
AUO
2024
TCFD Report

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## Chairman's Statement

2024 is the hottest year on record.
In the face of severe climate change challenges, AUO aligns with global consensus and commits to advancing towards the vision of "low carbon transformation and achieving net zero."
In operations, AUO enhances climate resilience through robust and pragmatic management. In terms of products, AUO continues to develop excellent display technologies along with lower energy consumption and environmentally friendly products. In production, we strive to mitigate our environmental impact. Additionally, AUO continuously refines various green technologies, including energy saving, energy generation, water conservation, and waste reduction, transforming these into green services to assist more industries in their green transformation.
AUO will make every effort to contribute value to global climate action.

# AUO Climate Action Overview

AUO has been attentive to the development of global climate issues for many years. Following the United Nations Sustainable Development Goals, the company actively adopts mitigation and adaptation measures and has established four key policy directions for managing climate change issues : Transparency, Actions, Responsibility, and Cooperation. These directions serve as the foundation for assessing climate risks and opportunities, collaborating on reduction efforts, and managing carbon assets.
In response to the growing concerns of external stakeholders regarding climate change, AUO signed the Task Force on Climate-related Financial Disclosures (TCFD) in 2020 to show its support for climate-related financial disclosure. In 2022, AUO officially became a member of RE100, committing to using 100% renewable energy by 2050. In 2024, the company received recognition from the Science Based Targets initiative (SBTi) for its 1.5-degree reduction target and continues to strive towards its net-zero vision.

## Important Milestones

Organization | International standard | Innovative technology | Policy

### 2005
- Obtain ISO 14064 Greenhouse Gas emission verification

### 2008
- AGS (AUO Green Solution)

### 2011
- Obtain ISO 50001 Energy Management system certification
- World NO.1

### 2013
- Obtain PAS 2060 building Carbon Neutrality verification
- Taiwan NO.1

### 2014
- 100% installation of fluoride gas destruction equipment

### 2015
- 100% processes water recycling (Longtan)

### 2016
- Implementation of internal carbon pricing

### 2017
- Solar self-consumption (Kunshan)
- Establishment of a new venture (AUO Envirotech)

### 2018
- CSR Committee transformation
- Obtain IPMVP verification
- Taiwan NO.1

### 2019
- Establishment of Energy-saving working group
- Adopt TCFD
- Register carbon offset credits

### 2020
- Obtain UL 3600 Circularity Certification for recycled plastic displays
- World NO.1

### 2021
- ESG & Climate Committee transformation
- Advocate for the Taiwan Climate Partnership
- Sign the Recycling Water Agreement (Taichung)
- Obtain ISO 14064 Greenhouse Gas emission verification for the new version
- Achieve alignment with SBTi (below 2 °C)
- Obtain ISO 46001 Water Resource management system certification
- Taiwan NO.1

### 2022
- Become a member of RE100
- Declare a Net-Zero goal by 2050
- Participate in the Taiwan Net Zero Action Alliance

### 2023
- Declare a Biodiversity Policy
- Declare plastic neutrality goals
- First participation in COP28
- Publish TCFD report
- Participate in the Ministry of Economic Affairs Program

### 2024
- Achieve alignment with SBTi (below 1.5 °C)
- First building in Taiwan to undergo ISO 14068-1:2023 Carbon Neutrality verification
- Publication of TNFD report
- Establishment of AUO Power Corporation
- Obtain carbon offset credits
- Unveils 100% green energy manufactured display
- Amendment of Biodiversity and Non-deforestation policy

### 2025
- Sector-specific reduction rates for carbon fees

## Progress in Promoting TCFD

AUO has long been focused on risk management related to climate change issues. In 2019, a third-party consulting team from PwC Taiwan assisted in establishing the foundational framework for TCFD operations management. An interdisciplinary organization, the "Carbon-Energy Task Force," was formed to create a TCFD team dedicated to developing and implementing TCFD practices. Recognizing that climate change risks and opportunities are significant concerns for external stakeholders, AUO signed the TCFD Initiative in 2020. In response to the growing connection between financial and non-financial information, AUO has aligned with the requirements of the International Financial Reporting Standards (IFRS) and, guided by a professional consulting team, has begun to disclose IFRS guidelines in its sustainability reports.

### 2019

**PwC-assisted development stage**

- Selection of common risks and opportunities in the hi-tech industry
- Organization of workshops to achieve a consensus on risk items among executives at the plant and division level
- Individual interviews with department heads to establish scenario criteria
- Development of a foundation for quantification of financial risks in the context of different risk scenarios

### 2020

**Conversion of the TCFD framework to a traditional Chinese version**

### 2021~2023

**Official signing up as a supporter of the TCFD initiative**

**Establishment TCFD working group**

- Annual risk scenario impact improvement management
- Annual TCFD Workshop

### 2024~2025

**KPMG IFRS S2 Focus**

- Introducing IFRS S2 guidance requirements
- Adding climate-related opportunity identification

"In the increasingly severe climate emergency, the climate crisis has become the greatest challenge faced globally in the pursuit of sustainable development. AUO is honored to support the disclosure and transparency of climate financial information to build investor trust as the company works towards sustainable development. Therefore, we hope to continue leveraging our core technologies to develop low-carbon business opportunities and to address the opportunities and challenges of energy transformation, while advancing our energy business to collaboratively enhance resilience in human existence and create value along the supply chain."

**Chairman**

Statement made upon AUO's signing of the TCFD initiative in 2020

# CH1 Governance

## 1.1 Board-Level

AUO places great emphasis on the governance role of senior management regarding climate change. At the board level, the board of directors serves as the highest management and decision-making body of the company. Following the company's operational strategy and industry environment, the board formulates risk management strategies related to climate change and oversees the effective operation of management mechanisms. Important decision-making issues related to climate risks are included in the board meetings, guiding the company in responding to the challenges posed by climate change while ensuring compliance with laws and regulations.

### Oversight of Climate-Related Risks and Opportunities at the Board Level

**Board of Directors**

Supervises the implementation of AUO's sustainable business strategy.

**Corporate Governance Committee**

Ensures the diversity of the backgrounds of AUO's board members, such as expertise in corporate sustainability and risk management.

**Compensation Committee**

Manages executive compensation linked to corporate climate (sustainability) transformation strategy. The senior management team has a long-term incentive bonus plan designed to link their responsibilities with ESG sustainability performance, with specific linkage ratios ranging from 10% to 70%, aiming for a high connection between the corporate climate (sustainability) transformation strategy and compensation.

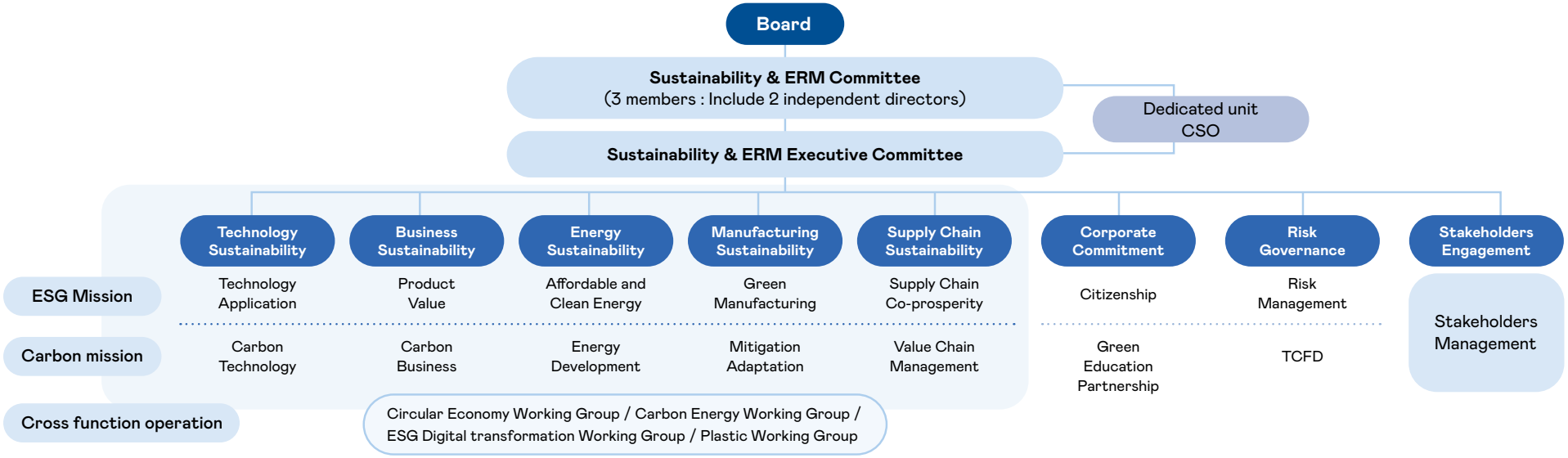
Please see AUO ESG website

**Sustainable and ERM Committee**

Oversees the proposals and execution results of sustainable development policies, systems, or related management guidelines, as well as decisions on energy development, green manufacturing, value chain management, circular economy, and carbon energy operations.

## 1.2 Management Level

AUO has established a "Sustainable and ERM Executive Committee" under the " Sustainable and ERM Committee". The Chairman serves as the committee's head, with first-level executives leading various subcommittees. This structure is designed to integrate departmental strategies and resources, as well as to coordinate the proposal and execution of annual project plans. Additionally, the Sustainable and ERM Executive Committee has set up cross-platform working groups, including the Circular Economy Working Group, Carbon Energy Working Group, ESG Digital Transformation Working Group, and Plastics Working Group.




## 1.3 Operational Mechanisms and Results

AUO has established corresponding operational frequencies and management mechanisms for different organizations to implement sustainable operations and strategic development.

| Level | Organization | Responsibilities | Chair | Attendees | Frequency | 2024 Results |
|---|---|---|---|---|---|---|
| Board level | Board of Directors / Strategy meeting | Key Decisions Approval / Management of Approved Matters (Including Progress Reports) | Chairman | Board of Directors | Quarterly | • Quarterly greenhouse gas inventory progress reports<br>• Approval of revisions to the "Risk management policy and procedures" and "Environmental, safety, health, water resource, and energy policies"<br>• Approval of green electricity procurement budget and monitoring execution<br>• Approval of "Biodiversity and non-deforestation policy"<br>• Oversight of net-zero pathway strategy<br>• Approval of wind power procurement case<br>• Approval of IFRS implementation progress |
| | Sustainable and ERM Committee | • Routine regulatory trends, project reports, discussion<br>• Resolution of important carbon-energy proposals | Chairman | Independent directors | | • Review of IFRS implementation progress<br>• Approval of major topic identification results and targets |

| Level | Organization | Responsibilities | Chair | Attendees | Frequency | 2024 Results |
|---|---|---|---|---|---|---|
| Management level | Sustainable and ERM Executive Committee | • Consensus formulation on issues<br>• Resource allocation<br>• Synergies confirmation | Chairman | Chair | Quarterly | • Successfully passed SBTi review again under the 1.5-degree warming scenario<br>• Calling for the supply chain to join efforts in reducing plastics, declaring a move towards plastic neutrality<br>• Continued acceleration of signing renewable energy purchase agreements<br>• Achieved 226,000 tons of carbon rights through a compensation project approved by the ministry of the environment<br>• Participated in the Ministry of Economic Affairs' low-carbon and intelligent upgrading transition for small manufacturers<br>• Issued AUO's first TNFD report |
| | Risk Governance Group of Sustainable and ERM Executive Committee | • Management of key risk issues in corporate governance<br>• Responsible for implementing the risk management policies approved by the Board<br>• "Risk management policies" are established following international risk management standards | CFO | Executive secretary | Monthly | • In response to international concerns about the climate crisis and net-zero targets, included overseas accountable supervisors in the climate change carbon management assessment for 2024<br>• Initiated preparations and management disclosure mechanisms for compliance with IFRS S1/S2 for sustainable information disclosure for the financial report/annual report in 2024 |
| | Carbon-Energy Working Group | • Cross-functional work and resource integration to mitigate greenhouse gas impacts through intelligent technology and scientific basis<br>• Enhance organizational adaptability and reduce risks resulting from climate change | Senior VP of Manufacturing Group | Executing unit | | • Develop carbon reduction pathways based on science-based targets (SBTi).<br>• Pursue absolute carbon reduction targets, with organization carbon emissions of 2.16 million tons in 2024<br>• Deep application of AI technology, achieving a water recovery efficiency of 94.7% in processes<br>• Planning to submit a self-reduction plan to the Environmental Ministry |
| | Circular Economy Working Group | • Reducing waste at the source, securing circularity certifications, increasing recycling, and lowering process waste.<br>• Collaborating on packaging recycling, developing recycled materials, and forming alliances to create greener business opportunities. | CTO | | | • Recycled green products contributed 13.2 billion NTD in revenue throughout the year<br>• Green manufacturing material recycling and water recycling contributed 4.37 billion NTD in revenue<br>• The recycling and reuse of packaging materials in the green supply chain achieved a benefit of 902 million NTD throughout the year |
| | Plastics Working Group | • Project progress reporting<br>• Resource allocation<br>• Synergy verification | CSO | | | • Average recycling rate of plastic packaging materials from suppliers is 95.8%<br>• 60% of recycled materials from supplier plastic packaging trays have been imported and verified<br>• Plastic reduction at the manufacturing source exceeds 400 tons<br>• 91 tons of recycled materials from manufacturing process<br>• AUO product packaging materials use more than 100 tons of recycled materials |
| | ESG Digital Transformation Working Group | • Digitalizing sustainability management<br>• Developing digital systems and tools for sustainability<br>• Overseeing ESG and carbon data governance | CSO | | | • Promote ESG and carbon data governance and improve the data quality<br>• Complete the construction of the carbon management platform and implement the organization's carbon emissions and carbon footprint verification<br>• Optimize the ESG sustainable database and information collection platform |
| Other | TCFD Working Group | Using the TCFD framework, establish a PDCA cycle for climate risk and opportunity management to ensure long-term, continuous improvement. | Senior VP of Manufacturing Group | Executing unit | Monthly | • 12 projects were identified, with high temperature climate scenarios being the main focus of TCFD<br>• 5 projects were formulated to transform risks into business opportunities, and climate-related opportunities were explored for the first time |
| | Green Electricity Procurement Decision Group | According with RE100 goals, provides timely decisions and resolutions to support Renewable purchase team. | VP of Energy Business | | Biweekly | • Stabilize the company's electricity demand<br>• Conduct offshore wind power procurement negotiations<br>• Develop a new business model for the green power trading platform |

# CH2 Climate Strategy

AUO aligns itself with the United Nations Sustainable Development Goals (SDGs) and established AUO EPS (Environment, People, Society) strategy, focusing on environmental sustainability, inclusive growth, and agile innovation. AUO is actively working towards achieving its mid-to-long-term sustainability goals by 2025. In terms of environmental sustainability, AUO has set four objectives: energy optimization, water optimization, circular production, and climate adaptation. Upholding the principle of sustainable management, AUO implements governance through strategic management and assessment, formulates adaptation management policies to enhance operational resilience, and develops mitigation measures under global low-carbon transition.


