

# **AUO** 2017 CSR Corporate Social Responsibility Report





Corporate Social Responsibility Report

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## About the Report

AU Optronics Corporation began publishing its Environmental Brochure in 2004 and the Environmental, Health and Safety Report in 2005. Since 2006, the company has been issuing its Corporate Social Responsibility (CSR) Reports on an annual basis. These reports provide detailed information on the efforts and achievements of AUO in relevant corporate governance, social and environmental indicators as a way to present the outcome of AUO’s communication with various stakeholders. The company has adopted the internationally recognized reporting standard – the 2006 edition of G3 Global Reporting Initiative’s Sustainability Reporting Guidelines, as a framework and reference basis for its CSR Report in 2007 so as to fully disclose AUO’s accomplishments. In sync with global trends, the company reported economic, environmental and social strategies in accordance with GRI G4 starting in 2014 and later in 2017 with GRI Standards as a way to inform stakeholders while demonstrating the company’s determination to fulfilling its goals for sustainable development.

### Boundary and Scope

The disclosure in this report covers the achievements and performance of AUO’s global sites in the area of corporate social responsibility from January to December 2017. The report boundary encompasses existing sites in Taiwan, China, other Asian countries, as well as the U.S. and Europe. In addition to AUO, important information pertaining to subsidiaries and suppliers is also included to disclose the sense of responsibility and influence of AUO value chain.

The data for 2017 included in this report has been verified by an independent third-party and is presented based on international generic indicators. Provided estimates are indicated in the corresponding chapters.



The financial data has been audited and confirmed by the accounting firm KPMG and is calculated in New Taiwan Dollars.



ISO14064 GHG emissions have been verified by DNV Business Insurance Co., Ltd.



ISO14001, OHSAS18001 and ISO50001 certifications were issued by SGS Taiwan Ltd.



The assurance standard of ISAE3000 was assured by the accounting firm KPMG.

### Reporting Standards and Guidelines

AUO has gathered relevant economic, environmental and social issues from around the world and applied materiality analysis to identify issues that were of concern to its stakeholders. In 2017Q4, department representatives were invited to discuss and select the key issues of relevance. The implementation results for each issue are presented in this report. This report has been prepared using the principles of GRI Standards and the structure of GRI indicators to disclose the Company’s performance and management guidelines.

### Publication

AU Optronics corporation issues CSR reports on an annual basis.

Current Version: Released in June 2018

Previous Version: Released in June 2017

Next Version: Planned for release in June 2019

### Feedback

Please do not hesitate to contact us if you have any suggestions or questions. Our contact information is provided below. You may also click “Contact AUO” at the bottom of our homepage to reach us.

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✉ Email : CSR@auo.com

🌐 AUO official website: auo.com



Note1 : The Global Reporting Initiative’s Sustainability Reporting Guidelines (GRI Standards) is the latest protocol for GRI.



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## A Message from the President

To those who care for the corporate sustainability of AU Optronics:

2017 was a bountiful year for AU Optronics, and the most profitable year in the past decade. The current international situation and the global political economy have caused many uncertainties. The display industry has also endured great changes. We must think ahead to face the challenges of the market. In addition to increasing competitiveness via value chain innovations, we need to meet market demands, integrate the value chain with a more effective operations strategy, utilize our local advantages, strengthen our global management capabilities, and continuously exceed ourselves. I thank everyone for his or her persistent support, allowing AU Optronics to have continuous innovations.

Looking back to 2017, AU Optronics showcased the world's first bezel-less 65-inch 8K4K ultra-high resolution TV panel with curved display feature utilized the high contrast, wide color gamut, and cutting edge gate on array (GOA) technologies to create the borderless LCD panel, becoming the first choice in global TV brands; . In terms of high-end competitive gaming display, a rapidly developing field, we integrated ultra refresh frequency, large size, ultra resolution, borderless, and curve design to AUO create a product line specialized for competitive gaming. It has the highest market share in desktop and laptop competitive gaming displays, leading the industry trend. In the area of high-end mobile device panels, AUO announced the 4K LTPS laptop panel and LTPS in-cell touch panel, demonstrating the competitive advantages of Kunshan site's sixth-generation LTPS technology, and accumulated great experiences in the development of high-end automotive panels. In solar energy business, AUO is dedicated to creating high efficiency modules, providing the development of comprehensive power plants, establishing and maintaining management services, investing in power plants. This enabled Taiwan's single-annual installations to grow nearly twice as much as the previous year in 2017. Among them, 8 sites at AUO have also reached a full set of solar energy, therefore fulfilling our promise to green energy, and increasing the competitiveness of the solar energy business investments.

Concerned about the global situation, climate change is still an challenge that everyone faces. The 2020 goals AUO promises - "Reduce water, create water and water," and "millions of carbon for lifecycle concept" were achieved one by one according to the phased goals. On this issue, we should not neglect and slack off; Within AUO, we emphasize that safety is a matter that cannot be compromised. Regardless of whether it is a work or living environment, safety is regarded as the top priority and implemented in our annual drill exercises. In 2017, earthquake damage was included in the situational simulation to allow colleagues to have knowledge and awareness to quickly respond to Taiwan's environmental risks. 2017 was also a year of recognition for the company's CSR performance. The long-term investment in CSR accumulated a wealth of achievements, enabling AUO to be selected as the Dow Jones World Sustainability Index for 8 consecutive years. It also won numerous awards in the field of environmental protection and social care. This is the best encouragement for all AUO colleagues. At the same time, I also won the 2017 "Outstanding Corporate Excellence of the Year" Award, allowing me to take a long-term perspective on the promotion of CSR and industry impact, and to create more sustainable value for AUO and all. We will continue to strive towards "go beyond corporate social responsibility, create shared values".



