal job opportunities for employees and eliminate discrimination and inhumane treatment and harassment	• Provide a friendly workplace with gender equality • Multiple communication channels for employees • Continue to recruit persons with disabilities • Care for migrant workers
Outcomes in 2021	• Contributed NT$ 45 million to social welfare based on the LBG Framework • Held occupational safety and health courses with the help of Occupational Safety and Health Administration, Taiwan Science Park Bureau, and local governments to share practical experience in occupational safety and health as well as in Covid-19 management • Completed three air pollution symposiums	• No major legal violations (cases with a penalty of more than NT$ 1 million) • Score of 95.3 or above in labor rights in each site’s RBA SAQ (scores ranged from 94 to 97.1)	• In 2021, female management accounted for 21% of all management • Hired 584 persons with disabilities in 2021, accounting for 1.1% of company employees • The conclusion rate of employee grievances in 2021 was 100% • Starting from 2021, migrant workers did not have to pay a recruitment fee
Objectives for 2022	• Focus on education, including environmental education and rural education • Plan volunteer training, participation, and attendance • Continue to participate in organizations and meetings about occupational safety and health to share managerial experience	• Internal human rights: examine through the external RBA SAQ and VAP audit, internal laborers’ human rights risk assessment, and internal CSR audit. • Supply chain human rights: Innolux uses the conflict minerals checklist, CSR supplier risk assessment, and Innolux’s CSR mailbox (csr@innolux.com) as channels for communication with and assessments of suppliers, customers, and surrounding communities	• Provide a friendly workplace with gender equality • Continue to recruit persons with disabilities • Continue to provide care for migrant workers
Medium- to Long-Term Development Commitment	• Promote environmental education in schools • Provide tutoring for rural schools and cultivate local cultures • Encourage more employees to volunteer	• Assure the protection of human rights • Long-term goal: no major legal violations (cases with a penalty of more than NT$ 1 million) in 2025 • Long-term goal: Labor rights scores of 90 or above in each site’s RBA SAQ	• Long-term goal: Reach 1.2% recruitment rate of persons with disabilities • Employee grievance resolution rate of 100%

4.1 / Talent Cultivation

As Innolux upholds the belief that talent is the foundation of sustainable corporate development, we have a sound human resources system and strategy that help to ensure that we always have enough suitable talent at any given time. Therefore, the retention of outstanding employees gives us an important competitive advantage when it comes to implementing our plans and achieving our goals.

4.1.1 Diversity in Recruitment

Innolux, the only one-stop supplier capable of providing all kinds of large, medium, and small LCDs and touch panels around the globe, operates sites in eight countries: Taiwan, China, Japan, Korea, Singapore, the U.S.A., the Netherlands, and Germany, and has 52,846 employees globally. We are committed to providing equal, friendly, diverse workplaces that encourage the personal development of our employees, and we promote respect for differences and encourage employees to learn together in an open and tolerant atmosphere to enhance organizational identity and help to continuously propel Innolux forward.

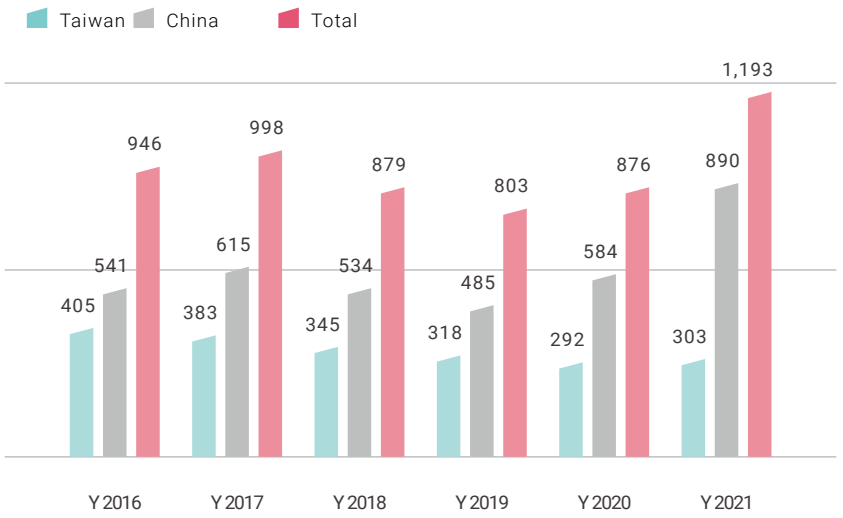
/ 2021 Employee Distribution /

Item	Taiwan	China	Other locations	Total
Number of people	26,627	25,944	275	52,846

Continuing to Recruit Persons with Disabilities

As a tech industry leader in recruiting persons with disabilities, Innolux has pioneered the acceptance of persons with disabilities to work in the clean room. More than merely complying with regulatory guidelines, Innolux works with these employees to steadily improve the quality of their work output. We arrange work based on their physical condition to allow employees with disabilities to achieve the same level of performance as any employee to enhance team cohesiveness. Starting in 2010, Innolux introduced job redesign to the tech industry, adjusting work equipment to enable the recruitment of persons with disabilities and breaking down barriers to operations management. We established SOPs for persons with disabilities and deep-dived into disability categories to allow these employees to use their strengths to compensate for weaknesses and to work in the clean room to gain a sense their value in the workplace. In 2021, we recruited 584 persons with disabilities; they accounted for 1.1% of all employees, which was higher than local government requirements.

/ Employees with Disabilities /



Career Paths and Care for Female Employees

When recruiting employees, Innolux upholds the principle of equal treatment, which guarantees fairness in recruitment, salary, and raise opportunities regardless of gender, race, nationality, religion, age, physical condition, political stance, marital status, or union participation. We welcome the career development of people with different gender identities and take action to create a safe, friendly workplace. For example, we have devised a range of grievance mechanisms and sexual harassment prevention measures, and we provide an all-encompassing women's care plan to ensure the work-life balance of female employees. Among full-time employees, women account for roughly 21.5% of positions in the STEM fields and 19.47% of management positions.

Percentage of Female Employees

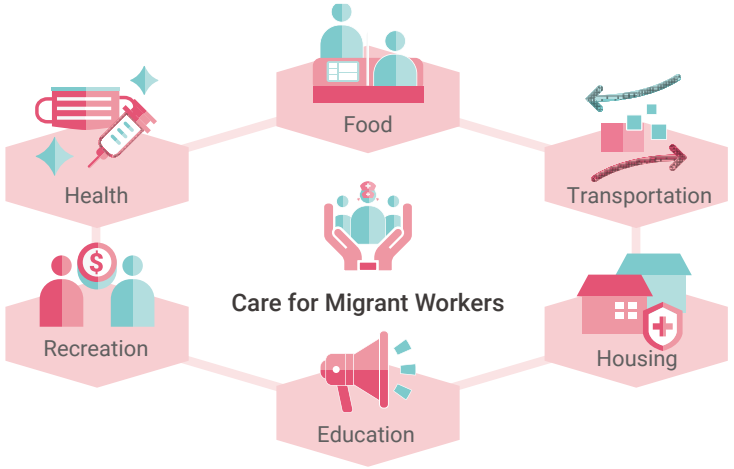
Percentage of female employees by position	2017	2018	2019	2020	2021
All employees	41.63%	40.43%	40.69%	39.84%	40.54%
STEM employees	19.70%	20.58%	20.74%	20.53%	21.53%
Executives Management	0.00%	0.00%	5.26%	6.25%	6.25%
All management	17.74%	17.87%	17.95%	18.81%	19.47%
Junior management	17.01%	19.14%	19.30%	20.30%	20.96%
Management of Sales function	35.14%	33.33%	35.71%	41.03%	41.30%

- Includes all female employees in Taiwan and China.
- Definitions: 'All employees' refers to all female employees; 'Executives Management' refers to female managers who take positions within two levels below the CEO; 'All management' refers to all female management; 'Junior management' refers to all female junior managers; 'Management of Sales function' refers to all female management in Sales departments.
- 'STEM (science, technology, engineering, mathematics) employees' refers to chief engineers, senior engineers, engineers, and deputy engineers.

Migrant Worker Care and Recruitment

As Innolux employs around 5,100 Philippine and Vietnamese workers, we have adopted a "zero-fee" policy since 2021 to ease these employees' financial pressure. Additionally, we provide all-encompassing care, including assistance with daily life and mental/physical care to improve their standard of living. To retain talent, we set up retention bonuses for migrant workers based on the cost of living in Taiwan to improve their willingness to work in Taiwan, thus creating benefits for the industry, society, and Taiwan's economy.

Care for Migrant Workers



Food	• Provide daily temperature checks for kitchen staff, enforce ingredient management, and disinfect food packaging • Monitor and control the number of people in the cafeteria, have set up partitions on dining tables, adopted checkerboard seating and enforce a no-talking policy when eating; provide disposable utensils.
Tran-sportation	• Establish red and blue traffic flows and separate working groups/areas • Disinfect company-provided shuttle buses daily, take passengers' temperature prior to boarding, record their names, and adopt a "window seat only" policy
Housing	• Disinfect the employee dormitories and public areas daily • No visitors in the dormitory during the epidemic-prevention period • Provide new migrant workers with single rooms for quarantine • Ensure regulatory compliance by separating people on different floors to avoid the mixing of migrant workers hired by different companies living on the same floor
Education	• Timely announcement of government and the company epidemic prevention policies • Provide shopping channels for employees so they can purchase goods while at home
Recreation	• Activate epidemic-prevention rewards (totaling close to NT$ 20 million)
Health	• All migrant workers complete Covid-19 rapid testing • Assist migrant workers in getting vaccinations at nearby vaccination stations

/ Employee Diversity /

Diversity

Item		2021	
		Number of people	Percentage
Taiwan	Persons with Disabilities	214	0.80%
	Foreign personnel*	36	0.14%
China	Persons with Disabilities	668	2.57%
	Ethnic minority personnel**	4,027	15.52%
	Foreign personnel***	0	0.00%

- * Definition: 'foreign worker' refers to full-time non-Taiwanese workers hired in Taiwan.
- ** Ethnic minority refers to ethnic groups, excluding the Han Chinese, in the P.R.C
- *** Foreign worker refers to full-time non-Chinese workers hired in China
- The statistics include all employees in service on Dec. 31, 2021.

Nationality

Site/Year	Y2021	
	Percentage of employees*	Percentage of managers**
Taiwanese nationality	40.79%	69.76%
Chinese nationality	49.11%	29.50%
Other nationalities***	10.09%	0.74%

- * Definition: Percentage of employees=the number of employees of a certain nationality/the number of all employees.
- **Percentage of managers=the number of all managers (including junior, middle, and senior managers) of a certain nationality/the number of all managers (including junior, middle, and senior managers).
- *** Other nationalities include countries in Asia (except for Taiwan and China), the Americas, Europe, and Africa.
- • The statistics include all employees in Taiwan, China, and other areas.

Gender and Race

Gender	Female	Male	Race*	
			Asian	Other
Middle management and above	23	278	296	5
Technicians	17,491	20,663	38,154	0
Other	3,797	10,319	13,944	172
Total	21,311	31,260	52,394	177

- * Definition: due to the difficulty of acquiring statistics on race, we currently use nationalities to categorize; 'other' refers to people of non-Asian nationality.

Employment Categories at Taiwan Sites in 2021

Item	Full-time Workers		Dispatch Workers		Contract Workers (including migrant workers)		Interns		Outsourced Workers*		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
Number of people	7,640	13,916	0	0	4,237	812	0	22	559	381	
Percentage of employees	80.96%		0.00%		18.96%		0.08%		0.00%		27,567
Total	26,627								940		

- The statistics include all employees in service on Dec. 31, 2021.
- Definition: outsourced refers to security guards, cleaning staff, and kitchen staff.

Employee Types at China Sites in 2021

Item		Full-time Workers		Dispatch Workers		Contract Workers (including foreign workers)		Interns		Outsourced Workers*		Total
		Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
Number of people	Ningbo	3,460	7,405	540	518	0	1	0	0	231	341	12,496
	Foshan	2,536	4,926	126	539	0	0	0	0	122	125	8,374
	Nanjing	1,478	2,146	84	212	0	0	0	0	79	87	4,086
	Shanghai	1,077	595	133	168	0	0	0	0	43	31	2,047
Percentage of employees		91.05%		8.94%		0.00%		0.00%		0.00%		100%
Total		25,944								1,059		27,003

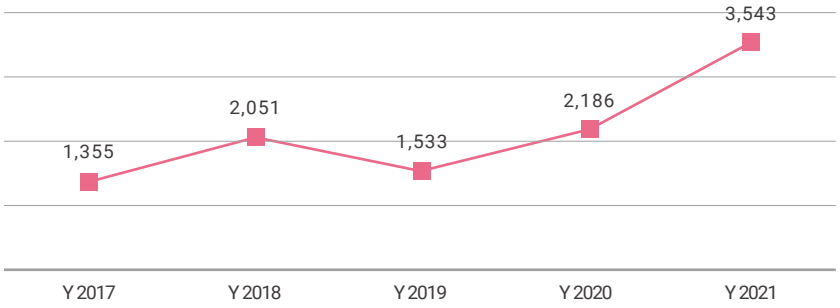
- The statistics include all employees in service on Dec. 31, 2021
- * Definition: outsourced refers to security guards, cleaning staff, and kitchen staff.

Local Supervisor Percentages in 2021

Site		Local manager*	Non-local manager	Percentage of local managers
Taiwan sites		1,794	2	99.89%
China sites	Ningbo	344	35	89.00%
	Foshan	266	34	
	Nanjing	151	18	
	Shanghai	40	12	

- * 'Local managers of Taiwan sites' refers to managers (section manager, department head, deputy manager, and above) of Taiwanese nationality; 'local managers in China sites' refers to managers (supervisors and above) of Chinese nationality.
- Includes all employees in service on Dec. 31, 2021.

Average Hiring Cost per FTE



- Definition: hiring cost/number of employees hired during the year.

/ Employee Turnover (by age) /

	Item	Taiwan	China	Total
2017	<30years old	3,142	18,034	21,176
	30-50 years old	3,023	3,143	6,166
	>50 years old	27	7	34
	Total	6,192	21,184	27,376
2018	<30years old	1,780	23,486	25,266
	30-50 years old	2,268	5,192	7,460
	>50 years old	25	16	41
	Total	4,073	28,694	32,767
2019	<30years old	1,736	22,395	24,131
	30-50 years old	2,324	6,349	8,673
	>50 years old	31	5	36
	Total	4,091	28,749	32,840
2020	<30years old	1,500	22,287	23,787
	30-50 years old	2,227	6,992	9,219
	>50 years old	34	18	52
	Total	3,761	29,297	33,058
2021	<30years old	989	23,843	24,832
	30-50 years old	1,698	7,882	9,580
	>50 years old	45	6	51
	Total	2,732	31,731	34,463

4.1.2 Smart Recruitment

In its recruitment policy, Innolux upholds the spirit of diversity and tolerance, and we treat our employees equally regardless of gender, age, race, nationality, religion, political stance, or sexual orientation. We abide by local regulations, Innolux Code of Conduct Specifications, and the RBA Code of Conduct in protecting and respecting human rights, and we refuse to use child or forced labor and require human resources agencies not to charge migrant workers broker' s fee. We develop recruitment strategies based on the domestic conditions and culture in which our sites are located as well as on position requirements. We use diverse recruitment and marketing tools, including recruitment events, online job banks, social media, and online live-streamed recruitment events to break through the limitations of time and space and thus expand our recruitment scope. Additionally, we strengthen our connections with the academia through on-campus recruitment events, long-term industry-academia collaborations, recruitment of Research and Development Substitute Services members, the advance offer reward plan, and scholarships; in 2021, we recruited more than 11,413 employees.

Smart Recruitment

To adapt to the global trends, we utilize both online and physical recruitment events, including interaction through LINE@Online Interaction, VR experiences, and AI-assisted interviews. Innolux pioneered in building the industry' s one and only "Future Recruitment Center," through which we introduced VR into our 2021 on-campus recruiting events. Interviewees could visit the metaverse for immersive experience of Innolux workplace tours. Through AI-assisted interviews, interviewees were able to participate in online interviews at any time and location. Our one-stop Line@Mobile Recruitment 2.0 Platform delivered a borderless zero-contact job interview service. Resumes from the Line@Mobile Recruitment 2.0 Platform accounted for 28% of all received resumes, and the Platform also helped us reply 82 messages per day; in addition, our VR experiences and AI-assisted interviews were more appealing to fresh graduates.

Smart Recruitment Description

1. LINE@Mobile Recruitment Platform:One-stop + Zero-contact interviews
2. Smart Recruitment: AI and VR experiences
3. Online Recruitment: more than 11,413 applicants in 2021

Plan

VR

LINE@

Commitment to Talent Cultivation

Invested NT$ 300 million into the six-year Maximum Unicorn Program

To cultivate and recruit new talent, Innolux rolled out the six-year Maximum Unicorn Program, whose goal was to invest NT$ 300 million to cultivate or recruit 3,000 talents as exceptional as a unicorn for Innolux. Moreover, to help cultivate more talent for the industry, the Innolux Academy-Initiation School designed an AI program in optoelectronics to facilitate expanding the scope of skills development in our employees and fostering a new generation of optoelectronics experts. Through equipping these employees with advanced skills, we hope to increase their professionalism and the value they create.

L Scholarships ight

Scholarships for College Graduate/Doctoral students

- Connect with major universities in Taiwan
- Guaranteed quotas for students from low-income families
- Study and live with ease

U Signing bonuses P

Signing bonus for fresh graduates

- Flexible part-time work opportunities
- Advance recruitment of talent from the academia and industry
- Advance offers for R & D Substitute Services members to help them accumulate seniority

eX Retention Bonuses cellent

Retention bonus for top talent

- Innolux, the first choice when changing your career path
- Bright futures for key talent
- Bright career path, a rich and rewarding life

Multi-Aspect Career Experience Plan

Innolux makes deep connections with the academia through long-term collaborations, recruiting Research and Development Substitute Services members, offering summer internship opportunities, sponsoring student activities, and organizing corporate visits to provide a variety of career experience activities that help students gain experience and network with others. In this way, students can connect with Innolux to experience the workplace environment while still at school so that they can gain a better understanding of their future goals.

The first generation of Innolux Campus Ambassadors

Summer Intern

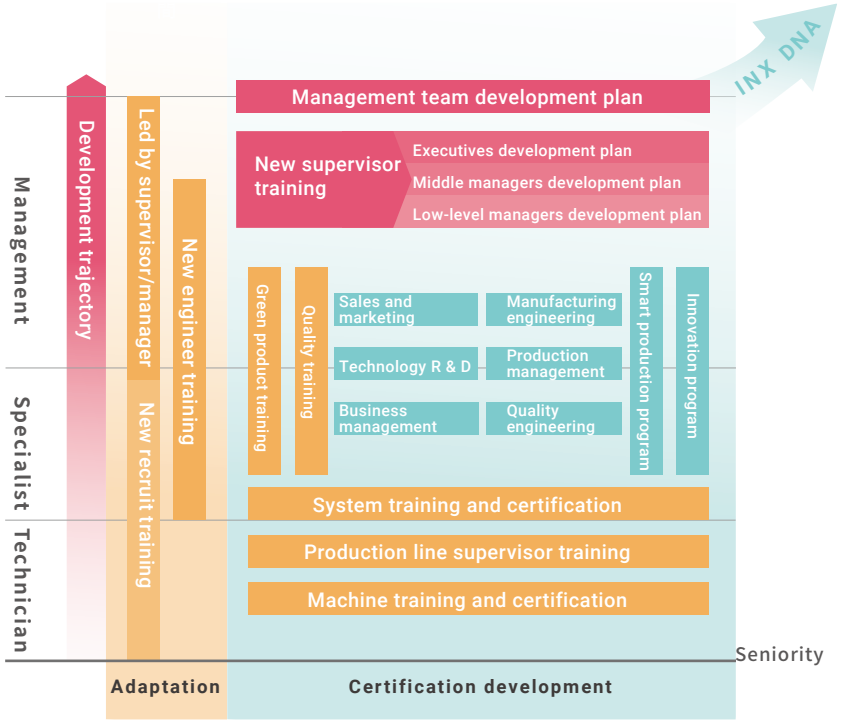
Summer Intern

4.2 / Training and Development

As the innovativeness, passion, and competency of employees are the driving force behind a company' s sustainable operation, Innolux established the Innolux Academy, which focuses on the development and cultivation of digital and interdisciplinary talent. In 2021, we exceeded 9.67 million annual training hours, resulting in 184 hours per employee on average and NT$ 2.74 million in expenses, with each employee costing NT$ 52,026 on average.

Innolux utilizes Career Development Plan to provide employees with customized, systematic courses and talent cultivation programs based on a structured talent development strategy, the length of time an employee has held their position, job content, and career development needs. In so doing, we aim to help our employees achieve the best outcomes for their careers and maximize corporate growth. Through this systematic cultivation mechanism, our employees have been able to exploit their strengths and continue to develop their skills, resulting in a year-by-year increase in the percentage of management positions taken by internal employees. In 2021, 83.9% of management openings were filled by internal employees.

/ Employee Development Diagram /



Statistics on training programs conducted in 2021

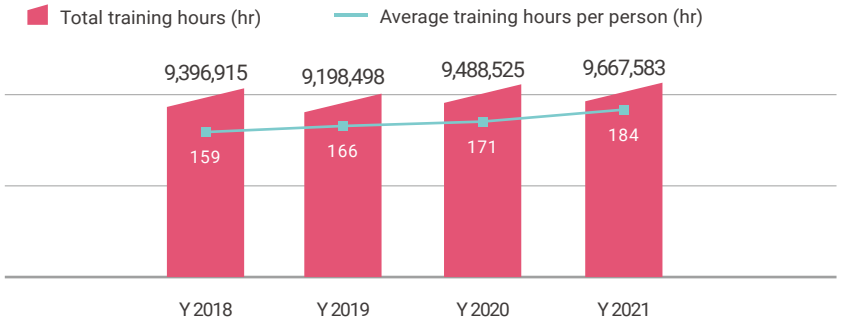
/ By employee type /

Average training (hours)		Management (Section Chiefs and above)		Indirect Labor		Direct Labor	
		Female	Male	Female	Male	Female	Male
Taiwan sites		34.9	36.1	33.8	36.5	1.9	4.0
China sites	Ningbo	20.6	22.1	16.8	20.7	12.5	16.9
	Foshan	15.6	11.2	10.5	9.7	3.7	4.5
	Nanjing	16.6	16.9	11.3	15.8	12.4	19.2
	Shanghai	14.6	12.0	15.5	14.1	9.6	23.2

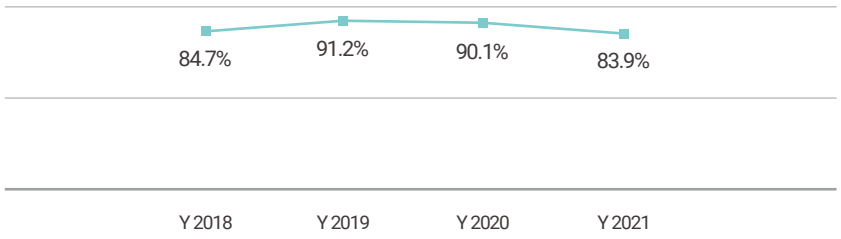
/ By course type /

Number of trainees	Taiwan sites	China sites			
		Ningbo	Foshan	Nanjing	Shanghai
New employee training	2,634	17,602	1,872	4,464	2,106
Management training	7,111	3154	710	498	57
Instructor training	90	26	91	0	0
Production line supervisor training	150	214	141	141	0
Strategic courses	105,298	15,103	13,095	5,069	1669
Language training	11,750	2,798	32	7	25
AI & digital transformation series	81,450	971	512	300	97
Other training	48,153	54,542	2,962	983	1,073

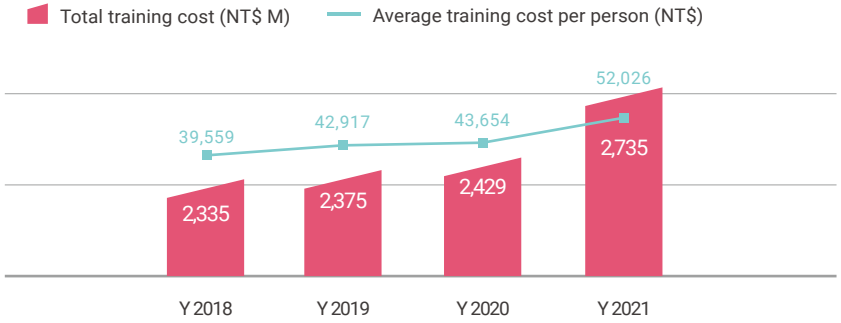
Training Hours



Percentage of Management Positions Filled by Internal Employees



Training Costs



Training Efficacy Assessment

Level 5 ROI	345.1
Level 4 Result	Cost reductions
Level 3 Behavior	Raising of quality awareness and skills improvement
Level 2 Examination	After-class examination score
Level 1 Satisfactory	Satisfaction survey

Assessment framework and efficacy

Using the quality management course as an example

Core Content	Quality and technology courses (including courses on basic tools and Green/Black Belt courses). To raise employees' awareness of quality and improve relevant skills.
Participants	Employees in the fields of R&D, engineering, quality control, and customer service, and manufacturing engineers. 56,182 person-time passed the quality and technology course in 2021.
Training Benefits	Raising employees' awareness of quality and improving skills needed to decrease product return rates.

2021 Talent Development Goals

Innolux Academy

Innolux Academy: includes three schools and one center: Initiation School, Technology School, Management School, and Center for General Education; provides internal and external learning resources to nurture both interdisciplinary talent and talent in certain specialtizations.

Digital Transformation

Initiation School and Smart Team collaboratively planned the blueprint to cultivate digital transformation talent and worked with Artificial Intelligence Foundation (AIF) and professors at National Cheng Kung University to design and implement courses to assist Innolux in cultivating digital transformation talent.

Interdisciplinary Talent

We integrated Technology School and Management School resources to roll out an interdisciplinary program and E+Talent Enhancement Project. We provide professional training courses in different programs, and together with Engineer Plus events, we provide professional training courses in specific fields with the hope that employees will engage in interdisciplinary learning.

Innolux Academy

To meet Innolux's needs regarding operational strategies and talent cultivation, we compiled learning resources and established the Innolux Academy. The academy includes three faculties and one center—the Pioneer Faculty, Technology Faculty, Management Faculty, and Center for General Education—which provide 18 programs in total. Each program includes a learning blueprint, and internal experts teach manufacturing, management, marketing, and research; in addition, we incorporate both internal and external resources to provide courses and seminars on digital transformation, interdisciplinary content, and languages. Through the programs of each school and the center, we provide quality training in technology and management in the belief that by fostering their talent, we can help our employees engage in in-depth learning in their area of specialization as well as interdisciplinary learning to further explore a range of potential career paths.

Faculty/Center	Feature	Number of participants
Pioneer Faculty	To be a trend leader, we developed a broad range of seminars, including AI/BI, education, and liberal arts programs.	3,639 participants took part in the seminars.
Technology Faculty	In addition to specialized training and an emphasis on the close connection between training and hands-on experience, we also established professional training courses in the manufacturing, management, research, and marketing fields.	• Engineer Plus event: 14,257 participants • Sales and marketing programs: 275 participants
Management Faculty	Establish management vision and cultivate managerial talent	Supervisor-level courses: • Accountability course: 146 participants • Camp for the directors: 19 participants • Zero Mistake hands-on course: 96 participants • E+Talent Enhancement Project: 4 participants* ▪ Note: We encourage employees with potential to enroll in university EMBA programs. Four people in total were admitted, with the first program starting in 2022.
Center for General Education	Establish Innolux DNA through providing multidimensional general education programs, including Green Hand, 6 Sigma, law, and language programs	• Green Hand, 6 Sigma, law programs: more than 168,000 participants. • Language programs: more than 9,900 users joint the English learning platform.

Digital Transformation Training

The Pioneer Faculty and the Smart Team collaboratively planned the blueprint for digital transformation training and worked with the Artificial Intelligence Foundation (AIF) and professors from National Cheng Kung University to design and implement courses to assist Innolux in conducting the training. They also built the “My i-Creation” digital learning space through the Wing HR app, a unique application developed by Innolux, to introduce employees to digital transformation ideas and concepts through courses on digital transformation, AI, big data, and smart manufacturing. Our e-Library, with 12 books, has acquired 3,441 registered users, and the books have been borrowed 10,726 times in total; the i-Creation learning space boasts a training completion rate in excess of 80%; and our AI and BI programs, whose goal is to deliver value and achieve flexible decision-making, provide basic training for all employees, 1,049 of whom passed the training.

Cultivation of Interdisciplinary Talent

To achieve Innolux’s goal of creating sustainable value, we combined the resources of the Technology Faculty and Management Faculty to roll out an interdisciplinary learning plan and the E+Talent Enhancement Project. We provide professional training courses in multiple programs, and together with our Engineer Plus events, we provide professional training courses in specialized fields with the hope that our employees will engage in interdisciplinary learning. For the Zero Mistake hands-on course, we invited Dr. Chung Chiu to give a speech on zero-mistake decision-making and practical work-adjustment methods. Moreover, we encourage employees with potential to enroll in EMBA programs in prestigious universities to train their management skills and become a part of corporate operations and the establishment of corporate strategies as well as the driving force of transformation and innovation.

Collective Prosperity

To achieve the goal of sustainable development, the Management Faculty invited Stan Shi, Chairman of the StanShih Foundation, to give a lecture during our senior management workshop, in which senior managers discussed sustainability issues and decided to establish a Carbon Risk Management Committee to align Innolux’s ESG goals with the company’s operational strategies. We also continue to participate in the government’s Youth's Employment Ultimate Program to cultivate talent for the industry, close the gap between education and industry, and foster talent that can apply the knowledge they gain to their work. During the program, we had 99 participants completed the training and received a total of NT$3.03-million subsidies from the government. . They have continued to work for Innolux after training was completed. We also donated 12 e-readers and 40 books on sustainability to Ren'ai Junior High School in Nantou in the hope of providing more resources for indigenous students who have scarce resources.

Innolux actively drives digital transformation and upholds the spirit of talent cultivation, and our efforts have received recognition both at home and abroad: we were awarded the Investment in People Award from Enterprise Asia at the Asia Responsible Enterprise Awards (AREA) and the National Talent Development Award (NTDA) for large enterprises from the Ministry of Labor in 2021.

Innolux was awarded the 2021 Investment in People Award at the Asia Responsible Enterprise Awards

Innolux was awarded the 2021 National Talent Development Award for large enterprises

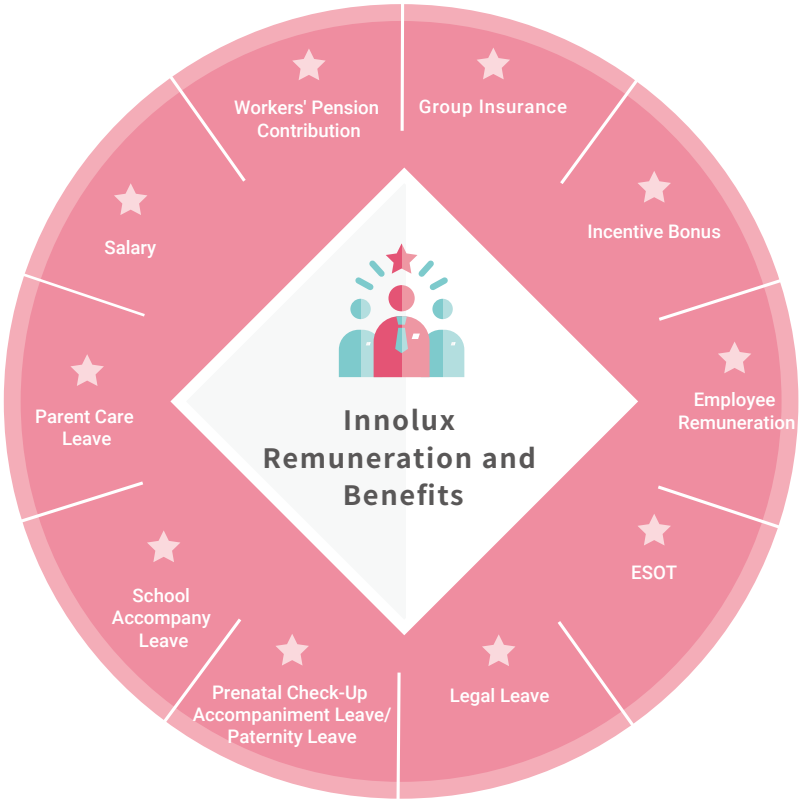
We held a senior management workshop on sustainability issues and invited Stan Shi, Chairman of the StanShi Foundation, to share his experience.

4.3 / Friendly Workplace

4.3.1 Remuneration and Benefits

Innolux provides competitive compensation packages and career development opportunities; we are committed to providing a reasonable compensation system with a competitive edge. We have developed and implemented an annual salary adjustment plan, an also offer bonuses based on Innolux's financial status, operational performance, industry pay scales, and individual performance to reward and retain excellent employees. To retain employees and deliver more value, we also offer retention rewards and an employee share ownership trust that benefits both employees and the company.

/ Outstanding Compensation System /



A Leave Policy that Facilitates Work-Life Balance

To help employees achieve a healthy work-life balance, Innolux's Taiwan sites grant more paid leave than that stipulated by the Labor Standards Act, and allows employees to take paid leave in advance. Our China sites also offer paid leave in keeping with local regulations. In 2021, Innolux implemented welfare leave, which grants employees more flexibility than that stipulated by law: one day of child-accompaniment leave, two days of prenatal check-up accompaniment leave, one day of parental care leave, and three days of paid vaccination leave during the pandemic. Employees then can plan their leave according to their needs, helping them to maintain a healthy work-life balance.

Insurance and Retirement Care

By providing a variety of benefits, Innolux help to safeguard employee's mental wellness at work. In addition to social insurance (labor insurance, National Health Insurance, and the Labor Pension Fund), employees at Taiwan sites also have group insurance (including life insurance, casualty insurance, health insurance, and cancer insurance) and can choose to purchase insurance plans for themselves or their families with a discount. The China sites purchase social insurance for employees including pension, health, unemployment, work-related injury, and maternity insurance; in addition, they purchase additional group commercial insurance for employees to ensure better protection in terms of medical treatment for illness or accidental injury.

Smart Compensation Management Platform

Through the WingHR app, employees at our Taiwan sites can check their compensation, remaining vacation days, and individual income taxes. They can also submit applications online to join or withdraw from the National Health Insurance program, adjust their premium rates, change their salary transfer account, or adjust the number of their dependents for income tax purposes. In 2021, we added new functions, including an e-coupon system and a 24/7 online learning platform, to build a smarter workplace.