## Environment

Realize the goal of environmental sustainability through low-carbon production and resource recycling in the value chain

### Energy Optimization

**2025 Target**

Set reduction targets based on life-cycle and reduce carbon emissions by up to 6.5 million tones $CO_2e$ cumulatively.

### Water Optimization

**2025 Target**

Work with the value chain to combat the threat of water resource shortages and conserve up to 100,000 CMD in tap water cumulatively.

### Circular Production

**2025 Target**

Spearhead the development of the circular value chain, expand its economic performance and achieve a growth rate of 135%.

### Climate Adaptation

**2025 Target**

Increase the resilience of climate adaptation and continue to reduce the risk of financial impact from climate change issues.

Note: cubic meter per day, CMD

# 2.1 Adaptation Management

## Climate Risk Adaptation Guideline

According to the Sixth Assessment Report (AR6) by the Intergovernmental Panel on Climate Change (IPCC), Taiwan exhibits high climate risk characteristics, including increased rainfall intensity and extended maximum consecutive dry days; longer summers, shorter winters, and even the potential disappearance of winter. AUO believes that under the complex boundaries of organizational operations, it is crucial to ensure that all components possess operational resilience to respond to climate change.

On the manufacturing side, it is essential to reduce dependence on natural energy resources, such as regional hydro and gas infrastructure supply, and extend this consideration to supply chains that share similar natural resource needs. Additionally, the challenges faced by business operations—including national or regional regulations, market value driven by product value chains, R&D momentum, and diverse stakeholder expectations for low-carbon transition—require organizations to respond actively and adaptively.

Whether facing the physical disasters of climate change or the transitional impacts of humanity's attempts to control temperature rise, AUO conducts in-depth assessments at various stages—short, medium, and long term—based on industry characteristics and various operational conditions. This involves evaluating how different business attributes should integrate deep management in strategic and operational dimensions, along with financial planning and preparation.

In its adaptive resilience management, AUO examines projects related to climate change risks and opportunities. It considers critical information such as its own operational conditions, changes in policies and regulations, international trends, low-carbon market developments, and technological advancements. This assessment encompasses the entire upstream and downstream value chain and spans short, medium, and long-term timeframes. The following climate response actions and financial impact assessments are executed in line with IFRS guidelines:

| | |
|---|---|
| Value Chain | Evaluate the impacts of sustainability risks/opportunities on the value chain position, including upstream relevant industries/suppliers, the organization's operations/business models, and downstream relevant industries/customers, while disclosing their influence. |
| Timeframe | Project reports are categorized into four phases: current, short-term (1-2 years), medium-term (3-5 years), and long-term (6 years and beyond). This structure allows the company's strategic decisions to align with the aforementioned timelines, creating a consistent identification of time intervals and describing specific response actions. |

### Impact of Climate Risk and Opportunity on Organization

| Impact dimension | Risk | Opportunity |
|---|---|---|
| Business | **Short-term**<br>Climate risks of increasing severity reinforce uncertainties surrounding operational interruptions of organizations and supply chains | **Short-term**<br>Provision of environmental solutions (e.g., water resources/energy/smart manufacturing) to meet legal requirements or satisfy the needs of enterprises facing climate challenges |
| | **Medium-term**<br>Accumulated impact of transition risks stemming from legal developments, product standards, and carbon finance on organizational operations | **Medium-and long-term**<br>• Medium-and long-term development of green power business opportunities for energy business in accordance with demands of the free electricity market<br>• Provision of low-carbon, low-power consuming products to brand customers based on display technologies<br>• Provision of more efficient manufacturing services with smart manufacturing solutions |
| | **Long-term**<br>• Deep-rooted, wide-ranging low-carbon transition driving force requiring adequate product/service adjustments<br>• Required active deployment of powerful infrastructure installations for organizational operations to gain the ability to respond to climate anomalies | |

| Impact dimension | Risk | Opportunity |
|---|---|---|
| Strategy | **Short-term**<br>Proactive response to operational resilience required for net-zero transition (SSP1-1.9)/extreme warming (SSP5-8.5) scenarios including:<br>• Setting of proactive low-carbon transition targets in the context of signing up for international initiatives (SBT, RE100)<br>• Adoption of management systems for energy performance enhancement (ISO 50001, ISO 46001) | **Short-term**<br>• Communication and engagement with brand customers on the low-carbon transition process and initiation of trial runs for low-carbon products with special specifications<br>• Integration of practical experience in management system operations gained over many years and communication, advocacy, and guidance for ecosphere partners |
| | **Medium-term**<br>• Concern and measures adopted for corresponding carbon reduction targets (renewable energy in particular)<br>• Decreased reliance on external water, electricity, and natural gas infrastructure facilities<br>• Development of low-carbon, stable, and economically feasible infrastructure support solutions by relying on technological capabilities | **Medium- and long-term**<br>• Grasp of opportunities arising from core net-zero strategies of government ministries and intensified deployment and implementation of solutions in the fields of green energy, zero-carbon manufacturing, and low-carbon products<br>• Forging of strategic partnerships with businesses (including customers and the supply chain) which also face transition risks generating relevant demands |
| | **Long-term**<br>Operational risks acting as a driving force for low-carbon transition-related business opportunities relying on transition/physical solutions | |
| Finance | **Short-term**<br>• The implementation of carbon fees in Taiwan, along with the burden of electricity costs resulting from energy transition<br>• Active response to financial needs arising from climate risks through internal carbon pricing management<br>• Internalization of external costs such as investments required for climate change-related business operations and strategic planning risks<br>• Reliance on internal financial indicators to prompt competent units to incorporate low-carbon transition targets into their operational decision-making | **Short-term**<br>• Assessment of investments in technologies, tools, and platform services required by industries in the course of low-carbon transition deployment<br>• In the era of carbon pricing, flexibly utilizing the carbon credits under the company's account in the public carbon trading market |
| | **Medium- and long-term**<br>• Consideration of replacement of aging, energy intensive facilities and assessment of green energy premiums (period of more than 20 years) associated with renewable energy purchase/sale agreements for carbon reduction target management and investments<br>• Assessment of operating cost impacts arising from domestic carbon pricing and the international Carbon Border Adjustment Mechanism (CBAM) | **Medium-and long-term**<br>Ongoing contribution of stable, high-value revenues and profits through green power sales opportunities, low-carbon display technologies, and smart-service solutions in the low-carbon transition process |

## Risk Management on the strategy and operation dimensions

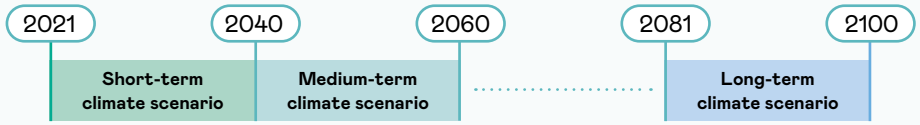
| Risk category | | Key concern | Contingency strategy |
|---|---|---|---|
| Strategy | Climate change/ carbon management | • Stable power supply and production yield during energy transition<br>• Impact of long-term water supply imbalances caused by climate change on regular production operations of factories<br>• Impact of extreme disasters caused by severe climate change on the shipping order of global supply chains<br>• Energy price fluctuations and carbon emission controls implemented on the national level and the extended cost of carbon taxes/fees<br>• Carbon reduction/renewable energy demands of customers, response to international initiatives and product environmental labeling compliance | • Strengthening of response capabilities and ongoing implementation of energy conservation programs<br>• Regular monitoring of climate change and water supply conditions by dedicated units, planning of water conservation and diversified water supply sources, search for insurance mechanisms, and adequate risk transfer<br>• Proactive collection of data on natural disaster incidents and firm grasp of the impact of supply chain disruptions through systematic classification and management<br>• Examination of climate change-related financial impacts and formulation of mitigation strategies and measures through TCFD-based case studies<br>• Participation in international initiatives and climate-oriented engagement with customers |
| | Market and product competition | • Market redistribution (new competitors harness their competitive edge based on low-carbon production capacities and existing competitors exit the market)<br>• Diversified business models, strategies, and sales channels and reduced customer reliance pose a significant challenge to business continuity<br>• Varying demands for product mixes and grasp of systemic market risks | • Development of high-end products and increased added value through integrated product solutions<br>• Joint development of next-generation technologies in close cooperation with customers to maintain a leading edge<br>• Close monitoring of market supply and demand conditions, dynamic adjustment of optimal shipping volumes paired with differentiated product development |
| | Research and development of innovative technologies | • Lack of innovative concepts or inability to meet business needs through product development resulting in delayed investment in new technologies or missed opportunities for product launch<br>• Lagging development by technology partners resulting in lack of synchronization in the fields of new technology/new-generation material adoption and application/R&D capabilities<br>• Potential impact of new display technologies available on the market on the company's competitiveness | • Regular inspection and optimization of new technology and product development mechanisms Upgrade and expansion of R&D capabilities based on existing technologies<br>• Refinement of R&D training blueprints through industry-academia collaboration and deep commitment to optimization of supplier relations<br>• Adoption of systematic, AIO (all-in-one) development approaches to minimize the impact of new display technologies |
| Operation | Legal compliance | • Full grasping, understanding, and implementing relevant legal requirements to prevent unexpected violations (e.g., competition laws, privacy and security laws, IPR laws, trademarks, business secrets, environmental protection/health and safety, labor-employer relations, and financial accounting)<br>• New transaction or business conduct modes requiring consideration of local laws and regulations on a global scale to minimize investment and financial operation risks | • Regular collection and analysis of data pertaining to new legal trends and developments in relevant fields, impact assessment, and proposal of contingency plans<br>• Enhancement of staff literacy through exchanges, information sharing, and training |
| | Business continuity | • Production delays caused by personnel, material, machinery/equipment shortages affecting shipping timeliness<br>• Material supply anomalies caused by natural disasters or accidents (factory explosions, equipment damage)<br>• Defective product handling to conserve operating resources and reduce operating expenses | • Advance confirmation of required contingency plans, inter-plant support and resource allocation, and flexible outsourcing mechanism<br>• Reinforced mechanism for the handling of risks associated with material supply disruptions affecting production lines (BCP) including alternative supply sources and off-site production<br>• Optimization of product quality controls and return/exchange mechanisms |

## Scenario Resilience Analysis

The transitional and physical risk scenarios adopted by us for the adaptation process are based on the most severe scenarios and assumptions.

### Physical Risk Scenario

AUO refers to the climate deterioration and warming scenario of IPCC AR6 SSP5-8.5, as well as the simulation results from the Taiwan Climate Change Projection and Information Platform (TCCIP) and the Coupled Model Intercomparison Project Phase 6 (CMIP6) for downscaled modeling data. Using the baseline climate values from 1995 to 2014, AUO conducts assessments for each 20-year climate period as follows.
The time frames defined for AUO's assessment of climate change physical risks are as follows:




- The annual average temperature is expected to rise by **1.8°C**, with the number of extreme high-temperature days extending an average of **8.5 days** longer.
- Daytime hours in the summer will gradually **increase**, while future winters may decrease or even **disappear**.
- The intensity of heavy rainfall is expected to **increase by 20%**, with consecutive dry days **increasing by 5.5%**.
- The number of strong typhoons may increase by up to **100%**.

AUO further analyzes that rainfall may lead to flooding in low-lying manufacturing areas, resulting in operational disruptions. Uneven rainfall could disrupt production activities or increase costs due to the high water demand required for operations. Additionally, the instability of the power grid caused by climate warming may also disrupt production activities.

Considerations of physical risks include:

**Rainfall Patterns**
Taiwan's water supply infrastructure struggles to cope with increasingly significant and intense drought-flood alternating events, exacerbating the water supply crisis.

**Global Warming**
If there is no rain for more than a week, urban areas will accumulate high temperatures, leading to a vicious cycle of the urban heat island effect, which increases the pressure on electricity demand and raises the risk of urban power quality crises.