President and CEO of AU Optronics





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## A Message from the Chief Sustainability Officer

To those who care for global sustainable development:

Since the establishment of AUO CSR Committee in 2013, we have persistently grasped the global sustainability trend, combined our company with the expectations of the stakeholders, and responded to the United Nations' Sustainable Development Goals. In 2017, AUO's CSR report was firstly re-written under the new guidelines of GRI Standards so as to fulfill the commitment of material issues and relevant improvements.

In recent years, AUO has created a friendly working environment, cared for the job opportunities of people with disabilities, allowed all employees to do their best at domestic and global sites, designed thoughtful products, and decreased the environmental impacts of our products. All these efforts let AUO's panels and solar energy products give back to the society. We truly care and do our part for the Earth. In addition, AUO has engaged in tree planting for 10 consecutive years and reached the goal of a million trees through the "Green Party" event. In terms of social contribution, we promoted optoelectronic science education, and developed long-term professional experiences of "Honesty-Intelligence Camp", "Dada's magic land" and "environmental education" via management, curriculum design, corporate volunteer system, and exhibition skills. We expected to make good use of our industry expertise to provide better education services, and to expand social impact.

In 2017, the hard work of AUO employees received the affirmation of market investors. We received the Global Views Monthly CSR Award, and TCSA Corporate Sustainability Awards. AUO has persistently recruited innovative talents in the world to better manage and allocate time and resources, expanding our environmental and social benefits. Through fulfilling achieving our goals, we hope to promote more sustainable development to all levels and actively plan AUO's CSR brand value. We focus on six aspects: corporate governance, corporate commitment, popular science education, cultural preservation, social care, and environmental sustainability. In the near future, we will give back even more to the social care, help people attain a better digital life, and fulfill CSR with prospective sustainability strategies. We wish AUO will become a facilitator of corporate transformation, and be a paradigm of sustainability.



Chief Sustainability Officer

古香華 Amy Kuo



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# Corresponding SDGs for Annual Achievements



## SDG1 No Poverty



## SDG2 Zero Hunger



## SDG3 Good Health and Well-being



## SDG4 Quality Education

Corresponding Chapters [5.1.2 Participation in Social Charity](#) [6.3 Healthcare](#)

- A total of **15,307** hours of volunteer service were performed by employees. This includes environmental education docent service, volunteer at the Honesty-Intelligence Camp and so forth
- A total of **5,186** employees took part in the optoelectronic science education and environmental education promotion
- A total of **NT\$ 20.15 million** was donated to various beneficiaries, including the Honesty-Intelligence Scholarship, purchase of locally grown agricultural products, promoting environmentally-friendly farming and donations to Ban Foundation
- **6,579** donated items
- The company promoted various activities such as **the purchasing of locally cultivated rice, sending meal boxes to elderly living in solitude, sponsoring local festive celebrations** and so forth
- Continued with the promotion of "I Care Health Plan"



## SDG5 Gender Equality

Corresponding Chapters [6.3.6 Parental Leave](#)

- Among the employees that **applied for parental leave** in 2017, **92%** of the **male employees** returned to the company after their leave and stayed in the company for more than a year; the percentage for **female employees** came to **74%**.



## SDG6 Clean Water and Sanitation

Corresponding Chapters [3.1.1 Material and Emission](#)  
[3.2.2 Water Efficient Production](#)  
[3.2.3 Wastewater Management](#)

- **90.7%** process water recycling achieved: 146 million of process water recycled
- **Zero** copper liquid waste output
- **Elimination of ammonia nitrogen wastewater**



## SDG7 Affordable and Clean Energy

Corresponding Chapters [4.2.2 Action Plan](#)

- **Total electricity saved: 68.637** million kWh of electricity was saved, which converts to approximately **1.55%** of annual energy saving rate
- Floating solar panels offer better generation efficiency (3~5%) compared to rooftop panels, with a **total installation capacity of 12 MW**
- Total installation capacity for solar power plants across Taiwan came to **125 MW** in 2017



## SDG8 Decent Work and Economic Growth

Corresponding Chapters [2.2.1 Economic Performance](#)  
[6.2.1 Compensation and Welfare](#)

- **Five consecutive years of profit:** The net profit after tax for 2017 came to **NT\$ 32.36** billion
- **Products shipped:** The company shipped a total of **1.11** million large-size panels and another **168** million medium and small size panels for the entire year
- **Direct Labor's starting salary is better than the legal minimum wage:** the wage for a new DL is set between **1.32~1.65** times the local minimum wage.



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### SDG9 Industry, Innovation and Infrastructure

Corresponding Chapters [1.1 Company Background](#)  
[1.1.1 Development of Display Operation](#)  
[4.2.2 Action Plan](#)

- AUO has solid R&D capabilities and significant amount of patents in its possession. As of December 2017, the company has a total of 23,900 patents in application, with **more than 17,700 applications having received global patents**
- AUO has built its capacity to construct different types of solar power plants to cover **rooftop, floating and ground mounted models** that could deliver outstanding energy efficiency for clients
- In 2017, UHD 4K panels made up **43% of products shipped** by AUO, and the figure is higher than the average UHD 4K panel shipping rate for the world (35%)



### SDG10 Reduced Inequalities

Corresponding Chapters [6.1.1 Talent Distribution](#)

- **Employment of employees with disabilities** – AUO increased its hiring of employees with disabilities from 60 to **268**, which is higher than the statutory requirement