/ Extra Benefits in addition to Those Stipulated by Law /

Item	Statutory standard	Additional benefits exceeding those stipulated by law in 2021
Paid vaccination leave	No relevant provisions	Three days of paid vaccination leave in response to Covid-19.
Parent care leave	No relevant provisions	One day of parental care leave for employees with parents above 75 years old to spend time with their parents.
Prenatal check-up accompaniment leave	No relevant provisions	For employees with pregnant spouses, two days of leave to accompany their spouse during prenatal check-ups to ease their concerns.
School accompany leave	No relevant provisions	For employees with children entering kindergarten or elementary school, one day of leave to accompany their child on the first day of school, to help to ease their anxiety in the new environment and create fond memories.
Annual leave	After an employee reaches a certain level of seniority, the employer must grant the corresponding number of days of annual leave.	On the first day of work, new recruits are granted the same amount of annual leave as employees who have worked for half a year; after working for half a year, they are granted the same amount of annual leave as employees who have worked for a year, and so on as they gain seniority.
National Judges Act	Periods in which an employee is fulfilling their duty as a national judge count as official leave; as for the leave policy for mock trials for national judges held by local governments, companies may decide at their discretion during the transition period before the promulgation of the new regulations.	Although not stipulated by law, we grant employees official leave to participate in mock trials for national judges so that they may actively participate in local affairs and contribute to society.
Insurance	Starting from employees' first day of work, the company must purchase labor insurance and National Health Insurance for them and deposit a portion of their salary into the Labor Pension Fund.	1. In addition to social insurance, we also purchase group insurance (life insurance, casualty insurance, health insurance, cancer insurance, and overseas business travel insurance) for employees and offer discounts on family insurance plans. 2. To ensure employees' medical rights, we continue to purchase group insurance for them during unpaid leave due to injury or illness.

In 2022, we added new work schedules and locations to grant employees more flexibility when it comes to balancing work and life.

Employee Share Ownership Trust (ESOT)

Innolux offers benefits superior to those stipulated by law. Our Taiwan sites have established an employee share ownership trust, and the China sites make fixed deposits for employees; we implement these measures to help with employees' long-term financial planning in the hope of achieving shared prosperity.
Since the establishment of these measures, the employee retention rate at our Taiwan sites has reached 98%, and that of the China sites has reached 99%. In addition to helping the company retain talent, tying employee performance to share interest at the Taiwan sites and the long-term reward system at our China sites also helps to enhance employees' organizational identification, which aids in achieving long-term sustainable operations.

Site	Number of participants in ESOT/fixed deposit program in 2021	Number of participants in ESOT/fixed deposit program who remained in service in 2021	Retention rate of participants in ESOT/ fixed deposit program in 2021
Taiwan sites_ESOT	9,812	9,647	98.3%
Mainland China sites_ fixed deposit program	2,020	2,006	99.3%

Encouragement and Support for Parents

In response to employees' needs regarding care for their children, Innolux is an ardent advocate of parental leave. After joining Innolux for half a year, employees become eligible to apply for parental leave according to the Act of Gender Equality in Employment and the Regulations for Implementing Unpaid Parental Leave for Raising Children. At our Taiwan sites in 2021, 286 employees applied for unpaid parental leave, and 343 employees were expected to return to work from unpaid parental leave in the same year; of these, 177 either returned to work early or on time. The reinstatement rate was 52%, and the retention rate was 87%. These figures show that our assistance for returning employees is effective in helping them readjust to the workplace.。

Analysis of Parental Leave in 2021

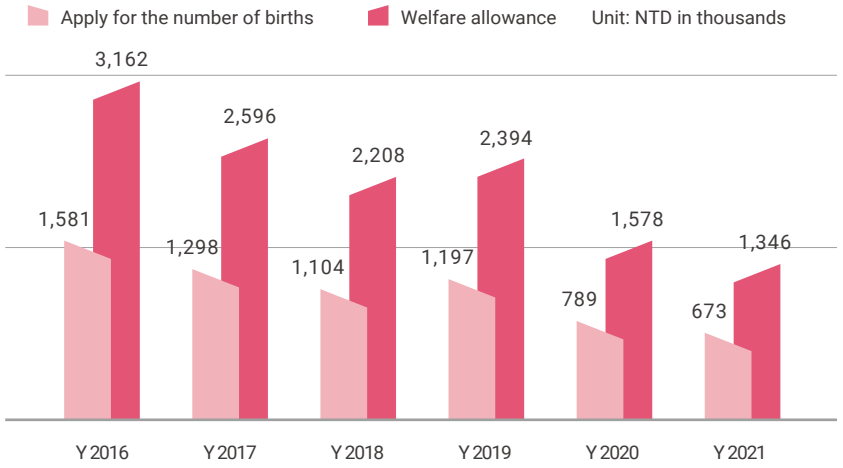
Taiwan sites	Female	Male	Total
Number of employees eligible for unpaid parental leave in 2021 (provided by the compensation department)	897	1,559	2,456
Number of employees applying for unpaid parental leave in 2021	227	59	286
A：Expected number of employees returning to work from unpaid parental leave in 2021	285	58	343
B：Number of employees actually returning to work from unpaid parental leave in 2021	148	29	177
C：Number of employees returning to work from unpaid parental leave and staying for at least a year in 2020	137	25	162
D：Number of employees returning to work from unpaid parental leave in 2020	150	36	186
Reinstatement rate%= B/A	52%	50%	52%
Retention rate%= C /D	91%	69%	87%

The retention rate of employees who returned from unpaid parental leave in 2021 was

87%

- The number of employees eligible for unpaid parental leave was calculated based on the number of employees eligible to apply for unpaid parental leave in 2021 among employees who had applied for maternity leave or paternity leave from 2019 to 2021.

Maternity Pension Applications



Employer Premium Rate Stipulated by Social Insurance Programs in 2021

Item/Site	Employer premium	Employee premium
Taiwan	6%	0~6%
Ningbo	16%	8%
Foshan	14%	8%
Nanjing	16%	8%
Shanghai	16%	8%

- Taiwan sites abide by the percentages stipulated in the Labor Standards Act and the Labor Pension Act.
- We abide by the Social Insurance Law of the People's Republic of China, the Zhejiang Government's Comments on Implementation of the Integrated System of Regulating Employer's Responsibilities in Regard to Employee's Basic Pension Insurance, Notification of the Adjustment of Employers' Premium Rate in Employees' Basic Pension Insurance Issued by Foshan Municipal Human Resources and Social Security Bureau, Foshan Municipal Financial Bureau, and Foshan Municipal Tax Service of the State Taxation Administration, Su Zhou Shi Yi Liao Bao Zhang Ju Letter〔2021〕No. 78, and 2021 Notification of the Maximum and Minimum Social Insurance Base Figure when arranging for and purchasing social insurance for employees.

Compensation of Full-Time Non-Managerial Employees

Innolux has abided by oversight regulations in adjusting the disclosure of annual compensation of full-time non-managerial employees since 2018, as well as in the difference between the highest and median compensation in 2021 and 2020*. The information is listed in the following table. In response to changes in the company's operations/growth and our reward policy, the highest compensation at our Taiwan sites is 49.9 times more than the median compensation, and in our China sites, the former is 8.2 times of the latter.

Analysis of Remuneration Ratios

Site/Year	Ratio of highest* and median annual compensation		Amount of variation** between the highest and median annual compensation
	2020	2021	2021
Taiwan	23.3	116.9	49.9
China	10.0	15.8	8.2

- * The calculation of median compensation and the percent increase in median compensation of all employees excludes the highest annual individual compensation. The highest annual individual compensation and regular employees' compensation both include salary, perquisites, rewards, allowances, bonuses (including stock and cash bonuses), and the right to use dormitories/company cars. If an employee receives a bonus or a benefit, the sum/service is included in the calculation; if not, the sum/service is considered to be 0.
- ** Formula → ratio of the amount of variation of compensation = A/B
  A: 2021 (the highest compensation)-2020 (the highest compensation)/2020(the highest compensation)
  B: 2021 (compensation median)-2020(compensation median)/2020 (compensation median)

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

2021	Taiwan sites	Mainland China sites			
		Ningbo	Foshan	Nanjing	Shanghai
Female	1.28	1.36	1.58	1.37	1.32
Male	1.36	1.38	1.61	1.37	1.37

- Standard compensation for assembly line workers includes salary, a food allowance, and a shift allowance.

We reviewed female-male compensation ratios based on employee type. Employee compensation may vary depending on factors such as seniority, job level, or job attributes; however, gender was not a factor.

Female-Male Employee Compensation Ratio

Site	Position		Female	Male
Taiwan	Indirect Labor	Executive*	0.98	1.00
		Management	0.87	1.00
		Specialist	0.88	1.00
		Assistant	0.97	1.00
	Direct Labor	Technician	0.94	1.00
Mainland China	Indirect Labor	Management	0.96	1.00
		Specialist	0.88	1.00
		Assistant	N/A	N/A
	Direct Labors	Technician	0.97	1

- * 'Executive' refers to managers in positions within two levels below the CEO; 'management' does not include executives; 'technician' refers to technicians of local nationality.
- ** There are no executives at Mainland China sites.

Compensation Analysis of Non-Managerial Full-Time Employees

Site	Item	2020	2021	2021 (YoY rate of change*)
Taiwan	Total number ofnon-managerial full-time employees	27,011	26,399	-2.3%
	Average compensation of non-managerial full-time employees	893	1,122	26%
	Median compensation of non-managerial full-time employees	675	747	11%

- * YoY is used to disclose the change of rate between the disclosure year and its previous year (formula: (disclosure year-previous year)/previous year)
- The scope of disclosure stipulated by the competent authority was adopted. We also utilized accrual basis accounting to calculate regular earnings such as base salary, monthly meal allowance, and shift allowance as well as irregular earnings such as OT pay, non-monthly rewards, and employee bonuses based on corporate profits in the given year in accordance with Article 235-1, paragraph 4 of the Company Act and the company charter.

4.3.2Performance Management and Development

Innolux respects the diversity of and differences between its employees, and we stipulate that the standards used in our performance management system and evaluation process should be the same for every employee, irrespective of gender, race, nationality, religion, age, physical disability, political stance, marital status, or union participation. The system and process comprise three stages – beginning-of-the-year goal setting, mid-year review, and year-end performance evaluation – as well as daily management. We incorporate six major competencies into the evaluation process and use continuous performance evaluation as a part of our day-to-day management to actively promote the development of our employees.

In the future, we aim to combine skills and career development: we will design training programs based on behavioral competency and reinforce such behavior through training to promote employee development, achieve continuous operation of individual development plans, and ensure a workplace that supports gender equality. In 2021, we completed the performance evaluations of 100% of our full-time employees around the globe.

Performance evaluation content and structure

Annual goals

- Describe the completion rate of annual goals established at the beginning of the year
- Add a link to the employee' s perfor-mance report to demonstrate his/her performance

Indicators of competence behavior

- Description of competence behavior
- See if the employee demonstrates Innolux DNA

Individual development projects

Based on the results of performance evaluation, we establish individual development projects that correspond to the ability of the employee and meet the needs of the company

Performance Evaluation Methods in 2021

Evaluation Method	Subjects	Eligible Employees	Frequency	Description
Management by objectives (evaluated by the employee' s supervisor/ manager)	All employees	100%	Annual	Performance evaluations cover three areas: annual objectives, behavioral competency indicators, and individual development plans; annual objectives are set by employees in the beginning of the year, and the results are reviewed at the end of the year.
Multidimensional performance appraisal				Employees first conduct a self-evaluation that is reviewed and assessed by their supervisor/manager. Compared to evaluations done merely by supervi-sors/managers, dual evaluation leads to a more precise evaluation result.
Performance evaluation rating				There are four ratings in Innolux' s performance evaluation system, and an employee' s rating is decided by their supervisor/manager based on their annual performance.

Promotion of multi-faceted development

- We give newly-appointed supervisors/managers training and opportunities to improve their abilities. We do not require them to participate in the forced distribution rating system in their first year so as to give them enough time to get adjusted to their new duties and to develop their management skills.
- The fault-tolerance mechanism is for employees who have undertaken duties in a new field for less than a year; it is a performance protection mechanism for employees who have undertaken cross-field duties or duties distinct from their previous ones for less than a year so that they can engage in on-the-job training with peace of mind.
- We give extra points to employees with job-rotation experience when considering candidates for promotion to encourage employees to actively rise to the challenge taking on work in new fields and gaining an edge on their future career development.
- We announce job openings to provide employees with a range of career development and learning opportunities to facilitate internal mobility and help retain talent.
- We offer interdisciplinary courses for employees to expand the scope of their knowledge and develop relevant skills.

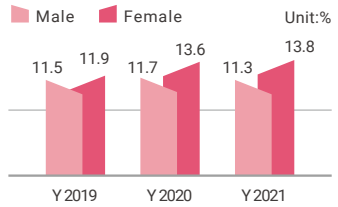
Promotion of workplace gender equality

- In consideration of the physical and mental status of pregnant female employees, Innolux designed a protection mechanism for them to achieve a healthy work-life balance.
- For employees who need special care due to a physical condition or for family reasons, Innolux allows employees who take a leave of more than 240 days for long-term injuries/illnesses, family care , or cancer treatment to be excluded from the performance evaluation process in order to protect them and avoid situations where the evaluation result is affected by the length of their service in the given year.

Implementation of gender equality measures

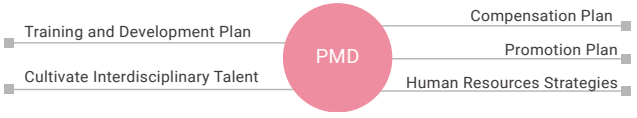
- In 2021, 48,965 employees participated in the performance evaluation process, and the gender ratio of participants corresponded with that of all employees.
- According to the 2021 performance evaluation, 14,404 male employees performed well, accounting for 50.7% of all male participants; 10,379 female employees performed well, accounting for 50.5% of all female participants. The results showed that the process supported gender equality and fairness.
- We have seen annual increases in the percentage of female employees promoted to positions of supervisor and above. In both 2020 and 2021, the percentage of female employees promoted to the position of assistant manager or above was higher than that of male employees; the ratio was 1.22:1 in 2020 and 1.27:1 in 2021, an indication that female employees received fair and equal treatment in terms of promotion opportunities.
- The gap between the percentage of promoted male and female employees has decreased annually; in both 2020 and 2021, the percent of female employees who were promoted was higher than in male employees, showing that Innolux' s employees enjoy equal promotion opportunities regardless of gender.

Grade Promotion Rate



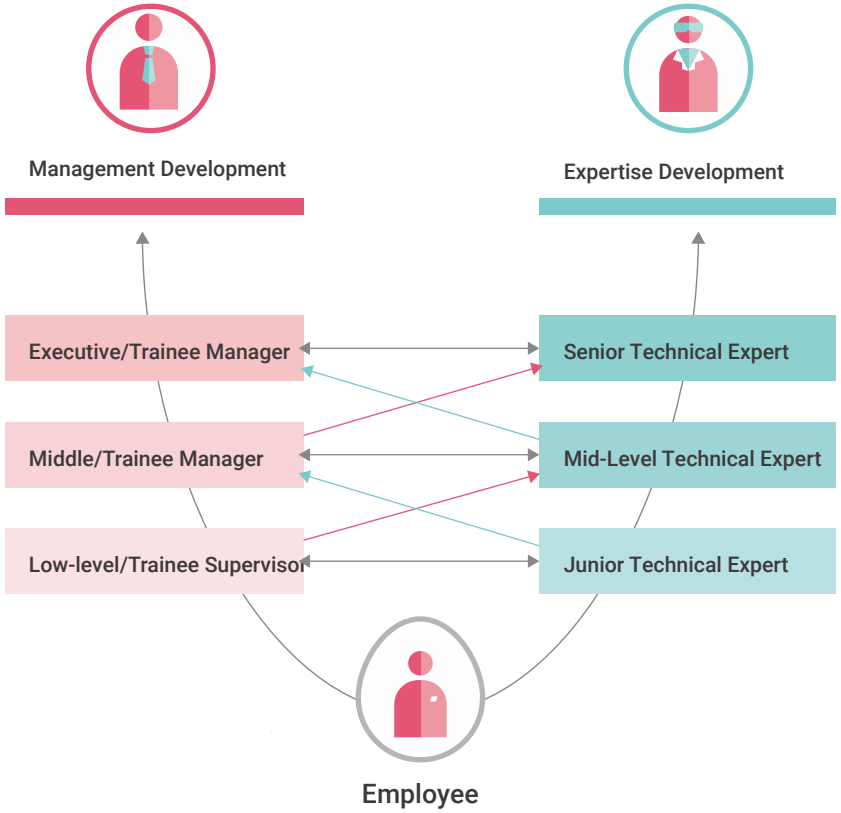
In this calculation, male employees were counted separately from female employees; the denominators are the average numbers of male and female emplyees respectively, and the numerators are the number employees promoted in that year.

Results of PMD implementation



Dual-Track Career Development

Based on individual performance and aspirations, Innolux, while taking its corporate needs into consideration, puts employees on one of two career paths: management skills development and expertise development. For supervisors/managers, we provide training based on job level, such as supervisor training or senior management consensus camp. To develop expertise, Innolux has established a "technical expert" system that helps to promote employees with special skills or abilities. Employees may choose to work on management skills or take the expertise path, or transfer from one to the other. In so doing, we ensure that all employees can draw on their strengths at work and have a bright career path, which helps Innolux improve its overall competitiveness and achieve technological breakthroughs and continuous development.



/ Employee Performance Evaluations in 2021 /

Item	Female	Male	Subtotal by position	
	Number required to participate	Number required to participate	Number required to participate	Actual percentage of participants
Executives	1	11	12	100%
Intermediate managers	27	317	344	100%
Junior managers	645	2,393	3,038	100%
Technicians	1,355	2,205	3,560	100%
Other	18,540	23,471	42,011	100%
Total	20,568	28,397	48,965	100%

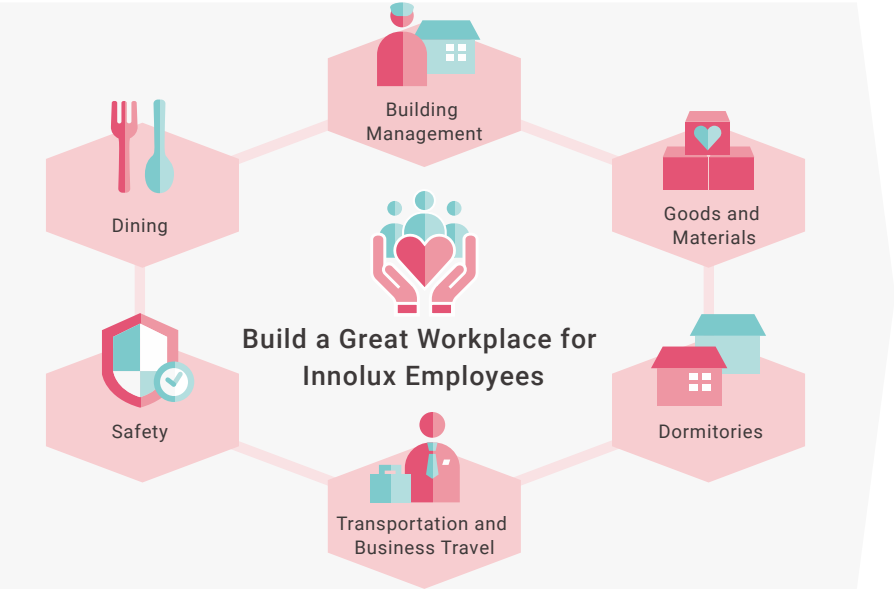
- *The number of evaluated employees excludes employees in service for shorter than three months and employees on leave for more than 240 days in 2021.
- *Participants were all evaluated and acquired a rating for 2021.

4.3.3 A Warm and Friendly Workplace

As employees are the foundation of the growth of a company, Innolux actively concerns itself with employees' mental and physical health, which echoes Goal 3: Good Health and Well-being of the SDGs. We hold cultural and recreational activities, promote clubs and group activities, and have developed optimization projects for food, housing, transportation, education, and recreation, so that employees can achieve a healthy work-life balance. Additionally, in case of occupational injury, serious injury/illness, or natural disaster, the company offers emotional support for injured employees and their families, assists them in applying for labor, health, and group insurance, and helps them to apply for medical compensation to ensure that they receive the best care. Innolux also aims to provide more support in the future for employees regarding aspects such as family life and learning/growth to build a healthy and friendly workplace.

Developing an Outstanding Workplace

Innolux is committed to acquiring Green Restaurant Certification for its Taiwan sites by providing eco-friendly, low-carbon food serving and dining spaces to reduce our impact on the environment and in response to climate change, food safety, and the circular economy. Currently, six sites have acquired Green Restaurant Certification, and others will soon follow. Innolux has a department that is exclusively responsible for taking care of employees' work needs, including safety, dining, building management, goods and materials, dormitories, and transportation, to ensure that we are a great place to work. We conduct monthly sampling inspections of the food ingredients at every site, regularly update our tracing of food ingredients, build ingredient supplier profiles, and make sure that we are always aware of ingredient information to ensure food safety and provide quality food for employees. In regard to types of ingredient, we purchase organic vegetables to prepare a wide range of healthy dishes as well as to support local farmers. To ensure the safety of employees who commute by company shuttle and other pedestrians, the shuttles at our Taiwan sites have alcohol interlocks and in-vehicle real-time video surveillance systems; Our Tainan site launched its local green electric shuttle service to reduce environmental impacts and carbon emissions. We will continue to improve existing services and innovate while keeping employees' needs in mind to create a happy workplace.



Food Safety and Health

- Six sites acquired Green Restaurant Certification
- Provide organic vegetables in our cafeteria with an annual purchase of 49 tons of organic vegetables
- Build ingredient supplier profiles to ensure food safety
- INX TUBE IP CAM real-time surveillance to reduce potential food risks

2021

49 tons

Organic Vegetables

Transportation and Safety

- All 105 company shuttles are equipped with alcohol interlocks to make sure that drivers pass a breath test before departure
- In-car real-time video surveillance system
- Vehicle safety: we play safety information on company shuttles and sites shuttles.

100 %

Alcohol Interlocks

/ Women’ s Care Plan and Childcare /

Pre- and Post-natal care	• Evaluation and protection measures based on principles of Maternity Protection for Women Workers and other guidelines • Priority parking spots, priority canteen meal reminders, priority seats, and priority elevator services • Prenatal check-up accompaniment leave (for employees to accompany their spouses on prenatal check-ups) • Taiwan sites conduct and provide reports on pregnancy-related risk assessments for female employees who have reported pregnancies or given birth within the past year; 263 assessments were conducted 2021, and the management rate was 100%. • China sites implemented health education and health management to protect the health of female employees who reported a pregnancy or gave birth within the past year as well as the health of their fetus/infant; 444 cases were reported in 2021, and the management rate was 100%.
After returning to work	• Established Breast-feeding/lactation rooms, childcare measures, family activities, leisure space, and childcare lectures in Innolux sites • School accompany leave (to accompany children entering kindergarten or elementary school on their first day to ease their anxiety in the new environment)
Contracted kindergartens	Innolux offers contracted kindergartens, and relevant school bus could pick up and drop off children at company area to save parernts'transportation time and stress.
Innolux Children’ s Room	We provide child drop-off/pick-up service to and from school for employees and an after-school waiting room so that employees can focus on work without having to worry about taking care of their children.
Parental leave	• Before an employee’ s parental leave ends, we contact them to learn whether they plan to return to work; if so, we begin making arrangements and deciding on suitable positions/shifts to reduce difficulties readjusting. • The retention rate of employees returning from parental leave and staying for at least a year is close to 90%. In 2021, 286 employees applied for parental leave.
Maternity allowances	All told, Innolux employees gave birth to 673 children in 2021, and maternity allowances amounted to nearly NT$ 1.35 million in total.

We allow the kindergarten buses to drop children off at Innolux sites to save transportation time for employees and ease their stress.

Children of employees being dropped off at the Innolux Children’ s Room (Tainan Science Park site) by a school bus after school to wait for their parents to finish work.

A Warm and Friendly Workplace

Based on our core values of a healthy lifestyle and job satisfaction, Innolux promotes the new life campaign in the hope that employees can achieve a healthy work-life balance. We implement measures and hold competitions, family activities, cultural events, and departmental cohesiveness activities to meet employees' need to exercise, relax, and share their interests with others, and thus helping them to achieve a healthy work-life balance, so that they can focus on their work without frustrations or unmet needs.
Innolux has more than 6,000 contracted businesses in the food, clothing, housing, transportation, education, and leisure industries offering discount to Innolux employees to choose from. Employees can search for exclusive Innolux promotions through our app, and with an online virtual employee ID card that allows businesses to conduct identification checks, shopping is quick and easy.
Since 2011, Innolux has hired seven visually impaired masseurs as full-time employees, which was a pioneering action in the industry. We provide these employees with a safe and stable workplace, and they also enjoy company benefits.

Mother's Day Celebration /9,400 participants]

Taiwan site

INX Sports Festival/around /9,400 participants


Taiwan site

Summer Ice Cream Music Festival /7,128 participants

Ningbo site

Jogging Activity /394 participants


Ningbo site

Care for Physically-Challenged Employees / 272 participants


[Foshan site/

Mid-Autumn Festival Celebration /3,950 participants]

Nanjing site

Fun Club Activities

As a receiver of the i Taiwan i Sports Certification from the Sports Administration, Ministry of Education, Innolux is keen to promote sports among employees and so that they may enjoy the benefits of good health. In addition to providing gyms and sporting equipment, we also actively encourage employees to organize/participate in club activities and hold competitions or lectures using allowances and other support from the employee welfare committee. In 2021, there were a total of 31 clubs in our Taiwan and China sites; we make playing sports an enriching part of our employees lives, and we actively facilitate the regular operation of a diverse assortment of clubs to meet employees' needs and attract their interest. In this way, our employees can exercise, relax, and share their interests with others; in so doing, we can build a workplace rich with vitality, creativity, love, and joy.

Volleyball Club

Tainan site

Diving Club

Jhunan site

TRPG Club

[Foshan site/

Basketball Club

Ningbo site

Sports in Tainan Science Park

Tainan Science Park

4.4/ Labor Rights and Relations

4.4.1 Respect for Human Rights

Innolux Statement of Commitment to Human Rights

Respect for human rights is one of our priorities. In our interactions with employees, contract/temporary workers, customers, suppliers, and society, Innolux abides by the Global Compact, United Nations Guiding Principles on Business and Human Rights (UNGP), Responsible Business Alliance (RBA), International Labor Organization (ILO), and local regulations. Our basic code includes equal treatment and respect for individual differences, and we have formulated a Supplier Corporate Social Responsibility Code of Conduct Operating Standard and request our suppliers and service providers to abide by them. Innolux's Code of Conduct, Employee Handbook, Work Rules, Recruitment/Employment, Grievance Code of Practice, Sexual Harassment Prevention Management Measures, Principles for the Prevention of Unlawful Infringement in the Performance of Duties, and Greater China Code of Practice for Employee Care and Assistance all clearly state our determination to protect employees' human rights. These rights include those stipulated by law, the freedom to choose and occupation and right to engage in work, the right to humane treatment, prohibitions against discrimination and harassment, and the protection of employees' right to file grievances, and we incorporate such information into the human resources management process and turn it into action plans.

/ Implementation /

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

Human Rights Due Diligence

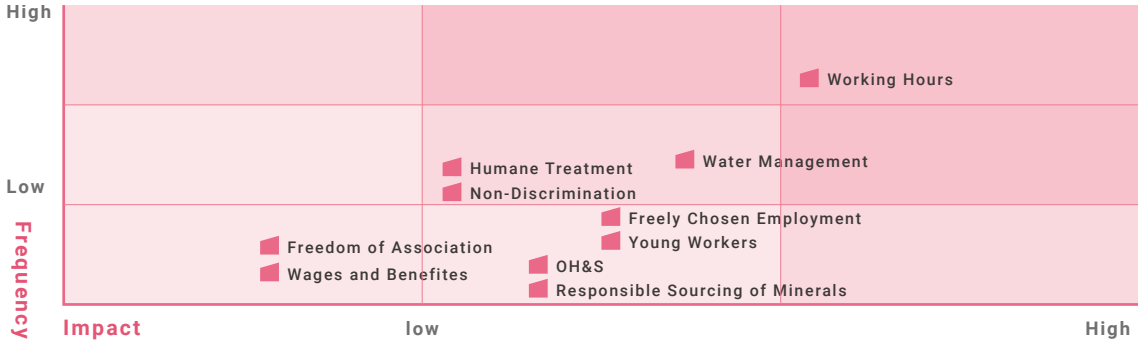
We conduct human rights due diligence on an annual basis to assess the risk level of eight human rights issues, including sexual harassment, working hours, occupational safety and health, discrimination, personal data risk, compensation, freely chosen employment, and freedom of association. In 2021, through communication channels, we identified high risk areas in human rights issues at our sites, including working hours and health and safety/emergency preparedness. We then implemented additional training and strengthened communication/publication of mitigation measures.

Item/Tareget	Human rights issues	Due diligence approach	Grievance mechanisms
 **Employee***	Forced labor, human trafficking, child labor, freedom of association and collective bargaining in accordance with the law, working hours, wages and benefits, non-discrimination, sexual harassment, labor management disputes, health and maternity protection for female workers, safety and health, emergency preparedness	• Annual internal CSR audit • RBA SAQ and VAP audit	• Employee care mailbox/ helpline (#67885) • WingHR app, internal grievance channel
 **Employee of Affiliated Company**	Forced labor, human trafficking, child labor, freedom of association and collective bargaining in accordance with the law, working hours, wages and benefits, non-discrimination, sexual harassment, labor management disputes, health and maternity protection for female workers, safety and health, emergency preparedness	• Annual internal CSR audit	• Employee care mailbox/ helpline (#67885) • WingHR app, internal grievance channel
 **Supplier****	• Responsible Sourcing of Minerals • Forced labor, human trafficking, child labor, freedom of association and collective bargaining in accordance with the law, working hours, wages and benefits, non-discrimination, sexual harassment, labor management disputes, health and maternity protection for female workers, safety and health, emergency preparedness	• Annual conflict mineral inventory • Annual supplier CSR risk assessment	External CSR mailbox: csr@innolux.com
 **Customer**	Privacy: Customer data protection	• •Annual "Computer Cycle: Information Security Inspection" internal audit	External CSR mailbox: csr@innolux.com
 **Community**	Water management	Continuous surveillance of effluent	External CSR mailbox: csr@innolux.com

* All employees, migrant workers, female employees, minority ethnic groups and indigenous people, young workers, child labor

** Suppliers of key components, human resources agencies, and on-site service providers

/ Human Rights Risk Matrix /



Human Rights Management Results in 2021

Orientation Training
27,950 hours

Workplace Bullying and Sexual Harassment Prevention Promotion
15,430 hours

On-Site Health Seminars
11,499 participants

Audits
6 sessions of internal audits
1 external audits (90 supplier surveys)

Human Rights Risk Mitigation and Remediation Measures 2021

During operating and manufacturing process, working hours and emergency preparedness are the human rights risks employees directly face, and these are the most crucial issues for Innolux. Therefore, Innolux has devised mitigation measures for employees and suppliers:

Item/Subject	Risk	Risk mitigation	Remediation measures
Employee	Labor: working hours	Training: • Acknowledge employees during orientation training and supervisor training of standards on working hours System: • Early assessment and preparation of corresponding workforce based on production needs • Review working hours and monitor results through the annual internal CSR audit	• Systematic management of attendance records and working hours • Systematic reminders for supervisors/managers to manage overtime issues
	Health and safety: emergency preparedness	Training: • Advocate occupational safety during orientation training System: • Establish Safety, Health, and Environment Committee to conduct quarterly reviews • All employees participate in evacuation drills twice a year	• Establish an emergency response team (ERT) at every site and arrange topic-specific drills to increase responsiveness • Adjust the management structure in a timely manner based on each site’ s circumstances and applicable regulations.
Supplier	Laborer: working hours	Training: • Provide Supplier Corporate Social Responsibility Code of Conduct Operating Standard for suppliers to follow System: • Request suppliers to sign the Supplier's Undertakings before cooperation to ensure compliance with the RBA-CoC • Annual supplier CSR risk assessment	• Implement onsite audits on high-risk suppliers and request improvement plans if emergency preparedness issues are found; possibly terminate collaboration with suppliers in especially high risk cases.

4.4.2 Labor-Management Communication

Innolux works to build harmonious labor relations, facilitate smooth communication, and promote equality in the workplace. Both Taiwanese and foreign employees at our Taiwan sites can report (either anonymously or not) human rights, labor relations, and sexual harassment issues through the 24/7 Employee Care Helpline, the Employee Care Mailbox, or the I Have a Grievance app to seek help to resolve problems such as infringement of personal rights or unfair treatment. In addition, the company has a dedicated department responsible for accepting grievances submitted through these channels and overseeing the responsible departments to address them and propose improvement plans to protect employees' rights.

Communication Channels for Employees

/ Face-to-face communication /

Taiwan

Communication Channel	Labor-Management Meetings*	Employee Welfare Committee	Direct Labor Seminars	Appointments with Management
Sessions	36	5	31	3

Ningbo

Channel	Direct Labor Seminars	Direct Labor Heads Seminars	Appointments with Management
Sessions	108	120	3

Foshan

Channel	Labor-Management Meetings	Trade Union (Employee Representative) Meetings	Appointments with Management
Sessions	1	12	3

Nanjing

Channel	Direct Labor Seminars	Employee Representative Meetings	Appointments with Management
Sessions	5	2	3

Shanghai

Channel	Trade Union Meetings	Appointments with Management
Sessions	1	3

- Employees are informed of locations of labor-management meetings and trade union representative elections. Labor representatives are elected online. Labor-management issues are compiled one month before each quarterly labor-management meeting. These issues are discussed at the meeting, and meeting minutes are published.
- Trade unions: According to the law and the RBA policy, employees are entitled to the freedom to organize trade unions. In 2021, no employees organized a trade union at the Taiwan sites, while the sites in Ningbo, Foshan, and Shanghai in China have their own trade unions.

Employee Assistance Programs (EAPs)

To address employees' physical, mental, and family issues, Innolux collaborates with external professional EAP groups to roll out EAPs and incorporate them into the WingHR app, which provides 24/7 counseling services for both Taiwanese and foreign employees. We hope that these counseling and legal consultation services can help to reduce problems employees face in life and at work and find solutions to them so that our employees can freely dedicate themselves to their work in a healthy mental and physical state. Since the introduction of the service in May 2021, there have been 108 users. Legal consultation is the most used service, and mental health and family issues come second. The user satisfaction score is 5.91 (out of a full score of 6).

Employee Satisfaction

Innolux conducts employee surveys for specific events on an annual basis. By collecting employee feedback, we are able to continuously improve the quality of these events. In 2021, every Innolux site conducted surveys on the annual health checkup, site management, and activities designed to build a welcoming, inclusive workplace. The nine events in total garnered 15,426 responses from employees (male: 9,483; female: 5,943; age < 30: 2,022; 30-50: 12,835; >50: 569). 78% of respondents (12,075 in total; male: 7,567; female: 4,508; age < 30: 1,640; 30-50: 9,994; >50: 441) reported being either satisfied or very satisfied.

Employee Satisfaction Survey for 9 Events

15,426 employees

78% of respondents were either satisfied or very satisfied

Male	Female	Total
9,483	5,943	15,426

Male	Female	Total
7,567	4,508	12,075

<30	30-50	>50
2,022	12,835	569

<30	30-50	>50
1,640	9,994	441

Employee Grievance Analysis

Type/Analysis	Sexual harassment	Human rights issues	Labor conditions
Number of grievances	13	479	419
Closure rate	100%	100%	100%

Grievance Handling Procedures

General cases

Upon receiving a complaint, we register it in the Employee Care System. It is then handled by the responsible department. If necessary, the department may interview the individuals involved to better understand the case and respond if the complaint was not filed anonymously.