### Transition Risk Scenario

Taiwan officially announced its "Pathway to Net-Zero Emissions in 2050" and promulgated the "Climate Change Response Act" to reaffirm its commitment to achieving net-zero emissions by 2050. We have manufacturing sites in Taiwan and overseas areas. The aforementioned National Pathway to Net-Zero Emissions, international climate-related norms and regulations, and the 2050 net-zero commitment of stakeholders serve as the main reference for assessment of transition scenarios.
Under this scenario, we could face the following impacts:

- Financial impact of carbon-related fees: Carbon pricing has been incorporated into the "Climate Change Response Act". Collected fees are earmarked for specific purposes and carbon trading has been initiated in sync with international markets. In addition, we are required to conduct ongoing monitoring of the future impact of the EU CBAM mechanism and integrated analysis of rising operating costs caused by carbon emission fees coupled with assessment of declining product competitiveness
- Extension of carbon reduction goals requested by stakeholders to our value chain
- Requests by customers to disclose carbon emission information for product life cycles could result in product competitiveness risks. However, such requests could also give rise to low-carbon business opportunities.
- Long-term goal formulation must be in sync with international trends (e.g., public commitment to the pathway to net-zero emissions in 2050).
- The commitment to the net-zero goal and legal compliance is expected to result in a substantial demand for renewable energy coupled with rising operating costs and a risk of green power shortages.
- Clearly defined demands for renewable energy can also bring about opportunities for business expansion in the field of power plant projects.
- Business opportunities will also be triggered by the enhancement of power grid infrastructure that will generate a demand for energy generation and storage solutions provided by energy business units.

## Quantification of Financial Impact

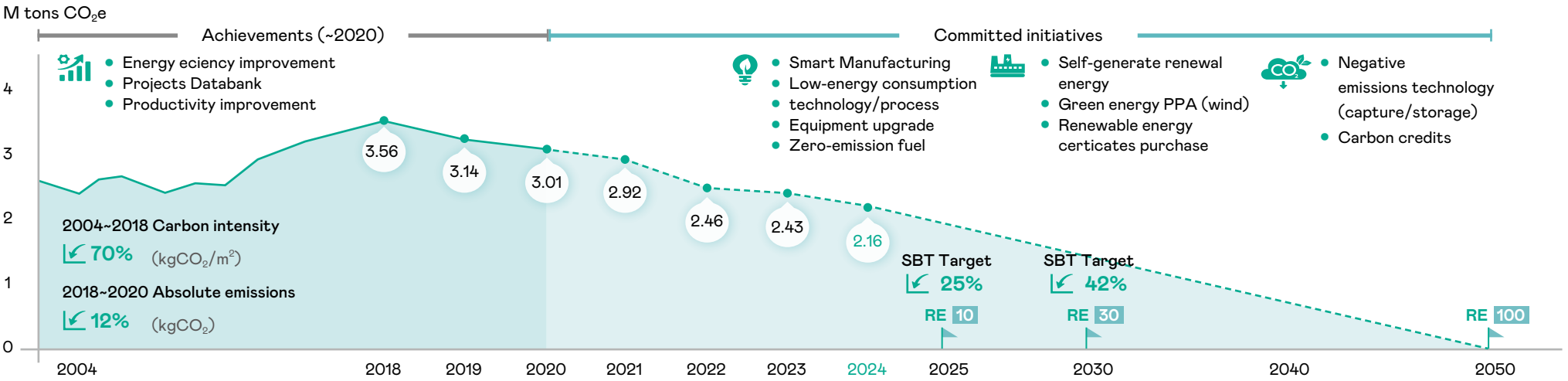
AUO uses five factors that affect product quality, including people, machines, materials, methods, and environment, to evaluate the quantitative indicators of actual impact and financial impact.

| Impact scope | Impact definition | Item | Tangible impact and quantitative indicator |
|---|---|---|---|
| Manpower | Absence and disability | • Increase of DL manpower<br>• Impact on regular attendance<br>• Employee casualties (injury)<br>• Employee casualties (death) | • Tangible impacts: Employee absence, work deficiencies, and employee disabilities caused by climate incidents resulting in rising operating costs or production capacity losses<br>• Quantitative indicators: Attendance rate, operating costs (manpower loss), production capacity loss |
| Machinery | Devaluation of equipment and system assets | • Diminished availability due to equipment damage<br>• Equipment damage and scrapping<br>• Generation of stranded assets | • Tangible impacts: Production equipment/asset damage or scrapping caused by accidents or diminished availability resulting in rising operating costs, decreased asset value, or production capacity losses<br>• Quantitative indicators: Asset, production capacity, and revenue losses, operating costs (equipment maintenance costs, equipment upgrades and replacement) |
| Materials | Raw material quality/ rising shipping costs, semi-finished good losses, and water, electricity, and natural gas prices | • Climate-related losses in the fields of raw material quality and delivery times<br>• Rising energy prices trigger raw material price fluctuations<br>• Finished goods losses during transportation caused by climate-related factors<br>• Production losses caused by water and electricity supply disruptions brought about by climate issues<br>• Product scrapping losses caused by water and electricity supply disruptions brought about by climate issues<br>• Losses caused by slow-moving products which have lost their value due to the impact of low-carbon transition technologies<br>• Loss of customer orders due to lack of low-carbon production technologies<br>• Rising energy (water, electricity, natural gas) supply prices<br>• Costs associated with the use of renewable energy<br>• Rising energy (water, electricity, natural gas) supply prices | • Tangible impacts:<br>1. Climate-related factors resulting in rising operating costs caused by material quality losses, delivery delays, or indirect price hikes<br>2. Semi-finished good losses: Production losses generated by water or electricity supply anomalies<br>3. Rising energy supply prices (water, electricity): Climate-related factors cause supply-demand imbalances in the field of energy resources, triggering tariff hikes<br>• Quantitative indicators: Production capacity and revenue losses, operating costs (raw material, production, energy, and shipping costs) |
| Law | Legal compliance costs | • Legal compliance costs<br>• Fines<br>• Liquidation damages | • Tangible impacts: New laws and regulations related to climate issues and rising operating costs caused by non-compliance (e.g., fines, liquidated damages)<br>• Quantitative indicators: Operating costs (fines, liquidated damages) |
| Environment | Devaluation resulting from market mechanisms and industry competitiveness and production capacity losses caused by business interruptions | • The aforementioned factors cause operating losses resulting from production capacity disruptions and decreasing product sales prices | • Tangible impacts:<br>1. Declining industry/product/capacity competitiveness due to revenue and profit losses<br>2. Production capacity losses caused by production interruptions triggered by physical risk factors present in plant operations and the supply chain<br>3. Inventory losses caused by slow-moving products as a result of market mechanism changes<br>• Quantitative indicators: Operating costs (inventory losses), revenue losses, and production capacity losses |

## 2.2 Mitigation Management

In 2022, AUO officially became a member of the global renewable energy initiative RE100, and is also the first company in the global display manufacturing industry to commit to using renewable energy completely by 2050. After passing the Science-Based Targets (SBT) for a WB2C warming scenario in 2021, it has set more challenging carbon reduction goals, achieved the SBT for a 1.5°C warming scenario in 2024. AUO is also a founding member of the Taiwan Climate Alliance, and has joined the Taiwan Net Zero Action Alliance initiative, expressing its willingness to work with industry partners to promote carbon reduction actions.

### AUO Net Zero Path




### Initiatives and Key Actions

| Initiative | RE100 | SCIENCE BASED TARGETS | TCFD | TANZE 台灣淨零行動聯盟 | Taiwan Climate Partnership 台灣氣候聯盟 |
|---|---|---|---|---|---|
| Key Target | 30% use of renewable energy by 2030 and 100% use of renewable energy by 2050 | Set in a scenario of limiting global temperature rise to 1.5 , based on the year 2021, the target is to achieve an absolute carbon reduction of 42% by the year 2030 | Create the TCFD operation management framework to reinforce climate risk and opportunity governance | Achieved net zero at the headquarters building in 2023, aiming for net zero across all office buildings in Taiwan by 2030, while striving toward organizational net zero by 2050 | Unleash industrial impact and lead Taiwan's supply chain to comply with the international carbon reduction pathway |
| Key Action | AUO is expanding investments in renewable power for self-use, negotiating CPPA, and adopting tailored green electricity solutions. We also participate in Tai power's flexible sandbox program to connect renewable producers with users, supporting zero-carbon manufacturing and environmental goals. | AUO is advancing its Phase 1 SBT carbon goals, aligned with a 30% reduction in electricity use and RE30 targets meeting stakeholder expectations. We remain committed to Phase 2 targets based on a 1.5°C reduction scenario. | AUO continuously published climate-related financial disclosures to inform stakeholders about governance, climate risks, and opportunities. | AUO HQ's net zero action earned ISO 14068-1:2023 certification, achieving a 32% reduction in production site emissions and becoming Taiwan's first to receive the Gold-Level Net Zero Mark. | AUO accelerated value chain carbon reduction efforts to enhance industry resilience by joining CDP, promoting ISO 50001, and participating in MOEA's "Big Leads Small" program to foster low-carbon collaboration. |

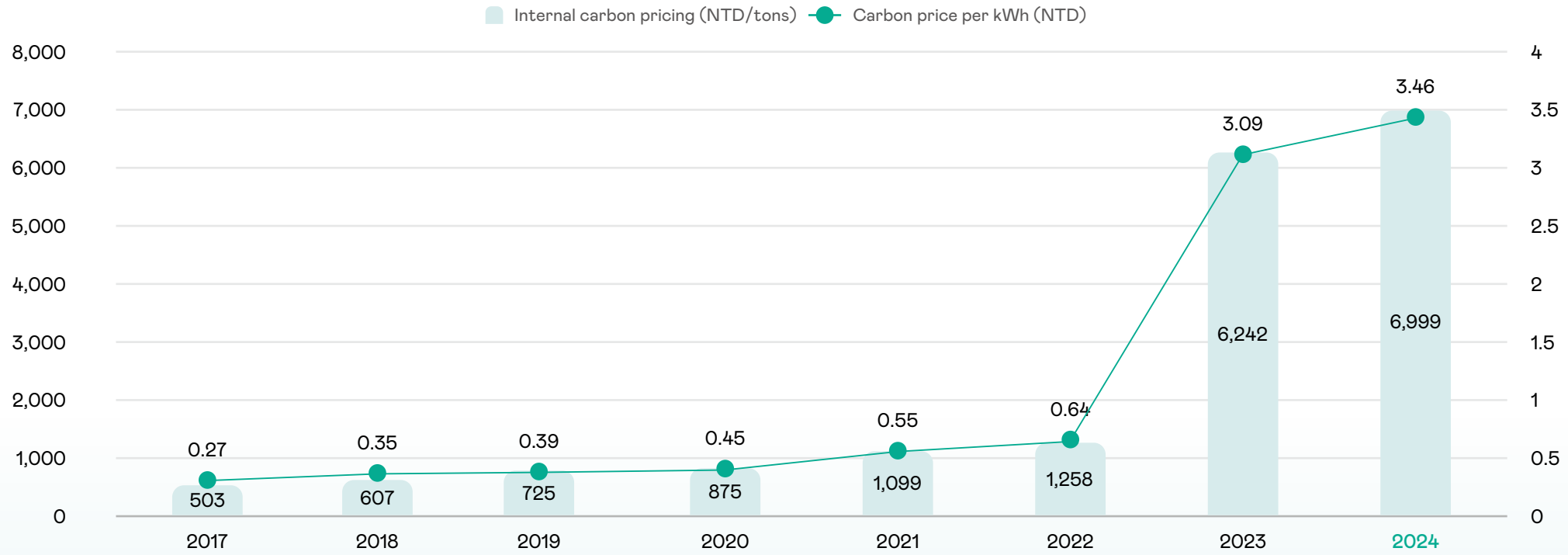
## Energy Management

In terms of energy management, AUO continuously improves its practices according to the ISO 50001 Energy Management System. The company has also adopted the International Performance Measurement and Verification Protocol (IPMVP) for systematic verification processes to enhance the credibility of its energy-saving measures.

Considering future changes in production capacity and the bottlenecks associated with energy-saving technologies, AUO flexibly responds to the growth in electricity costs and demand for renewable energy by allowing for more lenient investment timelines. Through a carbon energy task force, AUO effectively utilizes AI and digital infrastructure to achieve intelligent operations, resulting in a continuous increase in energy savings in recent years.

## Internal Carbon Pricing

Since the Paris Agreement came into effect in 2016, AUO has been promoting an internal carbon pricing mechanism, monetizing the carbon costs derived from external climate control policies into the company's internal carbon price. In order to be closer to the future development scenario of carbon reduction path in the manufacturing industry, AUO adjusted our internal carbon pricing methodology in 2023, incorporating the costs of the energy supply market and the impacts of public sector policies into its estimation factors to reflect to reduction costs in Scope 2. In 2024, we announced an internal carbon price of 6,999 NTD relative to an external carbon emission cost of 3.46 NTD per kwh. AUO applied the implicit price principle to green manufacturing and energy-efficiency investments, and for assessing the efficiency or future investor purchases. It will also serve as a reference by the Company for strategic and financial planning. Once green manufacturing and energy-efficiency made investors think about the yield of renewable energy, they should focus more on the Company's strategic and fiscal planning. AUO can then think seriously about the carbon reduction costs of manufacturing activities caused by the net zero pathway in the future, while also promoting in carbon-reduction investments.



# CH3 Risk Management

## 3.1 Identification and Management of Climate Risks

### Annual Risk Identification

AUO conducts systematic risk identification operations annually. The company assesses 75 types of risks related to finance, strategy, operations, and hazards, with evaluations carried out by plant-level and responsible supervisors to comprehensively identify risks in the company's operations. After completing the risk identification, the risks are quantified and organized into a matrix analysis, allowing for the selection of risks that have high impact and low control. These selected risks are then incorporated into management by the Sustainable and ERM Executive Committee.