### SDG12 Responsible Consumption and Production

Corresponding Chapters [4.2.2 Action Plan](#)  
[2.5.3 Response to Conflict Minerals](#)  
[3.3.1 Control of Hazardous Substance](#)

- **Green packaging:** The company achieved a product packaging recycling rate of **52%** while its suppliers managed to achieve an impressive packaging material recycling rate of **93.11%**
- **0 conflict minerals: 100%** assurance with the substantiating evidence presented by AUO's raw material suppliers
- **A total of 108 chemical substances controlled:** this is done to ensure proper material selection to achieve the objective of environmental protection while remaining compliant to pertinent international regulations and customer requirements



### SDG13 Climate Action

Corresponding Chapters [4.2.1 Objective](#)  
[4.2.2 Action Plan](#)

- In 2015, AUO proposed its Carbon 2020 initiative to reduce carbon emission by 1 million metric tons in 5 years and as of 2017, the company had accumulatively **achieved 45.6% of the target**
- As of 2017, AUO has **reduced CO<sub>2</sub>e by 14.7 million metric tons**
- **Low-carbon transportation** – adjustment in product delivery model. In 2017, AUO reduced the carbon emission from product transportation by approximately **630 metric tons**, which translated to an improvement by **8%**. The accumulated carbon reduction from low-carbon transportation model from 2011 through 2017 came to **8,345 metric tons CO<sub>2</sub>e**



### SDG16 Peace, Justice and Strong Institutions

Corresponding Chapters [6.2.2 Employee Rights and Interests](#)

- **0 labor-management dispute:** AUO has established various **grievance channels** and actively promoted harmonious relationship between the management and employees, with 0 incident of labor-management dispute thus far
- **0 human rights complaint:** There had been no human rights related complaint thus far and **no defects found in the 12 internal audits conducted worldwide**



### SDG17 Partnerships for the Goals

Corresponding Chapters [2.5.1 Localized Purchase and Supply Chain Characteristics](#)  
[3.2.2 Water Efficient Production](#)  
[5.4.3 Environmental Education](#)

- **Water neutrality:** Together with its suppliers, AUO saved approximately **2,224 CMD** of fresh water in 2017
- **GreenArk Water Resource Education Center**– an educational facility built with sustainable concepts. The facility received and accumulated **more than 1,700 visitors** in 2017
- AUO proactively and voluntarily formed external ecological survey teams to carry out a **three-year ecological survey**
- **Supply chain risk management:** buffer inventory has been increased for high risk factors along with multi-source purchasing as a way to mitigate the risks of supply shortage





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# 1

## About AUO



**1.1 Company Background**

**1.2 Event Notes**

**1.3 Stakeholder Issue Management**



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## 1-1 Company Background

### Leader of Value-Added Global Optoelectronic Solutions

AU Optronics Corporation (AUO) was founded in August 1996 under the name Acer Display Technology. In 2001, the Company merged with Unipac Optoelectronics and changed its name to AUO. Later in 2006, the Company acquired Quanta Display.

In 2000, AUO was listed on the TWSE, and it became the first TFT-LCD manufacturer listed on the New York Stock Exchange in 2002. From 2010 onward, AUO has been consecutively named to Dow Jones Sustainability World Index and as of 2017, the Company's consolidated revenue came to NT\$ 341.03 billion. Today, AUO has approximately 45,000 employees worldwide and operates a business network that spans Taiwan, China, Japan, Singapore, Korea, the Americas and Europe.

### Total Display Technologies And Products – Commitment to Creating Higher Value

AUO possesses full production lines from 3.5G to 8.5G that are equipped to manufacture an assortment of display panels for different applications ranging from 1.2" to 85". The Company is dedicated to becoming a provider of comprehensive solutions. AUO's display products include TFT-LCD panels, LTPS and AMOLED panels along with technologies and products designed for different applications. In addition, we offer customers with services such as software/hardware system integration, a variety of customized products in small quantities, reliable product quality and smart services so as to work with our customers to create higher values.

AUO takes pride in its R&D strength and patents in its possession. As of December 2017, AUO has submitted a total of 23,900 patent applications, with more than 17,700 applications approved for global patents.

### High Efficiency and Highly Integrated Solar Energy Solutions – A Partner for Green Sustainability

Since 2008, AUO has ventured into the green energy industry with its high reliability, high efficiency solar module products. The Company has continued to develop modules for special environments such as humidity resistant, salt resistant and wind resistant modules. At the same time AUO has also been developing its power plant business with its downstream vendors by providing a full range of power plant construction services with highly efficient solar energy solutions and an integration platform for energy management along with a dedicated maintenance team to support different customers to develop green energy.

### An Outstanding Enterprise on the Path Towards Sustainable Operation

With sustainable operation as our objective, AUO has adopted the highest standards for self-inspection in different aspects of its operation, be it corporate governance, environmental sustainability or care for society. AUO has also pledged to fulfill its green commitment in different components such as the production process, fab construction, energy recycling and so forth. Thus far, AUO has established 7 LEED-certified green production facilities around the world. In 2015, AUO's Longtan site officially launched the first 100% integrated process water recycling system in Taiwan which the Company has independently designed. The technology of zero-discharge has also been converted into a promotable business opportunity for green ventures. AUO has also made adequate use of its site rooftops for the construction of solar energy power plants as a way to promote renewable energy and achieve a sustainable environment.