Sexual harassment case

Upon receiving a complaint, we register it in the Employee Care System. The human resources department is responsible for managing the case and submitting it to the investigating committee to review the evidence, interview the involved parties and witnesses, and collect information, after which a Sexual Harassment Committee meeting is convened to determine whether the case is verified and to decide on disciplinary measures and other conditions.

Statistics on Employee Grievances in 2021

site/issue		Aspect 1 Human rights issues			Aspect 2 Labor management issues		
		Recruitment and employment	Sexual harassment	Leadership and management	Compensation and leave	Health and safety	Labor disputes
Taiwan sites	Grievances	23	12	93	77	28	8
	Resolved cases	23	12	93	77	28	8
	Closure rate	100%	100%	100%	100%	100%	100%
China sites	Grievances	111	1	252	297	1	8
	Resolved cases	111	1	252	297	1	8
	Closure rate	100%	100%	100%	100%	100%	100%
Total	Grievances	134	13	345	374	29	16
	Resolved cases	134	13	345	374	29	16
	Closure rate	100%	100%	100%	100%	100%	100%

Zero tolerance for sexual harassment

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

Item	Management mechanism
Standard	Code of Practice for Complaints Management and Sexual Harassment Prevention Measures
Training	Disseminate knowledge and practice of workplace etiquette and Innolux's zero-tolerance policy toward discrimination, sexual harassment, and bullying in any form during training of new recruits and production line supervisors and acquaint them with communication channels provided by the company.
Dissemination	Post posters and use the computer system startup screen to disseminate concepts related to developing and maintaining an inclusive workplace and reducing discrimination, sexual harassment, and bullying.
Grievance channel	Employee care helpline/mailbox/WingHR app
Handling mechanism	1. A dedicated department receives complaints and supervises the responsible department to address them in a timely manner and propose an improvement plan. 2. The dedicated department abides by the three principles of confidentiality, protection, and privacy during the investigation process and reports the results to the Sexual Harassment Committee for a final decision. 3. Sexual harassment cases (including suspected ones) are addressed by the Sexual Harassment Committee, comprised of 5-7 members over 50% of whom are women, and based on the principle of recusal. 4. If a case is confirmed, we determine disciplinary measures based on level of severity pursuant to Innolux's Reward and Punishment Regulations. 5. In 2021, there were 13 grievances involving sexual harassment; 6 were confirmed, 100% of which were closed.
Internal remediation measures	1. System: Rearrange work duties, station, or shift depending on the situation. 2. Mental state: Provide counseling resources.

Workplace Bullying and Sexual Harassment Prevention courses in 2021

Number of courses	Number of participants	Total hours
884	30,859	15,430

4.5 Safety and Protection

To build a corporate culture that stresses occupational health and safety and lay a solid foundation for risk management, Innolux is working to strengthen its smart environment, health and safety management system, including manufacturing process safety management, the employee health care system, environmental management system (EMS). To do so, we have established a complete smart e-system and analyzed the records of occupational injuries in the accident management system. In addition to recording the "who, what, when, and where" of incidents, we also discuss unsafe behaviors and environmental factors to find appropriate solutions and improvement measures. We then apply corrections and prevention measures to all sites to avoid recurrences.

In 2021, Innolux acquired ISO 45001 certification for all factories including Fab A, Fab B, Fab C, Fab D in Tainan, Innolux Corporation's Tree Valley Branch, the F/T6 site, the K9 site, Jhunan's T1 site (HQ), T2 site (JOC), and T3 site, and the Ningbo, Foshan, Nanjing, and Shanghai sites. We adopted the PDCA cycle in ISO 45001's environmental management system to conduct regular hazard identification and risk assessments as well as periodic work procedure safety monitoring and work safety analysis to identify potentially harmful factors in work procedures and further protect employees and external workers who enter our sites for work. Moreover, to eliminate harmful factors during the production process, reduce uncertainty, and ensure workplace safety, Innolux has also devised a smart infrared inspection system and equipment safety management system and implemented a chemical pipeline deterioration evaluation mechanism and nondestructive testing programs.

Each site holds an ESH Committee meeting every quarter whose participants include the head of the site, responsible departments, and labor representatives, to discuss progress, major internal/external issues, the EHS management plan, occupational disease prevention and health-promotion activities, epidemic prevention management, and ESH management performance evaluations. Headquarters invites the heads of each site to participate in the Greater China ESH Committee meeting to discuss goals and results of ESH measures and related operations, the interests of and impacts on stakeholders, and project reports.

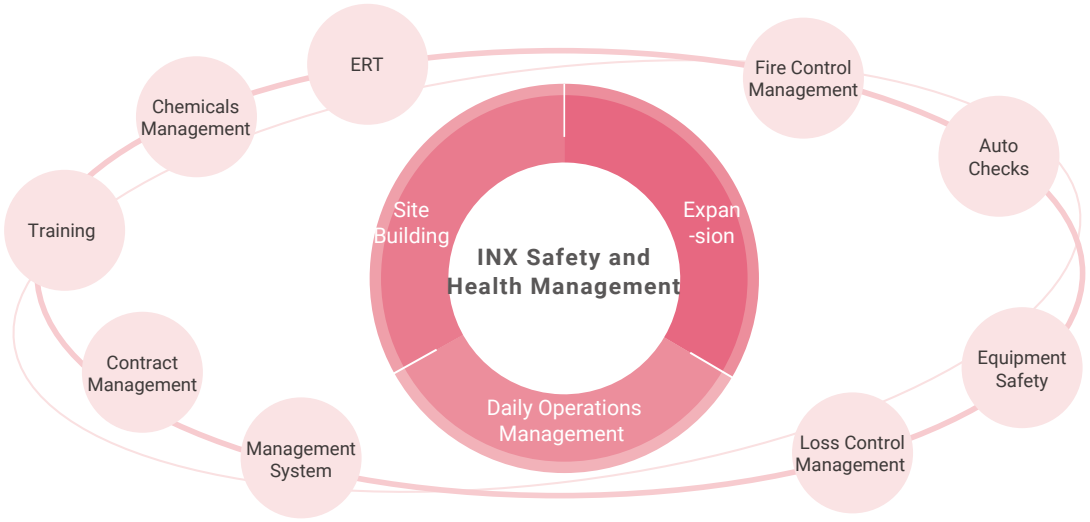
ESH Committee meetings in 2021

Taiwan site

Labor representatives 749 person-times accounting for 40 %of all qualified attendance

China site

Labor representatives 280 person-times accounting for 45 %of all qualified attendance

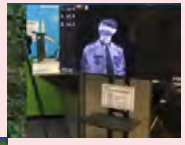


Implementing Epidemic Prevention Measures to Create a Safe Workplace

Innolux has invested much effort and money into epidemic prevention measures during the past two years, and the estimated costs due to the pandemic were NT$ 14.9 million in Taiwan and RMB$ 23.26 million in China. As of 2021, we had distributed 21.53 million masks to ensure a safe and healthy work environment for employees and the continuous operation of the company.

In response to an outbreak due to a gathering of migrant workers in Taiwan in 2021, Innolux collaborated with the competent authority to conduct Covid-19 testing to ensure the company's steady operations and migrant workers' health. All 5,328 migrant workers who were tested at our Taiwan sites received negative results. Through the testing, our employees were assured of their health status and could go back to life and work with peace of mind. In response to the government's policy of vaccinations for all, the Taiwan sites provide nearby vaccination stations for foreign workers, and the China sites provide vaccination services for employees. Around 90% of all employees in China have been vaccinated, and we continue to provide booster doses.

6 measure epidemic prevention program



Protecting 56,000 families

100% health protection

Measure 1

Real-time, transparent information

Disseminate epidemic prevention information in a timely manner to prevent panic from spreading

When the pandemic broke out, the chairman and CEO immediately led the company in implementing epidemic-prevention measures by establishing Innolux's epidemic-prevention headquarters to initiate procedures to ensure employee safety. Through real-time epidemic-prevention announcements and app notifications, our employees received the most up-to-date epidemic prevention information.

Measure 2

Workplace Adjustments

A full package of epidemic-prevention measures to ensure peace of mind

During the pandemic, we made adjustments to work routines, attendance, business travel, and dining. We established red and blue traffic diverion flows respectively for employees and on-site businesses, provided work-from-home epidemic prevention leave/quarantine leave, established quarantine offices, established a work-from-home system, used telephone conferences to substitute for face-to-face meetings, and devised a meeting registration system to reduce the chance of cross infection to ensure employees a healthy and safe workplace.

Measure 3

Cleaning and disinfection management

Eradicating the virus to prevent Covid-19 from spreading

To eradicate the virus, we enhanced the level of disinfection in terms of building management, dining areas, transportation, and dormitories.

Measure 4

Employee participation

Collectively implementing epidemic prevention measures

Employees were required to monitor and report their temperature every day, and for traceability of their health status and contact history. For migrant workers, we provided translations in their native languages to help them understand epidemic prevention guidelines.

Measure 5

Epidemic prevention measures for visitors

Careful epidemic prevention to achieve thorough protection

We set up 33 airport-level infrared thermometers at the main entrances of our sites in Taiwan and China to quickly read the temperature of people who walk in; we also established outdoor tents for meetings, mobile toilets, outdoor meeting areas for businesses/visitors, outdoor rest areas for contractors, and smoking areas exclusively for external businesses; visitors were required to fill out a health declaration form to ensure the safety of our employees.

Measure 6

Epidemic prevention at all sites

A global collaboration on epidemic prevention to ensure safety

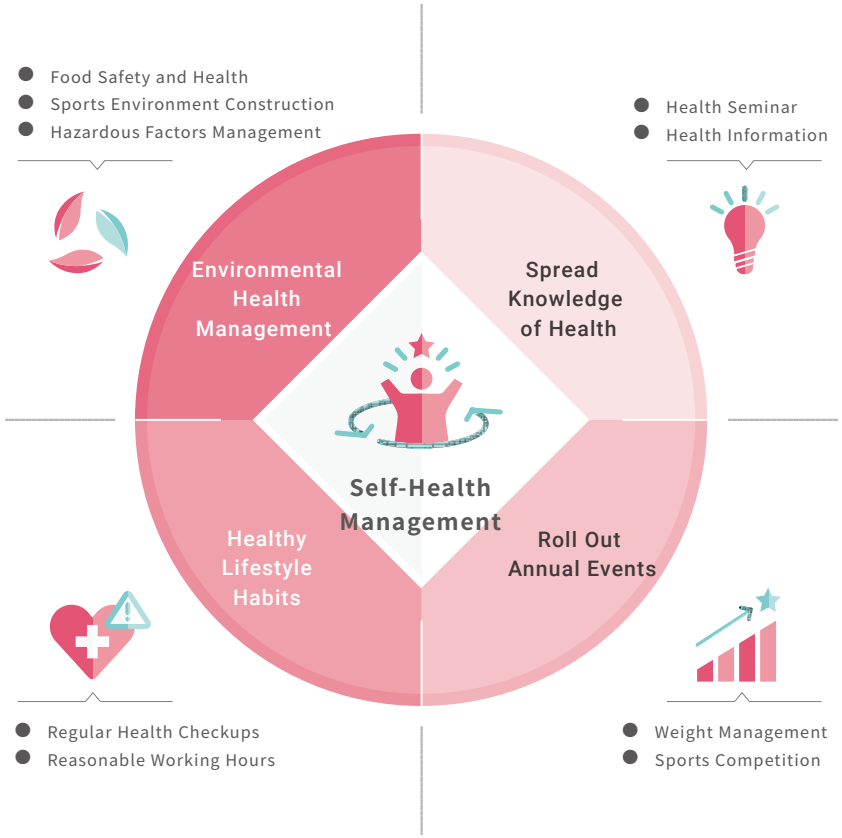
Innolux purchased 21.53 million masks in total for on-site employees, employees going on business trips, overseas expatriates and their families, and frontline security guards and cleaning staff. Each site conducted Covid-19 drills, and we used telephone conferences in lieu of face-to-face meetings to collectively participate in epidemic prevention.

Post-Pandemic Task Force and Rapid Testing

4.5.1 Health Care

By referencing WHO's definition of health, Innolux hopes to promote employees' physical/mental health and the health of society in general. We aim to raise employees' awareness of health and encourage them to use our innovative health management e-system and management app; with this professional health care at their fingertips, our employees can make strides to achieve a healthy work-life balance.

/ Innolux's 2021 Health-Promotion Strategies /



Occupational Health Risk Management

Our health risk analysis is based on ISO 45001 and TOSHMS. We referenced WHO's guidelines and international literature and cases, and we used data analysis to categorize health checkup results into different risk levels and then established and implemented management strategies. In addition, we introduced some health elements into the occupational hazard identification and risk assessment system, where we established control programs to lower operational risk. For occupational disease prevention management, we identify positions or workstations with a heightened risk of disease incidence in accordance with the law and implement management measures based on the type of hazard, including orientation and on-the-job training, procedure monitoring, operational environment monitoring/measurement, health checkups, and hazard prevention controls. Our health management procedures, including the collection, handling, and use of personal data, are within the scope stated in the agreement that is signed by employees in compliance with the Personal Data Collection Act.

Health Management System

At our Taiwan sites, when using the H2U platform and app, employees can synchronize their records, search for health reports online, personalize health risk assessments through their IoT device, and acquire the most up-to-date health knowledge and personalized management advice to easily and completely manage their health in real-time. Employees can import medical records and X-ray images into their health bankbook to ensure that their information is complete and make doctors' visits more convenient.

Health Checkups

To ensure employees' health and prevent the occurrence of serious illness as much as possible, Innolux holds annual health checkups. In 2021, 22,917 employees at our Taiwan sites had a general health checkup, for a participation rate of 100%; 15,347 employees at our China sites had a general health checkup, also for a participation rate of 100%. In consideration of the ten leading causes of death in Taiwan, the Taiwan sites added a liver function checkup to the 2021 health checkup; moreover, we arranged cancer screenings and health-promotion activities and provided counseling and health guidance services if cancer screenings showed abnormalities. In 2021, a total of 38,011 employees had cancer screenings, and 6,015 employees' health checkups showed moderate to serious health issues. 3,061 of these received health management guidance from health center professionals and 1,875 had a one-on-one consulting session with a doctor. The completion rate of moderate and serious abnormalities management was 100%.

Health Checkup Statistics

Site	Number of participants in 2021			Number of people who received follow-up management in 2021							
	Recommended to participate	Participated	Participation rate	Minor issue	Management of minor issues	Moderate issue	Management of moderate issues	Serious issue	Management of serious issues	Management and follow-ups from nurses	Consultation with doctors
Jhunan	4,532	4,532	100.00%	2,694	2,694	1,065	1,065	335	335	625	45
Tainan	18,385	18,385	100.00%	9,317	9,317	2,136	2,136	1,748	1,748	1,401	1,748
Ningbo	6,239	6,239	100.00%	471	471	41	41	6	6	518	0
Foshan	5,327	5,327	100.00%	0	0	132	132	108	108	240	0
Nanjing	2,530	2,530	100.00%	119	119	159	159	81	81	277	82
Shanghai	1,251	1,251	100.00%	0	0	0	0	204	0	0	0

- *We abide by legal stipulations requiring annual health checkups; if an employee who reaches the re-examination year does not get a health checkup, the environmental safety committee submits a request to the employee's supervisor to urge the employee to get a checkup and keeps a record of the request. There are no health checkup frequency regulations for employees in China.
- **Due to Covid-19, we postponed the health checkup; therefore, the Shanghai site cannot conduct disease/condition analysis and tracking management. The health center will continue to follow up.

On-Site Cancer Screenings

Screening item	Legal Requirements		Number of Participants in 2021								
	Taiwan	China	Taiwan			China					Total
			Jhunan	Tainan	Subtotal	Ningbo	Foshan	Nanjing	Shanghai	Subtotal	
Cervical cancer: Pap smear	Stipulated by law	Not stipulated by law	0	138	138	1,138	82	479	18	1,717	1,855
Breast cancer: Breast ultrasound/mammogram	Stipulated by law	Not stipulated by law	0	172	172	115	82	479	5	681	853
Ovarian cancer: Uterine, oviduct, and ovarian ultrasound	Not stipulated by law	Not stipulated by law	0	0	0	1,138	1,675	98	18	2,929	2,929
Colon cancer: Fecal occult blood test	Stipulated by law	Not stipulated by law	3,796	17,908	21,704	369	287	184	0	840	22,544
Liver cancer: Abdominal ultrasound	Not stipulated by law	Not stipulated by law	401	373	774	2,506	3,694	1,613	64	7,877	8,651
Thyroid ultrasound	Not stipulated by law	Not stipulated by law	169	0	169	0	0	0	0	0	169
Malignant tumor marker test	Not stipulated by law	Not stipulated by law	1,010	0	1,010	0	0	0	0	0	1,010
											38,011

Family Health Care Services

In addition to holding health checkups for employees, Innolux also provides discounted services for the families of employees at the Ningbo sites and Taiwan, where they can purchase discounted health checkup packages at one of six contracted hospitals to manage their health through regular health checkups. Moreover, we hold blood-donation activities at our sites in Taiwan and China to express our care for local communities. In 2021, 1,239 employees participated in these activities.

Occupational Disease Rate

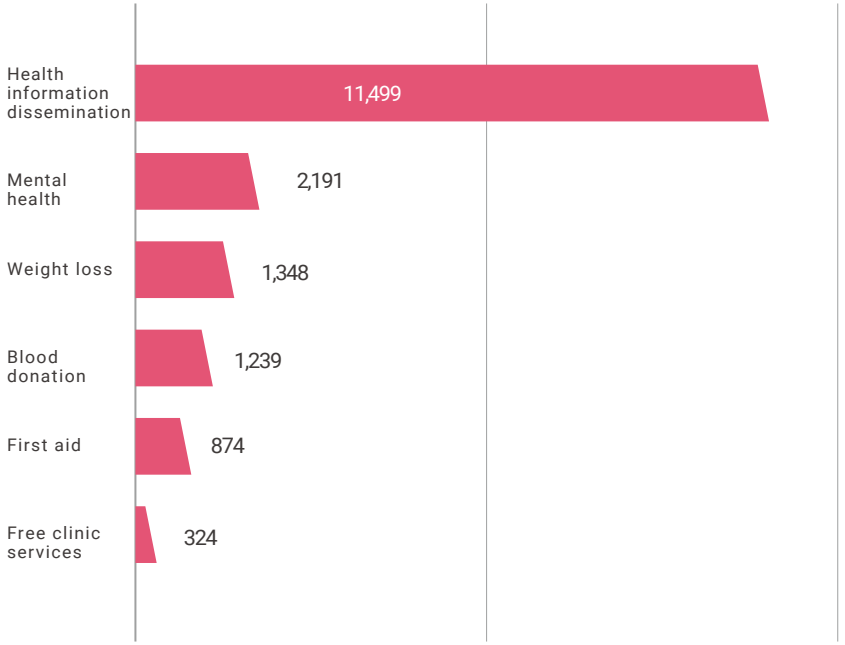
The occupational disease rate (ODR) at Innolux in 2021 was 0.

Health Promotion

By holding health seminars/health-promotion activities and organizing free clinic services, we raise employees' health awareness so that they can continue to manage their own health. In 2021, our health-promotion activities continued undeterred by the pandemic, with 17,475 participants. Weight-loss activities at the Taiwan sites and the Nanjing site helped 1,672 employees lose a total of 3,695 kilograms through adopting a healthy diet and living a healthy lifestyle.

- Our Taiwan sites were awarded a CHR Health Corporate Citizen Gold Award in the 5,000-employee category by Common Health Magazine in 2021.
- The Tainan site (Fab2/ Fab3/ Fab5) was awarded a Badge of Accredited Healthy Workplace by the Health Promotion Administration, Ministry of Health and Welfare.
- The Tainan site (Fab C) was awarded a Badge of Accredited Healthy Workplace by the Health Promotion Administration, Ministry of Health and Welfare.
- The Ningbo site was commended by the Ningbo Municipal Blood-Donation Office for donating blood.
- The Foshan site acquired a Top-tier Healthy Demonstration Enterprise prize from Shishan Town, Foshan City, Guangdong

/ Health-Promoting Categories /



Mental Health

Innolux has established a mental health management system based on the illness-prevention concept of "five levels in three stages".

Mental health management system stage	Management results in 2021
Primary prevention: Refers to dissemination of information and activities promoting mental health	51 seminars on creating a stress-free workplace and mental health issues with 2,280 participants to assist employees in changing their lifestyle to achieve a healthy mental state
Secondary prevention: Refers to the distribution of mental/physical health surveys to understand employees' stress levels, identify those at high risk of mental health issues, and provide counseling services or references to external medical professionals.	Conducted the annual mental/physical health survey with 45,997 participants, 1,268 of whom were at moderate/high risk. The completion rate of high-risk mental health counseling and follow-up management was 100%. We will continue any follow-up management that was postponed due to the pandemic.
Tertiary prevention:Refers to following up, identifying, and assisting people at high risk of mental health issues or suffering from mental illnesses.	We encourage employees suffering from mental health issues to go to doctors, keep track of their progress, practice careful management of their return to work and workload, or even offer rehabilitation to help restore their physical and mental status. We conducted interviews based on the results of our annual and other surveys, and 421 high-risk employees received counseling services, for a tracking and management rate of 100%.

Presenter: Jui-Yuan Hsueh, Deputy Minister of Ministry of Health and Welfare
Awardee: Jen-Yung Chang, Director of Innolux's Human Resources Department

Innolux, which is committed to creating a welcoming workplace, was awarded a CHR Health Corporate Citizen Gold Award in the 5,000-employee category by Common Health Magazine in 2021. In recent years, becoming a CHR health corporate citizen has become an important goal for companies in Taiwan, and an important goal of Innolux is care for employees' mental and physical health and allowing employees to build happy families and enjoy a stable work life in all aspects of company operations. In so doing, we aim to establish a welcoming workplace, provide sound health care services, and raise employees' health awareness to ensure the overall health of our employees.

4.5.2 Occupational Safety Risk Management

Innolux aims to eradicate occupational diseases and reduce occupational injuries to honor our promise of building a safe and healthy workplace and meet the requirements of SDGs. We established four proactive management indexes of occupational safety and health, all of which were met in 2021. Innolux will continue to maintain such performance in 2022 to achieve SDGs.

Occupational safety and health management index		Jhunan	Tainan	Ningbo	Foshan	Nanjing	Shanghai
Item	**Target value**						
Refrained from using materials in Group 1* from IARC' s 2020 classification in manufacturing processes in 2021.**	**0**	0	0	0	0	0	0
The pre-starting safety check rate of Equipment Sign-Off Level 1* for the manufacturing machines**	**100%**	100%	100%	100%	100%	100%	100%
Employee mental health care rate	**95%**	100%	100%	100%	100%	100%	100%
Annual employee self-initiated health checkup rate****	**80%**	100%	100%	100%	100%	100%	100%

- * GROUP1 compounds: compounds that are proved to cause cancer in humans.
- ** IARC-International Agency for Research on Cancer
- *** Equipment Sign-Off Level1- the INX equipment safety check system.
- **** Refers to health checkups not stipulated by law (such as the annual health checkup in China and the annual health checkup in Taiwan that' s not conducted during the year stipulated by law)

Occupational Safety Risk Management

To effectively prevent occupational accidents from happening, Innolux has established procedures for hazard identification and opportunity/risk assessment to identify hazards in regular or ad hoc activities that may harm employees or cause accidents; when potential hazards are identified, we manage them according to their safety and health risk and categorize them according to their level of severity and frequency, based on which we then devise risk management measures. Regarding unacceptable risk, we prioritize engineering control measures to eliminate unsafe environments/behavior and improve the safety design of equipment; we also conduct risk identification and evaluations of contracted operators and discuss operational risk and control methods in kick-off safety meetings and toolbox talks. Innolux is also continuing to optimize our occupational safety and health management system to improve safety levels. For newly-established, -adjusted, and -expanded manufacturing processes, we design and perform safety assessment and acceptance testing. Manufacturing processes are divided into the pre-manufacturing preparatory stage, manufacturing processes, and post-manufacturing equipment maintenance; we analyze and test for hazardous substances produced during manufacturing processes and dangerous and harmful substances in manufacturing systems such as the waste-disposal system, ventilation and dust removal system, and exhaust emissions and wastewater disposal system to identify and manage risk from the source in order to ensure the safety and health of our employees' and sites. Approval in advance is needed for high risk or hazardous operations.. To reduce occupational accidents, Innolux actively rolls out programs to automate manufacturing processes, and conducts human factors engineering risk assessments and hazard prevention to ensure safe manufacturing and employees' occupational health and safety.

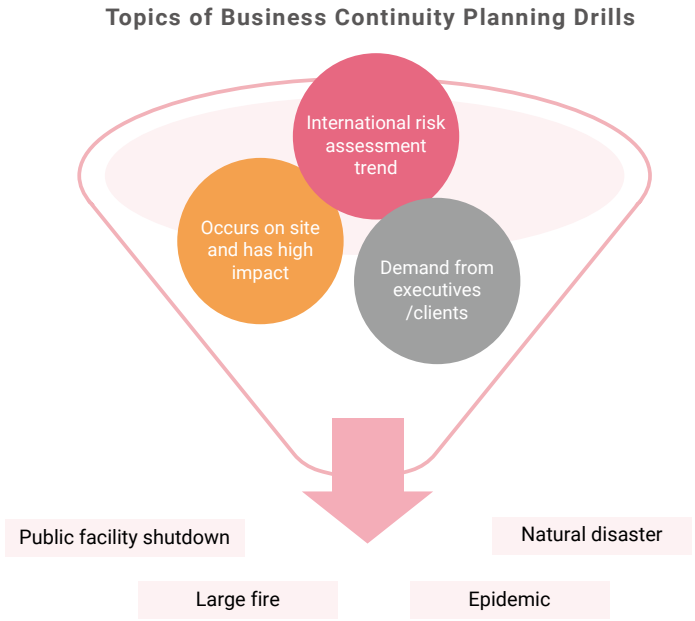
Loss Prevention Risk Audits and Improvement Measures

In 2021, the Taiwan sites launched loss prevention risk audits, which focus on the safe operation of high-risk manufacturing equipment in clean rooms, new construction or equipment adjustments/ expansion, and lab equipment and testing machinery to implement factory risk control and loss prevent measures. Our goal is to ensure efficacy and reliability in equipment design, installation safety, and system protection. Based on the audit results, we categorize different items into different risk levels and conduct regular follow-ups to create a safer workplace and improve on-site safety and operational management. In so doing, we hope to be able to spot problems before they emerge.

On-Site Business Continuity Management and Daily Operations Management

In 2021, we gradually incorporated business continuity management into daily operations at every site to identify and categorize major external threats and use them as the basis for business continuity planning drills.

Filtering mechanism for the continuous operations plan



Sites in the Greater China region included preventive shutdown and supply chain breakdown scenarios in their business continuity planning under the pandemic and completed 14 drills.

Occupational Safety and Health Training

To foster employees' safety and health awareness and hazard identification ability, Innolux holds general safety and health seminars, training in specific areas of expertise or skills, and training in emergency response plans as needed for various departments and positions. This includes forklift-operation training, training for supervisors of hazardous procedures, ERT knowledge/skills training, workplace safety inspections, AED and CPR courses, basic equipment safety training, earthquake drills, human factors engineering and respiratory protection training, and general education for supervisors in high-risk work environments. We hope to ensure that participants are able to safely handle emergency situations and daily work after participating in these courses where they can hone skills and gain knowledge. In 2021, Innolux offered 2,774 occupational safety and health training sessions with 184,598 participants.

Annual Training Statistics

Annual Training Statistics		Training sessions	Number of participants	Total training hours (hr)
Taiwan	Employees	541	82,888	80,919
	Contractors	176	6,068	14,999
Ningbo	Employees	1,029	75,441	522,400
	Contractors	218	3385	8,388
Foshan	Employees	321	10,518	21,036
	Contractors	120	958	1,437
Nanjing	Employees	8	1,250	2,637
	Contractors	326	3,288	3,288
Shanghai	Employees	28	688	895
	Contractors	7	114	114

Contractor Management

For contractors, Innolux has set up a sound management mechanism for pre-construction qualification management, daily construction order applications, personnel identification and construction information verification when entering our sites, and personnel management when leaving our sites. For example, we hold regular meetings to remind participants of faults common among and expected cooperation from contractors, and conduct on-site inspections or use CCTV to assist in monitoring the implementation of safety and health measures at construction sites. Moreover, for high-risk operations, co-contractors collectively complete operational hazard identification evaluation and analysis and emergency response plans. Through mutual communication and collaboration, we hope to minimize the potential for incidents. Should an accident happen, we investigate and analyze the accident and implement prevention and mitigation measures based on our Electronic Accident Management System and use the "parallel system" to apply the experience to the whole site to prevent future recurrence. In 2021, the disabling frequency rate, injury rate, and lost workday rate of contractors in the Greater China region were 0.26, 0.11, and 3 respectively. The injury rate was lower than in 2020.

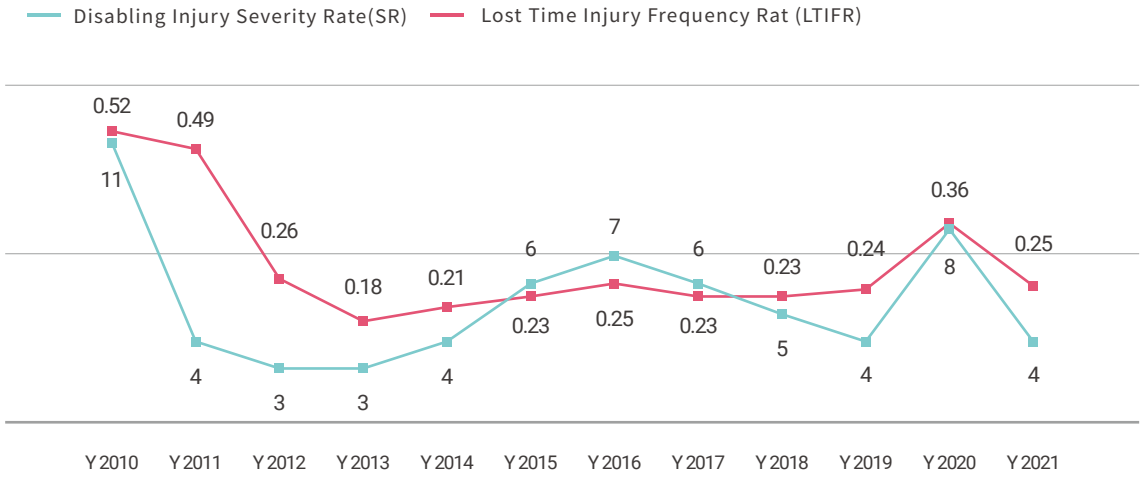
Supplier Training

Site	2021 Topic	Number of contractors	Number of participants
Tainan	Workplace Maternity Health Protection Principles and Development	22	96
Tainan	Mobile Crane Hanging Operations	25	90
Ningbo	Course for Construction Overseers and Fire Supervisors	20	64
Shanghai	Contractor Training	9	114
Nanjing	On-Site Emergency Evacuation Drills	10	74
Nanjing	Emergency Equipment Operation Training for Security Guards	2	83

Low Occupational Accident Rate, Performed Better than the Electronic Parts and Components Manufacturing Industry

Innolux' s Lost Time Injury Frequency Rat (LTIFR) from 2017 to 2021 was between 0.23 to 0.36, which was better than that (0.84) of the Electronic Parts and Components Manufacturing Industry in 2020 published by the Occupational Safety and Health Administration, Ministry of Labor.

In 2021, our disabling frequency rate was 0.25, and the disabling injury severity rate was 4, both lower than in 2020. There were no cases of death or hospitalization for more six months due to severe injury. Our medium- to long-term goal is a disabling frequency rate of 0.22, and we will set new targets for lost workday events, restricted workday events, equipment safety management, chemical use management, and employee mental/physical health management in 2022 to fulfill our promise of taking care of our employees' safety and health and SDGs and striving for zero occupational disease.



- The above courses do not include hazard notification training for contractors when entering our sites.

Contractor Occupational Injury Statistics

Item	Taiwan sites		China sites		Total	
	2020	2021	2020	2021	2020	2021
Lost Time Injury Frequency Rat (LTIFR)	0.60	0.55	0	0	0.43	0.26
Injury rate (IR)	0.21	0.22	0	0	0.15	0.11
Lost workday rate (LDR)	4	5	0	0	3	3
Death rate	0	0	0	0	0	0
Number of personnel under contractors entering our sites	821,948	447,458	338,087	487,223	1,160,035	934,981
Total work hours of contractors	6,575,616	3,579,664	2,704,696	3,897,784	9,280,312	7,477,448

- 1. 'Contractors' refers to businesses that sign a contract with Innolux to work at Innolux' s sites, including outsourced workers.
- 2. Injury rate of contractors = number of injuries of contractors*1,000,000/ total work hours of contractors; decimals are rounded down to two places; the number of injuries does not include commuting accidents.
- 3. IR: refers to number of injuries per 200,000 work hours. Formula: (number of lost workday events+ number of restricted workday events) x 200,000 work hours / total work hours; decimals are rounded off to the nearest hundredth.
- 4. LDR: refers to number of lost workdays resulted from occupational injuries per 200,000 working hours. Formula: number of lost workdays x 200,000 hours / total work hours; decimals are rounded off to the nearest hundredth.
- 5. Death rate = number of contractors-induced deaths *200,000 / total work hours of contractors.
- 6. Lost workdays are calculated using calendar days and exclude the day an injury happens and the day a worker returns to work.

Occupational Accident Statistics

Item		Taiwan sites	China sites	Company Wide
Lost Time Injury Frequency Rat (LTIFR)	Female	0.58	0.00	0.28
	Male	0.52	0.07	0.24
Total		0.55	0.05	0.25
Disabling Injury Severity Rate (S.R.)	Female	14	0	6
	Male	6	2	3
Total		10	1	4
Injury Rate (IR)	Female	0.20	0.00	0.09
	Male	0.18	0.02	0.08
Total		0.19	0.01	0.08
Lost Workday Rate (LDR)	Female	3	0	1
	Male	1	0	1
Total		2	0	1
Actual Hours Worked		53,953,010.1	78,927,743.9	1,322,880,754
Number of Workers		26,856	26,756	53,612

- 1. Scope of the statistics: all employees (including contract employees)
- 2. LTIFR: number of disabling events per one million work hours. Formula: number of disabling events x one million work hours / total work hours; decimals are rounded down to the nearest hundredth.
- 3. SR: number of days when disabling events happen. Formula: number of days x one million work hours / total work hours; decimals are rounded down to the nearest unit.
- 4. IR: number of accidents per 200,000 work hours. Formula: (number of lost workday events+ number of restrictive workday events) x 200,000 work hours / total work hours; decimals are rounded off to the nearest hundredth.
- 5. LDR: number of days when disabling events happen per 200,000 work hours. Formula: number of days x 200,000 work hours / totaling work hours; decimals are rounded off to the nearest unit
- 6. Lost days are calculated using calendar days and exclude the day when an injury occurs and the day when an employee returns to work.
- 7. The statistics exclude commuting accidents, injuries that require only band-aids, and medical checkups to determine the severity of injuries.