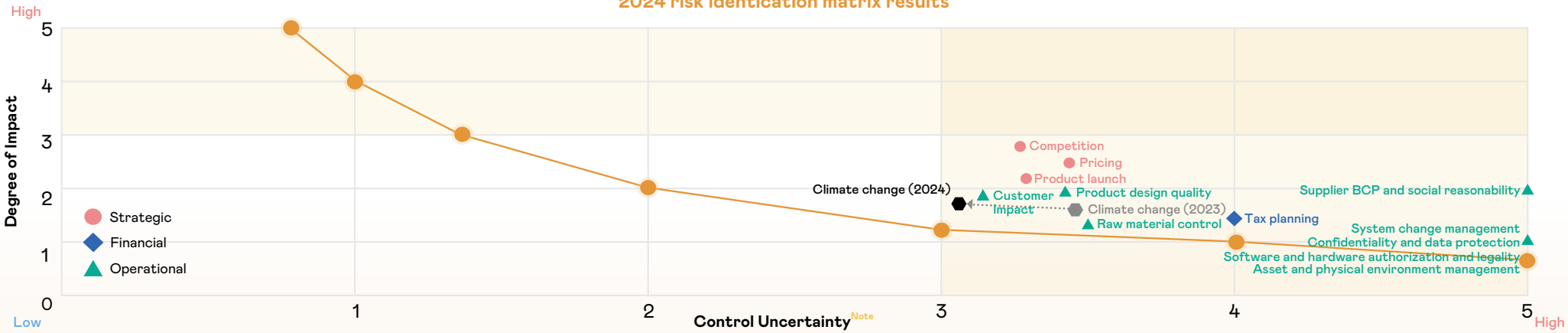
### Risk Screening Process

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Define common risk categories<br>A total of 75 types of risks in 2024 | Site and division-level managers assess possible operational risks | Quantifying risk value using matrix analysis | Screening for important risks<br>A total of 13 high-concern risks in 2024 | PDCA management tracking<br>Continuously monitor global trends and include them in risk management mechanisms |

### 2024 Risk Identification Matrix Result

A total of 13 high-concern risks (risk value ≥ 4 with high impact and low control) are listed in 2024, including climate change risks. Compared with last year, the impact of climate risks in 2024 has increased slightly, and the control uncertainty has decreased.

2024 risk identication matrix results




Note: Based on verification deficiencies and incidents in the past year.

## Applying the TCFD framework to risk identification

During the annual risk assessment, the company used the TCFD framework to identify climate-related and transition risks across departments like manufacturing, product, technology, HR, and finance, involving over 100 managers. This comprehensive evaluation across the value chain identified potential operational challenges and opportunities in the short to medium term.

The annual risk identification demonstrates AUO's commitment to climate risk governance and effective risk recognition. It encourages relevant departments to stay alert to climate risks and opportunities, enabling quicker responses to external changes and turning potential crises into business opportunities, thereby enhancing operational resilience.

## 2024 Climate and Carbon Management Risk Matrix Results

**Risk Categories**

Climate regulations

Operational external costs/ compliance risks

Technology Market Reputation

Market/ brand-driven Technology-driven market positioning

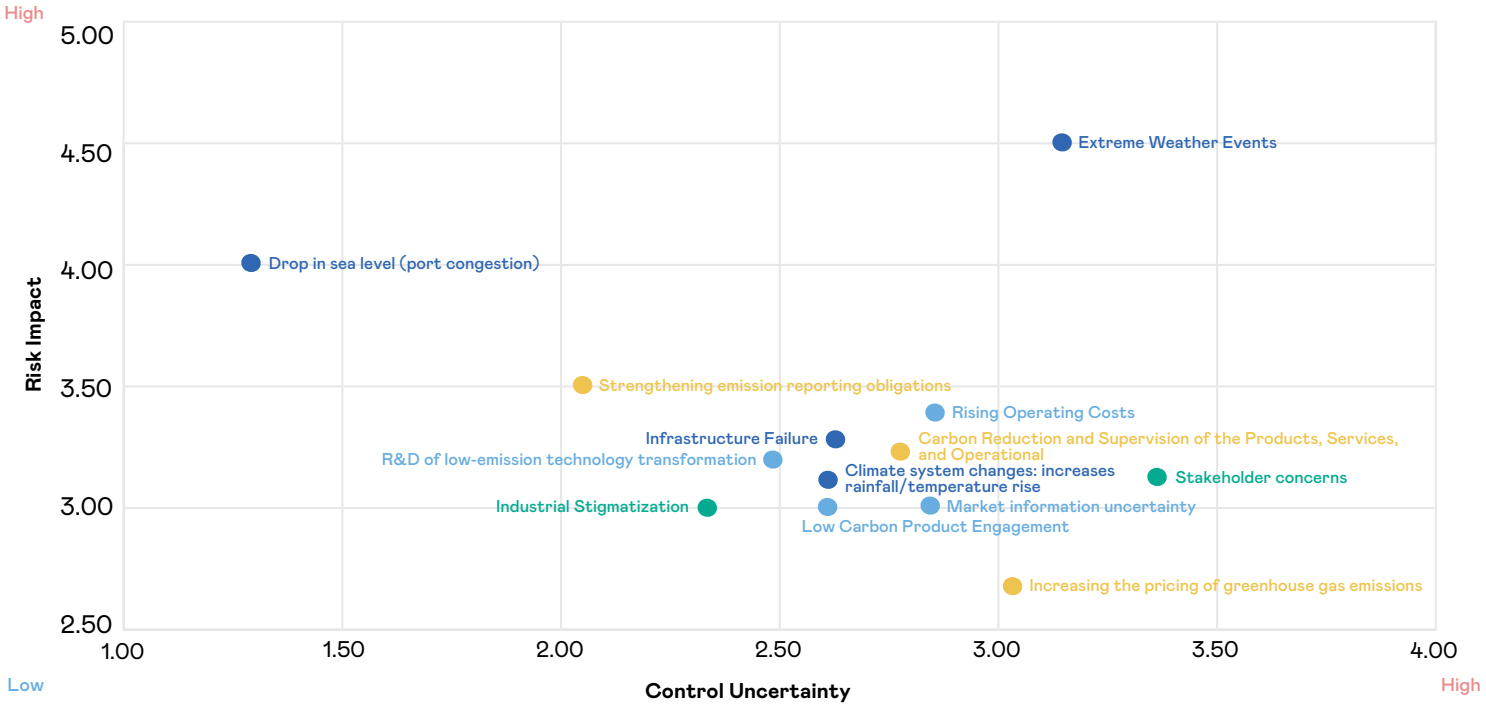
Climate emergency

Disruption risk to operations

**Observation**

1. The risk of extreme weather events is outlier and should be highly concerned and managed.
2. In recent years, global temperatures have repeatedly hit new highs, and irreversible high temperature risk situations have attracted worldwide attention.

Climate change/Carbon management related risks diagram




Note: Forms with the same category are plotted based on the average results.

## Overview of Climate-related Risks in the Past (based on TCFD)

**Risk Categories**

**Transformation Scenario**

IPCC SSP1-1.9 warming scenario, considering the net zero target

Climate regulations

Operational external costs/ compliance risks

Technology Market Reputation

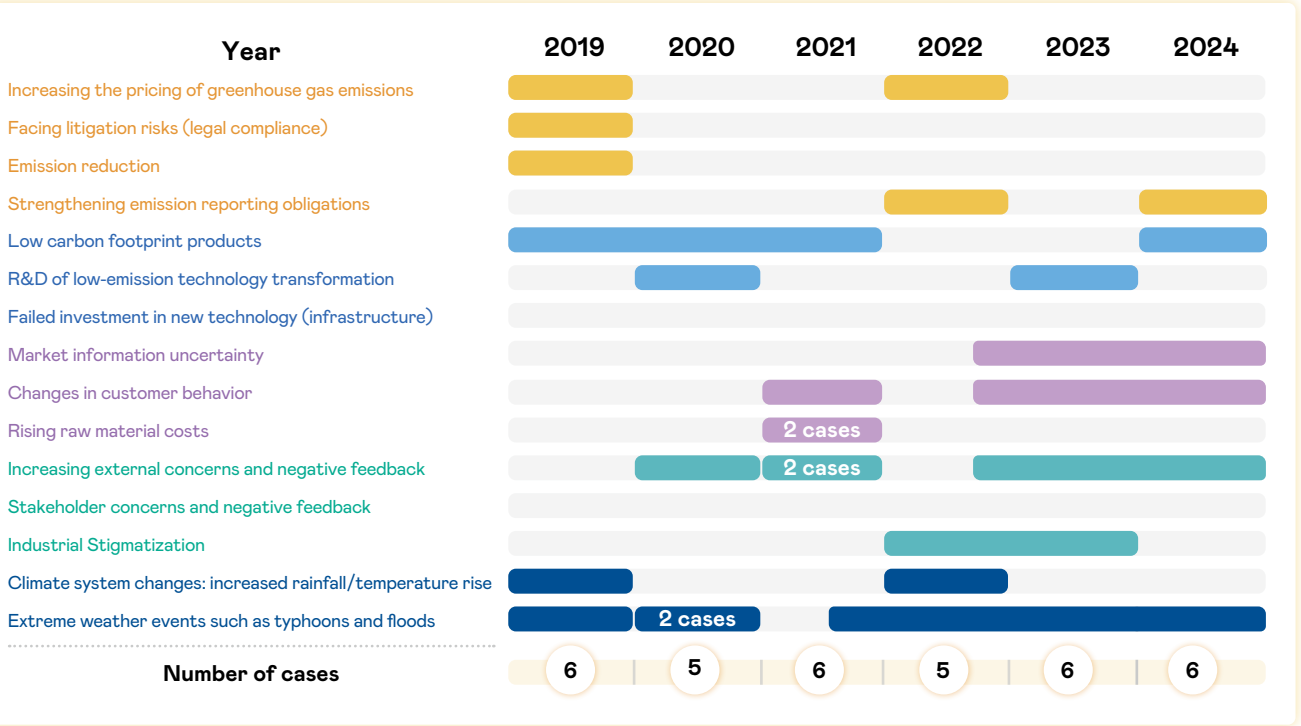
Market/ brand-driven Technology-driven market positioning

**Physical Scenario**

IPCC SSP5-8.5 warming scenario, BCP management with the assumption of uncontrolled warming

Climate emergency

Disruption risk to operations




An overview of AUO's 2024 TCFD risk projects is as follows. The main output project risk scenarios are all derived from the results of the annual risk identification and analysis based on the TCFD framework.

## Scenario Analysis of Risk Issues in 2024

| Year | Responsible unit | Issue scenario | Assumed risk scenarios |
|---|---|---|---|
| 2024 | Manufacturing | Power shortages due to abnormal temperature rises and increasing share of renewable energy, leading to grid vulnerability | • The factory's production and maintenance systems are impacted by power quality issues<br>• A significant increase in energy usage for production |
| | Supply chain | Operational impacts on raw materials/finished products/transport due to unusually high temperatures | • In high-temperature scenario, the supply chain faces production stability pressures<br>• Key procurement materials are in shortage, indirectly affecting operational production |
| | Finance | Risks of operating asset losses due to heatwave disasters | • Abnormal temperatures result in company asset losses and decreased efficiency of solar power plants<br>• Continuous outdoor activities are restricted, leading to increased management costs due to adjustments in nighttime activities |
| | Energy | Performance of power plants and personnel activities affected by high temperatures | |
| | Manufacturing | Impacts of carbon fees being implemented in Taiwan | • With the carbon fee increasing annually, future carbon tax costs will impact gross operating profit<br>• Risk of paying at the general rate due to insufficiently aggressive carbon reduction management |

## 2024 Climate Risk and Opportunity Assessment

### Climate-related Risk Issue

| Risk assessment | Aspect | Topic scenario | Stakeholder | Potential risk | Impact time frame | Financial impact | Management approach |
|---|---|---|---|---|---|---|---|
| Physical risk | Operations | Business impact on panel industry from long-term increase in temperature | AUO, Customer, Investor | • Abnormal power supply quality during periods of peak power consumption during the summer<br>• Grid vulnerability due to electricity shortages and rising ratio of renewables<br>• Operational safety concerns for personnel and vendors in a high-temperature environmen<br>• Production and transportation problems both on and off-site due to heavy rainfall<br>• Water shortage due to extended drought | Short-term (within 2 years) | High | • Risk identification: In line with the IPCC SSP5-8.5 temperature rise scenario, the impact of the sudden rise in summer temperature under the condition of insufficient peak load during the transition period of Taiwan's energy infrastructure in 2026-2028<br>• Improve the energy efficiency of production processes<br>• Introduction of energy-efficiency technologies, materials and equipment<br>• Development of renewable energy (Hydroelectricity at Houli Site) |
| Transformation risk | Operations | Business, inventory and financial losses due to heat waves | AUO, Investor | All types of new climate insurance plans and products | Medium-term (2 ~ 5 years) | Low | • Physical risk management in the workshop<br>• Risk management for fires and natural disasters<br>• Safety management of processes and equipment<br>• Improve the reliability of factory facility systems |
| | Market | High-temperature risks of outdoor activities during EPC construction by Energy BU | AUO | • Impact on power plant construction due to extended high temperatures outdoors<br>• Maintenance and power generation performance affected by restrictions on working outdoors due to rising temperatures | Medium-term (2 ~ 5 years) | Low | • Cycle management for personnel exposed to high temperatures<br>• Efficiency reduces due to high temperature of solar modules |
| | Market | Lack of climate resilience to rising temperatures in key supply chain | AUO, Supply Chain | Pressure on production stability in the supply chain (BCP) | Medium-term (2 ~ 5 years) | Low | • Set up disaster alert system (BCP system)<br>• Set up alternative transportation routes to mitigate impacts on profitability |
| | Policies and Laws | Impact of Taiwan's carbon fee | AUO, Investor | • Additional costs under the country's low-carbon transition<br>• Future carbon fees will be aligned with the global carbon market in the annual announcement, and it is estimated that the future rates will increase by 4 to 5 times | Short-term (within 2 years) | High | • Propose an independent reduction management plan in accordance with the law that is suitable for the company's current situation to reduce payment risks<br>• Implement the company's 3030 project's 30% electricity reduction goal<br>• After reducing electricity, achieve the mid-term RE30 goal as promised in the RE100 initiative |