In addition, the Company has utilized its know-how in optoelectronics in its active promotion of general science education by hosting science camps as a means to spread scientific knowledge. Especially, AUO has converted its 3.5G fab into the first panel internship factory for instructors and students in academia-industry collaboration programs as a way to nurture future talents in optoelectronics and precision machinery. The Company has also set up volunteer clubs to care for disadvantaged minorities; launched fundraising for the "Honesty-Intelligence Scholarship" by encouraging employees to donate one-day salary so that AUO can share its corporate resources with the public.



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**Company Profile**

**Full Name of Company**

AU Optronics Corporation

**No. of Employees**

Approximately 45,000 employees worldwide

**Capital** NT\$96.24billion

**Date of Establishment**

August 12, 1996

**Main Products and Technologies**

- Thin Film Transistor Liquid Crystal Displays (TFT-LCD)
- Low Temperature Poly-silicon (LTPS)
- Organic Light Emitting Display (AMOLED)
- Integrated Touch Solutions
- Solar Solutions

**Chairman and CEO**

Paul SL Peng

**President and COO**

Michael Tsai

**Head Office**

No.1, Li-Hsin Road 2, Hsinchu Science Park, Hsinchu City 300, Taiwan

**Regions of Operation**

Taiwan, China, other Asian countries, Europe and the Americas

**Corporate Vision and Mission**

**Vision**

Bright Innovation  
A Beautiful Life

Through constant innovations, AUO shall continue to create amazing visual experiences for people.

**Mission**

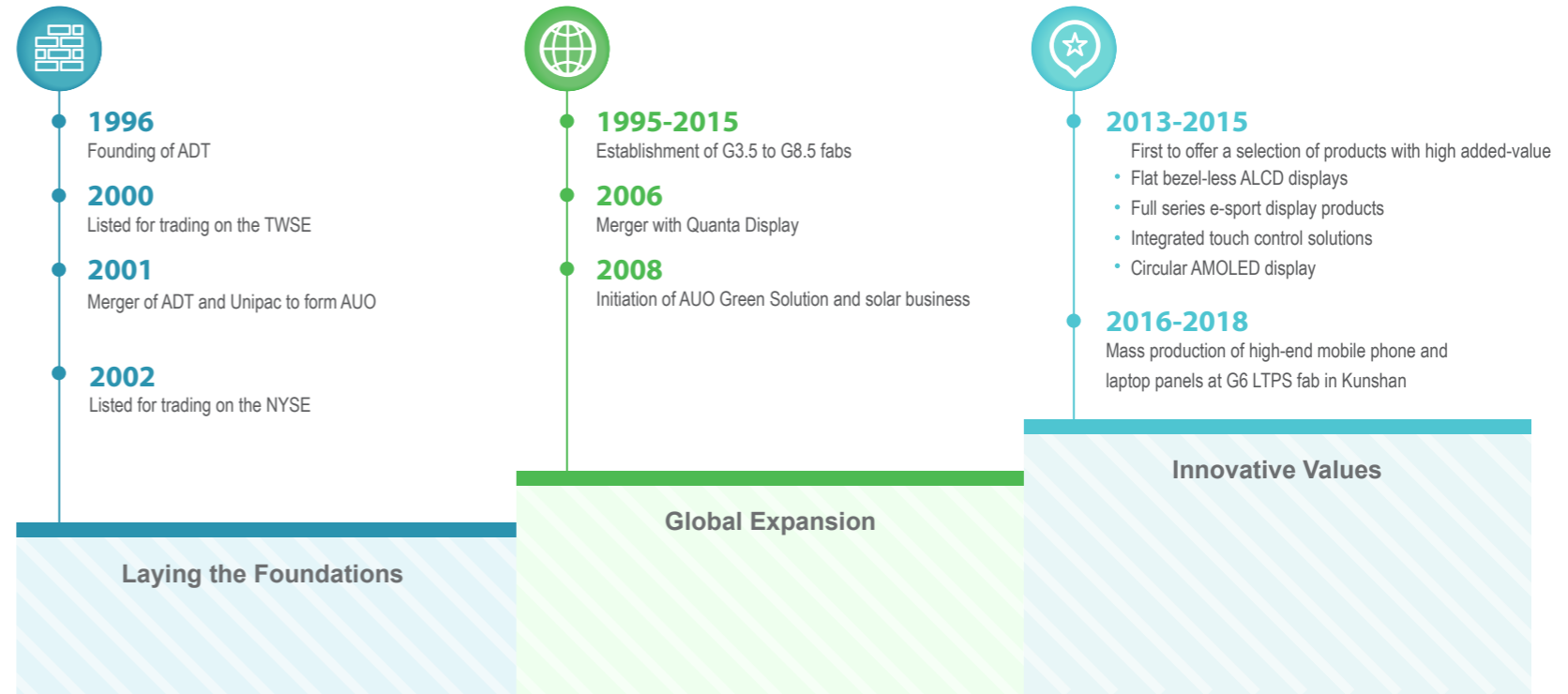
To Be a Global Leader in Green Solutions

Our primary mission is to be a global leader in green solutions.