Occupational Disease Statistics

Item/Year	2017	2018	2019	2020	2021
Number of occupational diseases	0	0	0	2	0
Occupational disease rate*	0%	0%	0%	0.2957%	0%

- Occupational disease rate = number of employees with diseases x 200,000 / total work hours (200,000 hours)

Gained Public Recognition and Received Invitation to Share

Event/Seminar Title	Topic	Host	Number of participants
High-risk occupational hazard prevention (including annual repairs and confined space operations) information dissemination meeting	High-risk occupational hazard prevention (including annual repairs and confined space operations)	Hsinchu Science Park Bureau	200
Safety and Health Coaching to Correct Shortcomings	Sharing of health management experience	Hsinchu Science Park Bureau	280
2021 Bonded Area Property Management Meeting	Production safety management report of Shanghai Innolux Optoelectronics Ltd. (hazardous chemical management guidelines)	Bonded area law enforcement team	60
Safety and Health Family Excellence Award Selection Committee, Tainan City Government	Innolux Corporation Tree Valley Branch's Safety and Health Family operations report	Labor Affairs Bureau, Tainan City Government	250
Training for Core Enterprises Provided by Safety and Health Family	Sharing operational experiences of Safety and Health Family	Occupational Safety and Health Administration, Ministry of Labor	150

4.6 / Working for the Common Good of Society

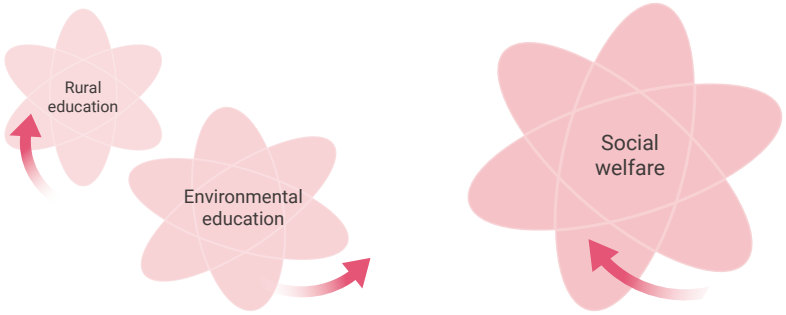
Innolux firmly believes that in addition to achieving sustainable operations, companies should pursue the common good and collective prosperity. Every year, our Taiwan and China sites hold charity events, and the Taiwan sites established the Innolux Education Foundation in 2008, so that we might demonstrate our care for and fulfill our promises to the society through the operations of the Foundation. To give back to society in thanks for the benefits that we have received from it, the Innolux Education Foundation contributes to environmental education and the field of culture and arts to raise public awareness of environmental protection and to empower children to change their lives through education and enjoy a rich inner life through art. The Innolux Education Foundation will continue its educational activities and work with companies, employees, and NGOs to exert our influence.

In 2021, we referenced the LBG Framework to quantify our contribution to social welfare and reached a resulting figure of NT$ 45 million.

In 2022, our focus places on education, particularly environmental and rural education. We launched the Air School as a credible platform to support research on air pollution. We hope to monitor air pollution issues together with the public by focusing on related policies, regulations, and recommendations. In 2021, we launched the Rural Children and Youth Study Aid Program, which sponsored and provided Innolux volunteers for four rural schools in Tainan and Miaoli to enrich the education of their students. Through such means, we exert our influence to spread love and happiness.

- Innolux Education Foundation website
- Innolux Sustainability DNA Facebook page

/ Innolux Charity Engagement /

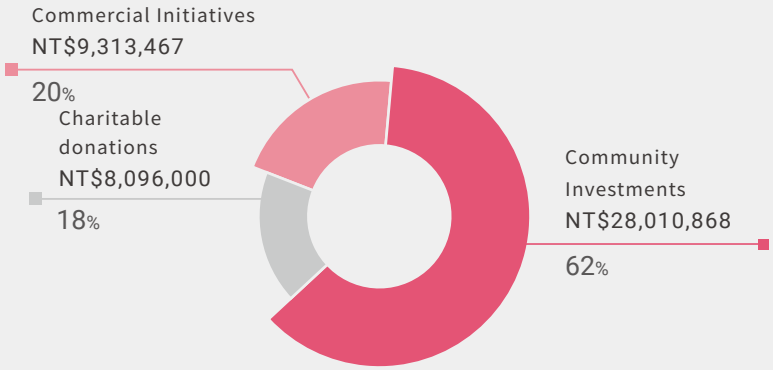


Contributed

NT$45milliom

to social welfare

By type of activity



By type of contribution(unit: NT$)

Contribution	Y2021
Cash contributions	4,337,290
Time	4,383,350
In-kind giving	12,063,791
Management overheads	24,635,904
Total	45,420,335

Charitable Events at Our Sites

Environmental Education

Air School Works with the Innolux Education Foundation to Spread Knowledge about Air Pollution

The Innolux Education Foundation works with experts to spread knowledge about air pollution. The website contains images and videos related to air pollution provided by Innolux and results of research by experts. Our goal is to build a credible platform to develop and propose initiatives to improve the air quality in Taiwan, monitor air pollution policies, regulations, and proposals jointly with the public, and disseminate information about difficult concepts related to air pollution in popular science articles to call the attention of the public to air pollution issues. The Air School analyzes air pollution issues in Taiwan in an impartial manner, and through a joint online and offline effort, we hope to create easily-comprehensible content on air pollution for the public and expand our influence to bring positive changes to society.

1. Acquired 48,195 visitors (please visit the Air School website for the most up-to-date data).
2. Held forums in northern, central, and southern Taiwan with 300 participants.
3. Plan to hold an air pollution press conference in 2022.

空氣思庫網站 https://airschool.com.tw/

Coastal Forest and Beach Cleanups

Innolux invited around 100 employees and their families to go to Yuguang Island in Tainan and Evergreen Forest in Miaoli for forest and beach cleanups. Thanks to their efforts, we cleaned 13 hectares of land and picked up more than 1,000 pieces of trash.

In addition to cleaning up these areas, participants also learned about protection forests, wetland ecology, and beach protection. We took them to the coast to see wetlands in residential areas and coastal protection forests, and we hoped that by letting parents bring their children along for these activities, family members would be closer to each other, and the children would develop a stronger awareness of environmental protection and spread this awareness in the future.

In this enriching educational activity, we also shared poems written by the children after the cleanups in which they expressed their feelings about and sense of responsibility towards nature. It was a reminder that adults must take the lead to protect the environment for both the next generation and more generations to come in the following decades

Humanities and Environmental Education at Hwataoyao

Upon walking into the Taiwanese-style courtyard of Hwataoyao, one sees old Taiwanese houses, Dutch brick walls, a set of Hokkien-style double wooden doors, Japanese kawara tiles, and indigenous flora, all of which demonstrate the diversity and inclusivity of Taiwan's history/culture and the uniqueness of its flora.
The key to education is experiential learning. Participants got to know the production processes of ceramics and appearance of animals and plants through their tactile and visual senses. In this way, we hope to lead them to learn more about the land of Taiwan.
We encourage employees to step out of the classroom and the office to savor the beauty and of the land under their feet and the stories of its people, which can raise awareness of the importance of local cultural preservation and environmental protection.

Ecological Education at Tsou Ma Lai Farm

Tsou Ma Lai Farm has abundant ecological resources, and the Farm puts a lot of care into arranging activities, including environmental education, DIY steamed buns made with forage grass, and an introduction to tropical and subtropical plants to help participants to understand the principles of organic farming and aquaponics and the symbiosis between bees and their sources of nectar. As participants acquired more knowledge, they also grew to care more about nature.
The most important aspect of environmental education is the "education" part, and it is well worth considering how to attract participants' attention through interesting ways of teaching. During this visit, participants went outdoors to learn rather than sitting in a classroom. They had fun while learning through hands-on activities, interacting with and discovering a passion for nature, and thus building a sense of responsibility for protecting the environment.

Percent of Costs Directed to Different Educational Goals

Item	Amount (NT$)	Percentage
Environmental education	2,778,145	35.2%
Rural education	1,888,452	15.1%
Charitable care	3,895,088	49.7%

In recent years, Innolux has continued to implement ESG measures and fulfill our commitment to protect the environment through environmental protection measures and activities. In 2021, Innolux employees brought their families along on environmental education activities and beach/forest cleanups in the cities and counties our sites are located in; through hands-on experience, they not only gained knowledge and raised awareness of environmental protection, but also created a deeper connection with the competent authorities and local communities. Most importantly, Innolux employees felt deeply that a good life depends on a healthy environment, and everyone's effort is required to protect it. It is only by living in harmony with nature that the people and the environment both prosper.

Sending Care to Rural Areas

In 2021, the Innolux Education Foundation launched the Rural Children and Youth Study Aid Program. We selected five schools in rural areas in Tainan and Miaoli and provided funds to sponsor the development of special courses to give students more learning opportunities and help to pass on local culture. The Innolux Education Foundation also worked with Innolux volunteers, who held storytelling activities at the schools and accompanied students in their studies. Through the above efforts, we provided additional resources for rural students and gave them hope. Our financial sponsorship and the efforts of our volunteers help rural students with scarce resources. We also hold competitions to broaden their vision, help them gain confidence, and arouse a passion for learning, so that they can enrich their lives through these experiences.

Rural Children and Youth Study Aid Program

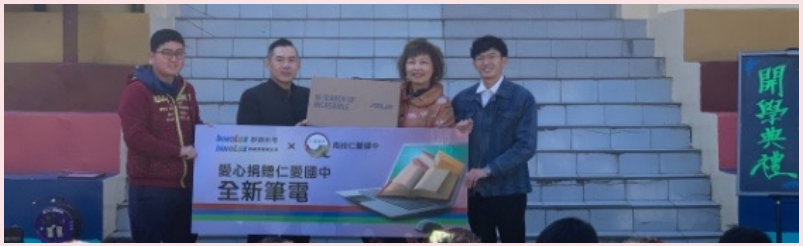
Innolux and the Innolux Education Foundation have held several charitable events. At the end of 2021, the Innolux Education Foundation held a series of activities under the Make Dreams Possible program, including Christmas Gift Drive · Love for the Countryside in collaboration with the Taiwan Fund for Children and Families, in which we collected Christmas gifts for disadvantaged children in Miaoli and Tainan. 1,200 children wrote down their Christmas wishes, and the gifts they wished for were donated by Innolux employees. In our Donate a Book to Enlighten the Rural Areas activity, we collected e-readers and secondhand books for rural schools in Miaoli, Tainan, and Nantou, and encouraged employees to donate books, money, or time. In total, we collected 1,115 children’ s books and 62 brand-new e-readers. In Innolux Volunteers with Strength and Love, we gathered volunteers with a passion for public service to organize books donated by Innolux employees during their off hours and assembled a group of 30 Innolux volunteers at the end of the year to visit Ka-bua Sua Elementary School and Cigu Elementary School in Tainan, where they told stories to and played games with the students. In addition to spreading the value of good books to more readers, we also hoped to broaden the horizons of children in rural areas through reading. Our employees contributed their time in exchange for the students’ growth. Innolux encourages all employees to participate in charitable events to fulfill the wishes of students in rural areas; even by simply sponsoring a gift or donating a children’ s book, we demonstrate our care and help disadvantaged children to learn and to experience joy. We hope to help these children and exert our influence to care for rural areas and pass on our love.

Support for Epidemic Prevention and Sponsorship of Resources

During the pandemic, Innolux worked with the Innolux Education Foundation to donate six positive pressure testing booths to local governments and hospitals in New Taipei, Taoyuan, Miaoli, Tainan, and Kaohsiung, and we donated 2,700 rapid test kits to Da Chien Hospital in Miaoli. The high-tech testing equipment helped hospitals conduct rapid testing and allowed medical professionals to test without any physical contact. We hope that our actions encourage other companies to take similar action to support epidemic prevention efforts. To ensure that disadvantaged students have lunch to eat during school closures, the Innolux Education Foundation donated 50 boxes of nutritional food resources and epidemic prevention materials to Nanzhuang and Penglai Elementary Schools in Miaoli, and Ka-bua Sua and Cigu Elementary Schools in Tainan.

Giving Back to Schools

In 2021, due to the pandemic, we were unable to hold the operations meeting at Qingjing Farm in Nantou; however, we have continued our support for rural schools, including providing steamed buns with meat from a famous brand in Taiwan and funding sports equipment to ensure that students have adequate nutrition and are able to maintain their physical health. Moreover, we donated 12 e-readers and 40 books on sustainability to contribute to the social welfare of provide indigenous school children living in remote rural areas with insufficient resources.



INNOLUX
2021 ESG Report

5

Green Transformation and Environmental Co-Prosperity

2021 Achievements

SBTi	Joined SBTi initiative; committed to 15% reduction in greenhouse gas emissions by 2026
46.5%	Reduced FC emissions intensity per unit area to 0.0069t CO_2e/m^2, a reduction of 46.5%
2.9%	In 2021, power consumption per unit input area of TFT-LCD plants reduced by 2.9% compared to 2020
38.28M kWh	Installed renewable energy power generation facilities with total power generation of 38.28M in plants
24.6%	In 2021, water consumption per unit input area in TFT-LCD plants reduced by 24.6 % compared to 2016
97.2%	Total recovered process water amounted to 291.9 million tons with highest ever recovery rate of 97.2%.
4.03 million tons	Low-carbon logistics and optimized transportation operations resulted in annual reduction of 4.03 million tons of carbon emissions.
95%	VOC treatment efficiency reached 95%, exceeding the 92% BACT standard
1.12%	Achieved waste landfill rate 1.12% in 2021

Environmental Material Issues Management Policy

Green Manufacturing and Environmental Co-prosperity

	Water Resources Management	GHG Emissions	Energy Management
2021 Strategic Goals	• Increase recycling of biological wastewater • Increase rainwater recovery • Recycle molybdenum removal wastewater • Strengthen water management and become an enterprise known for its water conservation efforts	• Adopt FCs reduction techniques • Improve energy-savings performance • Optimize transportation management and reduce carbon emissions of logistics operations	• Optimize Energy conservation of bulk power consumption system and continue to improve the operational efficiency of the air compressor system • Plan for green energy installation in compliance with the Renewable Energy Development Act
Implementation Results in 2021	• Recovery rate of process water reached 97.2%, the highest ever • Water consumption per unit input area was reduced by 24.6% vs. 2016	• Listed on the CDP Supplier Engagement Leaderboard and acquired a Grade A at Supplier Engagement Rating (SER) • Established Carbon Risk Management Committee and formulate and implement internal carbon pricing system • Applied to join the SBTi initiative and committed to GHG reduction targets • 46.5% reduction in FCs emissions intensity per unit input area in TFT process (vs. 2016)	• Achieved average power conservation rate of 1.05% in 2021 (vs. 2020) • Reduced power consumption per unit input area in TFT-LCD plants by 2.9% in 2021 (vs. 2020) • Total power generation of 38.28 million kWh from renewable energy (solar energy and biogas) in plant sites
2022 Target Items	• Develop alternative water sources and acquire multiple sources to reduce water management risks • Improve water resources management and designate FAC-6 at the Tainan site as the pilot plant for ISO46001 certification	• Strengthen the implementation of FCs reduction technology • Encourage proposals for energy action plans for processes and peripheral facilities • Establish 2050 net zero targets (Carbon Risk Management Committee) • Expand implementation of internal carbon pricing (ICP) management mechanism	• Install renewable energy power generation equipment and purchase renewable energy power and certificates • Construct biogas power generation facilities at the FAB 2 of Tainan site • Actively implement energy-savings and promote energy-saving measures to improve energy efficiency • Introduce ISO 50001 energy management system in the back-end process at Taiwan sites, adopt ISO 50001 energy management system at the Shanghai site and complete the certification review process
Medium- to Long-term Development Commitments	• Reduce water consumption per unit input area by 30% in 2025 (vs. 2016) • Proactive implementation of water management and water shortage adaptations in response to the climate crisis • Proactive development of new water-savings technology and improvement of water resources reuse rate	• 49% reduction of FC emissions intensity per unit input area in TFT process by 2025 (vs. 2016) • 15% reduction of Scope 1 and Scope 2 GHG emissions by 2026 (vs. 2020)	• Average annual power conservation rate ≧ 1% from 2022 to 2026; challenge ≧ 1.6% target • Generate 60 million kWh renewable energy per year for self-consumption by 2025

	Green Product Management	Air Pollution Control	Waste and Circular Economy
2021 Strategic Goals	• Control prohibited/restricted chemical substances • Continue to improve management of hazardous materials • Product innovation to save energy and materials	• Promote reduction of air pollutants • Work with Innolux Education Foundation to focus on educational agendas related to air pollution issues	• Continue to promote source separation and waste reduction, and require suppliers to provide low chemical consumption machinery • Collaborate with business partners to develop new waste recycling technology to increase waste recycling and reuse
Implementation Results in 2021	• Established Restricted Substances Management Standard as the management standard for prohibited/restricted chemical substances	• Reduced air pollution and achieved over 95% VOC treatment efficiency (exceeding the 92% BACT standard) • Conducted three briefing sessions on air pollution in cooperation with Innolux Education Foundation	• The landfill rate was 1.12%, in line with the target • Applied Dividing Wall Column (DWC) technology to recycle photoresist thinner and glass edge cleaning agent; extended the scope of recyclable processes from array to CF processes
2022 Target Items	• Improve hazardous substance management system • Continue to monitor regulatory trends and industry and customer norms, and respond in a timely manner to new material and product controls • Continue to improve product design and apply high-efficiency, low energy-consumption materials and packaging reduction to minimize environmental impacts	• Improve prevention and treatment of air pollutant emissions • Cooperate with Innolux Education Foundation to focus on environmental education of air pollution issues	• Transport PGMEA from Jhunan site to the south for recycling and reuse • Increase the expected recovery of PGMEA to 95%
Medium- to Long-term Development Commitments	• Conduct comprehensive green product management with a strategy that incorporates smart greening, source control, environmental friendliness, and global certification	• Continue to promote the reduction of air pollutant emissions • Develop the Air School project to work with the public to control air pollution	• Maintain landfill rate at less than 2.0% by 2025 • Promote circular economy and improve recycling efficiency • Continue to develop new technology for the self-recycling of chemical substances

5.1 / Green manufacturing

Innolux has long promoted green manufacturing and is committed to continuing increases in resource reuse and to examining the effectiveness of our water conservation, power conservation, greenhouse gas emissions, waste reduction, and chemical recycling efforts in reducing impacts on the environment. We pay close attention to national ecological and environmental policies, engage in collective efforts for global greenhouse gas emissions reductions and climate change adaptation, and work to achieve environmental co-prosperity by providing green and low-carbon friendly manufacturing services through the spread of corporate influence.

5.1.1 Management System

Innolux updates its ISO 14001, ISO 50001, and ISO 14064-1 frameworks every three years and has obtained the relevant certifications. We apply management tools such as ISO 14001, ISO 50001, and ISO 14064-1 to identify the environmental impacts of our operations, products, and services, and impose control or reduction measures to systematically optimize the management of projects with high environmental impacts and energy consumption. Through the "iFM (intelligent facility management) Big Data Platform", Innolux monitors the company's water-saving, power-saving, greenhouse gas emissions, waste reduction, and chemical recycling status, and manages energy and resources accordingly. Innolux also optimizes cross-departmental cooperation through the Safety, Health, and Environmental Protection Committee, Factory Operations Committee, Energy Management Committee, Carbon Risk Management Committee, and Sustainable Development Committee to cultivate a sustainable environment. In 2021, a total of 61 cases were reviewed by the Plant Operations Committee, and 54 cases related to the ISO 14001 environmental management system were resolved, fully demonstrating our proactive efforts to protect the environment.

/ Achievements of Factory Operations Committee in 2021 /

Technical Platform	Number of KM* Technical Documents adopted	Number of horizontal development cases**
Air conditioning	14	24
Water	10	14
Electricity	8	12
Gasification	5	11
Total	37	61

- * Horizontal development applies to all Taiwan sites.
- ** KM refers to technology and knowledge documents that have been internally reviewed and adopted.

/ Cases under ISO 14001 Environment Management Systems /

Site	Cases opened in 2021	Cases closed in 2021	Case closing rate in 2021
Taiwan	30	25	83.3%
China	34	29	85.3%
Total	64	54	84.4%

Communication on Environmental Issues

Innolux highly values communication on all environmental issues. We implement management and control of the communication process, and maintain records on the issues involved and improvement status. Issues of concern are reported and resolved in cooperation with the related departments, and a final review by the EHS (Environment, Health, and Safety) department is required for closure. The number of reported issues and processing status in 2021 are shown below; all have been fully responded to and resolved.

/ Internal and External Communication cases in 2021 /

Item / Number	Company-wide (Taiwan and China)	Responded to and Resolved	Percent Resolved
Internal issues	47	47	100%
External issues	569	569	100%

5.1.2 Environmental Accounting

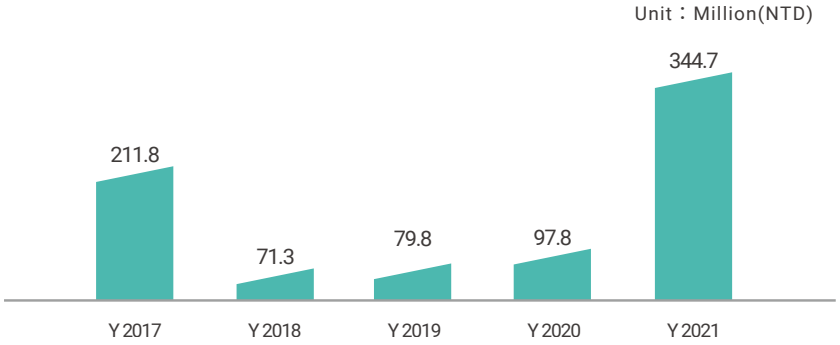
In compliance with the environmental accounting guidelines issued by the Environmental Protection Agency, Innolux has combined the procurement mechanism and accounting system to create an independent Environmental Account to manage and identify the company's expenditures related to environmental issues. The company implemented several environmental protection projects and improvement plans in 2021, and total environmental protection expenditures were estimated at NT$ 2.0149 billion at the Taiwan sites, and 7.15 million yuan (RMB) at the China sites.

/ Environmental Expenditures in 2021 /

Item	Content	Expenditures	
		Taiwan Sites, (NT$10,000)	China Sites (RMB10,000)
Corporate Management	Pollution control	198,742	660
	Global environmental protection		
	Recycling and reuse		
Management	Environmental education and training	54	1
	Acquisition of licenses and certificates		
	Environmental monitoring		
	Organization of related activities		
	Environmental management systems maintenance		
Research and Development	End-of-pipe treatment research	850	54
	Process pollution reduction research		
	Marketing for pollution reduction research		
Up- and Down-stream Relations	Green purchasing	1,792	0
	Product recycling		
	Packaging material recycling		
	Individual customer requirements		
Social Activities	Public relations activities	51	0
	Corporate image promotion		
	Other social activities		
Losses and Compensation	Pollution remediation	1	0
	Pollution litigation and compensation		
	Indemnification		
	Other		
Losses and Compensation		201,490	715

Green Procurement

Innolux pays close attention to environmental protection issues, promotes green procurement and urges its upstream and downstream partners to strengthen their positive impacts on the environment and on society. Innolux spent a total of NT$344.7 million on green procurement in 2021, mainly to replace computer equipment that had exceeded its service life, a significant increase of 252% compared to 2020. In the future, the company will continue to procure green products and services.



Awards for Excellence

- 1.The Luzhu site was awarded a 2020 Kaohsiung City Outstanding Green Procurement award by the Kaohsiung City Government Environmental Protection Bureau in September 2021
- 2.The Jhunansite was awarded a 2020 Outstanding Private Enterprise or Group Green Procurement award by the Miaoli County Environmental Protection Bureau in November 2021.

Handling of Violations of Environmental Protection Regulations

Case1	Case2
Violation • Article 28, Paragraph 1; Article 31, Paragraphs 1 and 2; and Article 36, Paragraph 1 of the Waste Disposal Act • Article 43, Paragraph 1 of the Methods and Facilities Standards for the Storage, Clearance, and Disposal of Industrial Waste	**Violation** • Article 65, Paragraph 1 of the Water Pollution Control Measure Plans and Permit Application Review Regulations • Article 18 of the Water Pollution Control Act
Case description The original polarizer supplier was required to recycle and reuse packaging materials that were illegally disposed of during the recycling process. The illegal waste disposal was traced back to Innolux and a fine was issued. On June 16, 2021, the Tainan City Government Environmental Protection Bureau identified the aluminum foil bag waste produced in Plant D in 2017 and 2018 as D-0299 mixed plastic waste that had not been entrusted to a qualified public or private disposal organization for processing, resulting in the illegal waste disposal.	**Case description** On May 3, 2021, the Miaoli County Government Environmental Protection Bureau conducted a routine on-site inspection of the water pollution control measures at the T2 plant and found that the water meters at the T2 plant were not calibrated at least once a year as required.
Date of ruling 2021/01/06	**Date of ruling** 2021/06/21
Penalty amount (NTD) 288,000	**Penalty amount (NTD)** 12,000
Corrective measures Starting from January 1, 2020, Innolux, of its own volition, initiated a policy of entrusting qualified cleaning and waste disposal companies to properly handle the aluminum foil bags and submitted an online declaration of the status of production, cleaning, and storage. The company has also signed contracts with qualified public and private organizations. Innolux has compiled and submitted a cleanup plan for the disposal site in compliance with the ruling that has been reviewed and approved by the local authority. The cleanup of the packaging materials has been completed.	**Corrective measures** The flowmeter was immediately scheduled for annual external calibrations. The flowmeter at the discharge point is now registered in the instrument calibration system, and monitoring and calibration is scheduled annually.

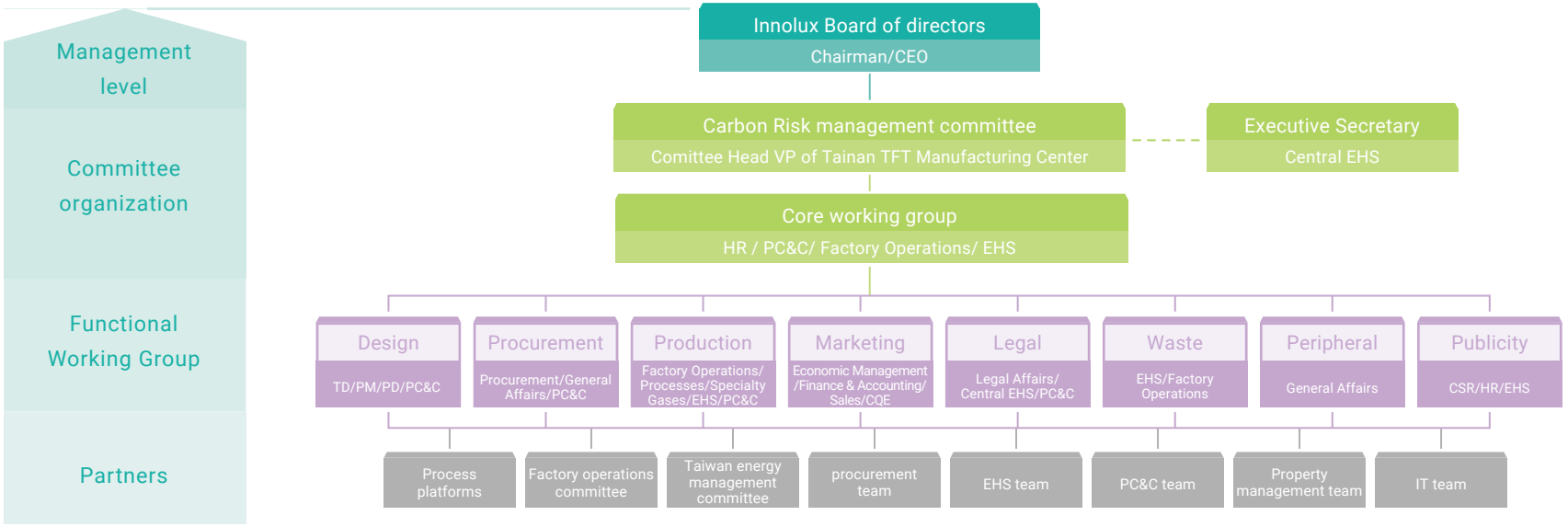
5.2 / Climate Change and Energy Management

Innolux recognizes climate change as one of the major risks to corporate sustainability. The company's Sustainable Development Management Committee under the oversight of the Board of Directors sets and promotes climate action goals. Currently, the company is focusing on the implementation of carbon risk and energy management to achieve environmental sustainability. In compliance with The Task Force on Climate-related Financial Disclosures (TCFD) framework, we have dedicated our efforts to the identification of potential risks and opportunities involving climate change and strengthening our mitigation of and adaptation to greenhouse gases, so as to reduce the impact of climate change on financial performance.

5.2.1 Carbon Risk Management Committee

In response to the net zero carbon emissions goal, Innolux established the Carbon Risk Management Committee in 2021 as an enforcement organization to formulate and implement the company's carbon reduction goals. The Vice President of the manufacturing center was appointed chair of the committee to lead the company to achieve its carbon reduction targets. The committee, responsible for formulating strategic targets for carbon reduction, has a core functional group composed of the most senior managers from human resources, quality management, factory operations, and the ESH department. The ESH Department acts as the executive secretary of the committee and is responsible for setting and implementing carbon management goals. The committee is divided into eight functional groups based on the distinctive features of concerned departments: Equipment, Procurement, Production, Marketing, Legal, Waste, Peripherals, and Public Relations. The committee explores the feasibility of carbon reduction in various stages of production, including raw materials, design and manufacturing, distribution and transportation, product use, and waste processing. In addition, the committee actively engages in efforts to promote the installation of renewable energy equipment to minimize the environmental impacts of greenhouse gas emissions and to make the utmost effort to fulfill Innolux's commitment to environmental protection. The committee conducts ad hoc group meetings to review the effectiveness of implementation for each target and conduct follow-up planning. The executive secretary is required to report the achievements of the committee to management every six months.

/ Organizational structure and duties of the Carbon Risk Management Committee /



Organizational structure and duties of the Carbon Risk Management Committee

Chairman

- Leader of the committee
- Coordinates organizations and resources
- Promotes the company's carbon reduction vision and objectives
- Assigns tasks to the committee and working groups
- Approves core resolutions of working groups

Executive Secretary

- Coordinates committee operations
- Formulates organizational vision/ strategy
- Sets/implements carbon management objectives
- Reports on committee achievements
- Establishes carbon reduction management system
- Arranges status reports for working groups
- Records progress of working groups

Committee (Core Working Group)

- Conduct research on carbon reduction technology
- Conduct research on the strategic objectives of carbon reduction actions
- Conduct research on carbon reduction management systems
- Conduct research and improve carbon reduction performance
- Assist working groups in implementing carbon reduction plans
- Facilitate and assist implementation of the committee's mission

Functional Working Group

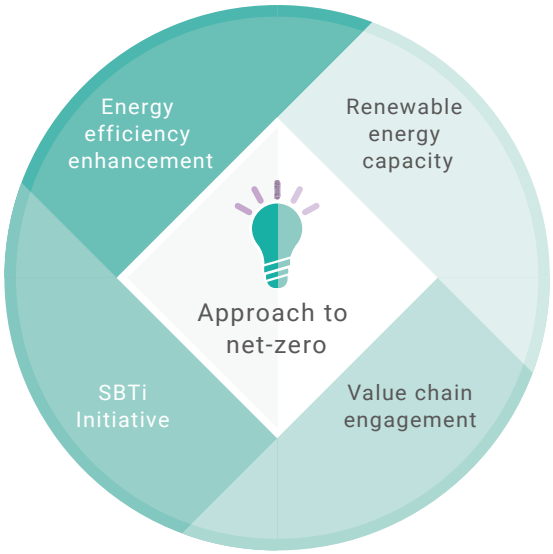
- Group leader organizes team members and invites necessary partner organizations to join functional groups
- Working groups shall conceive carbon reduction plans and develop actions to achieve carbon reduction objectives in phases
- Executive secretary for group selection is responsible for communication and operational strategies
- Working groups shall regularly report to the committee on carbon reduction objectives/plans/progress and performance
- Collaborate with the committee on the promotion and implementation of carbon risk management efforts

Innolux's Net Zero Emissions Strategy

Innolux
NET-ZERO

2022-2026 average annual power conservation rate ≧ 1.6%

Well below 2°C target: 2026 GHG emissions Scope 1 and Scope 2 reduction of 15% (compared to 2020)



Generation of 60 million kWh of electricity per year by renewable energy installations for self-consumption in 2025

Promote joint supply-chain carbon reduction efforts

Carbon reductions	Apply to join the Science-Based Targets initiative (SBTi) with the target of well below 2°C 15% reduction in Scope1 and Scope2 greenhouse gas emissions in 2026 (vs. 2020)
Energy conservation*	Achieve an average annual power conservation rate of ≧ 1% from 2022 to 2026; challenge the ≧ 1.6% target *2025 Sustainable Development Goal: Average annual power conservation rate of ≧ 1%, from 2020 to 2025
FC** Reduction*	49% reduction in FC emissions intensity per unit area in TFT process by 2025 (vs. 2016) *2025 Sustainable Development Goal: 30% reduction in FC emissions intensity per unit area in TFT process in 2025 (vs. 2016)
Renewable energy	Generate 60 million kWh of electricity for self-consumption using renewable energy installations annually from 2025

GHG Reduction Commitments

- * Innolux raised the target in 2021 to strengthen determination and action to mitigate climate change.
- ** Fluorocarbons (FCs), refers to SF6 (sulfur hexafluoride), NF3 (nitrogen trifluoride) and CF4 (carbon tetrafluoride)

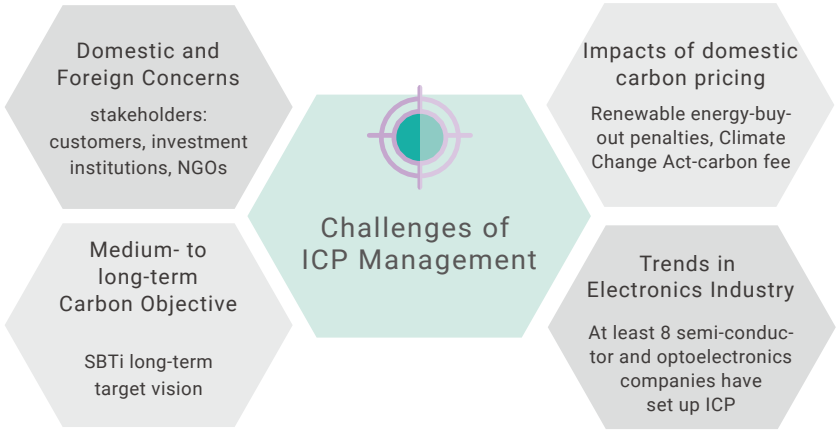
Other Carbon Risk Management Measures-Internal Carbon Pricing (ICP)

CO_2 emissions have been transformed from non-monetary to a high-value cost that can affect corporate operations and development. Therefore, Innolux introduced an internal carbon pricing system (ICP) in 2021 to transform risk into opportunities, implement its commitment to environmental protection, and achieve its goals of low-carbon manufacturing to meet the expectations of stakeholders.