Note: Engineering, Procurement, Construction

## Climate-related Opportunity Issue

| Opportunity type | Aspect | Topic scenario | Stakeholder | Potential risk | Impact time frame | Financial impact | Management approach |
|---|---|---|---|---|---|---|---|
| Energy source | Operations, market | Use of low-carbon energy during production and manufacturing, participate in renewable energy investment, operations, and sales | AUO, Energy Customer | • Reduce the financial cost of carbon fees and taxes through low-carbon production<br>• Global green brand customers mandating the use of low-carbon energy in the supply chain<br>• Investment in renewable energy businesses to satisfy the imbalanced supply and demand in the current renewable energy market | Short-term (within 2 years) | Medium | • Join the RE100 global initiative and progressively increase the ratio of renewable energy usage every year<br>• Strengthen participation and engagement with green brand customers to create green business opportunities together<br>• Accumulate management experience in energy creation, storage, and EPC Note to prepare for the renewable energy market |
| Enter market | Technology, market | Satisfy the needs of industrial transformation through smart management and low-carbon solutions | Supplier, Customer | • Invest in smart production solutions, improve customers' energy efficiency, and create opportunities for carbon reduction<br>• Invest in carbon management, water, and circular economy ESG solutions to create new ESG business opportunities | Short-term (within 2 years) | Low | • Assist value chain partners such as suppliers and customers with their low-carbon and sustainability transition through Go Premium technology<br>• Integrate solutions through Go Vertical to create more competitive businesses groups for the Company |
| Energy source | Participating in the carbon trading market | Operating company carbon credits to increase new income | AUO, Investor | • Deduct the carbon fee according to the law and clear the company's carbon credits<br>• Provide carbon credits required for environmental assessment<br>• Provide carbon credits with customers who implement power saving projects | Short-term (within 2 years) | Low | • Focus on the trend of carbon credit market transaction volume and price<br>• Understand the changes in carbon tax/fee and ETS (Emissions trading system)<br>• Actively participate in the negotiation of needs of large carbon emitters |

# 3.2 Financial Impacts of Climate Risks

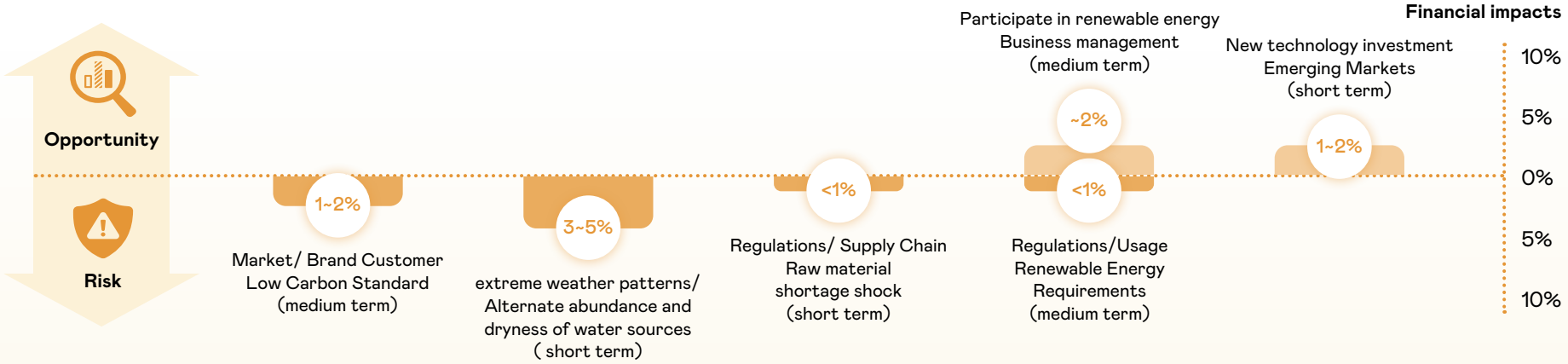
## Quantification of Financial Impact of Climate Change Risk

Based on past climate risk identification results, AUO evaluated four major risks, including "product carbon footprint, market product competition, sustainable operations, and regulatory compliance," and conducted a quantitative assessment of financial impact with reference to the methodologies disclosed by domestic and foreign companies.

| Risk | Financial quantification considerations | Assessment methods |
|---|---|---|
| Reduction of product carbon footprint | Impact on the European market, leading to revenue decline | Set short, medium, and long-term goals until 2025, estimating carbon reduction from 5% to 10% to 20%. Continuously focus on material reduction, improving equipment efficiency to decrease electricity consumption, and utilizing low-carbon energy to achieve additional carbon reduction value. |
| Market product competition | Impact on company orders, leading to revenue decline | • Green leadership brands drive shipments of low-carbon products<br>• Product environmental labeling verification requirements affect customer orders<br>• Investment in the cost of green superior technologies and production |
| Continuous operations (e.g., Flood risk) | Impact on production capacity and increased costs due to personnel attendance overtime/transportation costs and water truck dispatch costs | • Pre-confirm water resource demand response plans and build capacity for inter-plant support and dispatch<br>• Production line material shortage risks and management mechanisms (BCP), including backup material sources and alternative production sites<br>• Optimize product quality control and return/exchange mechanisms |
| International initiatives and regulatory compliance | Financial costs arising from compliance with international initiative targets and regulations under low-carbon transition | • Additional production operating costs derived from carbon fees/taxes<br>• Costs associated with investing in renewable energy to meet international initiatives |

## Climate financial Impact as a Percentage of Turnover

Based on the above financial impact description, the financial impact and impact of the relevant climate risks/opportunities in 2024 are compared with the revenue and turnover assessment of that year to present an overview of the relevant climate risks. The climate opportunities are based on the turnover of the energy business and the combined revenue of AUO Envirotech and AUO Digital.



# 3.3 Case Studies on Climate Risks and Opportunities

## Transition Risk Case Study

### Case 1 More Stringent Targets Set by International Initiatives

- **Scenario:**
  Carbon emissions generated during the production process of ICT products did not meet the requirements of green customers.
- **Financial impact:**
  1. Carbon Border Adjustment Mechanism (CBAM): Carbon taxes imposed by export markets will cost AUO an additional 200 million to 300 million NTD each year.
  2. Introduction of carbon fees in Taiwan in 2025: Carbon fees will cost AUO an additional 800 million NTD each year (No preferential rates).
  3. Impact on revenue from canceled orders: Transferred orders due to not meeting the expectations of green customers to reduce revenue by 1.4 billion to 5.8 billion NTD per quarter.
- **Response strategy:**
  AUO is supporting the development of SBTi targets by setting more aggressive carbon reduction targets, improving energy efficiency, optimizing power management systems, introducing energy-saving equipment, and continuing to reduce carbon emissions generated during the production process. An online survey of Taiwanese netizens between the ages of 16 and 60 also found that "over 70% of consumers were willing to pay a higher price for sustainable or eco-friendly products even if they plan to cut spending in response to inflation." The Company therefore has added incentive to monitor developments in renewable energy and to continue increasing the use of renewable energy in the future in order to align with the carbon reduction requirements of global trends and legislation.

### Case 2 Preparation for Disclosure Through the New Type of Climate-Related Financial Reports that Stakeholders are Concerned About

- **Scenario:**
  Preparation for disclosure through the new type of climate-related financial reports that stakeholders are concerned about.
- **Financial impact:**
  1. Maximum possible fine of 220 million NTD being imposed by the competent authority for false disclosure.
  2. Lowering of ESG rating or removal as a componentstock from sustainable ETFs resulting in failure to meet the criteria for preferential interest rates on syndicated loans may increase the cost of interest rates by up to 30 million NTD per year.
- **Response strategy:**
  Response strategy: Various measures were taken by AUO to prepare for the disclosure of sustainability information in financial statements/annual reports in accordance with IFRS S1/S2 by 2026.
  1. Short-term: Participation in FSC seminars, dispatching staff to attend related training courses, discussions with professional accounting firms, and taking related actions.
  2. Medium-term: Discuss the integration and timetable for trans-departmental integration of information based on domestic/overseas examples of financial statements/annual reports, as well as continuing to monitor legislative changes and related guidelines.
  3. Long-term: Monitoring of government regulations and legislative progress, optimization of data verification process, and setting up information platform to enhance the accuracy and transparency of data as well as improve management organization and systems.

### Case 3 Impact of carbon fee collection and management response in Taiwan

- **Scenario:**
  The government tightens ETS (Emissions trading scheme) or increases greenhouse gas emission fees.
- **Significant Uncertainty Areas:**
  Changes in policies and regulations.
- **Financial Impacts:**
  1. The company is classified as a major carbon emitter under the regulation of the Environmental Protection Administration (EPA) and is obligated to pay carbon fees.
  2. According to the law, future carbon fee rates will increase annually, and if no proactive measures are taken, the total carbon fees could become very high.
- **Response strategy:**
  Countermeasures: To control the impact of carbon fee payments, the company will submit a self-reduction plan based on existing external initiative targets and "sector-specific designated targets."
  1. Pursuant to the company's existing SBTi initiatives, a 42% absolute reduction target will be set for the same baseline year.
  2. The company will utilize its existing carbon credits to offset and reduce the impact of carbon fees.
  3. Implement the "3030 Project" to reduce energy usage, primarily by establishing electricity usage specifications for production, implementing smart production management, and maximizing the benefits of energy-saving investments to effectively enhance energy management efficiency.
  4. After the aforementioned reduction in electricity consumption, the company will introduce low-carbon energy according to the RE100 initiative's mid-term target of RE30%, fully supported by AUO Power through flexible supply and demand for renewable energy sales.

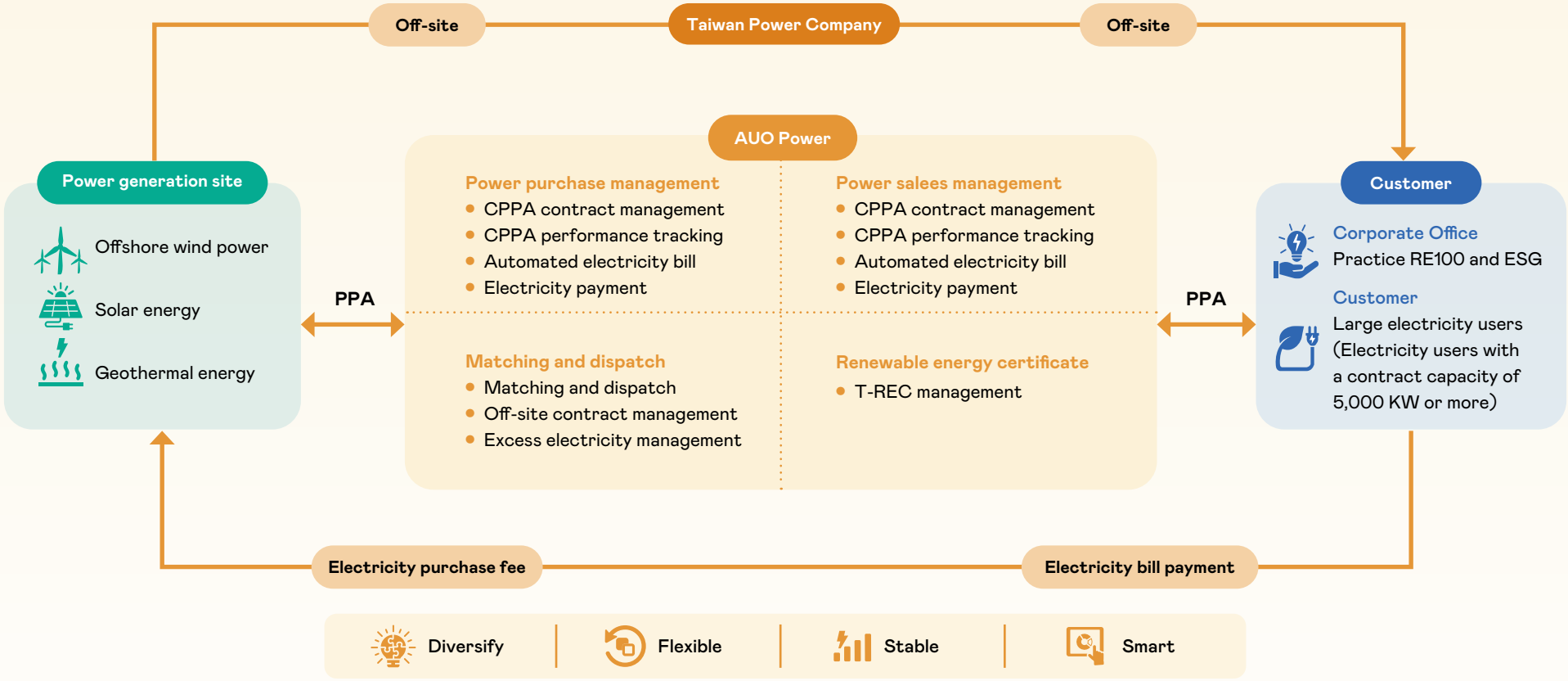
Note: Assuming the carbon fee rate continues to increase to 1,500 NTD /ton by 2030, the total accumulated carbon fee cost.

## Low-carbon Transition Opportunity Case

**Case 1** **AUO Power: Green power sales service**

AUO Power was established in 2024 and obtained a power sales license, focusing on providing renewable electricity such as wind and solar power, as well as intelligent management platform services. The company is committed to using green electricity as an energy option to help customers gradually achieve carbon reduction goals. AUO Power's service features are diversified energy supply, flexible scheduling, stable power supply and intelligent management. In the trend of energy transformation, AUO Power not only provides customers with reliable green power solutions, but also creates new business opportunities to help companies and society achieve sustainable development.