**Corporate Values**



**AUO Milestones – 20 Years of Excellence**







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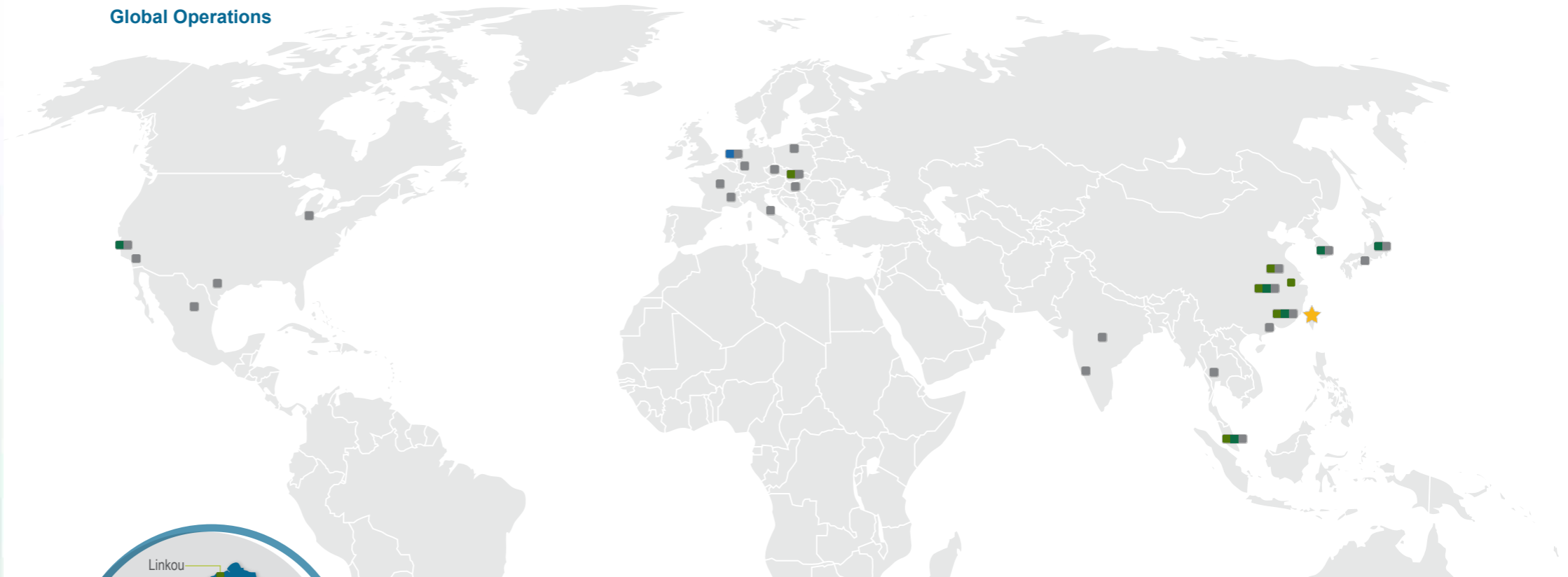
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**Global Operations**



**Head Office**  
Taiwan (Hsinchu)

**Display Sites** **14**

Taiwan  
(Linkou, Longke, Longtan,  
Hsinchu, Houli, Taichung,  
Tainan, Kaohsiung)

China  
(Kunshan, Suzhou,  
Songjiang, Xiamen)

Singapore  
Europe (Slovakia)

**Solar Product Sites** **2**

Taiwan (Taichung)  
Europe (Czech Republic)

**Foreign Subsidiaries** **7**

China (Suzhou, Xiamen)  
Japan  
Singapore  
Korea  
Americas (Milpitas)  
Holland

**Customer Service Locations** **27**

China (Suzhou, Xiamen,  
Songjiang, Xiamen)  
Singapore  
Korea  
Japan (Tokyo, Osaka)  
Thailand (Bangkok)  
India (Delhi, Mumbai)  
Malaysia (Kuala Lumpur,  
Penang)  
USA (Milpitas, San Diego,  
Texas, Detroit)

Mexico  
Amsterdam, The Netherlands  
Poland (Kwidzyn)  
Hungary (Budapest)  
France (Paris, Grenoble)  
Italy (Osimo)  
Germany (Oberhausen)  
The Czech Republic (Brno)  
Slovakia



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### 1-1-1 Development of Display Operations

TFT-LCD is still the mainstream form of flat-panel display on the market today, as it possesses technological advantages, wide applicability, and scaled economy to satisfy the needs of current IT and electronic products.

Driven by the convergence of mobile communication application services and coupled with growing consumer demands for products that are more compact, offer longer standby duration and improved performance, AUO has thus launched 2-in-1 products that offer the convenience of tablets in operation and the working performance of laptops; as for mobile devices, the demand for panels has also gradually increased, with growing emphasis on panel specifications such as larger sizes, wide viewing angle, high resolution, light weight, low energy consumption, slim bezels, and touch function.

#### Mobile Communication



#### Video Applications



With respect to video applications, the demand for high-resolution panels continues to rise as consumers pursue more immersive visual experiences with sharper and larger image rendering. This has prompted the progressive development of UHD 4K panel technology and television production, including image capture equipment, compression technology, storage and transmission technology. Such wide color gamut technology enhances color saturation or curvature design and is expected to provide consumers with a new interactive experience through the improved presentation of content in games, movies, sports or APPs.

#### Large-size Displays



In terms of large-size displays, the market has been driven mainly by denser and busier mass transit systems, the pervasiveness of interactive multimedia kiosks and multimedia advertising and the use of large-size panels to display public information. As IoT and cloud computing applications gradually make their way into the daily lives of ordinary consumers, panel specifications will also advance towards a heavier emphasis on light weight, slim bezels, high quality picture, curvature and larger sizes for applications relating to entertainment.