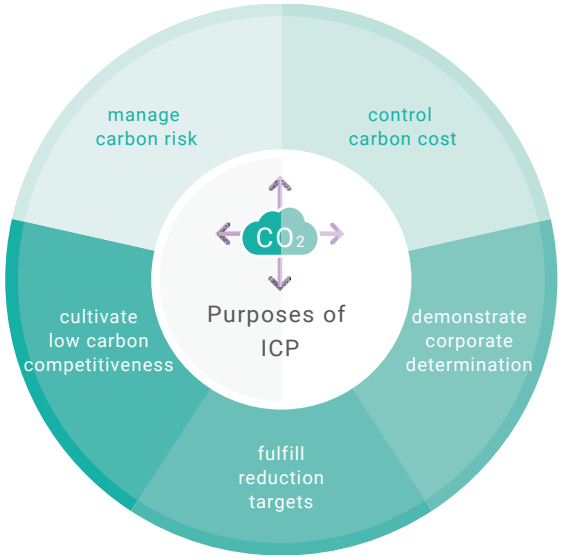
Innolux's ICP is based on the company's short/medium/long-term GHG emissions reduction action plan, with rolling management adjustments and regular updates. Carbon pricing is applied in two ways: a low-carbon investment assessment tool to accurately select carbon reduction measures and a carbon risk management review tool for specific investment projects, which calculates operational carbon costs based on the GHG emissions derived from investment projects in order to grasp the necessity of and return on investment.

The company regards ICP as a critical strategy that is expected to help the company achieve the following five goals: a complete understanding of carbon risks, the effective control of carbon costs, the achievement of the company's carbon goals, a clear demonstration of the company's commitment, continued competitiveness during the low-carbon transition, and increased operational sustainability.

Four major challenges of ICP management



Goals of the ICP system



5.2.2Climate Change Adaptation

Task Force on Climate-Related Financial Disclosures (TCFD)

To understand the impacts of climate change on company management, Innolux adopted the framework of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2020 to ensure transparency in its assessment disclosures. The TCFD was established in 2017 in response to United Nations Sustainable Development Goal 13: Climate Action (SDG 13) to ensure the transparency of disclosure and the efficient flow of information about climate change, and to promote effective internal cooperation between departments.

Governance	1. Board of Directors: Oversight of risks and opportunities and response strategies, action plans, and implementation results of climate change. Reports on environmental protection plans, GHG emissions reduction targets, and other related topics form a regular part Board meetings. 2. Sustainability Development Management Committee: The chairman of the Board convenes quarterly committee meetings attended by the top executives of the relevant manufacturing management departments to approve overall goals, strategies, and targets related to climate change, and to present annual reports to the Board of Directors. 3. Carbon Risk Management Committee: In response to global climate change and the international goal of net zero emissions, the Committee coordinates the planning of the company's carbon management goals, carbon reduction strategies, and medium- and long-term carbon reduction targets, as well as promoting carbon reduction action plans. The Committee has set up eight functional groups to review the feasibility of carbon reduction in the areas of raw materials, design and manufacturing, distribution and transportation, product use, waste processing, etc. In addition, the Committee actively promotes the construction of renewable energy facilities to reduce the environmental impacts of GHG emissions to do its utmost to fulfill Innolux's environmental protection commitments.
Strategy	1. Conduct inter-departmental discussions to identify major adaptations of the company, and short-, medium-, and long-term physical risks and opportunities. According to the existing internal target management schedule, 'short-term' is defined as fewer than 3 years, 'medium-term' as 3-5 years, and 'long-term' as over 5 years. 2. Assess the financial impacts of major transitions, short, medium, and long-term physical risks, andtransition risks. 3. Conduct scenario analysis of transition risks and explore the potential financial impacts of regulations, technology, markets, and goodwill under three scenarios: 1.5° C, 2° C, and Nationally Determined Contributions (NDC). 4. Implement Internal Carbon Pricing (ICP) as a carbon risk management review tool for investment projects, and consider applying ICP to GHG emissions derived from investment projects to calculate operational carbon costs in 2022, thus incorporating carbon costs into investment considerations. 5. The Carbon Risk Management Committee has set up eight major working groups to formulate, plan, and promote overall planning on various short, medium, and long-term carbon reduction projects, based on their respective core functions. 6. Work jointly with other departments to propose feasible carbon reduction projects covering raw materials, manufacturing, distribution, use, and waste processing based on the life-cycle concept. 7. Actively develop green products and improve manufacturing technology. 8. Create a low-carbon supply chain. 9. The company allocates a certain percentage of annual funding as an operating budget for environmental sustainability.
Risk management	1. We have incorporated climate risks into the company's Risk Management Policy and Procedures, and assess and disclose regularly to the public. 2. We identify transition risks from regulations, technology, market, and goodwill, as well as immediate and long-term physical risks. 3. The geographic scope of risk identification includes the sites in Taiwan and China. Risk is categorized according to the probability of occurrences (8 levels) and the degree of impacts (5 levels), and is presented in a two-dimensional matrix to identify material risks with significant impacts.
Indices	1. Innolux incorporates climate-related performance indices into its compensation policies, including those for top executives such as the CEO and Chief of Sustainability, and all other employees. 2. We set targets for GHG emissions, power-savings, and power and water consumption intensity for product manufacturing. Innolux applied to join the Science based Target Initiative (SBTi) in 2021, and plans to reduce Scope 1 and Scope 2 GHG emissions by 15% in 2026 compared to 2020. In terms of energy savings, the company aims to challenge the annual 1.6% power conservation rate target (2022-2026) and is continuing to develop renewable energy equipment with the goal of generating 60 million kWh of power annually by 2025, in addition to continuous improvements in the power consumption efficiency of the manufacturing process.

1. Identification and Management of Material Risks and Opportunities

Climate-related risks and the potential consequences are diverse, dynamic, and long-term in nature, and therefore are not easily ranked in quantifiable sequence due to the high degree of uncertainty. To understand the scale of the risks faced by Innolux, each base of operations around the world is responsible for identifying individual risks and calculating and including the associated weighting to formulate effective management strategies to achieve the prevention, mitigation or transfer of risks.

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

Opportunities

- Manufacturing processes
- Modes of transport
- Low-carbon energy
- Participation in the carbon market
- Consumption of water resources

Risks

physical	Changes in precipitation patterns and distribution
physical	Tropical cyclones
transition	Mandatory reporting
transition	Cap and trade
adaptation	Uncertainty of new regulations

2 Financial Impact Analysis of Risks and Opportunities, and Response Measures

/ Physical risks /

Climate risk	Time horizon	Financial impact
(transition/regulations) captrade	Medium-term	Increased costs
(transition/regulations) mandatory declaration	Short-term	Increased costs
(transition/regulations) uncertainties of new regulations	Short-term	Increased costs

Climate opportunity	Time horizon	Financial impact
Participation in the carbon market	Long-term	Increased revenue Increased value of assets
Low-carbon energy	Long-term	Increased revenue Increased value of assets
Manufacturing processes	Short-term	Increased revenue Reduced costs
Modes of Transport	Medium-term	Reduced costs

Response measures

1. Active reduction of carbon emissions. Set a 5-year absolute carbon reduction target in accordance with the Science-based Target initiative (SBTi). Applied for GHG offset projects for the Taiwan sites and obtained carbon allowance to reduce carbon management risks and cost impacts.
2. Participate in government regulatory meetings and industrial greenhouse gas platforms, and obtained reasonable carbon allowance and reasonable rates for carbon fees.
3. Introduced ISO 50001 Energy Management Systems in the front-end production process at the Taiwan sites and the Foshan site, and propose energy-saving action plans.
4. Continue to evaluate and install self-generated low-carbon energy at factory facilities.
5. Optimize scheduling and communicate with logistics suppliers through internal platforms to increase the container utilization rate and reduce carbon emissions, and to improve shipping efficiency jointly with logistics suppliers

/ Transition risks /

Climate risk	Time horizon	Financial impact
(Physical/immediate) tropical cyclones	Short to medium-term	Decreased revenues Increased costs
(Physical/long-term) precipitation patterns	Medium- to long-term	Decreased revenues Increased costs

Climate opportunity	Time horizon	Financial impact
Consumption of water resources	Long-term	Reduced costs

Response measures

Innolux’ s operations:

1. Designed the foundation and drainage systems of the plant sites according to regional conditions and requirements to avoid disasters caused by heavy rainfall and flooding.
2. Continue to collect information on the water situation at the plant sites to prepare response measures.
3. Set up BCP backup plans and conduct regular drills.

Supply chain:

1. Innolux has developed a smart global supply chain map to provide real-time alerts and information/feedback on disasters and material conditions to improve advanced preparations and early response measures.

3 Risk Scenario Analysis

Innolux uses a systematic evaluation process and has adopted scenario analysis to identify external environmental indices to facilitate internal evaluation and adjustment of strategic plans.

Physical risks

Transition risks

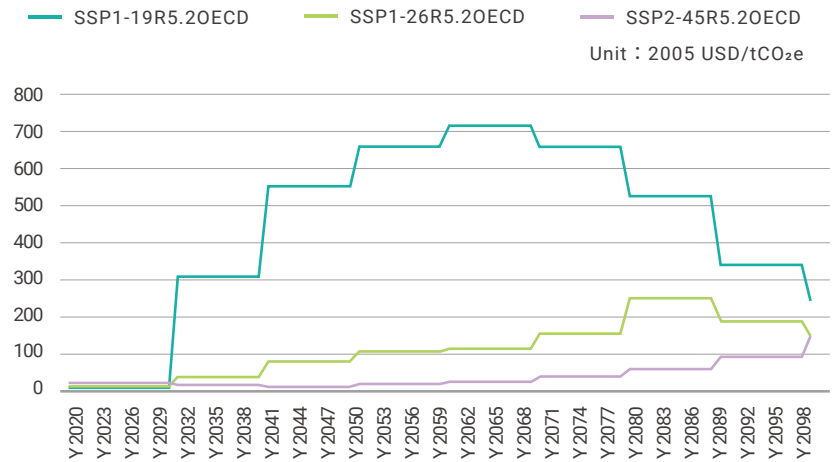
	Physical risks				Transition risks		
	RCP 2.6	RCP 4.5	RCP 6.0	RCP 8.5	SBT 1.5℃	SBT WB2℃	NDC
Time horizon	2021 ▶		▶ 2040		2025 ▶	2050	▶
Geographic scope	Taiwan (Tainan and Jhunan)				Global		
Scenario	Based on the estimate of the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) Daily average precipitation in four scenarios: Miaoli: -0.68~2.18 mm/day Tainan: -0.63~2.74 mm/day				Regulations, goodwill, and the market Emissions assumptions: Estimates of Scope 1 emissions growth rate, power consumption growth rate, and grid coefficient Estimates of carbon emissions allowance under external pressure： 1. NDC target: Annual baseline emissions will be reduced by 1.46% before 2030, and 2.32% from 2031 to 2050 (Taiwan sites only) 2. SBT-WB2DC: 2.5% annual reduction in baseline emissions 3.SBT-1.5℃: 4.2% annual reduction in baseline emissions		
Impacts and strategic solution	The variation in precipitation at the Tainan site (Tainan City) is relatively extreme. Since Tainan is the primary location of Innolux's front-end processes, it is important to continuously improve the water efficiency of the manufacturing process while developing alternative water sources to reduce manufacturing risks caused by uncertain precipitation. In addition, efforts to investigate, monitor, and observe the risks and impacts of extreme rainfall on supply chain tolerance, and to disperse risk by developing alternative sources for parts and components, should continue.				The most obvious are the financial impacts caused by the carbon tax and market risks. Innolux will continue to communicate with the government and present the views of the industry on GHGs and energy development. The company is also committed to improving industrial green capacity and working with suppliers and customers to research and develop low-carbon, low-energy consumption products in order to satisfy market demand for green products.		

4 Estimated Financial Impacts

Innolux referred to the IPCC AR6's SSP1 and SSP2 scenario used by the OECD countries to formulate carbon tax rates for its adaptation scenarios and has adopted a stepped carbon tax rate consistent with the ten-year tax system, as well as referring to the 100 NTD/tCO_2e plan currently being considered for Taiwan's climate policymaking process, to map out three carbon tax scenarios:

1. NDC: 3USD/tCO_2e
2. SBT-WB2℃（IPCC AR6，SSP1-2.6）: 9-242 USD/tCO_2e
3. SBT-1.5℃（IPCC AR6，SSP1-1.9）: 7-708 USD/tCO_2e

Carbon Tax Price



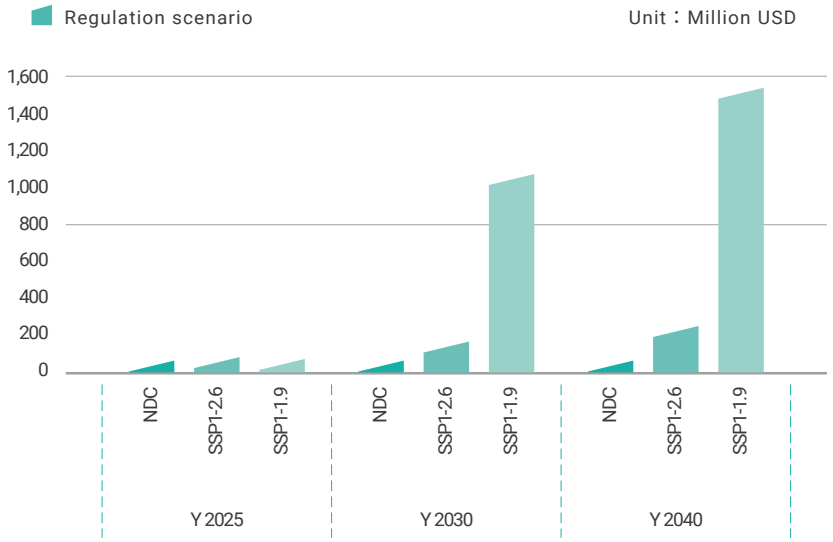
Innolux maintains plants in China, which is beginning to formulate long-term climate change mitigation targets aimed at achieving peak carbon emissions by 2030 and carbon neutrality by 2060. China's Ministry of Ecology and Environment promulgated management measures for carbon emissions trading on February 1, 2021, marking the start of its national carbon trading market. Currently, Scope 1 emissions-based industries are already placed under the management scope. The impacts on Innolux are limited, however, due to the company's existing industrial category. At the moment, China is likely to apply cap and trade to carbon as an oversight mechanism, although the carbon tax has not yet been adopted as official policy. Therefore, Innolux has tentatively calculated the carbon tax risks the company might sustain in China, based on the carbon prices in the SSP1 sustainability pathway in IPCC AR6.

The estimated results indicate that Innolux will potentially face three scenarios (NDC, SBT-WB2DC, SBT-1.5 ℃) in 2025, 2030, and 2040, respectively, if we do not act. Overall, the carbon tax will cause the most significant financial impact. Carbon prices in IPCC's SBT-1.5 ° C are likely to be extremely high in order to achieve the global target of 1.5° C , and might even reach a peak US$700 per ton in the middle of the century. Therefore, the financial cost of achieving SBT-SBT-1.5° C will be greater than that of achieving SBT-WB2DC.

Due to the significant rise in carbon prices after 2030 in the IPCC AR6 SSP1-1.9 scenario, carbon prices in the SBT-1.5 ℃ scenario will be higher than in the SSP1-2.6 scenario. Considering the possible financial differences in all carbon reduction schemes, it can be found by comparing the achieved SBT targets with the alternative schemes that the current PPA procurement is more likely to achieve SBT-WB2DC and SBT-1.5° C at a lower cost, whereas the cost of simply purchasing RECs (Renewable Energy Certificates) will be higher.

Innolux also conducted a simulation with factors such as ongoing reduction measures, future changes in Scope 1 power consumption, and electricity emissions coefficients based on the company's operations in the Greater China region, to calculate estimated GHG emissions up to 2040 against allowable emissions under three transition scenarios. With reference to the carbon price estimated under the AR6 SSP scenario, the set amount of allowable carbon emissions, and the amount in excess of allowable emissions, the calculation of the potential financial impact is assessed as follows.

Innolux's financial impacts under the premise of inaction



External Assessment

Innolux accepts requests from investors and customers to respond publicly to CDP environmental management questionnaires. The company discloses data, risks, and opportunities related to carbon management and evaluates its actions in response to climate change and potential operational risks through systematic questionnaires.

Innolux has been awarded Management level (B-) for Climate Change, Leadership level (A-) for Water Security, and the highest level, Leaderboard (A) for Supplier Engagement Rating.

Item	2021 Rating
Climate Change	B-
Water	A-
Supplier Engagement Rating	A

CDP
DRIVING SUSTAINABLE ECONOMIES

5.2.3 Greenhouse Gas Management

In response to global climate change and in compliance with the international goal of net zero emissions, Innolux has established the Carbon Risk Management Committee to support Innolux's commitment to environmental protection by coordinating the planning of its carbon management goals, carbon reduction strategy, and medium to long-term carbon reduction targets, and to promote its carbon reduction action plans.

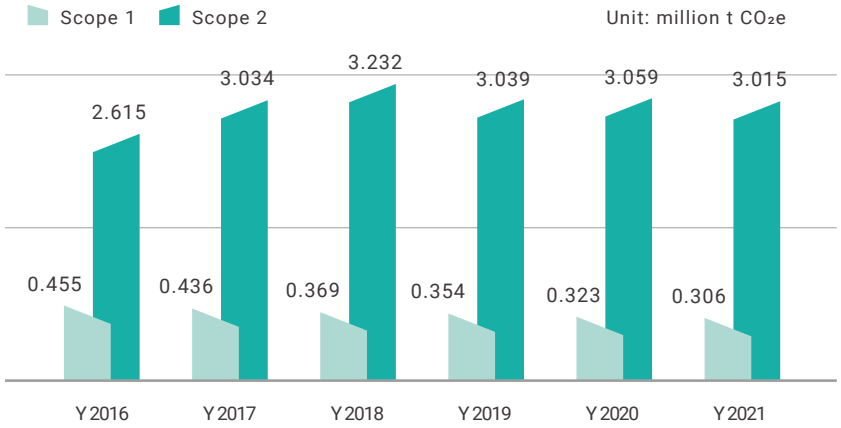
Greenhouse Gas Inventory

In 2022, Innolux will refer to the ISO 14064-1:2018 Greenhouse Gas Inventory Standard and introduce the latest standard that uses operational control as the reporting boundary to establish a greenhouse gas inventory mechanism in accordance with the IPCC 2006 guidelines. In 2021, Innolux inventoried material indirect greenhouse gas emissions sources in accordance with indirect greenhouse gas emissions screening guidelines and selected indirect greenhouse gas emissions from employee commuting, business travel, waste generated in operations, purchased goods (fuel and energy), and investment as the targets for the first-year inventory. In addition, since emissions from purchased electricity account for the majority of total emissions (90%±5%), the electricity carbon emission factor is updated annually according to actual circumstances, which further affects the emissions value. Therefore, the base year is set on a rolling basis. All of Innolux's greenhouse gas inventory data will be verified by third-party organizations.

According to the greenhouse gas inventory results in 2021, the combined Scope 1 direct emissions (Category 1) and Scope 2 indirect energy emissions (Category 2) amounted to 3.321 million tCO_2e, including 0.306 million tCO_2e in Scope 1 and 3.015 million tCO_2e in Scope 2. Based on the analysis of the total emissions of Scope 1, Scope 2 and Scope 3 sources, Scope 2 accounted for about 90.79% and Scope1 accounted for 9.21%, respectively. The greenhouse gas emissions intensity in 2021 was 0.0495 tCO2e /m², a reduction of 3.13% compared with the previous year, revealing a declining trend in greenhouse gas emissions intensity. At present, the company is continuing to promote power consumption efficiency and to improve the cleaning process for specific manufacturing processes to reduce greenhouse gas emissions and environmental impacts. Furthermore, Scope 3 (Category 3~6) was added in 2021, and the emissions volumes of individual sources are shown in the table below.

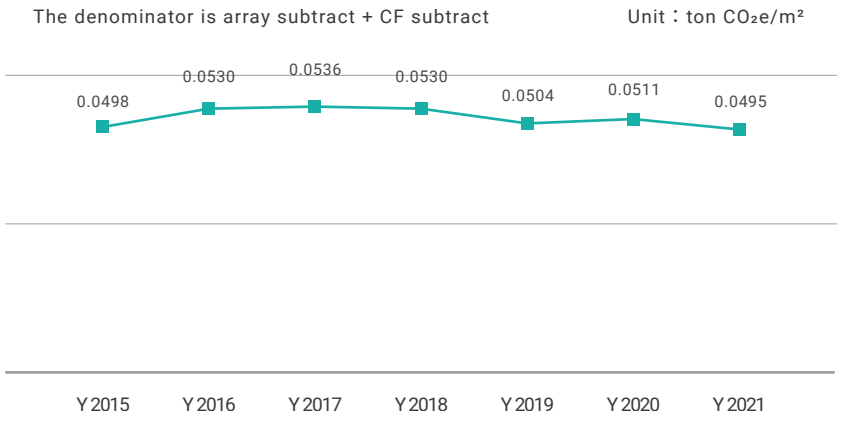
Item	Category	Emissions (million tCO_2e)	Percentage (%)
A. Direct GHG emissions		0.306	7.78%
B. Indirect GHG emissions from imported energy		3.015	76.72%
C. Indirect GHG emissions from transportation	Business travel (employee business travel)	0.0003	0.01%
	Employee commuting	0.045	1.16%
D. Indirect GHG emissions from products used by the organization	Fuel-and-energy-related activities (not included in Scope 1 or 2)	0.536	13.63%
	Waste generated in operations	0.017	0.44%
E. Indirect GHG emissions related to products used by the organization	Investment (subsidiary)	0.010	0.27%
Total volume		3.929	

Scope 1 and Scope 2 GHG emissions



- Data scope: Sites in Taiwan and China
- Scope 1: Direct GHG emissions
- Scope of inventory: Qualitative and quantitative inspection of fluoride-containing FCs with greenhouse effect potential, namely SF6 (sulfur hexafluoride), NF3 (nitrogen trifluoride), and CF4 (carbon tetrafluoride), fuels in public systems, VOC control equipment, and other pollution sources with GHG emissions
- Scope 2: Indirect GHG emissions related to energy
- Scope of inventory: Qualitative and quantitative inspection of purchased electricity and thermal energy

GHG emissions intensity over the years



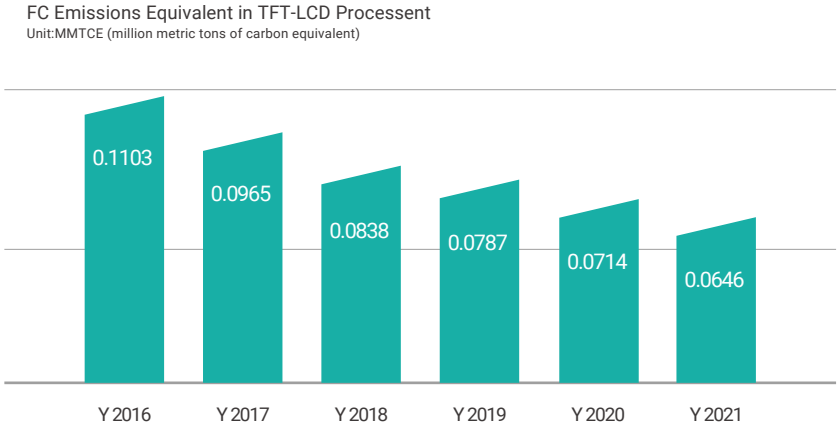
- The denominator is array subtract + CF subtract

Volume olume of GHG emissions over the years

Unit: million t CO_2e	2017	2018	2019	2020	2021
Scope 1	0.436	0.369	0.354	0.323	0.306
Scope 2	3.034	3.232	3.039	3.059	3.015
scope 3	0.039	0.037	0.032	0.028	0.609
Total	3.509	3.638	3.425	3.410	3.929

- *The items in Scope 3 from 2017 to 2020 include waste generated from business travel and operations, and the items in scope 3 in 2021 include business travel, employee commuting, fuel and energy-related, operational waste, and investment (subsidiary) emissions.

FC Emissions Equivalent in TFT-LCD Process

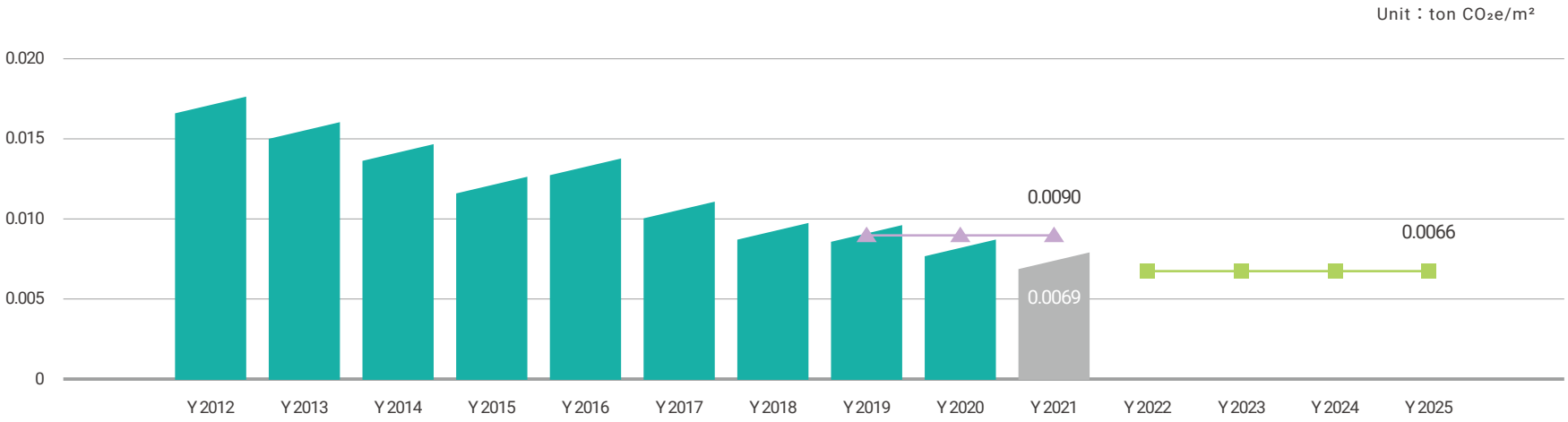


Effectiveness of Greenhouse Gas Management Indices

2025 Sustainable Development Goals: 30% reduction in FCs emissions intensity per unit area in TFT processes

Using its 2016 fluorinated compound (FCs) emissions intensity per unit area of 0.0129 tCO_2e/m^2 as a baseline standard, Innolux set a challenging target of a 30% FCs emissions reduction (0.0090 tCO_2e/m^2) in its TFT processes by 2025. Thanks to the concerted efforts of all parties and the installation of two additional local scrubbers in 2021, the FCs emissions intensity per unit area of the TFT process has already been reduced to 0.0069tCO_2e/m^2, a reduction of 46.5%. In response to carbon risk management needs, Innolux has reviewed and raised the target to reduce FC emissions intensity per unit area in the TFT processes by 49% (0.0066 tCO_2e/m^2) in 2025 compared with 2016. The continuous reduction of FC emissions intensity will encounter severe challenges as the reduction rate increases, and the product mix and upgrade of manufacturing process also has a great impact on product emissions intensity. Innolux will continue to monitor its FCs reduction target and plans to improve the efficiency of local scrubbers through improvements to the facilities and the installation of an additional 21 local scrubbers in 2022. We hope to achieve 100% installation as soon as possible.

/ FCs Emissions 2025 Target /

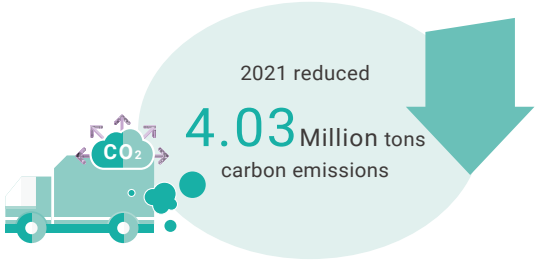


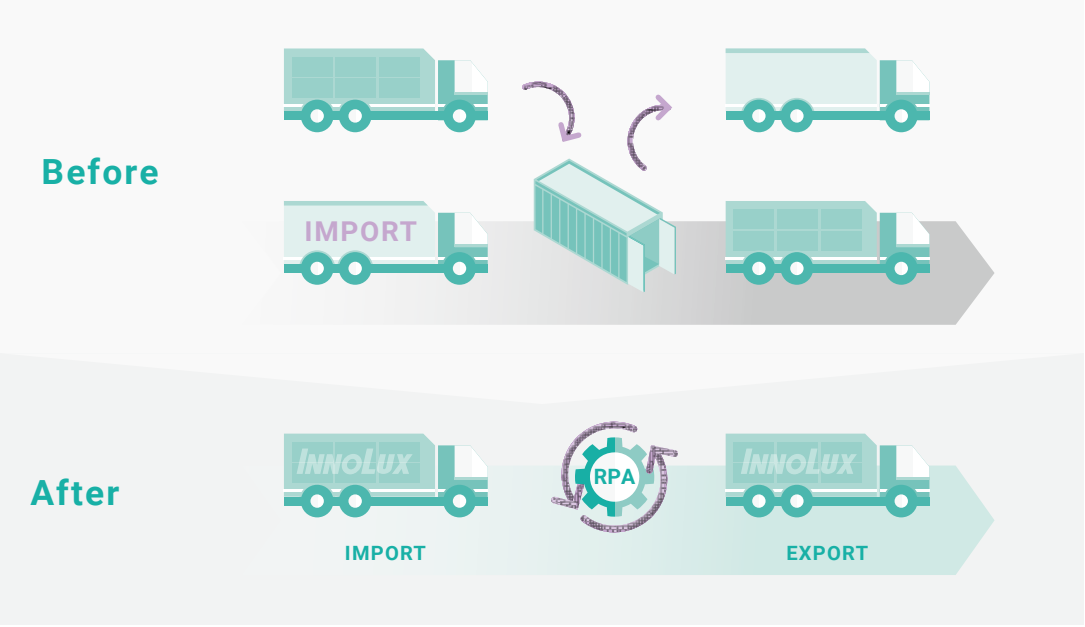
Greenhouse Gas Offset Project

In response to the Environmental Protection Administration’ s greenhouse gas reduction incentive measures, Fab F, B, and T2 in Taiwan all joined the greenhouse gas offset project in 2019. All three Fabs completed the registration of the offset projects in 2021 and have implemented greenhouse gas offset project monitoring plans, and are preparing to apply for carbon credits in 2022 with an estimated total annual reduction of 235,000 tCO_2e emissions.

Logistics Carbon Reductions

In the spirit of creating green logistics, Innolux manages and controls the movements of import and export containers via the company's container management platform and has expanded the scope to shipments at the customer's end. We increase the utilization rate by reusing import containers as export containers, thereby decreasing the frequency of transporting empty containers to and from ports as well as improving shipping efficiency. In addition, goods will be shipped by sea and land instead of the air transport originally required; the relatively low-carbon consumption saves considerable transportation costs and reduces carbon emissions, while we are still able to meet customers' delivery deadlines and implement green logistics to achieve our goal of eco-friendliness. In 2021, the effort to incorporate the status of import and export containers and the shipping plans for finished products, and to move from air transport to sea and land transport has reduced carbon emissions by approximately 4.03 million tons.





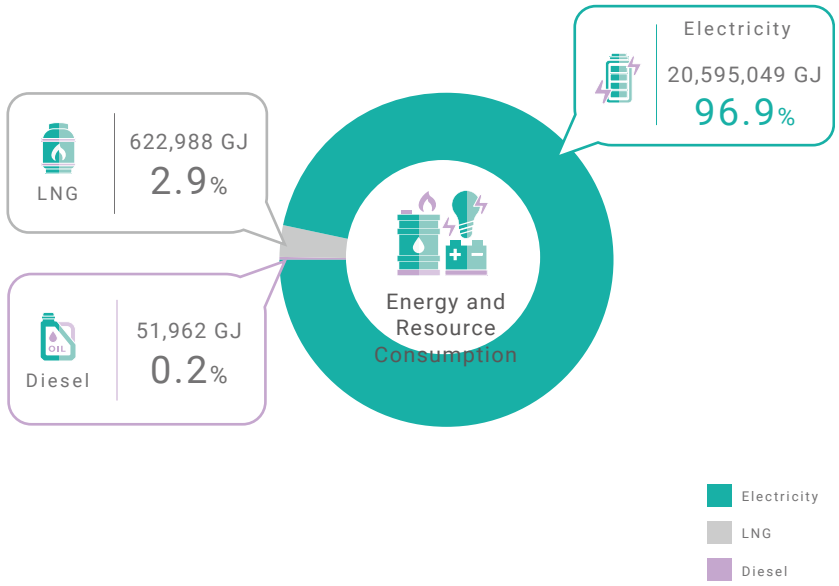
5.2.4 Energy Management

Innolux has adopted the ISO 50001 Energy Management Systems to improve its energy consumption efficiency. We support the procurement of energy-saving products and services, encourage energy efficient design improvements, and provide education, training, and communication channels to strengthen employee awareness of the importance of energy savings.

Energy Resource Consumption

Electricity, diesel, and natural gas are the primary energy resources for Innolux. In 2021, a total of 21,270,000 GJ of energy were consumed, of which electrical consumption made up the largest percentage with a total annual consumption of 20,595,049 GJ or 96.9%, followed by 508,510GJ of natural gas (2.5%), and 261,094GJ of diesel (1.2%).

/ Energy and Resource Consumption /

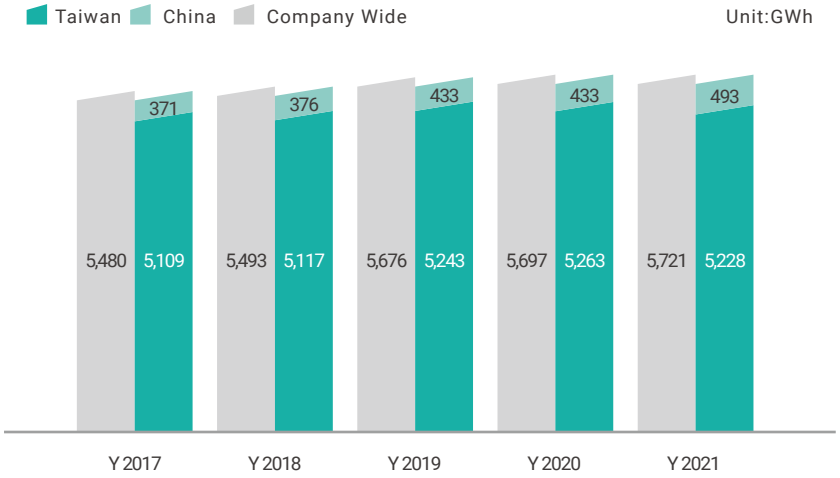


/ Volume of energy consumption over the years /

Unit: GJ	2017	2018	2019	2020	2021
Electricity	19,729,214	19,774,347	20,433,432	20,508,231	20,595,049
Diesel	16,755	261,094	11,856	18,328	51,962
Natural gas	471,271	508,510	564,093	559,845	622,988
Total energy consumption	20,217,239	20,543,950	21,009,382	21,086,405	21,270,000

Power Consumption Efficiency Review

In 2021, Innolux consumed a total of 5,721 GWh of electricity. The Taiwan sites consumed 5,228 GWh or 91.4% of this total, while the China sites consumed 493 GWh (8.6%).