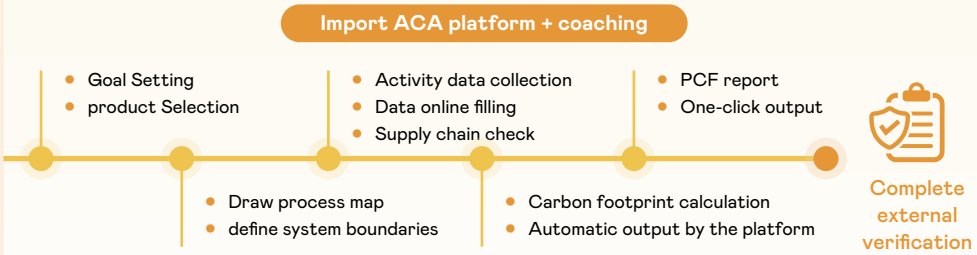
### AUO Power Green Energy Service Process and Structure



**Case 2** **AUO Envirotech: Carbon Emission Management Solution**

AUO Envirotech has established a comprehensive carbon management platform (AUO Carbon Agent, ACA) in accordance with ISO international standards to help customers effectively manage carbon emissions. Its greenhouse gas inventory module can automatically calculate the carbon emission data of organizations, products and supply chains, improve inventory efficiency, and assist in the formulation of long-term carbon reduction strategies to achieve low-carbon transformation and net zero carbon goals. The platform provides calculation functions, inventory lists and reports that meet international carbon inventory requirements, and updates carbon emission coefficients in real time to reduce management costs. Through visual results, companies can quickly interpret the current status of emissions, compare emissions and trends of various plant areas, identify hotspots to make carbon management decisions, and thus become a powerful tool for low-carbon transformation of enterprises and bring them new business opportunities.

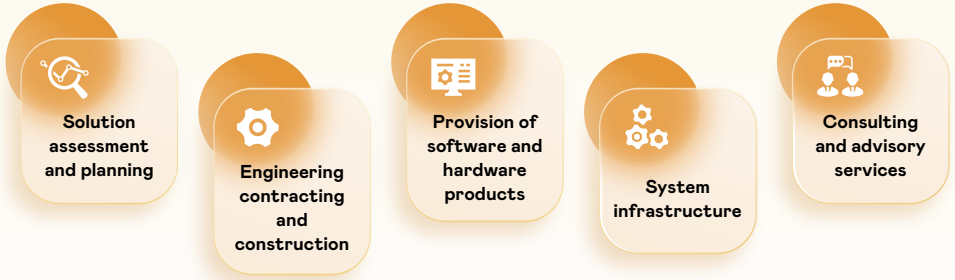
**AUO Envirotech ACA Solution**




**Case 3** **AUO Digitech and AUO Envirotech: Smart Energy Saving Solutions**

AUO Digitech actively innovates in carbon emission management, forming a cross-departmental energy-saving team, combining production and plant management departments, using data technology to improve machine errors and adjust energy consumption, improve electricity efficiency and save energy. They promote smart energy-saving management systems, use AIoT and smart grid technologies, and combine AI predictive analysis to effectively formulate energy-saving strategies, allowing companies to focus more on carbon reduction goals. Implement power-saving measures with a full-process concept, covering CDA systems and air conditioners, and automatically adjust operating parameters through AI to achieve power saving and early maintenance. In addition, real-time monitoring and flexible settings of ice machines and cooling towers improve overall system performance. These measures of AUO not only reduce carbon emissions, but also create new business opportunities.

**AUO Digital One-Stop Green Factory Solution**




## Low-carbon Transformation and Climate Change engagement and sharing

In facing the global trend of low-carbon transition, AUO recognizes that the key to carbon reduction lies in managing energy transition risks. However, Taiwan faces challenges in the renewable energy market due to limited land resources, policy development, soaring inflation, and urgent demand. AUO positions itself as a leader in climate action and is unafraid to tackle these challenges. As a member of the global renewable energy initiative organization RE100, AUO works across various departments to gradually increase the proportion of renewable energy used each year and collaborates with relevant government agencies to provide recommendations for industrial development and policy. Embracing a creative energy mindset to confront new challenges, AUO continues to strive for a path toward low-carbon transformation.

| Audience | Customers | Government | Industry Chain |
|---|---|---|---|
| Negotiation actions | Serve customers' renewable energy needs | • Assist in establishing offshore wind dual guarantee mechanisms<br>• Communicate with the Renewable Energy Certificate Center on system services (verification of certificate cancellation requirements)<br>• Pilot the Taiwan Power Company's green electricity distribution sandbox project | • Negotiate a green electricity group buying mechanism<br>• Provide policy recommendations through association alliances |

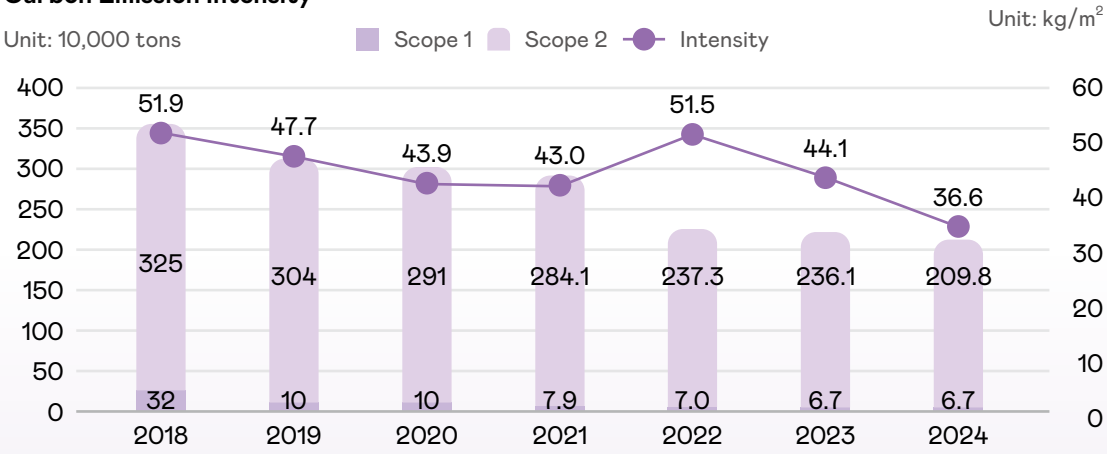
# CH4 Indicators and Targets

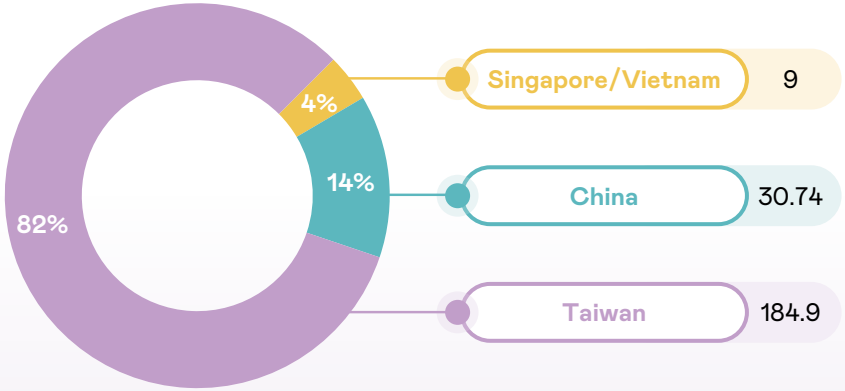
## 4.1 Greenhouse Gas Emission Indicators and Targets

### Carbon Emissions Data and Verification

AUO began inventorying the GHG emissions of our global manufacturing sites in 2003, and introduced the ISO 14064 standard to disclose emissions-related information through external verification. We developed a digital platform internally in 2010 to systematically manage the organization's GHG emissions as a means of managing long-term operational carbon reductions. In 2020, AUO took the lead in introducing the new version of the ISO 14064 standard and continued to improve greenhouse gas inventory management.

**Carbon Emission Intensity**



## 2024 AUO Greenhouse Gas Emissions

| Item | | Category | Baseline year (2021) | Report year (2023) | Report year (2024) | 2024 Ratio% |
|---|---|---|---|---|---|---|
| | | | Emissions (tons $CO_2e$) | Emissions (tons $CO_2e$) | Emissions (tons $CO_2e$) | |
| Category 1 Direct GHG emissions | | | 79,311.94 | 66,809.19 | 67,379.69 | 0.99% |
| Category 2 Indirect GHG emissions from energy input | | | 2,890,891.13 | 2,361,055.73 | 2,097,462.70 | 30.87% |
| Category 3 Other indirect GHG emissions | Category 3 Incorporation of SBTi target | Purchased products and services | 1,151,435.00 | 825,778.96 | 930,953.50 | 68.14% |
| | | Fuel and energy related activities | 479,272.00 | 447,726.93 | 412,408.24 | |
| | | Use of products sold | 3,131,690.00 | 2,742,763.00 | 2,422,521.74 | |
| | Other target | Employee commuting | 38,732.70 | 13,342.18 | 10,564.03 | |
| | | Business travel | 869.00 | 978.92 | 1,423.10 | |
| | | Downstream transportation | 67,284.90 | 25,539.61 | 13,920.46 | |
| | | Capital goods | 163,844.79 | 163,597.90 | 463,972.76 | |
| | | Upstream transportation | 7,972.00 | 639,882.00 | 166,477.55 | |
| | | Wastes generated during the production process | 25,661.00 | 1,687.10 | 22,201.30 | |
| | | Upstream leased assets | 168.60 | - | 0 | |
| | | Processing of products sold | 15,428.02 | - | 40,810.70 | |
| | | Downstream leased assets | 166,001.35 | 14,873.54 | 111,262.59 | |
| | | Investment process | 0 | 37,174.04 | 33,409.12 | |
| Total of Category 1 2 3 | | | 8.146.562.43 | 7,341,209.10 | 6,794,767.50 | 100% |

Note: Compared to 2023, 2024 upstream transportation emissions are more accurately calculated by systematically collecting detailed shipment route data from suppliers to AUO manufacturing sites. Waste disposal emissions for 2024 include overseas production bases through system integration. Additionally, AUO conducted a comprehensive review of procurement, including all direct materials used in production.

## Carbon Reduction Targets

### 6.5 million tons of carbon reduction target (2018 to 2025)

In response to SDG 13 climate action, AUO proposed a reduction target in 2018 that includes direct and indirect emissions, including four aspects: organization, products, supply chain, and raw materials, with a cumulative reduction of 6.5 million tons of $CO_2e$ by 2025. By 2024, the total carbon reduction has reached 13.29 million tons, reaching the target ahead of schedule and exceeding the original target.

## SBTi Target

### Organizational carbon reduction

AUO has achieved the first phase of SBTi carbon reduction targets (using 2018 as the base year to achieve an absolute carbon reduction of 25% in 2025) ahead of schedule in 2022. Looking ahead to a more proactive low-carbon transformation vision, AUO continues to use the 1.5°C warming scenario and proposes to achieve an absolute carbon reduction target of 42% in organizational carbon emissions (scope 1 and scope 2) in 2030 with 2021 as the base year.

| Item | Baseline year | Baseline year total emissions (metric tons $CO_2e$) | Target | Management strategy | 2024 achievement |
|---|---|---|---|---|---|
| Organizational carbon emissions (Scope 1 and Scope 2) | 2021 | 2,920,400 | 42% absolute reduction by 2030 (SBT) | • **Enhance energy efficiency:** Continuously promote ISO 50001 energy efficiency improvements and automate, smarten, and modernize high-efficiency production processes.<br>• **Use renewable energy:** Transition electricity supply from AUO's existing power plants and continue to add diverse renewable energy procurement contracts and overseas green power certificates. | • Indirect energy carbon reduction of 11.16% (compare to 2021)<br>• Absolute reduction decreased by 10.83% compared to last year<br>• Intensity reduction decreased by 16.95% compared to last year<br>• Renewable energy introduction of 6.67% in 2024 |

### Value Chain Carbon Reduction

In addition to organizational carbon reduction, in the indirect emissions of the value chain (scope 3), a 25% absolute carbon reduction target in line with WB2C (Well Below 2°C) is proposed. By setting the SBTi absolute carbon reduction target, the indirect carbon emissions outside the company's operating boundaries are more extensively examined and continuously reduced through active management.

| Item | Baseline year | Baseline year total emissions (metric tons $CO_2e$) | Target | Management strategy | 2024 achievement |
|---|---|---|---|---|---|
| Indirect carbon emissions (Scope 3) | 2021 | 4,762,400 | 25% absolute reduction by 2030 (SBT) | • **Raw material carbon reduction::** Require suppliers to reduce carbon emissions and set a target of 20% reduction for key suppliers by 2030<br>• **Fossil material carbon reduction:** Reduce carbon emissions during the raw material development stage by decreasing the use of electricity and fuel<br>• **Product usage energy consumption:** Improve materials and power consumption during the product design phase to meet future energy efficiency standards as certified by the U.S. Energy Star | • Reduced procurement of goods and services by 19.14% compared to the baseline year<br>• Fuel and energy-related reduction by 13.96% compared to the baseline year<br>• Reduced energy consumption of sold products by 22.65% compared to the baseline year<br>• Scope 3 total emissions reduced by 20.92% compared to the baseline year |

## Supply Chain Carbon Reduction - Purchasing Goods and Services

AUO believes that climate governance relies on actions across the entire value chain, and therefore calls on key suppliers to set a 20% carbon reduction target by 2030. Under this target, we will strengthen cooperation with suppliers of specific materials, jointly move towards low-carbon production, and implement the SBTi Scope 3 reduction target for purchasing supplier materials and goods.