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Development Trends of Display Operations

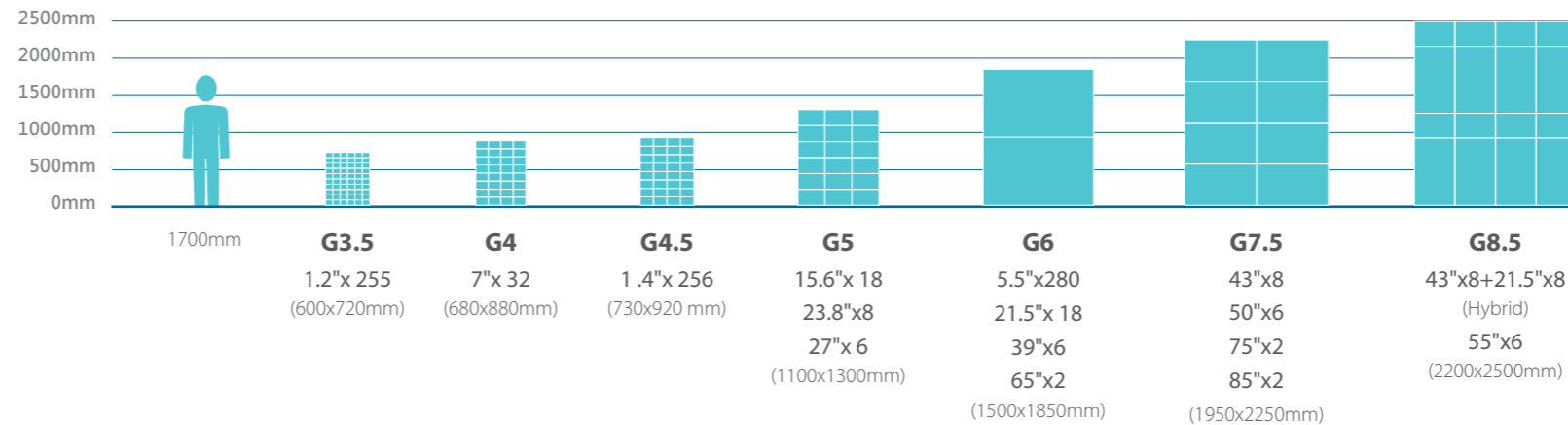
AUO is the world's leading TFT-LCD panel manufacturer. With its a-SiTFT and Low Temperature Poly-Silicon (LTPS) TFT technologies complemented by robust technology development and innovative product design, AUO offers competitive value-added products including LCD TVs, desktop displays, laptops, tablets, mobile phones, commercial displays and other application displays.

In the face of increasing competition, AUO continues to focus on improving the quality of its various technologies. Through the research and development of new technologies, quality improvement and the development of new application products, AUO strives to accommodate customers' diverse needs for products by offering a full product range that provides differentiation and high added value. In 2017, UHD 4K accounted for 43% of AUO's TV panel shipments, which was higher than the global UHD 4K shipment average at 35%. Furthermore, AUO has been active in registering patents as a barrier against competition and as a support for branded customers around the world.

AUO has the leading edge in many technologies and owns complete, highly configurable production lines of all generations. Upon this solid mass production basis and supplemented by comprehensive supply chain integration and management, AUO has established an integrated enterprise platform that encompasses marketing, product management, customer service, manufacturing, yield and quality management and material logistics. This platform has given AUO an advantage in cost competition, enabling it to offer customers value-added solutions and services as well as product differentiation, high quality and high value. AUO works closely with customers to develop products demanded by the market. In addition to maintaining its leading position in the market while continuously improving its products, AUO seeks to develop new technologies so as to help end customers realize a more effective digital life.

Diverse Products

Complete generations of production lines to help achieve the best product mix to accommodate to market demands.



Diverse Display Solutions

Diverse product lines with sufficient product combination depth and width to satisfy the needs of a diverse market.

Video Solution Business Group

- LCD TVs
- Desktop Displays
- Public Information Displays
- Public Information Display Solutions

Mobile Solution Business Group

- Mobile Device Displays
- Notebook and Tablet Displays
- Control Panel Displays
- Integrated Touch Control Solutions
- General-purpose Displays
- Wearable & VR Displays





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## Display Product Development Strategy

### Video Applications



The UHD 4K standard has matured, giving AUO the support it needs to utilize its long-accumulated technical expertise and introduce next-generation TV displays with ground-breaking features such as UHD 4K resolution, curvature, dynamic contrast, wide color gamut quantum dot, and thin frames. A curved design has the advantage of producing clear, undistorted images at wider viewing angles; whereas dynamic contrast reproduces images at brightnesses close to what the human eye sees, thereby allowing more details in bright and low-light scenes. When combined with UHD 4K resolution, wide color gamut and a thin frame design, the product delivers the ultimate visual experience with smart, interactive features that will bring customers to the next evolution of video entertainment.

With opportunities in the commercial segment, AUO continues to introduce innovative technologies such as slim bezels, MVA/AHVA, 100% sRGB color gamut, curvature, dynamic screen flow (high refresh rate of 144Hz) and 21:9 ultra-wide desktop displays and larger screen sizes for a broad range of applications from graphic design, image processing to competitive gaming. Apart from professional applications, these panels can also offer the best display results for other applications of personal entertainment, gaming and so forth. As for public information displays, AUO's ability to deliver large-size, high brightness, high temperature resistance, circular polarization and touch controls have enabled more flexible uses in train stations, airports, shopping centers, schools, and business conventions.

### Mobile Applications

The evolution of cloud computing, big data and wireless technologies has brought digital displays into virtually every part of our daily lives. In the mobile segment, AUO offers a comprehensive range of medium and small-size panels to meet consumer demand. The range includes high-quality, large-size displays for 4G mobile phones that offer high resolution, touch control and AHVA (Advanced Hyper-Viewing Angle) technology to ensure image rendering with the richest details. These features are complemented by a thin frame to achieve a high-display area ratio while the embedded touch technology delivers more sensitive and precise touch control for the user. Coupled with a light weight and low power consumption, our products offer the finest in imaging quality that users seek while providing an experience that defines convenience and high efficiency for mobile products.