Power Conservation Effectiveness

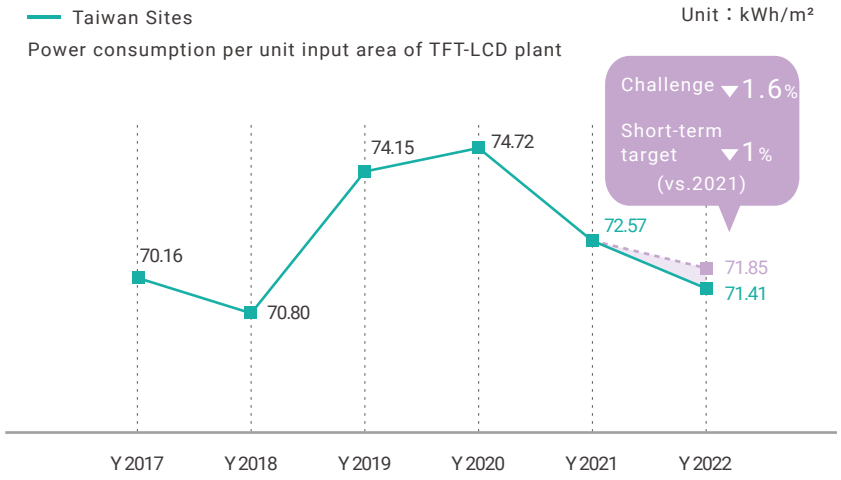
2025 Sustainable Development Goals: Annual Power Conservation Rate ≧ 1%*

A review of our power conservation performance indices shows that the average power conservation rate of the Taiwan sites reached 1.05% in 2021, in line with the 1% target set by the Ministry of Economic Affairs' Regulations on Setting Energy Conservation Objectives and Execution Plans for Energy Users. In addition, the power consumption per unit input area of the TFT-LCD plants in the Taiwan sites was 72.57 KWh/m² in 2021, a decrease of 2.9% compared with 74.72 KWh/m² in 2020, which achieved the target we set. In the sites in China, including Ningbo, Foshan, and Nanjing, the reduction target for power consumption per unit output quantity (vs. 2020) was also achieved. The Shanghai plant failed to achieve its target, however, due to the introduction of new processes to meet the expansion needs of the site which led to a rise in power consumption, even though the Shanghai site has been continuously implementing power-saving projects.

In 2022, the Taiwan sites will continue to pursue the 2025 Sustainable Development Goals to maintain an annual power conservation rate of ≧ 1%, review power conservation targets according to carbon risk management, and set annual power conservation rate targets at ≧ 1% from 2022 to 2026 while challenging the target of ≧ 1.6%. The China sites will continue to pursue reductions in power consumption per unit output quantity.

- L6 was not included in the 2025 Sustainable Development Goals when the Goals were introduced in 2016 because there was no TFT-LCD plant in L6. The data on power consumption per unit output area in L6 has been included in the report since 2017.

Power Consumption Intensity at Taiwan Sites



Power Consumption Intensity at China Sites

Power Consumption Intensity*	2021 target		2021 consumption		2022 target
	Reduction (vs.2020)	Intensity value	Intensity value	Target achieved	Reduction (vs.2021)
Ningbo	1%	1.18	1.17	V	1%
Foshan	4%	3.80	3.57	V	1%
Nanjing	1%	0.65	0.64	V	2.5%
Shanghai	1%	2.28	2.54	X	Electricity consumption ≦ 33.79M kWh**

- *: Power consumption per unit output quantity (kWh/pc)
- ** Shanghai site continues to introduce new manufacturing processes which will cause rising power consumption in 2022. Therefore, the 2022 target is set to control the power consumption volume.

ISO 50001 Energy Management Systems

In keeping with trends in sustainable energy management at home and abroad, Innolux introduced the ISO 50001:2018 standard in 2019 to develop energy management systems and mechanisms for implementing climate change adaptation actions and reducing greenhouse gas emissions. The company designated two different generations of plants as pilot plants and successfully obtained third-party verification from the British Standards Institution (BSI) in May 2020. The standard has since been expanded to all front-end process plants, and external verification was acquired in April 2021. The ISO 50001 Energy Management Systems now covers 90% of Innolux's energy consumption at the Taiwan sites. Innolux is committed to executing comprehensive and systematic strategic energy management to demonstrate the company's determination and endeavors in the field of energy conservation.

Innolux established an Energy Management Committee as the decision-making and oversight mechanism to demonstrate the emphasis the company places on energy management. The committee is responsible for developing energy policy, setting targets and objectives, establishing energy efficiency performance indices, and proposing and executing energy-saving solutions through the PDCA (planning, doing, checking, and action) cycle. The objective is to promote continuous improvements in energy-saving performance and institutionalize energy management into Innolux's environmental, safety, and health culture, so as to achieve sustainable corporate development and help mitigate climate change.

Energy-saving Improvement Projects

Innolux has established the Energy Management Committee to provide comprehensive support for energy-saving measures and has allocated additional funds and resources for energy management system projects, as well as actively encouraging proposals for energy-saving solutions and cooperating with the Facility Technology Committee on project implementation. In 2021, the Tainan site focused its energy-savings efforts on the re-optimization of the bulk power consumption system and continued its efforts to adopt smart group controllers for centrifugal compressors and to replace impellers to optimize the operational efficiency of the compressor system in each plant. The Foshan plant recovered the waste heat generated by the vacuum machine and used heat exchangers to generate thermal energy for re-consumption to improve energy efficiency.
In 2021, Innolux proposed a total of 182 projects and completed 95 projects that generated 29.74 million kWh of annual power savings and approximately 15,000 tCO_2e in carbon reductions. Innolux remains committed to improving its energy management system, investing in in-demand resources, introducing measuring and monitoring management, and promoting control and energy-saving measures to contribute to global sustainable development.

/ ISO 50001 Implementation Achievements /

Site	No. of persons involved in energy management systems	2021 Action plan			
		Projects proposed	Projects completed	Annual power conservation (Watts)	Annual power conservation rate (%)
Jhunan	**125**	58		13,888,173	1.55%
Taiwan	**379**	93	26	14,581,389	0.35%
Foshan	**79**	31	16	1,273,557	0.80%
Total	**583**	182	95	29,743,119	-

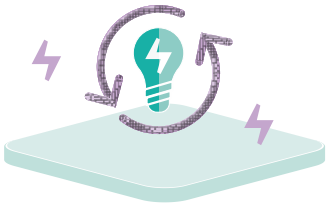
Energy Management Committee

2021

182 ISO 50001 management projects

energy savings

29.74 million kWh



Green Energy Development

To address global climate change, technologies that offer energy savings and carbon reductions have become global mainstream trends in recent years. Countries around the world are pursuing net zero emissions pathways and goals centered on high energy efficiency and low carbon emissions, and are formulating management policies to develop renewable energy and construct a sustainable economy, which is also one of the pathways adopted by Innolux to move toward low-carbon manufacturing. As the leading enterprise in the panel manufacturing industry, Innolux has carefully reviewed and introduced technology including the safe design and installation of solar power and power storage facilities as its carbon reduction responses to slow down the deterioration of the global environment. In 2016, the company began to gradually invest in solar energy construction and biogas generation equipment. In 2021, the total installed solar power capacity reached 34,827 kWp with annual solar power generation exceeding 37,446,999 kWh, the total installed capacity of biogas power generation reached 160 kW with annual power generation exceeding 784,560 kWh, and total annual renewable energy power generation exceeded 38,281,559 kWh. In addition, Innolux is expected to complete the construction of a biogas generator facility at the FAB 2 Tainan site in 2022 and will continue to increase the installed capacity of solar energy to achieve an installed capacity of 66,000 kWp in 2023. The company is firmly committed to simultaneously achieving sustainable development and contributing to the environment.

Solar Energy Panel

In addition to complying with the energy policies of the government, Innolux also emphasizes the safety management of solar energy systems. In 2021, the company identified relevant domestic and foreign laws, regulations, and standards that establish safety regulations for solar panel installations. In 2022, the company will further introduce traceability to its solar energy sites and systematic safety inspection plans for testing and inspections of the electrical safety of the installed systems, equipment, and infrared thermal imaging modules, in accordance with IEC 62446-1 and IEC 62446-3.

Demonstration of smart drone inspection

Demonstration of safety inspection on electrical equipment

/ Solar Power Generation in 2021 /

Site		Installed capacity (kWp)	Power generation (kWh)	Self-consumption percentage
Taiwan	Jhunan	34	36,924	100%
	Tainan	10,233	13,399,565	0%
China	Ningbo	9,700	8,102,020	100%
	Foshan	14,860	15,908,490	97.08%
Total		34,827	37,446,999	-

/ Biogas Power Generation* in 2121 /

Site	Installed capacity (kW)	Total power generation (kWh)
Tainan FAB 7	160	784,560

* Currently, only the Tainan FAB 7 site has biogas generation capacity; 100% of the power generated is sold to Taipower at wholesale rates.

Energy Storage Equipment Installation

Innolux attaches great importance to energy storage through the parallel approaches of energy-savings and green energy development. In addition to developing renewable biogas and solar power energy systems, it is extremely important to utilize the quick-charging and discharging feature of energy storage to facilitate frequency adjustments in the electrical system to maintain power supply stability, which, however, increases the risk of fire in the plant sites. Therefore, the company is also deliberating a strategy to address fires or explosions originating from the equipment. Innolux is collaborating with storage equipment and fire-fighting system providers to ensure that domestic and foreign safety standards for storage equipment (i.e. IEC、NFPA, FM, UL, GB/T, and CNS) are met, to jointly assess risk in energy storage systems at each stage and establish safety specifications to facilitate future expansion.

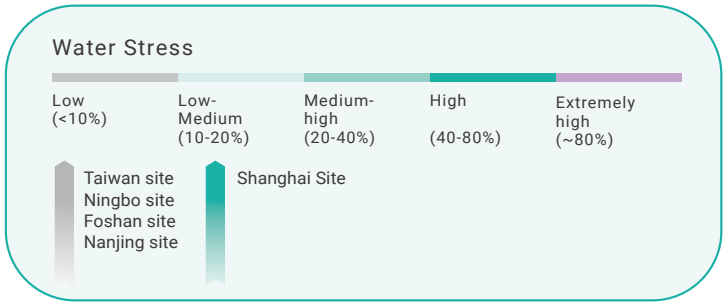
5.3 / Water Resource Management

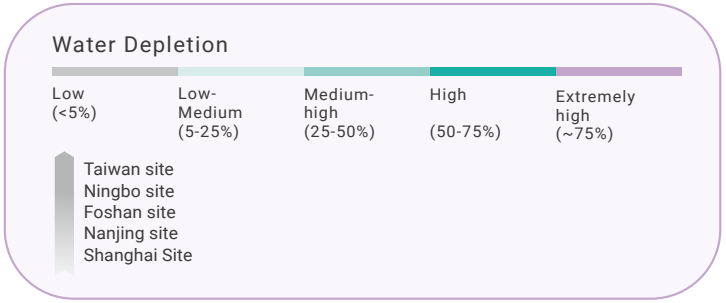
Extreme weather has caused drastic changes in the global environment. In early 2021, Taiwan experienced its worst drought in a century, making water resource management a concern to stakeholders. Innolux complies with the government's water rationing and control policies and actively invests in the construction of wastewater recycling equipment to conserve valuable water resources. To promote systematic water resources management, Innolux has designated the Tainan FAC 6 plant as the pilot plant for the introduction of ISO 46001 Water Efficiency Management Systems in 2022.

Water Risk Assessment

To obtain a better understanding of the water stress and depletion at individual plants, Innolux referred to the water risk assessment tool developed by the World Resources Institute (WRI) to identify plant locations with a higher water resources risk and concluded that none of Innolux's plants are located in high-risk areas.

Innolux is not located in water stressed areas.





AQUEDUCT Water Risk Atlas

Risks and Crisis Management: Water Shortages and Drought Countermeasures

Three major approaches to water shortages and drought countermeasures: water storage, water conservation, and new water sources

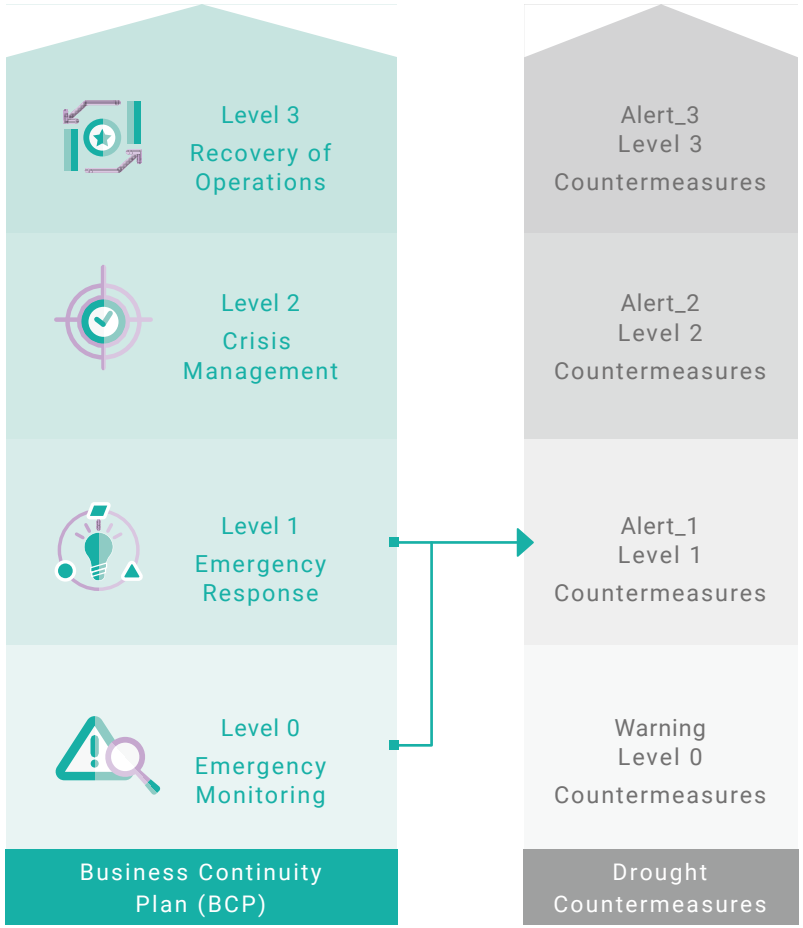
1. On ordinary days: monitor water storage, conservation, and consumption
2. At the early drought stage: promote water conservation awareness among employees, evaluate water resource facilities, and map out water consumption control and water reclamation rate for plant operations and equipment.
3. Secure contracts with water transportation providers to avoid interruptions to operations due to water shortages.

Water trucks enter plant sites

Water trucks enter plant sites to unload water at night

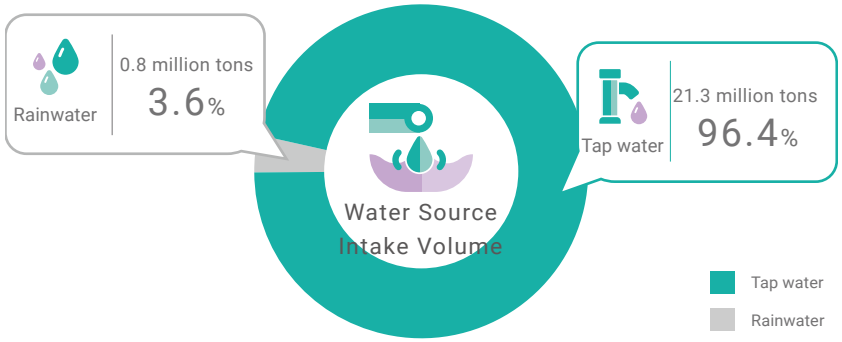
In 2021, the company issued its Innolux Water Shortage and Drought Guidelines for the Taiwan Sites, which incorporated water shortage and drought management measures into the emergency monitoring and response measures under Innolux's Business Continuity Plan (BCP) according to the status-indicator management procedures of the concerned authorities.

/ Drought Management Measures and Scope /



5.3.1 Water Resource Withdrawal

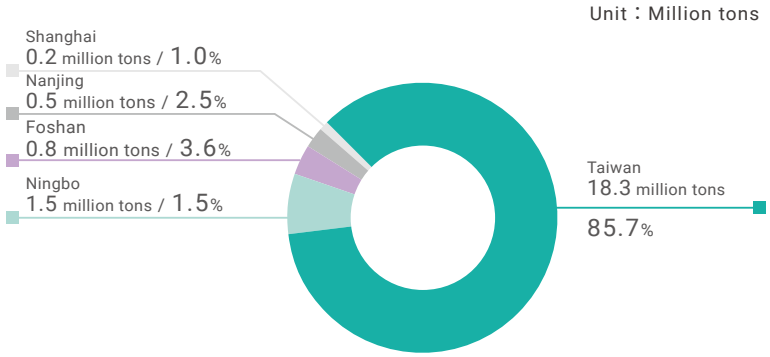
Innolux uses both municipal water and rainwater. In 2021, the total water intake volume was 22.1 million tons, of which municipal water, our main water source, accounted for 21.3 million tons, or about 96.4%, while rainwater accounted for only 0.8 million tons, or 3.6%.



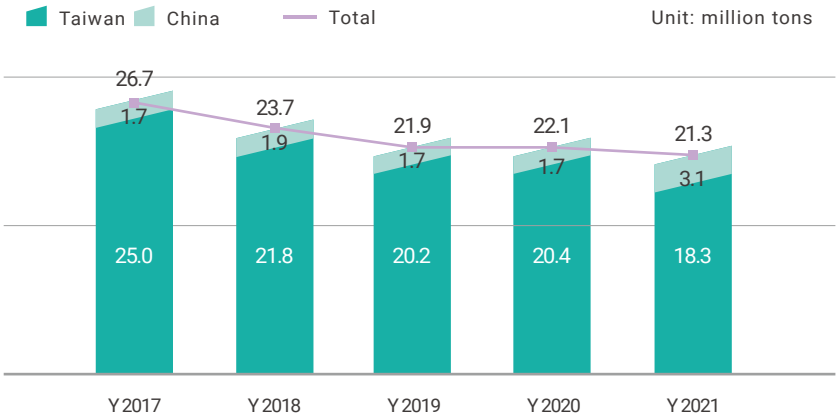
Municipal Water Withdrawal Efficiency Review

Municipal water is Innolux's primary water intake source. In 2021, municipal water withdrawal was 21.3 million tons, demonstrating a declining trend compared to 2020. Innolux continues to develop and introduce advanced water-saving technology and invest in water-saving equipment to actively improve water efficiency.

Municipal Water Withdrawal Percentage for Plant Sites in 2021



Municipal Water Withdrawal over the Years



Use of Reclaimed Water

In addition to municipal water, Innolux actively develops a wide range of water sources such as reclaimed water. The Tainan site has been designated to be a reclaimed water site and is expected to begin using water from the reclaimed water plant in Yongkang, Tainan in March 2022, when it will receive 1,536 CMD of water in the first phase.

5.3.2 Water Resource Reuse

Taiwan experienced its most serious drought in a century in 2021 due to the impacts of extreme weather and water rationing were imposed across the island. Innolux values water resources and is active in developing and implementing rainwater recovery and wastewater reuse improvement projects in addition to replacing and updating water conservation equipment. By strengthening the wastewater discharge classification system, the company has begun monitoring the properties of wastewater discharge, which can be used to evaluate wastewater recycling and its conversion into a reusable resource to further improve the operational efficiency of wastewater treatment facilities.

Water-saving Performance

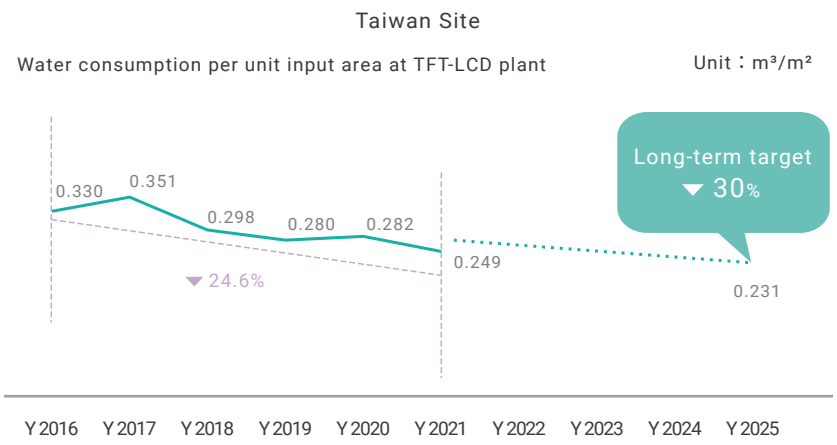
2025 Sustaining Development Goals: Water Withdrawal Reduction Per Unit Input Area ≧ 30%*

A review of the water-saving performance indicators showed that the water withdrawal per unit input area of our TFT-LCD plants at the Taiwan sites was 0.249 m³/m² in 2021, a decrease of 11.9% compared to the figure of 0.282 m³/m² in 2020, and a 24.6% decrease in water withdrawal per unit area compared to 2016. As for water withdrawal reduction per unit output quantity (vs. 2020) at the China sites, Ningbo, Foshan, and Nanjing have achieved our objectives, while Shanghai failed to do so due to plant expansion and the introduction of new processes that led to an increase in water consumption.

Looking forward to 2022, the Taiwan sites will continue to pursue the 2025 Sustainable Development Goals to reduce water withdrawal per unit input area in the TFT-LCD plants by 30% compared to 2016, while the China sites continue to pursue reductions in water consumption per unit output quantity.

- L6 did not have a TFT-LCD plant when the 2025 Sustainable Development Goals were introduced in 2016. The data on water consumption per unit output area in L6 has been included in the report since 2017.

Water Withdrawal Intensity at Taiwan Sites



Water Withdrawal Intensity at China Sites

Water withdrawal Intensity*	2021 Objective		2021 Consumption		2022 Objective
	Reduction (vs.2020)	Intensity Value	Intensity Value	Objective Achieved	Reduction (vs.2021)
Ningbo	3%	0.0039	0.0038	V	3%
Foshan	5%	0.0150	0.0129	V	5%
Nanjing	3%	0.0039	0.0039	V	1%
Shanghai	8%	0.0131	0.0149	X	Water withdrawal ≦ 200 thousand m³**

- * Water consumption per unit output quantity (m³/pc)
- ** Shanghai site will continue to introduce new manufacturing processes in 2022, which will cause a rise in water withdrawal. Therefore, the 2022 target is set to control the water withdrawal amount.

Water-saving Measures

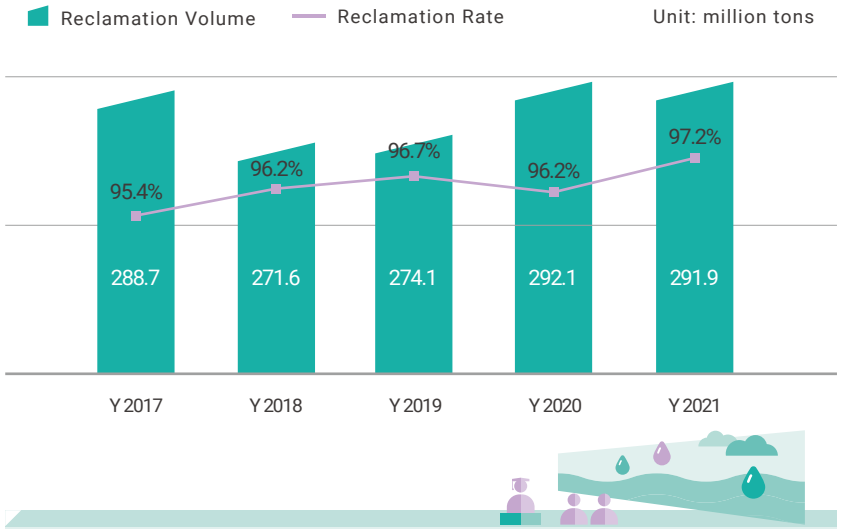
In 2021, Innolux implemented 14 water-saving improvement projects with a total investment of NT$110 million, contributing to a savings of 1.556 million tons of water. The company will continue to improve the recycling of biological wastewater and molybdenum removal wastewater in 2022.

Plant	Major Water-Saving Measures in 2021	Water-Saving Volume (m³)
Jhunan	Rainwater MBR expansion project	584,000
Tainan	Recycling of molybdenum removal wastewater	303,600
Tainan	Increased biological wastewater recycling	469,101
Foshan	Replacement of water conservation equipment	4,000
Foshan	Lifting of fire hoses to prevent water leakage	14,600

Water Resource Recycling and Reuse

In 2021, the total recycled volume of process water in Taiwan reached 291.9 million tons with a recycling rate of 97.2%, equivalent to 117,000 swimming pools. The 2021 process water recycling rate was also the best in the company's history, a testament to Innolux's commitment to promoting water conservation projects and improved recycling measures.

/ Water-saving Volume over the Years /



Experience Sharing

Innolux not only manages internal water resources but also actively participates in public sector water conservation seminars to share its experience with water resource management to encourage the industry to strengthen its management of water resources and increase water conservation awareness. Innolux also hopes to develop exchanges and communication on water resource issues through seminars with other industry peers to improve the water conservation technology in plants.

Activities in 2021

1. 2021 Tainan City Water Conservation Promotion Seminar - Water Conservation Improvement Measures and Achievement-Sharing
2. 2021 Education and training seminar on water and energy conservation in Southern Taiwan Science Park

5.4 / Pollution Control

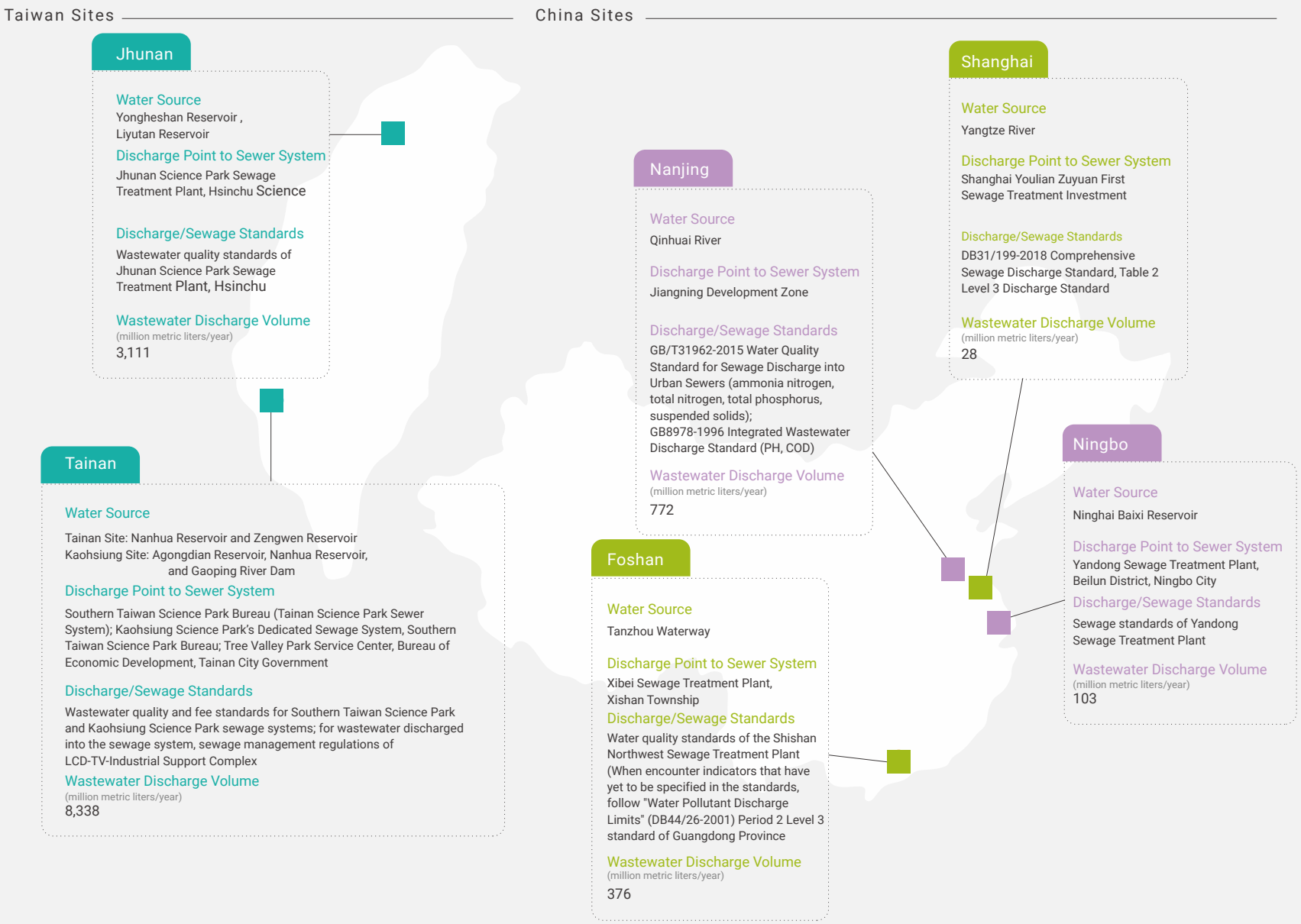
To ensure effective control of the environmental impacts of waste gas, wastewater, hazardous substances, and noise generation in the production process, Innolux has established pollution control facilities and oversight mechanisms. Environmental protection, plant operations, and production units are working jointly under the purview of the Plant Operations Committee to strengthen compliance with applicable laws and regulations while accommodating both economic interests and environmental performance.

/ Response to Impacts from Legal Amendments /

Issues in 2021	Prohibition of technologies such as low-temperature plasma, photocatalysis, and photooxidation in VOC treatment - Official regulations for VOC treatment issued by the Ministry of Ecology and Environment of China
Possible Impacts	UV photolysis treatment process for VOCs will not meet regulatory requirements
Response Measures	Replace UV photolysis treatment process with activated carbon process

5.4.1 Water Pollution Control

The primary objective of Innolux's efforts to reduce waste water is a total reduction in pollution. The company has established an oversight mechanism for monitoring the properties of wastewater discharge by strengthening the wastewater discharge classification system, which can be applied to evaluate the recycling and reuse of wastewater and its material conversion into reusable resources to effectively improve the operational efficiency of wastewater treatment facilities. To ensure that the wastewater quality of each plant site complies with the local standards, Innolux regularly outsources wastewater inspections to external vendors. The company has been in full compliance with the wastewater quality requirements and water discharge standards of local laws and regulations and has never been subject to fines.

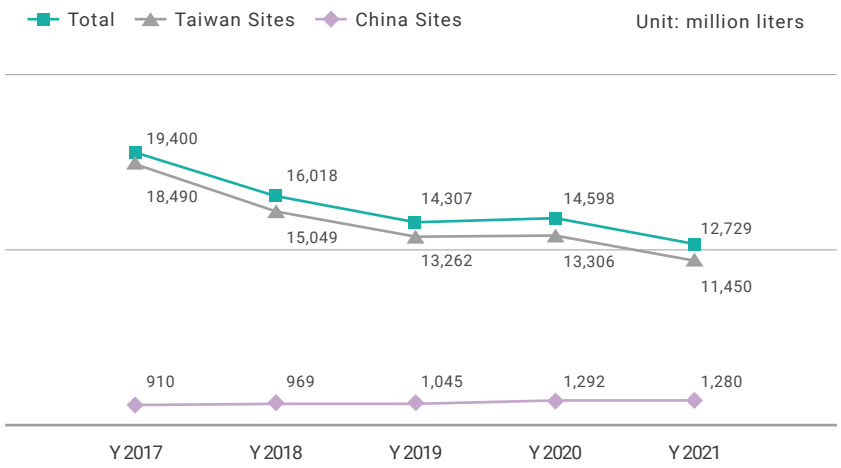


The wastewater discharge quality at all Innolux plant sites meets the local discharge to sewer or discharge standards.

Wastewater Treatment

Innolux continuously invests in improvements to wastewater treatment facilities to reduce the environmental impacts. The total wastewater volume in 2021 was 12,729 million liters, of which the Taiwan sites accounted for 11,450 million liters or 90%, while the China sites accounted for 1,279 million liters, or 10%.

Wastewater Volume



- The touch panel plant in Southern Taiwan
- Science Park was removed from the monitoring list in 2021 and thus is not included in the wastewater volume calculations.

Water Pollution Control Projects

Site	Major Water Pollution Control Projects in 2021	Improvement Effectiveness
Jhunan	Installation of the new molybdenum concentration unit	48% reduction in high concentration molybdenum waste liquid
Tainan	Construction of discharge water MBR	Decreased SS and COD concentration in discharge water
Tainan	Introduction of phosphoric acid RO	Total phosphorus concentration in discharge water maintained at a steady < 20 ppm
Ningbo	Installation of additional wastewater treatment facilities	Wastewater complies with discharge standards COD discharge concentration <200 ppm with a removal rate of 80%

Wastewater Discharge Inspection Statistics Over the Years

Unit: tons	2017	2018	2019	2020	2021
Chemical Oxygen Demand (COD)	2,138	1,619	1,393	1,354	975
Biochemical Oxygen Demand (BODs)	830	601	490	450	305
Suspended Solids(SS)	1,127	654	665	435	489

Wastewater Discharge Volume over the Years

Unit: million tons	2017	2018	2019	2020	2021
Surface Water	0	0	0	0	0
Ground Water	0	0	0	0	0
Seawater	0	0	0	0	0
Third-party Water	19,398	16,018	14,307	14,598	12,729
Third-party Water Consumed by Other Organizations	0	0	0	0	0
Total Discharge Volume	19,398	16,018	14,307	14,598	12,729

- * Municipal water suppliers or wastewater treatment plants, public or private facilities, and other organizations that are involved in the provision, transportation, processing, removal, or consumption of water or effluent.

Water Status in 2021

Unit: million tons	Taiwan Sites	China Sites	Total
Total water withdrawal	18,252	3,055	21,308
Total water discharge	11,450	1,279	12,729
Total water consumption	6,802	1,776	8,579

5.4.2 Air Pollution Control

With regard to air pollution control management, Innolux sets up specialized closed collection points at process sites, applied classifications according to physical and chemical properties, and built corresponding air pollution control treatment facilities to ensure that pollutant volumes are in compliance with relevant laws and regulations. In addition, Innolux' s operational guidelines for operation records/ maintenance regulations, raw/fuel materials operation records, declarations, regular inspections, and emissions standards for potentially polluting equipment are in full compliance with the requirements for operating permits, the Optoelectronic Material and Element Manufacturing Industry Air Pollution Control and Emission Standards, and other regulations.

/ Air Pollution Volume Over the Years /

Unit: tons	2017	2018	2019	2020	2021
Volatile Organic Compounds (VOCs)*	157.8	136.1	122.7	106	152.0
Sulfur oxide (SOx)**	38.3	44.9	30.8	46.4	49.1
Nitrogen oxide (NOx)**	20.2	26.3	26.5	19.7	31.8

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

Best Available Control Technology(BACT)92%

Improvement measures:

Innolux has launched a zeolite rotor replacement project at each plant site. The project entered its third phase in 2021, and four plant sites have already completed the zeolite runner replacement.

Achieved effectiveness:

1. Increased the volume of processed air by 20,000 NCMH.
2. Improved processing efficiency to 95%, exceeding the target.

5.5/ Waste Management

Innolux is committed to maximizing the use of resources from the source manufacturer to the end-of-pipe disposal process to achieve a win-win situation in waste reduction and raw materials recycling. The company integrates circular economy into its environmental management and promotes the 3Rs by reducing raw materials used in processing (reduce), reusing used raw materials (reuse), and recycling for re-consumption (recycle), to ensure that all resources are properly utilized waste output is minimized, with the goal of developing a circular model of use.