Please see the Sustainability Report for details on AUO and its supply chain's carbon reduction actions

## Product Carbon Reduction Strategy - Sales Product Usage

AUO applies green thinking to product innovation, focusing on low-energy display technologies such as AmLED, low-temperature polysilicon, and HiRaso, creating energy-saving, lightweight, low-carbon smart mobile devices and high-end laptops, reducing energy consumption and helping customers achieve carbon reduction goals. In addition, AUO has also extended energy-saving technology to automotive products, combining the ultra-narrow frame and power-saving characteristics of LTPS technology to launch thin and light, high-standby NB, and integrating IC design to reduce materials. Through the high-luminous efficiency backlight module, energy consumption is further reduced, and the use time is extended, providing users with a lightweight experience that combines performance and power saving.

### Target measurement indicator

**Value chain climate change mitigation and adaptation as management, engagement and operation**

See 4.3 Material Topic Management Target

**Target measurement indicators: sustainable product innovation and design capacity**

See 4.3 Material Topic Management Target

## Carbon Neutrality Goal

AUO has set a goal of achieving carbon neutrality for 40% of its offices in Taiwan by 2025 and 100% of its offices in Taiwan by 2030.

### 2024 Achievement

AUO uses (Global Research Center, GRC) as the starting point for the implementation of carbon neutral buildings. In 2023, it started to follow the principle of carbon neutrality of "prioritizing emission reduction and then offsetting". Through the four steps of "inventory, reduction, energy creation, and offset", it successfully completed the building carbon neutrality verification and became the first company in Taiwan to pass the ISO 14068-1:2023 carbon neutrality management standard.

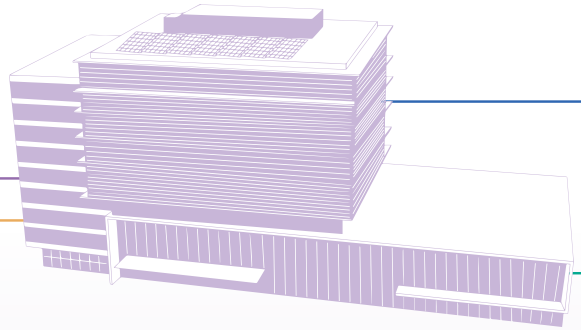
**Starting from July 2024,through On-site generation green electricity + Off-site + certification, The headquarters building achieved RE100**

**Intelligent Operations and Maintenance**

- Meeting room management system
- Carbon footprint management system
- Inspection PMS system
- Management situation center
- Environmental control management system
- Display broadcasting system

**Safety Management**

- Cleaning robots
- License plate recognition system
- Access control facial recognition system
- Video recognition technology surveillance
- Kitchen disaster prevention system



**Energy Management**

- Rooftop solar power plant
- Taipower green electricity sandbox project
- Smart air conditioning ice storage system
- Intelligent building control system
- Energy saving for IT equipment

**Creation of Green Spaces**

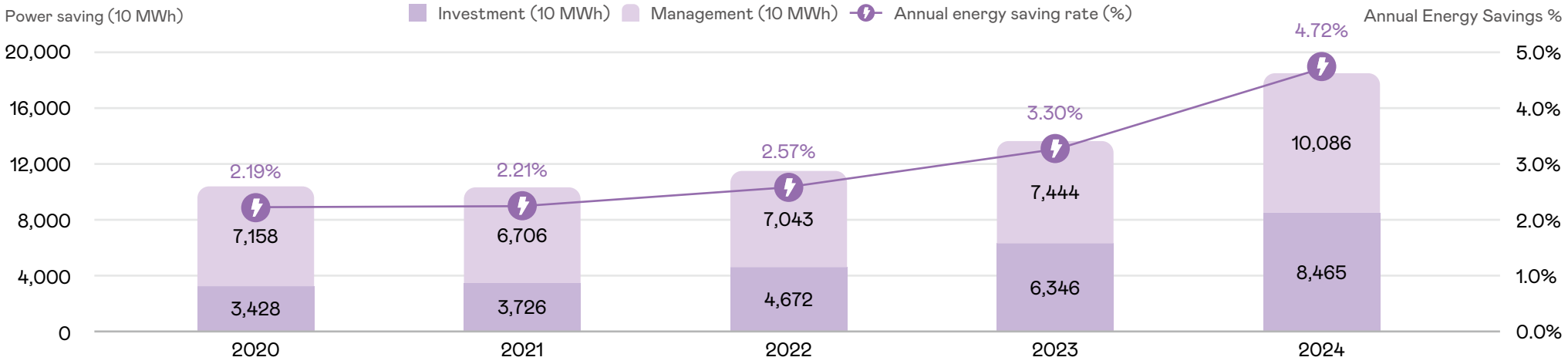
- Charging station system
- AUO's sustainability literacy
- Low-carbon restaurant

For details of the ISO 14068-1:2023 report, please visit AUO's Sustainability website

Note: The building emissions referred to in building carbon neutrality refer to the emissions from the AUO GRC headquarters building during the operation phase.

## Energy Saving and Renewable Energy Goals

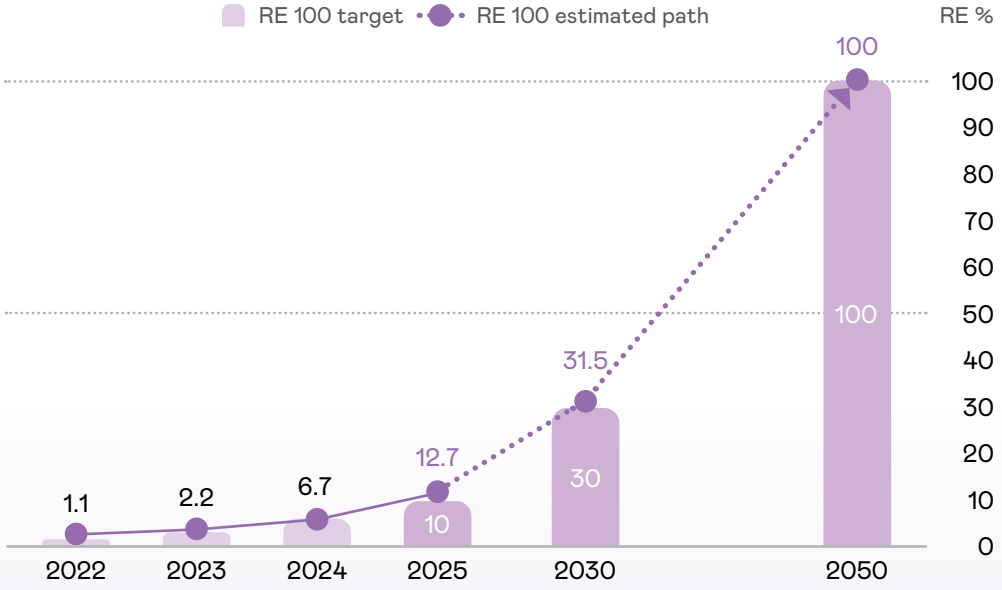
In recent years, AUO has further promoted a more aggressive power saving target, the "3030 Project", with a goal of achieving a 30% power saving target by 2030, based on 2021. By continuously updating high-energy-consuming equipment and reducing gas and electricity usage in the production process, AUO strives to improve energy efficiency year by year, accelerate and implement the energy saving blueprint. In 2024, the annual power saving rate will exceed the regulatory requirement of 1.5%, reaching a record high of 4.72%.




In the AUO low-carbon development strategy, pursuing energy efficiency improvement is the first step, and continuing to expand renewable energy will accelerate organizational carbon reduction, while also meeting the green product label requirements of brand customers. Therefore, AUO became a member of the global renewable energy initiative RE100 in 2022, promising to introduce 30% renewable energy by 2030 and achieve RE100 by 2050. In 2024, it exceeded the existing target of introducing 5% renewable energy and met the target with a renewable energy introduction rate of 6.7%.

Unit: 100 million degrees

| Region | Total electricity consumption | Total green electricity | | | Green electricity ratio |
|---|---|---|---|---|---|
| | | Off-site transfer | On-site generation | Certificate | |
| Taiwan | 36.74 | 1.02 | 0.0019 | - | 2.76% |
| China | 7.06 | 0.98 | 0.63 | 0.3 | 26.97% |
| Total | 43.8 | 2.93 | | | 6.67% |



# 4.2 Other Climate Targets

## Water 2025 Goal

### Water Reduction

AUO drew on our many years of experience in smart manufacturing to integrate Artificial Intelligence of Things (AIoT) technology into the water withdrawal systems of our production processes and factory facilities. The automation and optimization of equipment serves to realize continued decreases in reliance on natural water supplies and improve the recycling rate of process water. Under the operation of TCFD, a number of water-saving measures were implemented ahead of schedule, successfully coping with the challenges of water shortage in recent years.

### Water Creation

A contract was signed by AUO and Taichung City's Shuinan Water Recycling Center in 2021, supply of water commenced in November 2024 and reduced water withdrawals from natural resources at Taichung site by 520,638 metric tons. Mitigation of water depletion ensured the stable supply of domestic water. In addition, the Kunshan site has also introduced recycled water from the wastewater plant system in the development zone, and the average recycled water usage in 2024 will reach 7,778 CMD. The two key production plants will use a total of 16,313 CMD of recycled water, accounting for 25% of the total water intake.

### Supplier Water Saving

To increase value chain awareness on water conservation and their ability to adapt to risk, AUO began recruiting suppliers to join us in promoting water conservation measures in 2016. AUO shared our resources with suppliers that respond to the water conservative initiative. These included sharing practical experience on water resource management through supplier inclusive growth courses, organizing internal experts to provide on-site counseling at supplier sites, assisting with testing for blind posts in water use, and offering of improvement advice. Since 2018, 17,712 CMD in tap water savings have been achieved so far.

**2024 Achievement**

**Three key indicators**

**Tap water withdrawal** Decreased by **3.7%**

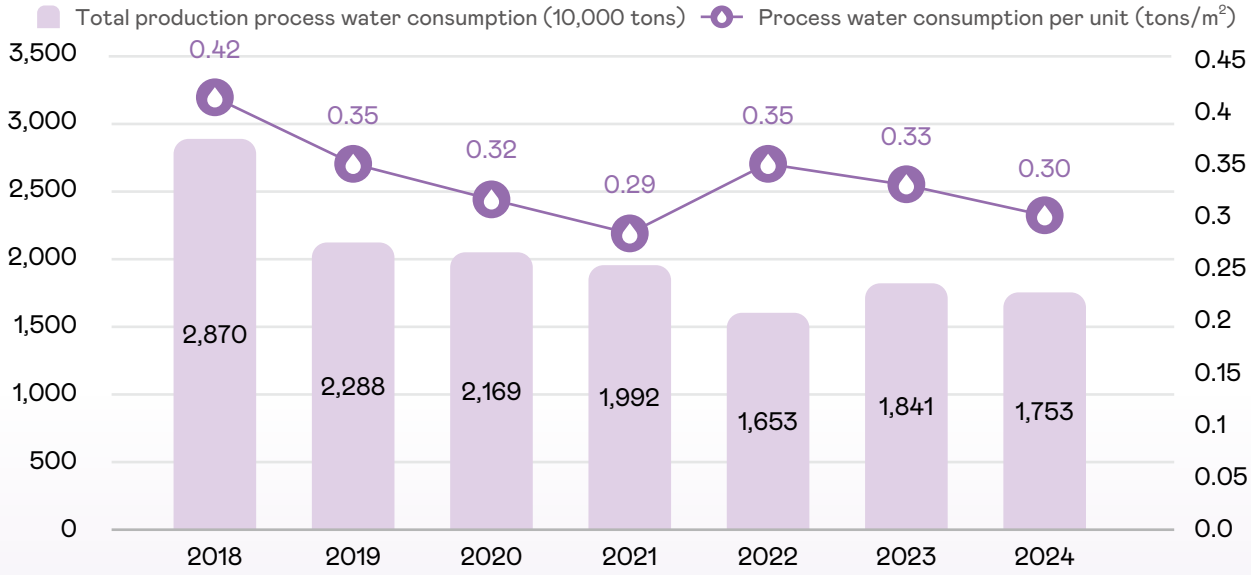
Unit: Cubic Meters per Day (CMD)

**Production water recycling rate** **94.70%**

Calculated as Recycled Process Water/ Consumption at Point of Use (POU)

**Calculation of water use intensity** Decreased by **0.3%**

Calculated as Production Water Use/ Input Substrate area ($m^2$)



## Circular Economy Goal

AUO responded to SDG12 responsible production and established a "Circular Economy Working Group" led by the Chief Technology Officer to integrate R&D, supply chain and sustainability teams to promote sustainable products, green manufacturing and green supply chain strategies. We set up tracking indicators to improve resource utilization and reduce waste, and promote circular actions to partners to jointly create more green business opportunities.

AUO is based on 2017 and expects to achieve a circular economy growth rate of 135% in 2025. In 2024, AUO combined process material recycling, waste reduction and green packaging material reuse to launch green products made of recycled materials in various displays, and significantly contributed NTD 18.563 billion in revenue. The 2024 financial performance growth target is 110%, and the actual achievement is 334.72%, which is far beyond expectations.