In addition, AUO has also been actively involved in the high-end automotive panel market, where technological thresholds are high, by introducing integrated automotive panels with touch sensors, curved cutting and curved designs to complement the cabin style design so as to enhance automotive information and entertainment value; with regards to wearable devices, the display requirements focus on light weight and lower power consumption. Incidentally, AUO has mass production capacity for AMOLED, traditional TFT and semi-wearable reverse TFT technology and with the curved panel technology for AMOLED smart watches, customers will be able to build panels that are closer to a circle in shape thus offering greater versatility in product design for smart watch manufacturers and satisfying their different demands for customization.





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## 1-1-2 Development of Solar Energy Business

### Analysis of Solar Market

Looking back in 2017, the explosive growth in demand from the Chinese market has pushed the global installed capacity to a historic height of 100.4GW. China led the global market at 48GW, followed by USA (12.5GW), India (10GW) and Japan (6.8GW). These four markets have accounted for more than 75% of the global demand. As for 2018, the Chinese government unveiled its new photovoltaic forecasts for the nation's 13th Five-Year-Plan in July and announced relevant bullish policies such as PV poverty alleviation with national subsidy and prioritization of grid integration. However, as the Chinese government is likely to implement macroeconomic regulation and control, market uncertainty remains high.

For the US market, the demand for 2018 will depend on the effects of section 201 of the Trade Act of 1974 and could fluctuate significantly between 5.5-10GW. India has officially overtaken Japan to become the world's third largest market this year and is poised to grow even larger in the foreseeable future. Due to the amendments to the FIT law effective from April this year, Japan has approximately 20GW of projects that need to be completed within three years to ensure grid integration and as such, the market demands for the next three years will remain steady for Japan.

With regards to the European market, the EU proposed its new MIP solution, which involves the gradual reduction of prices each quarter. This solution is expected to effectively stimulate demands in Europe and it is safe to assume that demands in the European market will grow slightly in 2018.

Nevertheless, in addition to the Chinese and Indian markets that are expected to see growth, Taiwan has also become a target worthy of focus for the PV market in recent years. Taiwan's nuclear-free homeland policy has set the goal of reaching 20GW of installed capacity for solar power by 2025. Forecasts suggest that the total PV installed capacity in Taiwan could grow to 700-800MW in 2018.

As the demands and expectations for PV product specifications and efficiencies continue to grow higher, mono-crystalline high-efficiency modules have greater room for improvement in terms of efficiency and technology compared to multi-crystalline modules. For the commercial and residential markets, under conditions of limited installation space, the demand for high-efficiency modules is likely to grow. According to the forecasts by ITRPV, the market share for mono-crystalline high-efficiency modules will reach 20% in 2018 and 30% in 2020.

### Solar Energy Development Strategy

#### Global market

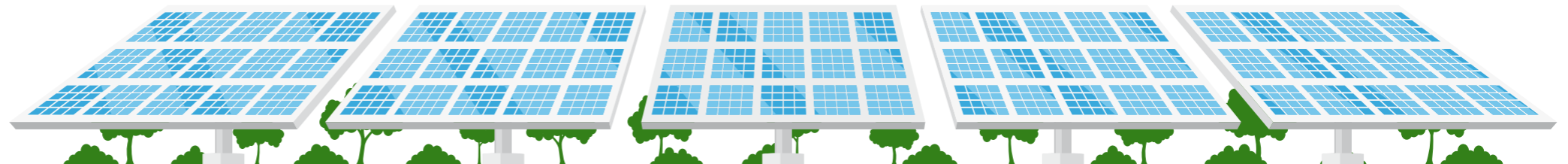
In solar energy business, AUO sells a range of modules of high reliability and high quality to the world with its own brand and sales channel; shipping destinations include Europe, the USA, Japan and Taiwan. Cumulative shipments have reached approximately 2.5GW since 2010. In specific niche segments, AUO offers mono crystalline high-efficiency modules as well as weather-resistant modules in response to all types of market demand.

Cumulative shipments have reached approximately **2.5GW** since 2010

#### Taiwan market

In Taiwan market, AUO plans to deploy its mono crystalline high-efficiency modules and weather-resistant modules to leverage tax concessions for high-efficiency modules and water surface project sites in 2017. Not only that, AUO offers a full range of power plant construction services with highly efficient solar energy solutions and integration capabilities in the domestic market of Taiwan. As of the end of 2017, the total installed capacity of AUO's various solar power plants had reached 125MW. In addition, AUO provides complete EPC operations and cloud monitoring services to meet the solar applications of residential and commercial users as well as power plants.

As of the end of 2017, the total installed capacity of AUO's various solar power plants had reached **125MW**





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## Outstanding Solar Projects

### Solar Power Plant Cases

The cumulative installation capacity from all the rooftop solar plants that AUO has built thus far has reached 125MW, including the 998kW solar power plant at Momo.com Inc.'s northern district logistics center (already incorporated into a grid) and the 499kW rooftop solar system project at Hota Industrial Manufacturing's parking lot. With regards to large power plants, AUO has also won tenders for the 7MW power plant at the Chung Cheng Armed Forces Preparatory School (Kaohsiung) and the 2.1MW power plant at the Aerospace Industrial Development Corporation (AIDC in Taichung). AUO's smart cloud monitoring services allow users to keep track of the solar operation system over the Internet to ensure maximum efficiency for power plants. Currently, more than 1,000 locations around the world have been set up for the monitoring system.