5.5.1 Waste output

Innolux promotes waste reduction and recycling at the source. According to 2021 statistics, the total amount of waste generated by the company was 100,246 tons. Total generated waste can be divided into general waste and hazardous waste: 75,253 tons, or about 75%, was general waste and the remaining 24,993 tons, or 25%, was hazardous waste. Of this, 49 tons (approx. 0.05%) wastewater was self-treated, 19 tons of cadmium-containing batteries (0.02%) were treated overseas, and the remaining 100,178 tons (99.93%) was outsourced for treatment.

/ Waste Amount in 2021 (tons)) /

Item	Treatment	Waste Composition	2021		
			TW	CN	INX
Hazardous Waste	Chemical treatment	Copper waste, waste pickling solution	199	9	208
	Physical treatment	Mercury-containing lamps/bulbs, optoelectronic components, metal circuit boards, etc.	3,191	3	3,194
	Cleaning	Organic solvents (liquid waste)	754	0	754
	Landfill	Waste sludge	0	39	39
	Incineration	Corrosive liquids, oil, ink	1,357	270	1,627
	Thermal treatment	Copper waste	250	0	250
	Stabilization treatment	Copper waste	67	0	67
	Reuse	Copper waste, waste pickling solution, organic solvents, etc.	18,742	93	18,835
	Treatment overseas	Cadmium-containing batteries	19	0	19
Total			24,579	414	24,993

Item	Treatment	Waste Composition	2021		
			TW	CN	INX
General Waste	Chemical treatment	Ion exchange resin	35	0	35
	Physical treatment	Plastic, glass, lubricating oil, metal, ash form dust collection system, inorganic sludge, etc.	6,994	0	6,994
	Cleaning		0	0	0
	Landfill	Ion exchange resin, plastic, organic/inorganic sludge, glass, ash from dust collection system, etc.	792	0	792
	Incineration	Plastic, cloth, general waste, organic liquids, wood, oil, paper, etc.	7,640	0	7,640
	Thermal treatment	Inorganic/organic sludge, waste oil, etc.	9,745	0	9,745
	Stabilization	Inorganic sludge	816	0	816
	Reuse	Plastic, glass, metal tailings, waste information equipment, and activated carbon.	25,769	23,413	49,182
	Treatment overseas	Waste (sewage) water	49	0	49
Total			51,840	23,413	75,253

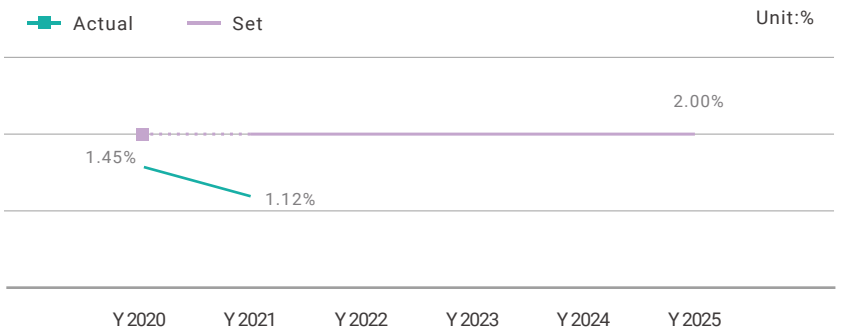
Waste Disposal Volume

Waste Management Performance

2025 Sustainable Development Goal – annual landfill rate below 2.0%

Innolux has set the goal of an annual landfill rate of less than 2.0% from 2021 to 2025, and expects to minimize the waste landfill rate with its waste reduction and recycling strategy. The company's waste reduction objectives showed that Innolux's landfill rate in 2021 was 1.12%, achieving the objective.

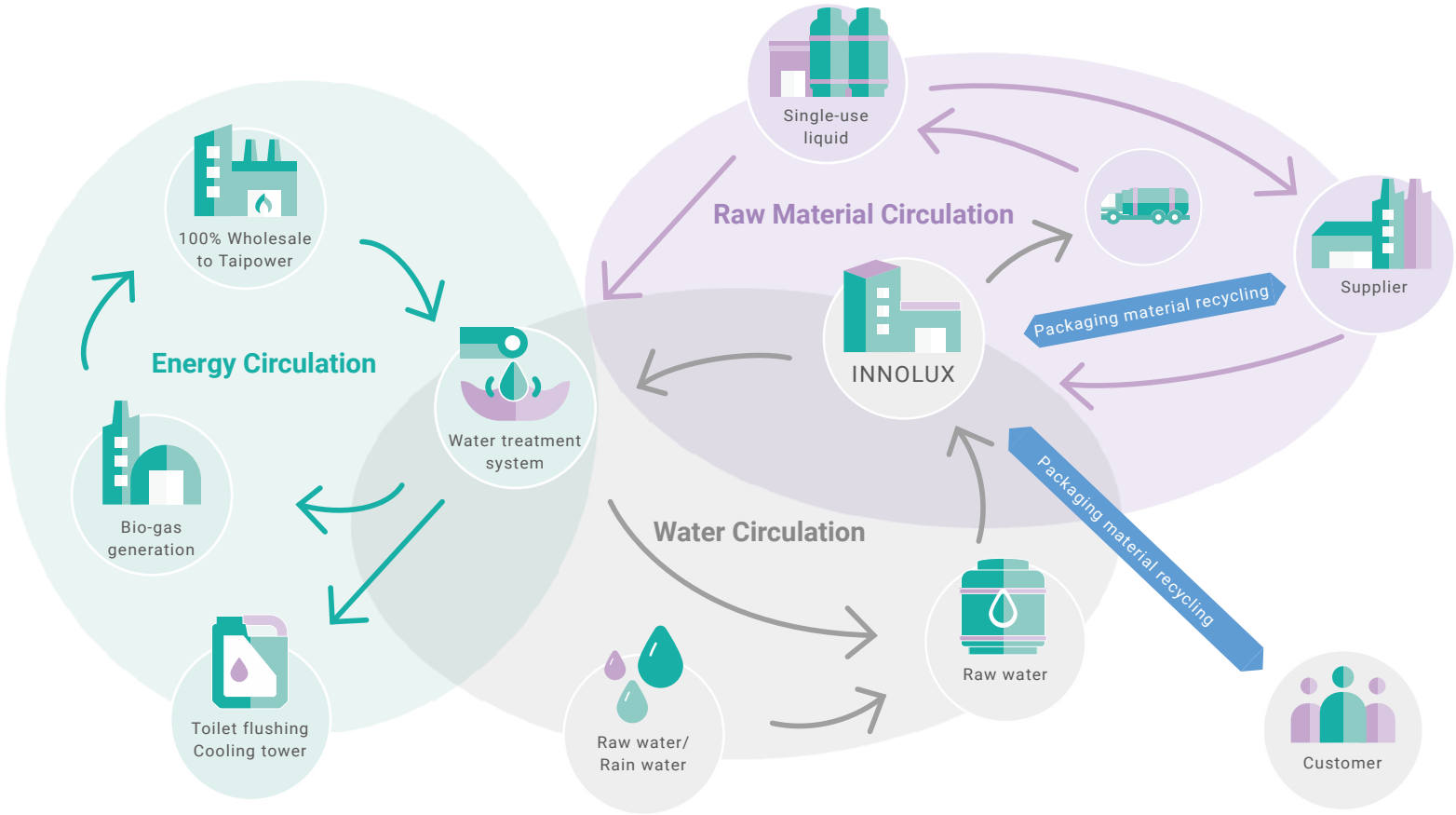
Landfill Rate



5.5.2 Circular Economy

As one of the major panel manufacturers, Innolux has incorporated the concept of circulation into its environmental management and actions based on its core capabilities in the industry. In addition to promoting process optimization and resource reductions, the spirit of recycling and reuse has become a driving force for circulation throughout plant sites and beyond. Starting with the concept of environmental material flow, the company has implemented raw materials reductions and waste recycling and reuse and applied the material balance model and positive and negative product analysis to promote circular economy. The four major aspects of our promotion of circulation are energy recycling, water recycling, raw materials recycling, and packaging materials recycling. Innolux works with suppliers and partners in the value chain to create value by combining two circular use approaches, in-plant recycling primarily for reuse in in-plant processes and out-of-plant recycling, which, with the joint effort of Innolux and the suppliers, becomes a one-stop recycling process.

/ Circular Economy Measures /

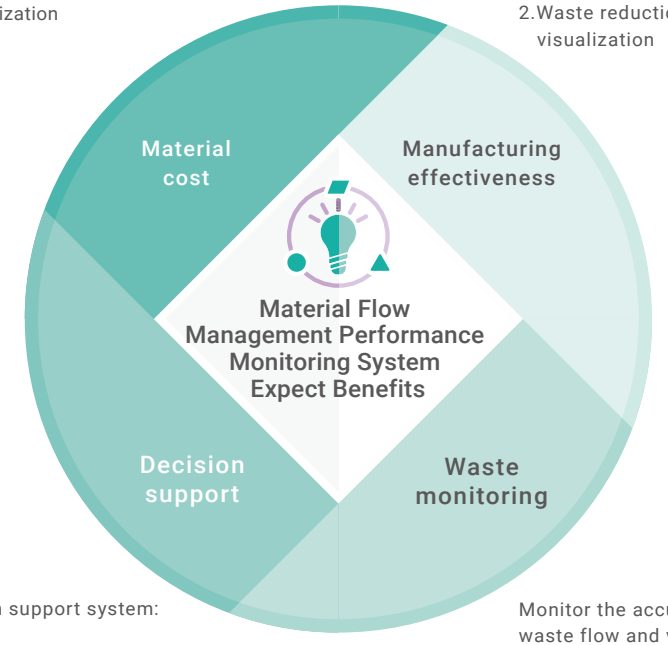


Material Flow Cost Accounting (MFCA)

Innolux has been promoting the Material Flow Cost Accounting (MFCA) since 2011 and has implemented the 3R (Reduce, Reuse, and Recycle) strategy with significant results of approximately 4,652 tons of cumulative savings in materials and 25,453 tCO2e in carbon reductions. Based on MFCA, the Foshan site in China set up a performance monitoring system for materials in 2021 to analyze material flow. The system applies material flow management to achieve reductions in the use of materials and waste recycling and reuse, which is instrumental to Innolux's pursuit of circularity.

Cost reduction in material loss and visualization

1.Reduction of carbon emissions from material loss
2.Waste reduction and visualization



Decision support system:

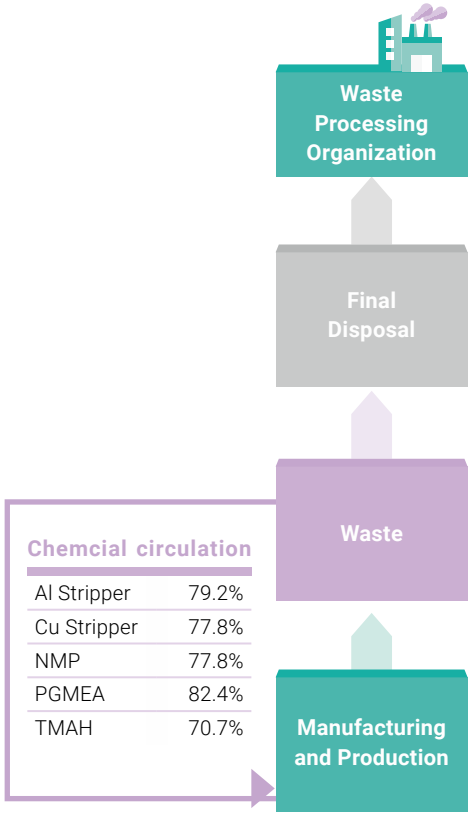
1.Estimates the waste generation volume and recommends transport dates and truck numbers
2.Facilitates effectiveness of improvements in materials use

Monitor the accurate waste flow and volume

Chemical Circulation

As a major panel manufacturer, Innolux uses a large number of chemicals in its processes, resulting in the significant discharge of liquid waste. Currently, Innolux recycles five types of chemicals: Al Stripper for aluminum processing, Cu Stripper for copper processing, N-Methyl-2-pyrrolidone (NMP), propylene glycol methyl ether acetate (PGMEA), and tetramethylammonium hydroxide (TMAH). The company hopes to increase the types of recycled chemicals and improve recovery efficiency. We will continue to cooperate with the Material and Chemical Research Laboratories of the Industrial Technology Research Institute to improve our technology for the large-scale recovery of photoresist thinner, and to apply Divided Wall Column (DWC) technology to recover photoresist thinner and glass edge bead remover and expand the recovery process from the Array process to the CF process.

Chemical Circular Recycling Rate in 2021

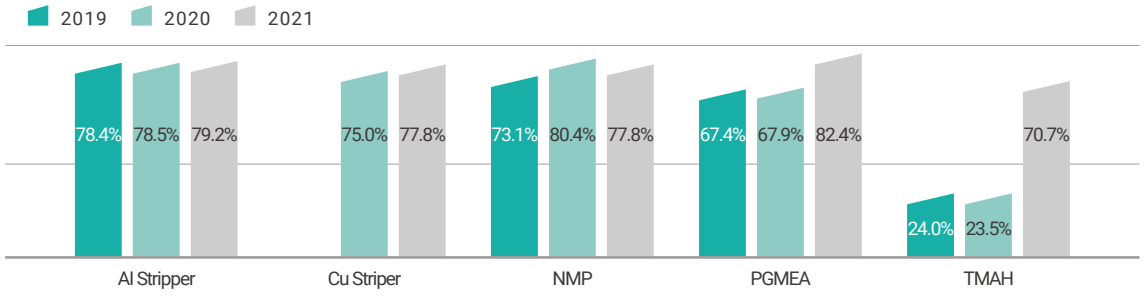


Al Stripper	20.8%
Cu Stripper	22.2%
NMP	22.2%
PGMEA	17.6%
TMAH	29.3%

Chemcial circulation	
Al Stripper	79.2%
Cu Stripper	77.8%
NMP	77.8%
PGMEA	82.4%
TMAH	70.7%

Al Stripper	45,481 tons
Cu Stripper	5,803 tons
NMP	2,191 tons
PGMEA	3,374 tons
TMAH	27,335 tons

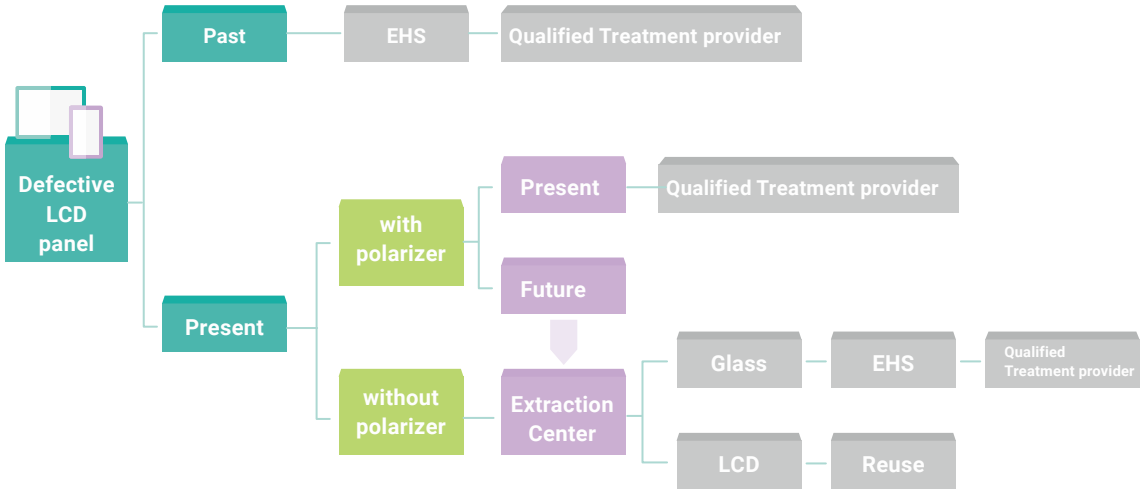
Chemical Recycling Rate Over the Years



- * Cu Stripper was introduced in 2020; no available data for 2019
- ** Process recycling was added for tetramethylammonium hydroxide (TMAH) in 2021; the reuse rate was adjusted to reflect this.

Liquid Crystal Extraction

In 2019, Innolux constructed the only automated LCD panel recycling plant in the world to separate LCD panels and recycle the separated liquid crystals for circular use while converting the glass into a valuable resource. In 2021, the company processed a total of 1,102 tons of LCD panels and extracted 0.48 tons of liquid crystals. Innolux hopes to improve the extraction technology to remove liquid crystals from residual material barrels in the future.



Packaging Material Circulation

Innolux continues to implement packaging material circulartion by actively promoting the recycling of packaging materials from upstream and downstream partners. The company has improved the packaging recycling rate of its upstream suppliers through the procurement process and made agreements with downstream customers to recycle and reuse packaging materials, so as to achieve waste reduction through the combined efforts of the upstream and downstream production chains.

Packaging Materials Recycling Rate in 2021

PP Box	45.42%
DSPK Box	52.51%
Hard Box	58.69%

Experience sharing

Innolux remains committed to developing a circular economy, and regularly participates in public sector seminars on circular economy. By sharing its own experience on the subject, Innolux hopes to jointly promote circular economy with other companies.

Activities in 2021

1. Seminar on pollution, environmental management and case-sharing session on environmental pollution management and resource recycling at Southern Taiwan Science Park.
2. Circular economy observation and learning activities.

Material Flow in 2021

Input

Main Material	Unit: tons
Glass substrate	84,831
Liquid crystal	97
Aluminum/copper etching solution	21,722
Developer	21,649
Photoresist stripper	19,210
Thinner	4,741
Photoresist	6,791
Photoresist	

Water Consumption	Unit: tons
Municipal water*	21,307,559
Rainwater	797,553

Ozone-depleting substances	Unit: tons
Coolant refill volume	6.21

Energy Consumption	Unit: GJ
Purchased electricity	20,595,049
Renewable energy (self-generated and self-use solar power)	84,898
Diesel fuel	51,962
Liquified natural gas	622,988

Recycled and Reused Materials*	Recycling Rate
Al Stripper	79.2%
Cu Stripper	77.8%
NMP	77.8%
PGMEA	82.4%
Developer: TMAH	70.7%

Output

GHG Emissions	Unit: million tCO_2e
Scope 1	0.306
Scope 2	3.015
Scope 3	0.609

Process Water Reclamation*	Unit: tons
Reclamation Volume	291,938,321
Reclamation Rate	97.2%

Air-Pollutant Emissions	Unit: tons
VOCS*	152.0
Sulfur oxides	49.1
Nitrogen oxides	31.8
HCl	0.3
HF	0.3

Wastewater Discharge	Unit: tons
Wastewater Volume	12,728,933
Chemical oxygen demand	975
Biochemical oxygen demand*	305
Suspended solids*	489

Waste Disposal	Unit: tons
Hazardous Waste	24,993
General Waste	75,253

Panel Productivity	Unit: million pieces
Large-sized Panels (over 10 inches)	148
Small- and medium-sized panels (under 10 inches)	332

- 1.The Taiwan sites use the conversion coefficients in the Energy Statistics Handbook released by the Bureau of Energy in 2015: power heating value = 860 kcal/kWh, solar photovoltaic heating value = 860 kcal/kWh, natural gas heating value = 8,000 kcal/m^3, and diesel heating value = 8,400 kcal/L. Sites in China use the conversion coefficient in the 2016 Chinese Energy Statistical Yearbook: power heating value = 860 kcal/kWh, diesel heating value = 10,200 kcal/kg, and natural gas heating value =8,505 kcal/m^3.
- 2.The volume of VOCs, sulfur oxides, and nitrogen oxides was converted from actual test results to emissions intensity (kg/m^2) and calculated according to the output area.
- 3.The figures for COD, BOD, and SS were converted from the actual test results.
- 4.The data scope covers both Taiwan and mainland Chinese sites, except for the figures associated with recycled and reused materials, SOx, NOx, and reclaimed water, which only apply to the Taiwan sites.

5.6/ Green Products

Innolux continues to promote low-carbon, green product management to ensure the success of its three primary sustainable development goals: product compliance, responsible purchasing, and low-carbon management. Energy-savings, materials-savings, and non-toxicity have become essential elements of product design and manufacturing in the company. In addition to making functional improvements, we increasingly add environmentally-friendly features to our products to achieve the sustainability goals of product compliance, expanding our social impacts, and co-prosperity with the environment.

5.6.1 Product Compliance

Innolux is committed to meeting compliance requirements and complying with the safety laws and regulations in regional markets throughout the design process. The company has put a great deal of effort into establishing standards for identifying regulations, introducing compliance systems to ensure materials verification, meeting international product certification requirements to ensure global market access, providing early warnings of regulatory violations for purposes of risk monitoring and control, and meeting compliance requirements to satisfy the requirements of customers. Innolux actively pursues product compliance and continuously makes improvements to expand its products to new markets.

Product Certification

Due to the COVID-19 pandemic, the public is spending more time on mobile phones, tablets, TVs, and monitors for reading and close-range work purposes, causing visual fatigue and potentially leading to eye disease in the long term. In light of this phenomenon, Innolux, in the spirit of making the best better and always pursuing excellence, is acquiring low blue light Eyesafe certification for the company's notebook products in addition to regular compliance requirements, to ensure that product design meets the latest standards for eye -protection technology and certification and to increase consumer purchases.

QC 080000 Certified Plants

Innolux introduced the International Electrotechnical Commission's QC 080000:2005 Hazardous Substance Process Management Systems (HSPM) in 2008 and obtained third-party certification to meet non-toxicity requirements, which are constantly updated by the International regulations and customers. In response to the new version of QC 080000 released by the IEC in 2017, Innolux completed its QC 080000:2017 transition verification in 2019 and obtained certification for the new version. In 2020, the television production line officially entered mass production. This was subsequently included in the HSPM system and the relevant certification was obtained. In 2021, Innolux continued to operate the hazardous substance management system to move toward its vision of sustainable development.

2021 Prohibited/Restricted Chemical Substance Controls

Innolux formulated its Restricted Substances Management Standard with reference to international environmental protection regulations and industry and customer specifications for prohibited/restricted hazardous substances. The guidelines are aimed at imposing strict controls on all products, components, and materials, and providing supply chain standards for the management of prohibited/restricted chemical substances to accommodate increasing demand for Hazardous Substance Free (HSF) products from our customers in the international community.

From 2013 to 2021, Innolux increased the number of controlled substances from 46 to 65. To achieve appropriate and effective management, the requirements of the U.S. Toxic Substances Control Act (TSCA) and the EU's 2019/2021 regulations for halogen-flame retardants were added in 2021, and stricter control measures were evaluated and then imposed on other organotin compounds and new substances such as n-Hexane, rubber antioxidant IPPD, and methyl phenol compounds in accordance with regulations, customer requirements, and supplier survey results.

Innolux will continue to review the current status of its hazardous substance management and update the guidelines in accordance with international regulations, customer requirements, and environmental trends to protect the global environment and mitigate impacts on the ecosystem.

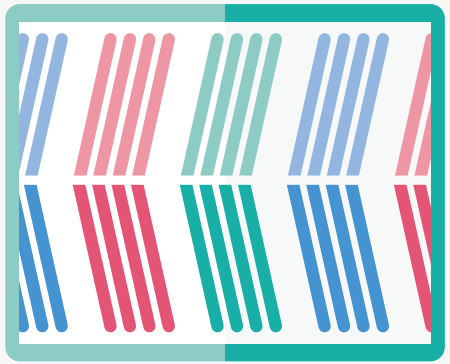
5.6.2 Green Product Innovation

Innolux continues to improve product design by applying high efficiency, low energy consumption materials and packaging reductions to reduce its product's carbon footprint and environmental impacts. The company is also keen to explore opportunities for innovation and improvements in every link of the value chain, actively promotes greenhouse gas management in the supply chain, and enforces low-carbon management and control from the source to achieve net zero carbon emissions transformation.

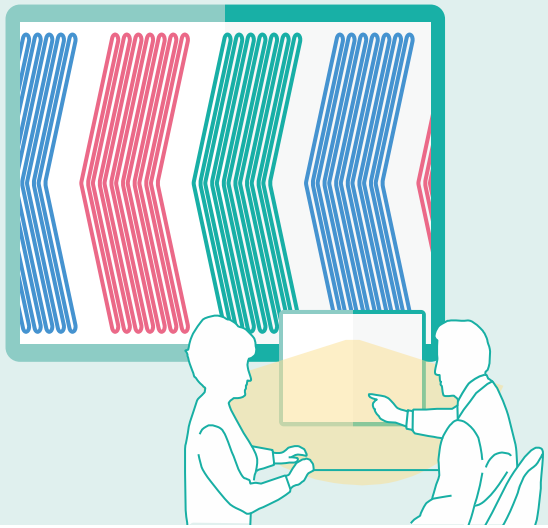
Energy and Materials Savings - Introducing Wide-Angle Progressive Technology into Medical Diagnostic Products

We introduced advanced Azimuthal Anchoring Switch (AAS) technology into our panel series for medical diagnosis to provide a wider viewing angle and enhanced color saturation and brightness. We also invested in improvements to the electrode arrangement, pixel aperture ratio, and light penetration rate to achieve greater performance in static contrast, response speed, and dark state level. A reduced-thickness glass substrate and the backlight guide plate have also been introduced to achieve a lighter-weight product that saves on materials. Meanwhile, the source light chips are undergoing a generational upgrade to reduce power consumption and increase efficiency to save energy.

Before Introducing the New Technology



After Introducing the New Technology



Adopted advanced AAS Wide-angle technology
Effectively improved the panel penetration rate, bringing users a new experience with better image quality in a lighter, thinner, energy-saving product

Improved panel penetration rate
Increased penetration rate from 24.63% to 35.66%

Reduced power consumption
Reduced power consumption from 55w to 38w

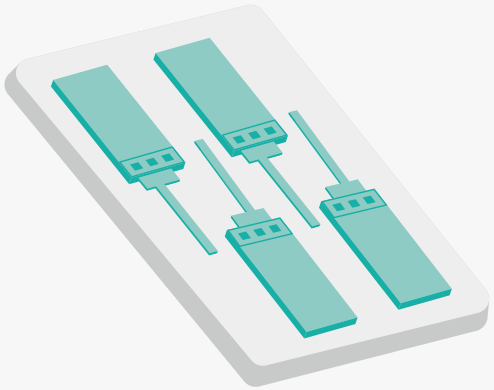
Lightweight
Used 0.5mm glass to reduce product weight

Thinner
Reduced the thickness of the backlight guide plate from 3mm to 2mm, a 33.3% reduction

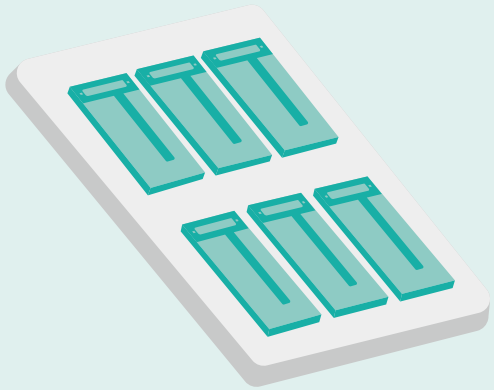
Materials Savings - Increased Loading Capacity of Mobile Phone Products

Innolux has increased the loading capacity of our carrier trays by changing the packaging layout to optimize storage space and transportation loading rate. The necessary shipment volumes can now be achieved while transport and number of trips are minimized, reducing fuel consumption and carbon emissions while contributing to environmental protection.

Before Loading Upgrade



After Loading Upgrade



Revamped packaging method - from flat packaging to folding packaging
Increased the number of modules loaded in the carrier tray from 4 to 6 for 2 extra modules/ tray, a 50% improvement

Reduced the height of the carrier and stacking tray –total capacity increase
Increased loading capacity from 80 pcs/carton to 180 pcs/carton, a 55.6% increase

Increased pallet loading capacity
Increased pallet loading capacity from 1,280 pcs to 2,880 pcs, a 125% increase

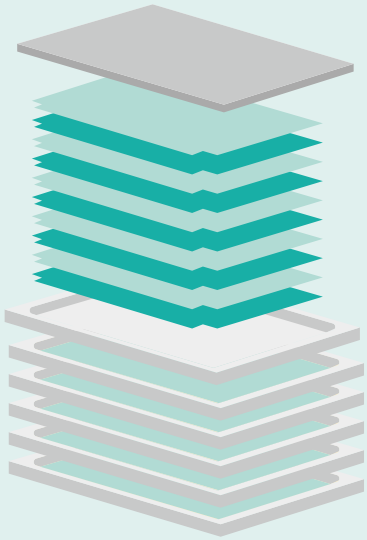
Reduced buffer materials
Reduced the weight of buffer materials from 385g to 335g, a 13% reduction

Optimized Materials Savings - Module Packaging with More Pieces

The objective of packaging materials design is to increase shipment volume and reduce logistics and transportation costs. In the following case, improved stacking methods were applied in the existing space to increase the number of packaged pieces and the total volume of shipments while at the same time complying with the concept of packaging reductions to effectively reduce transportation costs and environmental impacts.

Before Optimization

After Optimization



Increased the number of packaged pieces
Increased the loading number from 20 module pieces per box to 30, a 50% increase

Increased container loading volume
Increased the number of loaded pieces in a 40-foot container from 21,840 pcs to 28,080 pcs, a 28.6% increase in the loading rate

6

INNOLUX
2021 ESG Report

Appendix

6.1 / Sustainability Data

6.1.1 Economic aspect

/ Financial Performance /

Unit: NTD in thousands (NTD for EPS and LPS)

Item	2017	2018	2019	2020	2021
Operating revenue	329,174,401	279,376,115	251,971,209	269,911,051	350,076,690
Gross profit (loss)	68,738,677	26,813,558	3,014,080	23,833,098	91,499,680
Operating profit (loss)	47,022,209	4,835,296	-19,933,896	1,811,797	62,713,075
Non-operating profit (loss)	1,918,980	1,734,134	3,408,468	745,334	(301,978)
Net income (loss)	37,028,609	2,222,762	-17,440,272	1,639,824	57,545,123
Earning/loss per share	3.72	0.22	-1.77	0.17	5.53
Income tax expense (benefit)	11,912,580	4,346,668	914,844	917,307	4,865,974
Capital expenditures	25,016,706	46,702,767	24,804,629	20,673,368	28,138,827
Compensation and Benefits	47,439,709	39,708,361	38,129,767	38,149,778	50,131,195
R&D expenditures	12,916,721	12,135,478	12,464,800	12,149,513	15,044,650
TTotal assets (year-end)	414,858,758	411,919,604	369,764,346	379,559,837	467,519,590
Total capital (year-end)	99,520,720	99,520,720	97,110,720	97,110,720	105,596,201
Total market value of	123,405,693	96,734,140	80,893,230	136,926,115	206,968,554
equity (year-end)	83,117	438,186	679,192	585,730	424,375
Expenditures on pensions	1,933,150	1,940,462	1,825,058	1,690,396	1,866,205

- Note: The above consolidated financial statement has been produced in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations, International Accounting Standards (IAS) and Standing Interpretations Committee standards (SICs), and the Regulations Governing the Preparation of Financial Reports by Security Issuers acknowledged by the Financial Supervisory Commission

6.1.2 Composition of New Employees in 2021

/ Composition of New Employees in 2021 /

Site	Item		<30 Years Old		30-50 Years Old		>50 Years Old		Total
			Female	Male	Female	Male	Female	Male	
Taiwan	Number of new employees		303	559	211	449	-	11	1,533
	Total number of employees at the end of the year					26,627			
	Percentage of new employees*		1.14%	2.10%	0.79%	1.69%	0.00%	0.04%	5.76%
China	Number of new employees	Ningbo	2,736	483	966	0	0	5,604	5,604
		Foshan	1,391	262	426	1	0	2,567	2,567
		Nanjing	470	164	216	0	0	1,053	1,053
		Shanghai	281	175	66	0	0	656	656
		Total	4,878	1,084	1,674	1	0	9,880	9,880
	Total number of employees at the end of the year					25,944			
	Percentage of new employees**		8.65%	18.80%	4.18%	6.45%	0.00%	0.00%	38.08%

- * The above data are established based on the incumbent employees on December 31, 2021。
- ** Calculation:
- -The percentage of new employees in Taiwan = (total number of new employees in Taiwan ÷ total number of employees in Taiwan at the end of the year) x 100%
- -The percentage of new employees in China = (total number of new employees in China ÷ total number of employees in China at the end of the year) x 100%
- -The percentage of people separating from employment in Taiwan = (number of employees separating from employment in Taiwan at the beginning of the year + number of employees in Taiwan at the end of the year) x 100%
- -The percentage of people separating from employment in China = (number of employees separating from employment in China at the beginning of the year + number of employees in China at the end of the year) x 100%

/ Number of New Employees /

		Taiwan	Ningbo	Foshan	Nanjing	Shanghai	Total
Female	<30years old	303	1,419	487	203	134	2,546
	30-50years old	211	483	262	164	175	1,295
	>50years old	0	0	1	0	0	1
Male	<30years old	559	2,736	1,391	470	281	5,437
	30-50years old	449	966	426	216	66	2,123
	>50 years old	11	0	0	0	0	11
Total		1,533	5,604	2,567	1,053	656	11,413

/ Percentage of New Employees /

		Taiwan	Ningbo	Foshan	Nanjing	Shanghai	Total
Female	<30years old	1.1%	13.8%	7.2%	6.3%	7.6%	36.1%
	30-50years old	0.8%	4.7%	3.9%	5.1%	10.0%	24.4%
	>50years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Male	<30years old	2.1%	26.7%	20.6%	14.6%	16.0%	80.0%
	30-50years old	1.7%	9.4%	6.3%	6.7%	3.8%	27.9%
	>50 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total		5.8%	54.7%	38.0%	32.6%	37.4%	168.5%

- Calculation: Number of new employees in (X) age group in 2021/ total number of employees in 2021

/ Composition of Employees in 2021* /

Site	Item		Management**			Specialists	Administrative personnel	Technicians	Total
			Junior	Intermediate	Executives				
Taiwan	<30 years old	Female	0	0	0	269	22	1,906	2,197
		Male	0	0	0	760	6	1,033	1,799
	30-50 years old	Female	209	12	1	1,140	684	7,235	9,281
		Male	1,172	119	1	5,058	150	5,601	12,101
	>50 years old	Female	23	8	0	48	40	280	399
		Male	198	138	14	366	18	116	850
	Total		1,602	277	16	7,641	920	16,171	26,627
	Percentage		6.0%	1.0%	0.1%	28.7%	3.5%	60.7%	100%
Ningbo	<30 years old	Female	1	0	0	96	30	2,097	2,224
		Male	3	0	0	336	10	4,276	4,625
	30-50 years old	Female	106	1	0	224	106	1,337	1,774
		Male	229	3	0	501	19	2,535	3,287
	>50 years old	Female	0	0	0	1	1	0	2
		Male	1	0	0	2	1	8	12
	Total		340	4	0	1,160	167	10,253	11,924
	Percentage		2.9%	0.0%	0.0%	9.7%	1.4%	86.0%	100%
Foshan	<30 years old	Female	1	0	0	77	18	1,085	1,181
		Male	3	0	0	331	6	2,597	2,937
	30-50 years old	Female	77	1	0	155	61	1,177	1,471
		Male	182	2	0	452	12	1,873	2,521

Site	Item		Management**			Specialists	Administrative personnel	Technicians	Total
			Junior	Intermediate	Executives				
Foshan	>50 years old	Female	0	0	0	0	0	10	10
		Male	0	0	0	2	0	5	7
	Total		263	3	0	1,017	97	6,747	8,127
	Percentage		3.2%	0.0%	0.0%	12.5%	1.2%	83.0%	100%
Nanjing	<30 years old	Female	0	0	0	56	12	382	450
		Male	0	0	0	128	1	901	1,030
	30-50 years old	Female	72	0	0	145	36	858	1,111
		Male	77	1	0	147	10	1,086	1,321
	>50 years old	Female	0	0	0	0	1	0	1
		Male	1	0	0	2	1	3	7
	Total		150	1	0	478	61	3,230	3,920
	Percentage		3.8%	0.0%	0.0%	12.2%	1.6%	82.4%	100%
Shanghai	<30 years old	Female	0	0	0	5	0	230	235
		Male	0	0	0	21	0	385	406
	30-50 years old	Female	12	0	0	39	29	878	958
		Male	22	0	0	74	5	237	338
	>50 years old	Female	1	0	0	0	0	16	17
		Male	5	0	0	3	4	7	19
	Total		40	0	0	142	38	1,753	1,973
	Percentage		2.0%	0.0%	0.0%	7.2%	1.9%	88.8%	100%

- * The above data are established based on the incumbent employees on December 31, 2021.
- ** Definition of management: Junior are assistant managers or managers; intermediate are site directors; and executives are personnel of managerial and higher positions at the head office. Executives in the China sites are dispatched from the Taiwan sites.