### 2024 Achievement

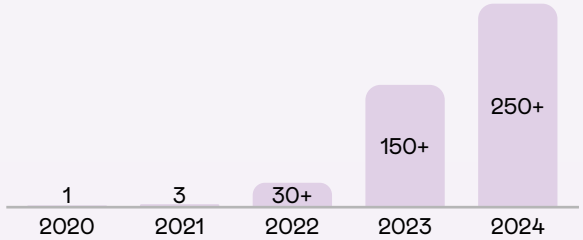
| Green Product | Green Manufacturing | Green Supply Chain |
|---|---|---|
| Display products are continuing to use recycled plastics, glass and metals. Product penetration and recycled content are being increased as well. More than 250 new models of projects were introduced in 2024 to generate 13.29 billion NTD in revenue for the year. | The outcomes from ongoing initiatives on circular reuse of manufacturing materials, the recycling of developer and stripper fluids, sludge reduction, water recycling and reduction, and waste reduction during 2024 translated to 4.38 billion NTD. | AUO continued to promote the recycling of packaging at customers and suppliers. In 2024, cumulative savings from recycling that avoided repeated purchasing of new packaging materials amounted to 902 million NTD. |
| **2024 Highlights** | | |
| • AUO completed the development of circular recycled products such as the desktop solution with 50% recycled materials containing a high proportion of recycled metals and optical-grade recycled plastics. Third-party verification was completed at the same time.<br>• Recycled materials such as HDPE Note 1 / LDPE Note 2 / EPE Note 3 / PET Note 4 began to be introduced for product packaging.<br>• Circular recycled plastics were introduced in whole products for the casing and stand of desktop monitors. The use of circular recycled plastics could help customers with obtaining EPEAT certification. | Refinement of zero discharge system with total wastewater recovery - Recovery to Acid and Alkaline (R2A) technology for hypersaline solutions: AUO continued to explore ways of making further improvements in zero discharge and energy consumption. Highly concentrated acidic and alkaline wastewater was converted back into alkalis and acids for recovery and reuse. Sludge reduction was also investigated. | • To establish a circular economy supply chain, 100% of the 85 related suppliers have now obtained third-party recycled materials certification.<br>• Recycling rate of supplier packaging reached 97.5%. |

Note 1 : High Density Polyethylene (HDPE)
Note 2 : Low Density Polyethylene (LDPE)
Note 3 : Expanded Polyethylene (EPE), "E" represents foam materials. PE : Polyethylene
Note 4: Polyethylene Terephthalate (PET)

### Increase in Penetration of Circular Products

AUO continues to promote sustainable products, address resource scarcity and waste issues, and use recycled materials to design new products. Since 2020, we have worked with suppliers to introduce recycled PC plastic pellets in desktop monitors, and gradually expanded to notebook monitors and automotive monitors. By 2024, more than 250 new products will contain recycled materials, further enhancing the impact of sustainable products.

Number of product modules incorporating recycled materials



**Plastic Neutrality Goal**

| 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Technology/product R&D | | | Total solution for the utilization of recycled materials | |
| Start | Extension | Expand scope of recycled materials | | Extension |
| • Engineering-grade recycled plastic: Use for the plastic bezel of 24" desktop display | • Engineering-grade recycled plastic<br>• Recycled glass<br>• Recycled steel | • Engineering-grade recycled plastic<br>• Recycled glass<br>• Recycled steel<br>• Recycled aluminum<br>• Optical-grade recycled plastic | • Establishing certification mechanisms<br>• Strengthening the circular materials supply chain | • Improvement of demonstration models with high degree of circularity<br>• Cooperation with critical suppliers on optical-grade recycled plastic materials<br>• Launched the introduction of recycled materials for product packaging |

## Plastic Neutrality Goal

AUO responds to the international concern about biodiversity, especially the issue of plastics that is closely related to human life. Therefore, AUO is determined to actively participate in plastic reduction actions, hoping to become a leader in the industry and drive the industry to pay attention to plastic issues. AUO announced that 2023 the first year of plastic reduction, and based on 2023, it is committed to achieving "plastic neutrality" by 2030. Through the "3R+1" strategy (Replace, Reduce, Recycle, Rethink), AUO will comprehensively promote plastic reduction and establish a cross-function plastic working group to coordinate related tasks. In addition, AUO showcased the plastic reduction results created with value chain partners at the annual supplier conference. In the future, it will deepen cooperation and call on ecosystem partners to work together to reduce the impact of plastic on the environment.

In 2024, AUO has been promoting plastic neutralization for a year. AUO will review the plastic neutralization strategy, strengthen the management mechanism, and improve the transparency and feasibility of the policy. It will analyze the data source, clarify the application method, ensure accurate traceability, and set management sub-indicators to improve the accuracy of performance evaluation. At the same time, a scientific method for calculating the neutralization rate of plastics was established, the production process was reviewed, and the execution direction and the way of displaying the results were clarified.

### 2024 Highlights

**Supplier Packaging Materials**

Recycled Amount
13,364 Tons

**Production and Manufacturing**

Waste reduction for Indirect Materials
465.6 Tons

**Plastic Packaging for Shipping**

Amount of Recycled Direct Materials
1,880.97 Tons

**Requisition of Indirect Materials for Supplier Packaging and Production & Manufacturing**

Amount of Recycled Material Introduced
91 Tons

**Plastic Packaging for Shipping**

Amount of Recycled Direct Material Introduced
169.16 Tons

# 4.3 Material Topic Management Target

| Material topic | Item | Target | 2024 | 2025 | 2026 | Responsible unit | Business strategy |
|---|---|---|---|---|---|---|---|
| Sustainable Product | Sustainable product innovation and design | Decrease energy consumption of IT products<br>Base year: 2021 | 25% | 30% | 35% | ❖ Sustainable Technology | Review and enhance the R&D capacity through the technology platform, so that the products can be more energy-efficient than before. |
| | | Decrease energy consumption of car products<br>Base year: 2021 | 20% | 30% | 35% | | |
| | | Increase the penetration rate of TV LCD panels<br>Base year: 2021 | Technology developing | >10% | >10% | | Continue to improve the penetration technology of TV LCD panels to solve the problem of high energy consumption of large screens and high resolution through the technology platform. |
| | | The weight proportion of recycled materials used in special-specification products<br>Base year: 2021 | 30% | 30% | 30% | | Continue to evaluate the high-quality application of different recycled materials through the operation of the Circular Economy Working Group to improve the comprehensive recycling of products and meet the requirements of green brand customers. |
| | Product green information Transparency and Communication | The number of products that provide green information, mainly monitors and notebook[Note 1] | 20 cases | 30 cases | 40 cases | ❖ Sustainable Technology<br>❖ Sustainable Business | Increase the application of green technology and recycled materials in new product modules, and provide related information for customers to increase the product's green performance and competitive differentiation. |
| Circular and clean production | Promote circular and clean production value chain engagement and management | Continue to expand the circular economy supply chain (number of suppliers) | 58 suppliers | 64 suppliers | 86 suppliers | ❖ Circular Economy Working Group<br>❖ Sustainable Supply Chain | Facilitate close collaboration with the supply chain regarding the issue of circular economy through the supply chain platform. |
| | | Ratio of recycled materials certification for the circular economy supply chain | >90% | >90% | >95% | | |
| | Market application and commercial value creation of circular and clean production technology | Financial benefits growth rate<br>Base year: 2017 | 110% | 135% | 145% | ❖ Circular Economy Working Group | The Circular Economy Working Group horizontally integrates resources across various units and generates circular economy growth through the reduction and recycling of raw materials, as well as waste reduction and the development of high-value, green product markets. |
| | Management innovation of product life cycle | Re-establish product carbon footprint projects and systems in response to standards trends | System integration | Product carbon information service | Product Carbon Information Service | ❖ Circular Economy Working Group<br>Sustainable Development | In response to product diversity and complexity, we have reformulated an appropriate product carbon footprint calculation methodology that is applied to new product development through collaboration between different units. |

Note 1: Mainly monitor and notebook.

| Material topic | Item | Target | 2024 | 2025 | 2026 | Responsible unit | Business strategy |
|---|---|---|---|---|---|---|---|
| Climate change | Value chain climate change mitigation and adaptation as management, engagement and operation | Carbon reduction ratio of key suppliers Base year: 2021 | 4% | 8% | 12% | Sustainable Supply Chain | Promote carbon reduction actions of suppliers, where key suppliers are required to obtain greenhouse gas (GHG) inventory verification and implement carbon reduction targets. |
| | | Number of suppliers working together on ESG | 70 suppliers | 80 suppliers | 90 suppliers | | Foster a consensus and share resources through supplier-related meetings (high-level exchanges, seminars, and courses) to accomplish common action and growth. |
| | Management of climate change risks and financial impacts | Number of projects completed the risk assessment and management process | 3 | 3 | 3 | Carbon-energy Working Group | Continue to implement TCFD operations through cross-functional collaboration, and prepare for financial risks caused by diverse climate scenarios. |
| | Carbon asset management and international initiatives | Sign the international initiatives-RE100 | - | RE10 (executive annual goal) | - | Sustainable Energy Sustainable Development | Integration of company resources and regular communication, gradually achieving set renewable energy use and carbon reduction goals. |
| | | Sign the international initiatives-SBT | - | Absolute Carbon Reduction by 25% Base year: 2018 | Implementation of the new SBT Path | Sustainable Development | |
| | | Manage carbon credits/ acquiring a qualified total amount of carbon credits | >200,000 tons (carbon offset credit) | >500,000 tons (carbon offset credit) | >500,000 tons (carbon offset credit) | Sustainable Energy Sustainable Developmen | Continue to strengthen application of renewable energy and achieve the goal of RE100 by 2050 by participating in the green energy market and REC trading. |
| Energy Management | Renewable energy development, use, and participation in RECs marke | Sign the international initiatives-RE100 | - | RE10 (executive annual goal) | - | | |
| | | Shipping volume of modules required by PV market | 300 MW | 300 MW | 360 MW | Sustainable Energy | Development of the PV market and continued innovation. Maintain continued growth in shipping volume through PV module production of or power plant DevOps. |
| | Improve the efficiency of energy management technology | Number of proposals submitted to annual energy conservation competition | 48 cases | 48 cases | 48 cases | Carbon-energy Working Group | Promotion of green manufacturing, continued optimization of the energy management system, refinement of energy efficiency, and promotion of technical services for energy conservation and carbon reduction. |
| | | Organizing of annual energy-efficiency and carbon reduction events | 2 sessions | 2 sessions | 2 sessions | | |
| | | Annual Energy Savings | 4.5% | 4.5% | 4.5% | | |
| | | Absolute power reduction | 2.14 million kWh | 2.04 million kWh | 1.95 million kWh | | |

# Appendix

## TCFD Framework Correspondence

AUO has incorporated climate change issues into its sustainable development goals, and has simultaneously responded with adaptation and mitigation thinking. In terms of adaptation, AUO follows the TCFD framework, establishes a management model for climate risk and opportunity scenarios across AUO, and practices the PDCA cycle, which has become a long-term and continuously improved operating mechanism.

| Core elements | Description | Management | Responsibility | | Correspond chapter |
|---|---|---|---|---|---|
| Governance | Disclose the organization's governance around climate related risks and opportunities | **Supervisory process of the board of directors**<br>• The board of directors is the highest management and decision-making unit, overseeing the effective operation of the climate governance mechanism<br>• Regularly reports to the Sustainable and ERM Committee | **Role and Responsibility**<br>The Sustainable and ERM Executive Committee is the executive unit for climate governance, with the Chief Sustainability Officer and each responsible first-level manager reporting to the Chairman. The report includes: progress description of climate change issue filing management, review of target achievement, and observation of external trends. | | 01. Governance |
| Strategy | Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and -financial planning | **Strategy of risk and opportunity**<br>• Carbon reduction in the value chain<br>• Renewable energy development & market development<br>• Link climate actions to the organization's sustainability targets | **Financial impact of risk and opportunity**<br>• Categorization based on Man, machine, material, method, environment<br>• Regularly update the ¬financial impact<br>• Evaluate case closure according to the magnitude of the financial impact | **Scenario and analysis**<br>• Transition risks: IPCC 6th SSP1-1.9<br>• Physical risks: SSP5-8.5 drastic temperature increase scenario | 02. Climate Strategy |
| Risk Management | Disclose the processes used by the organization to identify, assess, and manage climate related risks | **Identi¬fication and evaluation process**<br>• Coupled with the company's risk identi¬fication operations<br>• Form a risk management working group<br>• Opportunity topics are reviewed by the Sustainability & ERM Executive Committee | **Management process**<br>• PDCA management<br>• Confi¬rm risk scenario and hypothesis<br>• Clarify the responsible department based on the scenario<br>• Financial impact assessment and management<br>• Disclose in annual achievement report | **Annual risk management system**<br>• High-risk topics are included in high-level meetings for management<br>• Project management of climate risk scenarios | 03. Risk Management |
| Indicators & Target | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities | **Evaluation indicator**<br>• Reduce carbon by 6.5 million metric tonnes, SBTi goal, RE100 goal<br>• Increase climate resilience, continue to lower climate-related ¬financial impacts and risks | **Carbon emissions management**<br>• GHG inventory and carbon neutrality buildings are conducted according to ISO14064 and ISO 14068<br>• Organizational boundaries: Scope 1 and Scope 2<br>• Other indirect emissions (Scope 3) include a total of 15 items of emissions, which have undergone verifi¬cation | **Target setting and review**<br>• Quantitative target<br>1. Renewable energy, electricity quality<br>2. Renewable water, stable water resources<br>3. Carbon reduction<br>4. Circular economy, recycled material, plastic reduction<br>5. Strive for carbon credits and activate the value of green electricity certificates<br>• Create a value chain with resilience | 04. Indicators and Targets |

## AUO's Environmental Management Policy

- Corporate Social Responsibility Principles
- Risk Management Policies and Procedures
- Environmental, Safety,Health, Water and Energy Policy
- Biodiversity, Ecosystems,and zero-deforestation Policy
- Sustainable Raw Materials Policy

## Climate Disclosure

- ESG Website - ESG videos
- Sustainability Report
- TCFD Report
- TNFD Report

AUO

TAP INTO
THE POSSIBILITIES