/ Vacancy Internal Supplementation Rate /

Item	2017		2018		2019		2020		2021	
	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor	Direct Labor	Indirect Labor
Supplementation rate (%)	3.11%	16.55%	14.98%	11.44%	1.54%	19.18%	3.79%	18.45%	9.55%	9.87%

- * The data cover Taiwan sites
- ** Calculation: Approved requests for internal transfers/ (Approved requests for internal transfers + Number of new external hires)*100

/ Percentage of New Employees /

		Taiwan	Ningbo	Foshan	Nanjing	Shanghai	Total
Female	**<30 years old**	385	3,203	1,064	1,118	489	6,259
	30-50 years old	729	1,265	557	681	443	3,675
	>50 years old	17	0	1	0	2	20
Male	**<30 years old**	604	10,586	3,168	3,119	1,096	18,573
	30-50 years old	969	2,687	1,007	1,094	148	5,905
	>50 years old	28	1	0	0	2	31
Total		2,732	17,742	5,797	6,012	2,180	34,463

/ Percentage of New Employees /

		Taiwan	Ningbo	Foshan	Nanjing	Shanghai	Total
Female	**<30 years old**	1.4%	57.2%	41.4%	106.2%	74.5%	280.8%
	30-50 years old	2.7%	22.6%	21.7%	64.7%	67.5%	179.2%
	>50 years old	0.1%	0.0%	0.0%	0.0%	0.3%	0.4%
Male	**<30 years old**	2.3%	188.9%	123.4%	296.2%	167.1%	777.9%
	30-50 years old	3.6%	47.9%	39.2%	103.9%	22.6%	217.3%
	>50 years old	0.1%	0.0%	0.0%	0.0%	0.3%	0.4%
Total		10.3%	316.6%	225.8%	570.9%	332.3%	1455.9%

- Calculation: Number employees in (X) age group resigned in 2021/ total number of employees in 2021

/ Total Turnover Rate* (by gender) /

Site		2017	2018	2019	2020	2021
Taiwan	Female	5.40%	5.76%	7.20%	6.12%	4.25%
	Male	4.68%	7.08%	6.36%	7.08%	6.01%
China	Female	10.56%	30.24%	29.52%	28.08%	34.01%
	Male	24.00%	72.36%	76.56%	80.40%	88.30%
Total		44.64%	115.44%	119.64%	121.68%	132.56%

/ Total Turnover Rate* (by age) /

	Site	2017	2018	2019	2020	2021
Taiwan	<30 years old	5.16%	5.64%	5.76%	5.28%	3.71%
	30-50 years old	4.92%	7.20%	7.68%	7.80%	6.38%
	>50 years old	0.00%	0.00%	0.12%	0.12%	0.17%
China	<30 years old	29.4%	84.00%	82.68%	82.56%	91.90%
	30-50 years old	5.16%	18.60%	23.40%	25.92%	30.38%
	>50 years old	0.00%	0.00%	0.02%	0.12%	0.02%
Total		44.64%	115.44%	119.66%	121.80%	132.56%

- * The total turnover rate includes people separating from employment voluntarily.
- Calculation: [Number of people separating from employment in Taiwan in the year ÷ (number of employees at the beginning of the year in Taiwan + number of employees at the end of the year in Taiwan) ÷ 2] x 100%.
- [Number of people separating from employment in China in the year ÷ (number of employees at the beginning of the year in China + number of employees at the end of the year in China) ÷ 2] x 100%.

/ Voluntary Turnover Rate* /

Site	2017	2018	2019	2020	2021
Taiwan	12.12%	12.12%	13.20%	12.96%	9.96%
China	75.48%	102.48%	106.08%	108.24%	116.52%
Total	87.60%	114.60%	119.28%	121.20%	126.48%

6.1.3 Environmental Aspect

/ Environmental Data Over the Years /

Item/Year		Units	2017	2018	2019	2020	2021
Consumption of energy resources and materials	Water	Million tons Mm3	26.7	23.7	21.9	22.1	21.3
	Electricity	MWh	5,480,337	5,492,874	5,675,953	5,696,731	5,720,847
	Diesel	MWh	4,654	72,526	3,293	5,091	14,434
	Natural Gas	MWh	130,909	141,253	156,693	155,513	173,052
	Liquid crystal	Tons	103	104	102	98	97
	Aluminum /copper etching solutions*	Tons	20,052	22,104	24,684	22,232	21,722
	Developer	Tons	24,200	21,969	21,678	21,432	21,649
	Stripper	Tons	17,532	19,736	30,261	19,263	19,210
	Thinner	Tons	7,222	6,649	6,200	5,629	4,741
	Photoresist	Tons	6,491	7,197	6,776	6,679	6,791
Greenhouse gas emissions	Scope 1	Million tCO2e	0.436	0.369	0.354	0.323	0.306
	Scope 2	Million tCO2e	3.034	3.232	3.039	3.059	3.015
	Scope 3	Million tCO2e	0.039	0.037	0.032	0.028	0.609
Wastewater discharge	Wastewater volume	Tons	19,398,443	16,018,051	14,307,030	14,598,060	12,728,933
	Chemical oxygen demand	Tons	2,137.7	1,619.1	1393	1,354	975
	Biochemical oxygen demand	Tons	830	601	490	450	305
	Suspended solids	Tons	1,127	654	665	435	489
Water recycling	Rate of water recycling throughout production processes	%	95.4	96.2	96.7	96.2	97.2%
	Volume of water recycled from production processes	Tons	288,678,559	271,591,031	274,147,277	292,118,824	291,938,321
Waste disposal	Total Waste volume	Tons	116,128	104,710	113,300	107,028	100,246
	Hazardous waste	Tons	32,420	28,422	25,982	25,259	24,993
	General waste	Tons	83,709	76,288	87,318	81,769	75,253
Air pollutant emissions	VOCs	Tons	157.8	136.1	122.7	106.0	152.0
	Sulfur oxides	Tons	38.3	44.9	30.8	46.4	49.1
	Nitrogen oxides	Tons	20.2	26.3	26.5	19.7	31.8

- *: The figure for 2017 only refer to aluminum etching solutions; the figures for 2018 to 2021 refers to aluminum/copper etching solutions
- The data cover Taiwan and China sites

6.2/GRI Standards Content Index

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 102: General Disclosures 2016	102-1 Name of the organization	• Company Overview	5	
	102-2 Activities, brands, products, and services	• Company Overview	5	
	102-3 Location of headquarters	• Editorial Principles	3	
	102-4 Location of operations	• Company Overview	5	
	102-5 Ownership and legal form	• 2.1 Governance Body	24	
	102-6 Markets served	• Company Overview • 3.1.1 Breakthrough Innovative Technologies	5 44	
	102-7 Scale of the organization	• Company Overview • 2.4 Financial Performance and Tax Governance	5 36	
	102-8 Information on employees and other workers	• 4.1.2 Smart Recruitment	72	
	102-9 Supply chain	• 3.3 Supply Chain Management	55	
	102-10 Significant changes to the organization and its supply chain	• No significant re-organization for Innolux in 2021	-	
	102-11 Precautionary Principle or approach	• Operate the company according to The Rio Declaration: Principle 15 - the Precautionary Approach • 5.2 Climate Change and Energy Management	115	
	102-12 External initiatives	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-13 Membership of associations	• Company Overview	5	
	102-14 Statement from senior decision-maker	• A Message from the Chairman	4	
	102-15 Key impacts, risks, and opportunities	• 2.2 Risk Management • 1.2 Stakeholders and Materiality Sustainability Issues	27 12	
	102-16 Values, principles, standards, and norms of behavior	• 2.1 Governance Body • 2.3 Legal Compliance and Integrity Management	24 33	
GRI 102: General Disclosures 2016	102-17 Mechanisms for advice and concerns about ethics	• 1.1 Sustainable Development Management Operations • 2.3 Legal Compliance and Integrity Management	10 33	
	102-18 Governance structure	• 1.1.2 Sustainable Development Management Committee and Promotion Organization • 2.1 Governance Body	11 24	
	102-19 Delegating authority	• 1.1 Sustainable Development Management Operations • 2.1 Governance Body	10 24	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 102: General Disclosures 2016	102-20 Executive-level responsibility for economic, environmental, and social topics	• 2.1 Governance Body	24	
	1102-21 Consulting stakeholders on economic, environmental, and social topics	• 1.1 Sustainable Development Management Operations • 2.1 Governance Body	10 24	
	102-22 Composition of the highest governance body and its committees	• 1.1 Sustainable Development Management Operations • 2.1 Governance Body	10 24	
	102-23 Chair of the highest governance body	• 2.1 Governance Body	24	
	102-24 Nominating and selecting the highest governance body	• 2.1 Governance Body	24	The education and profession experience of the candidates and the stakeholder suggestions are considered in the selection of board members to ensure the diversity and independence of the members of the board.
	102-25 Conflicts of interest	• 2.1 Governance Body • Please refer to page 41 of 2021 annual report for more information of board operations	24	
	102-26 Role of highest governance body in setting purpose, values, and strategy	• 1.1 Sustainable Development Management Operations	10	
	102-27 Collective knowledge of highest governance body	• 2.1 Governance Body	24	
	102-28 Evaluating the highest governance	• 2.1 Governance Body	24	
	1102-29 Identifying and managing economic, environmental, and social impacts	• 1.1 Sustainable Development Management Operations	10	
	102-30 Effectiveness of risk management processes	• 1.1 Sustainable Development Management Operations	10	
	102-31 Review of economic, environmental, and social topics	• 1.1 Sustainable Development Management Operations	10	
	102-32 Highest governance body’ s role in sustainability reporting	• ESG report was reviewed by the Sustainable Development Management Committee and approved by the Chairman	-	
GRI 102: General Disclosures 2016	102-33 Communicating critical concerns	• 1.1 Sustainable Development Management Operations • 2.1 Governance Body (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	10 26	
	102-34 Nature and total number of critical concerns	• 1.1 Sustainable Development Management Operations • Please refer to the Market Observation Post System for material information of Innolux (http://mops.twse.com.tw/mops/web/t05st01)	10	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 102: General Disclosures 2016	102-35 Remuneration policies	• 2.1 Governance Body (Remuneration Committee)	26	
	102-36 Process for determining remuneration	• 2.1 Governance Body	24	
	102-37 Stakeholders' involvement in remuneration	• 2.1 Governance Body (Remuneration Committee) • Remuneration Committee was set up by law but stakeholders were not yet consulted against remuneration policy	26	
	102-38 Annual total compensation ratio	• 4.3.1 Remuneration and Benefits	78	
	102-39 Percentage increase in annual total compensation ratio	• 4.3.1 Remuneration and Benefits	78	
	102-40 List of stakeholder groups	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-41 Collective bargaining agreements	• Labor unions have been established at the Ningbo, Foshan, and Shanghai sites, with an estimated 19,880 members, accounting for 37.6% of global employees. However, no collective agreement has been reached.	-	
	102-42 Identifying and selecting stakeholders	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-43 Approach to stakeholder engagement	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-44 Key topics and concerns raised	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-45 Entities included in the consolidated financial statements	• Company Overview	5	
	102-46 Defining report content and topic Boundaries	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-47 List of material topics	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-48 Restatements of information	• 6.4 Errata	165	
	102-49 Changes in reporting	• 1.2 Stakeholders and Materiality Sustainability Issues	12	
	102-50 Reporting period	• Editorial Principles	3	
	102-51 Date of most recent report	• Editorial Principles	3	
	102-52 Reporting cycle	• Editorial Principles	3	
	102-53 Contact point for questions regarding the report	• Editorial Principles	3	
	102-54 Claims of reporting in accordance with the GRI Standards	• Editorial Principles	3	
	102-55 GRI content index	• 6.2 GRI Standards Content Index	157	
	102-56 External assurance	• Editorial Principles • 6.5 Independent Verification Statement	3 167	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 103：Management Approach 2016	103-1 Explanation of the material topic and its Boundary	• Editorial Principles • 1.2.2 Materiality Sustainability Issues	3 13	
	103-2 The management approach and its components	• 1.2.2 Materiality Sustainability Issues • See relevant chapters	13	
	103-3 Evaluation of the management approach	• See relevant chapters	-	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	• 2.4 Financial Performance and Tax Governance • Please refer to page 80 of 2020 annual report for more information of capital and issue of shares	36	
	201-2 Financial implications and other risks and opportunities due to climate change	• 5.2.2 Climate Change Adaptation	118	
	201-3 Defined benefit plan obligations and other retirement plans	• 4.3.1 Remuneration and Benefits	78	
	201-4 Financial assistance received from government	• 2.4. Financial Performance and Tax Governance	36	
GRI 202*: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	• 4.3.1 Remuneration and Benefits	78	
	202-2 Proportion of senior management hired from the local community	• 4.1.2 Smart Recruitment	72	
GRI 203 Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	• No relevant Infrastructure investments or donation in 2021	-	
	203-2 Significant indirect economic impacts	• 1.3.1 Innolux Sustainability Impacts • 2.2 Risk Management • 2.4 Financial Performance and Tax Governance • 3.3 Supply Chain Management • 4.1.2 Smart Recruitment	18 27 36 55 72	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	• 3.3.1 Procurement Management	55	
GRI 205*: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	• 2.3 Legal Compliance and Integrity Management • CSR internal audit is conducted according to RBA requirement and no significant risks was found in 2021	33	
	205-2 Communication and training about anti-corruption policies and procedures	• 2.3 Legal Compliance and Integrity Management	33	
	205-3 Confirmed incidents of corruption and actions taken	• 2.3 Legal Compliance and Integrity Management	33	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 301*: Materials 2016	301-1 Materials used by weight or volume	• 5.5.2 Circular Economy (Material Flow in 2021) • A total of 159,041 tons of nonrenewable material used.	143	
	301-2 Recycled input materials used		-	No renewable material used
	301-3 Reclaimed products and their packaging materials	• 5.5.2 Circular Economy	140	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	• 5.2.4 Energy Management • 5.5.2 Circular Economy (Material Flow in 2021)	127 143	
	302-2 Energy consumption outside of the organization		-	No quantified data for energy consumption outside the organization
	302-3 Energy intensity	• 5.2.4 Energy Management • 5.5.2 Circular Economy (Material Flow in 2021)	127 143	
	302-4 Reduction of energy consumption	• 5.2.4 Energy Management	127	
	302-5 Reductions in energy requirements of products and services	• 5.6.2 Green Product Innovation	145	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	• 5.3 Water Resources Management • 3.3 Supply Chain Management	130 55	
	303-2 Management of water discharge-related impacts	• 5.3 Water Resources Management	130	
	303-3 Water withdrawal	• 5.4.1 Water Pollution Control	134	
	303-4 Water discharge	• 5.4.1 Water Pollution Control	134	
	303-5 Water consumption	• 5.4.1 Water Pollution Control	134	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	• 5.2.3 Greenhouse Gas Management	123	
	305-2 Energy indirect (Scope 2) GHG emissions	• 5.2.3 Greenhouse Gas Management	123	
	305-3 Other indirect (Scope 3) GHG emissions	• 5.2.3 Greenhouse Gas Management	123	
	305-4 GHG emissions intensity	• 5.2.3 Greenhouse Gas Management	123	
	305-5 Reduction of GHG emissions	• 5.2.3 Greenhouse Gas Management	123	
	305-6 Emissions of ozone-depleting substances (ODS)	• 5.5.2 Circular Economy (Material Flow in 2021)	143	No ODS production or output
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	• 5.5.2 Circular Economy (Material Flow in 2021)	143	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	• 5.5 Waste Management	138	
	306-2 Management of significant waste-related impacts	• 5.5 Waste Management	138	
	306-3 Waste generated	• 5.5.1 Waste output	138	
	306-4 Waste diverted from disposal	• 5.5.1 Waste output	138	
	306-5 Waste directed to disposal	• 5.5.1 Waste output	138	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 307*: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	• 5.1 Green Manufacturing	112	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	• 3.3.2 Supplier Sustainable Management	57	
	308-2 Negative environmental impacts in the supply chain and actions taken	• 3.3 Supply Chain Management	55	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	• 4.1.2 Smart Recruitment	72	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	• 4.3.1 Remuneration and Benefits • The compensation and benefits between permanent and nonpermanent employees are more or less the same	78	
	401-3 Parental leave	• 4.3.1 Remuneration and Benefits	78	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	• 4.5 Safety and Protection	94	
	403-2 Hazard identification, risk assessment, and incident investigation	• 4.5.2 Occupational Safety Risk Management	100	
	403-3 Occupational health services	• 4.5.1 Health Care	96	
	403-4 Worker participation, consultation, and communication on occupational health and safety	• 4.5 Safety and Protection	94	
	403-5 Worker training on occupational health and safety	• 4.5 Safety and Protection	94	
	403-6 Promotion of worker health	• 4.5.1 Health Care	96	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	• 4.5 Safety and Protection • 3.3.2 Supplier Sustainable Management	94 57	
	403-8 Workers covered by an occupational health and safety management system	• 4.5.2 Occupational Safety Risk Management	100	
	403-9 Work-related injuries	• 4.5 Safety and Protection	94	
	403-10 Work-related ill health	• 4.5.1 Health Care	96	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	• 4.2 Training and Development	74	
	404-2 Programs for upgrading employee skills and transition assistance programs	• 4.2 Training and Development	74	
	404-3 Percentage of employees receiving regular performance and career development reviews	• 4.2 Training and Development	74	
GRI 405 Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	• 4.2 Training and Development	74	
	405-2 Ratio of basic salary and remuneration of women to men	• 4.3.1 Remuneration and Benefits	78	

GRI Standards	Disclosure	Chapter	Page	Remark
GRI 406*: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	• 4.4 Labor Rights and Relations	88	
GRI 409*: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	• CSR internal audit and supplier SER audit were conduct according to RBA requirement and no significant risks was found in 2021	-	
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	• 2.3 Legal Compliance and Integrity Management	33	
	412-2 Employee training on human rights policies or procedures	• 2.3 Legal Compliance and Integrity Management	33	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	• No significant investment in 2021	-	
GRI 413 Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	• 4.6 Working for the Common Good of Society	104	
	413-2 Operations with significant actual and potential negative impacts on local communities	• 4.6 Working for the Common Good of Society	104	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	• 3.3.3 Supply Chain Quality Management	62	
	414-2 Negative social impacts in the supply chain and actions taken	• 3.3.1 Procurement Management	55	
GRI 416: Customer Health Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	• 5.6.1 Product Compliance	144	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	• No violations against the regulations of health and safety for Innolux product and service in 2021	-	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	• No violations of customer privacy and loss of information identified in 2021	-	
GRI 419*: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	• No significant penalty identified in 2021	-	

▫ Note: "*" Refers to voluntarily disclosed non-material issues.

6.3/ Sustainability Accounting Standards Board Content Index*

NUMBER	INDEX DESCRIPTION	CHAPTER	PAGE NO.
	Product Security		
TC-HW-230a.1	Description of approach to identifying and addressing data security risks in products	2.2 Risk Management	27
	Employee Diversity & Inclusion		
TC-HW-330a.1	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	4.1 Talent Cultivation	68
	Product Lifecycle Management		
TC-HW-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	Innolux will conduct a product composition inventory and disclose the inventory report in 2023.	-
TC-HW-410a.2	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	Non-end-product manufacturers; this indicator does not apply.	-
TC-HW-410a.3	Percentage of eligible products, by revenue, meeting ENERGY STAR® criteria	Non-end-product manufacturers; this indicator does not apply.	-
TC-HW-410a.4	Weight of end-of-life products and e-waste recovered, percentage recycled	5.5.2 Circular Economy	140
	Supply Chain Management		
TC-HW-430a.1	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	(a)Apply RBA Validated Assessment Program to 0.1 % of suppliers (b)RBA effective audit procedures have been applied to 100% of high-risk suppliers	-
TC-HW-430a.2	Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances	Please refer to SASB content description	-
	Materials Sourcing		
TC-HW-440a.1	Description of the management of risks associated with the use of critical materials	3.3.2 Supplier Sustainable Management	57
	Activity Metrics		
TC-HW-000.A	Number of units produced by product category	Company Overview	5
TC-HW-000.B	Area of manufacturing facilites**	The total area of the Taiwan sites is 3,082,153.88 m².	-
TC-HW-000.C	Percentage of production from owned facilities	100% of production capacity comes from Innolux's own plants.	-

* According to the technology and communication sector hardware standards of the SASB index, 2018-10 version.

** Only the area of the Taiwan sites is disclosed. The total area of all sites is expected to be disclosed in 2023.

SASB Content Description:

TC-HW-430a.2

The percentage of tier-1 suppliers (1) failing to pass RBA Validated Assessment Program (VAP) or equivalent audit, and (2) the improvement rate for material deficiencies and other deficiencies noted in the audit results.

(1) Analysis of the percentage of non-conforming items found in RBA on-site audits in 2021, based on the aspects of labor, health and safety, the environment, business ethics, and management systems.

(2a) Material deficiency improvement rate: Number of material deficiency improvements/Total number of material deficiencies = 4/5 = 80%

(2b) Other deficiency improvement rate: Number of other deficiency improvements/ Total number of other deficiencies

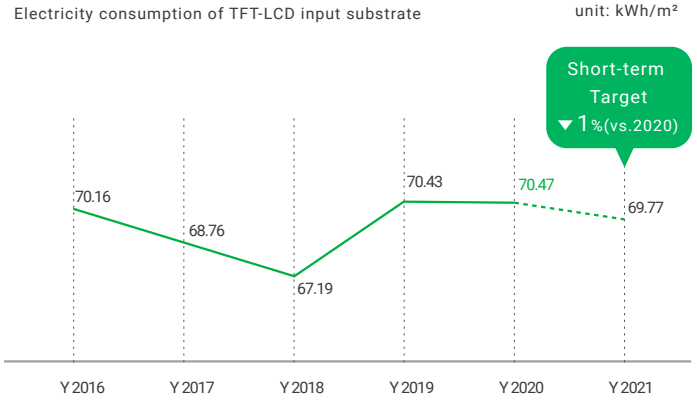
Deficiency category / Audit aspect	Labor	Health and Safety	Environment	Business Ethics	Management Systems
Material deficiencies/ non-conforming items	7%	2%	0%	0%	13%
Other deficiencies	7%	7%	0%	0%	0%

6.4/ Errata

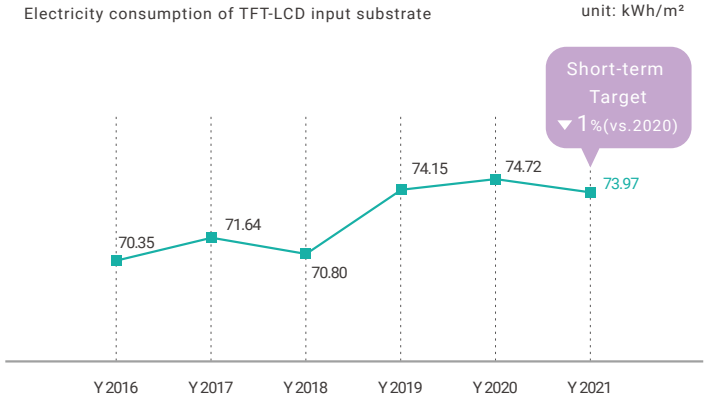
Chapter	Page	Before Amendment	After Amendment
5.2.2 Energy Management	124	The electricity consumption of per unit input substrate area of the TFT-LCD process in Taiwan increased slightly from 70.43kWh/m² in 2019 to 70.47kWh/m2 in 2020. This was mainly owing to the new process equipment and the electricity supply for water conservation by the Facility Engineering Department.	The TFT-LCD plant was newly added in 2017; therefore, the electric power consumption indices were recalculated to reflect the amended statistics and charts. The electric power consumption per unit input substrate area of the TFT-LCD plant in the Taiwan sites was 74.72 KWh/m² in 2020, and 74.15KWh/m² in 2019.

/ Electricity Conservation Performance of Tawan site /

Electricity consumption of TFT-LCD input substrate

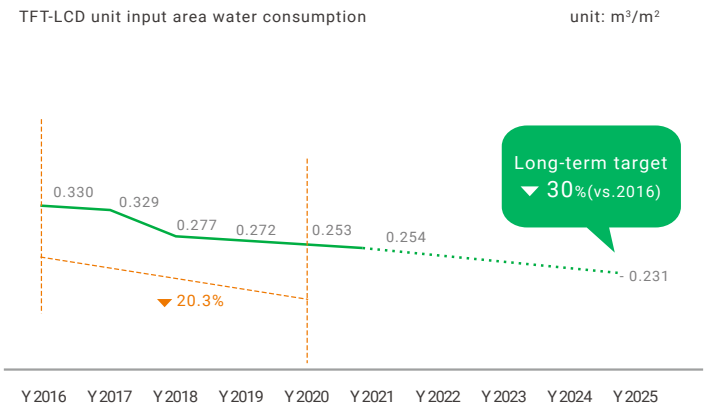


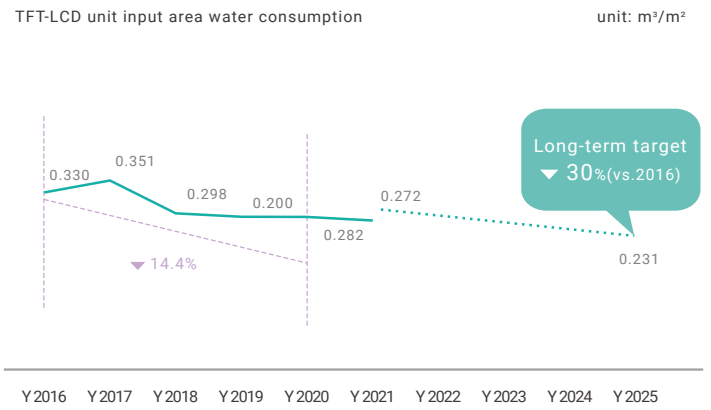
Electricity consumption of TFT-LCD input substrate



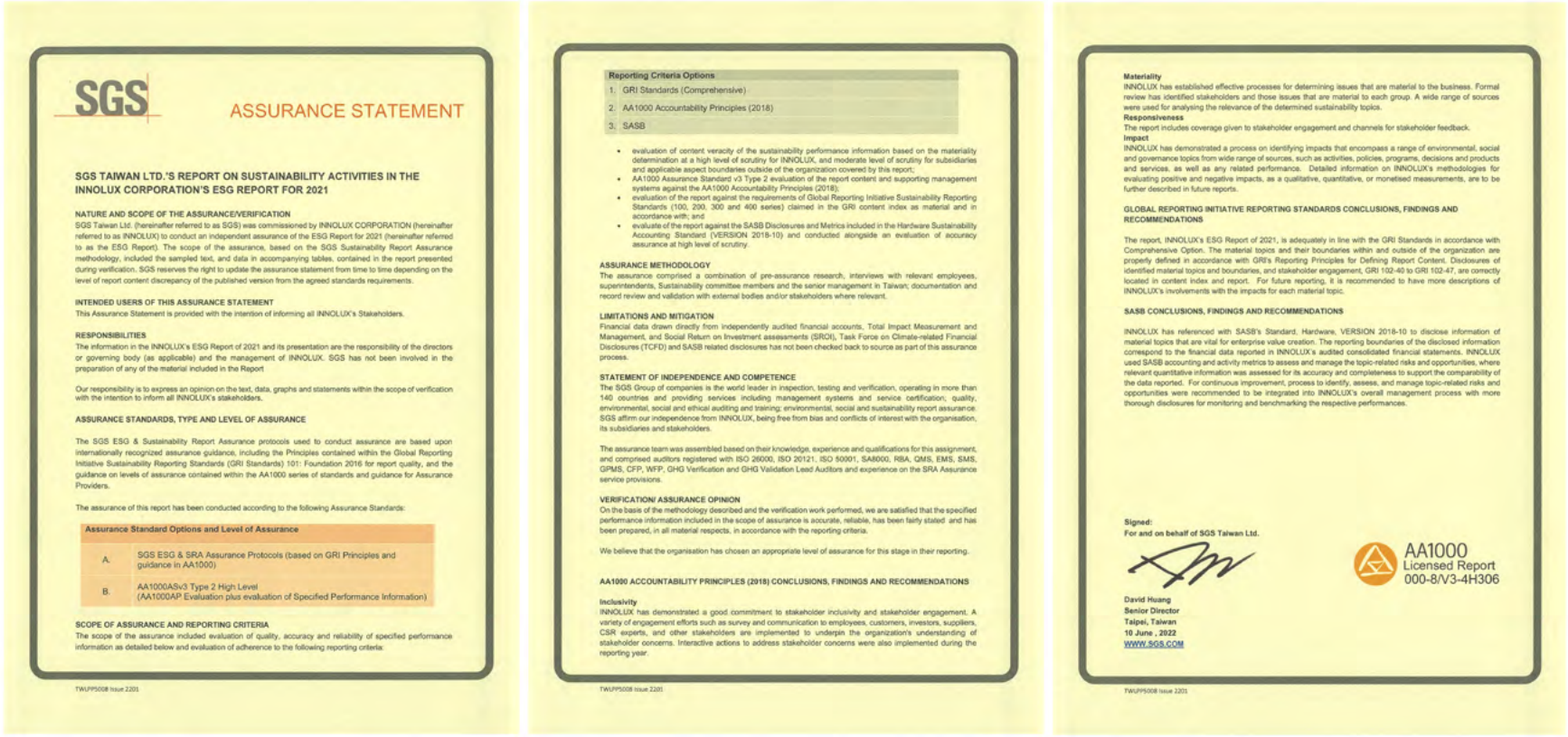
Chapter	Page	Before Amendment	After Amendment
5.3 Water Management	134	The water consumption of per unit input substrate area of the TFT-LCD sites reduced by 3% from 0.272m³/m² in 2019 to 0.263m³/m² in 2020, and by 20% from 2016, reaching the medium-term target. We further set long term target to down by 30% over 2016 in 2025.	The TFT-LCD plant was newly added in 2017; therefore, the water conservation indices were recalculated to reflect the amended statistics and charts. The water consumption per unit input substrate area of the TFT-LCD plant in the Taiwan sites was 0.282 m³/m² in 2020, a slight increase of 0.7% compared to 0.280 m³/m² in 2019, but a 14.4 % reduction compared to water consumption per unit area in 2016.

/ water Conservation Performance of Tawan site /





6.5/ Independent Verification Statement



SGS

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE INNOLUX CORPORATION'S ESG REPORT FOR 2021

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by INNOLUX CORPORATION (hereinafter referred to as INNOLUX) to conduct an independent assurance of the ESG Report for 2021 (hereinafter referred to as the ESG Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during verification. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

INTENDED USERS OF THIS ASSURANCE STATEMENT
This Assurance Statement is provided with the intention of informing all INNOLUX's Stakeholders.

RESPONSIBILITIES
The information in the INNOLUX's ESG Report of 2021 and its presentation are the responsibility of the directors or governing body (as applicable) and the management of INNOLUX. SGS has not been involved in the preparation of any of the material included in the Report

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

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options and Level of Assurance	
A.	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
B.	AA1000ASv3 Type 2 High Level (AA1000AP Evaluation plus evaluation of Specified Performance Information)

SCOPE OF ASSURANCE AND REPORTING CRITERIA
The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

TWUPP5008 Issue 2201

Reporting Criteria Options
1. GRI Standards (Comprehensive)
2. AA1000 Accountability Principles (2018)
3. SASB

- evaluation of content veracity of the sustainability performance information based on the materiality determination at a high level of scrutiny for INNOLUX, and moderate level of scrutiny for subsidiaries and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard v3 Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018);
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with; and
- evaluate of the report against the SASB Disclosures and Metrics included in the Hardware Sustainability Accounting Standard (VERSION 2018-10) and conducted alongside an evaluation of accuracy assurance at high level of scrutiny.

ASSURANCE METHODOLOGY
The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, Sustainability committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

LIMITATIONS AND MITIGATION
Financial data drawn directly from independently audited financial accounts, Total Impact Measurement and Management, and Social Return on Investment assessments (SROI), Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures 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, RBA, 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 specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2018) 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. Interactive actions to address stakeholder concerns were also implemented during the reporting year.

TWUPP5008 Issue 2201

Materiality
INNOLUX has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group. A wide range of sources were used for analysing the relevance of the determined sustainability topics.

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

Impact
INNOLUX has demonstrated a process on identifying impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Detailed information on INNOLUX's methodologies for evaluating positive and negative impacts, as a qualitative, quantitative, or monetised measurements, are to be further described in future reports.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, INNOLUX's ESG Report of 2021, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material topics 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 topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of INNOLUX's involvements with the impacts for each material topic.

SASB CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

INNOLUX has referenced with SASB's Standard, Hardware, VERSION 2018-10 to disclose information of material topics that are vital for enterprise value creation. The reporting boundaries of the disclosed information correspond to the financial data reported in INNOLUX's audited consolidated financial statements. INNOLUX used SASB accounting and activity metrics to assess and manage the topic-related risks and opportunities, where relevant quantitative information was assessed for its accuracy and completeness to support the comparability of the data reported. For continuous improvement, process to identify, assess, and manage topic-related risks and opportunities were recommended to be integrated into INNOLUX's overall management process with more thorough disclosures for monitoring and benchmarking the respective performances.

Signed:
For and on behalf of SGS Taiwan Ltd.

AA1000
Licensed Report
000-8/V3-4H306

David Huang
Senior Director
Taipei, Taiwan
10 June , 2022
WWW.SGS.COM

TWUPP5008 Issue 2201

TEL +886 37 586 000 | FAX +886 37 584 622 | www.innolux.com
No.160, Kesyue Rd., Jhunan Science Park, Miaoli County 35053, Taiwan (R.O.C.)

INNOLUX