### Solar Module Products

AUO continues to develop solar module products for unique environmental conditions. With its existing Sunforte and SunVivo mono-crystalline modules, the Company has developed its "72-cell high efficiency N-PERT mono-crystalline module" and the "310W P-PERC mono-crystalline module" with not only improved power generation performance but also higher resilience to cracks. In addition, AUO has long been dedicated to the development of low carbon footprint products, and has been a leader in solar products, successfully entering the European market as one of the major module suppliers, offering durable modules with high efficiency, high quality and a low carbon footprint.

Weather-resistant module – To cater to Taiwan's island climate, AUO offers a product design with high humidity resistance, as well as special application modules for water surface and salt resistance. AUO plans to file patent applications for its high-efficiency application module technology soon.

### Integration Platform with Microgrid Energy Dispatch

AUO provides a system integration platform for the management of energy creation/storage equipment and the implementation of microgrid energy dispatch to help users overcome the inherent constraints of renewable energy inconsistency and improve renewable energy utilization.

Through energy dispatching, remote control and renewable energy management technology, AUO has made it possible to dynamically balance the creation, storage and saving of energy in a microgrid.





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1-2 Event Notes

1-2-1 Organization Membership

Organization	Management Role	Project or Committee Participation	Member	Membership Fee			
				2017	2016	2015	2014
ROC Business Council for Sustainable Development (BCSD-Taiwan)				120,000	120,000	120,000	120,000
Taiwan Corporate Sustainability Forum (TCSF)				0	0	0	0
Center for Corporate Sustainability (CCS)				280,000	280,000	280,000	0
Taiwan Display Union Association (TDUA)				0	0	0	0
Taiwan TFT LCD Association (TTLA)				3,890,000	3,830,000	3,340,000	3,170,000
The Allied Association for Science Park Industries (ASIP)				810,000	810,000	810,000	810,000
The Society for Information Displays (SID)				600,000	0	600,000	
ROC Taiwan Liquid Crystal Society (ROC TLCS)				85,000	35,000	35,000	35,000
Video Electronics Standard Association (VESA)				300,600	300,600	0	0
Taipei Computer Association (TCA)				15,000	15,000	15,000	15,000
Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)				42,000	42,000	42,000	42,000
Taiwan Photovoltaic Industry Association (TPVIA)				30,000	30,000	30,000	30,000
Semiconductor Equipment and Materials International (SEMI Taiwan)				42,033	58,441	0	0
Taiwan 3D Interactive Display Association (3DIDA)				20,000	0	20,000	20,000
Turnaround Management Association (TMA-Taiwan)				0	0	0	0
Mobile Industry Processor Interface Alliance (MIPI)					20,000	20,000	20,000
Mobile Industry Processor Interface Alliance (MIPI)					240,000	240,000	240,000

1-2-2 Important Events of the Year

Q1

- Completion of AUO's solar power plant at the Tainan site.
- Held the "Green Party" tree planting event for the tenth consecutive years, with more than one million trees planted in total.



- Completion of AUO's solar power plant at the Longke site.



Q2

- Received the 2017 Corporate Social Responsibility Award by Global Views magazine – subcategory Environmentally Friendly Top Award for the construction of a rooftop solar power plant.
- Launched the world's first 1.2" and 1.4" circular AMOLED display for smart watches.



Q3

- Won the 2017 CTSP Innovation Contest with a 65" 8K4K UHD Curved LCD TV Panel.
- Won in 4 sub-categories of the 2017 Gold Panel Awards.
- The 2017 Honesty-Intelligence Scholarship made the one-day science camp possible for 516 students.



- Selected as a composite in the Dow Jones Sustainability World Index for 8 consecutive years.
- Launched the world's first 13.3" UHD 4K LTPS oTP.
- Launched the world's largest 85" 8K4K bezel-less TV display panel.

Q4

- Received the Golden Wingspan Award for "Outstanding Enterprise for the Recruitment of People with Disabilities" from the Ministry of Labor.
- Received five Taiwan Corporate Sustainability Awards, including The Most Prestigious Sustainability Award – Top Ten Domestic Corporations.
- All series of high-efficiency solar modules received the Taiwan Excellent PV Award from the Ministry of Economic Affairs.





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## 1-2-3 Annual Awards Record

### 2017 Corporate Social Responsibility Award by Global Views magazine – subcategory Environmentally Friendly Top Award

The Corporate Social Responsibility Award by Global Views magazine is the earliest launched CSR evaluation award in Chinese media worldwide and is known for its high credibility. AUO has won this award with its “Taiwan’s largest rooftop solar power plant – Sengin Photovoltaic Power Plant Project” as the panel of judges acknowledged AUO’s efforts in achieving balanced development between corporate management and green sustainability; AUO has not only remained environmentally friendly but also leveraged its core capabilities to develop its competitive strengths and attain the goal of win-win outcomes in the long run.



### 2017 Gold Panel Awards

The Awards are organized by the Taiwan Display Union Association, under the supervision of the Industrial Development Bureau, Ministry of Economic Affairs, to honor companies that have excellent performance in the field of display technology. With solid R&D strengths and leading technology advantages, AUO has won the subcategory of Outstanding Products for its 27” UHD 4K HDR 144Hz e-sport panel and 17.3” ultra fast response e-sport laptop panel, as well as the subcategory of Excellent Technology for its 7.8” foldable AMOLED touch display technology and 5” ultra wide-color rollable AMOLED touch display technology.



### 2017 CTSP Innovation Contest

In order to encourage tenant companies to engage in innovative research and the development of new products, the CTSP Bureau has organized its contest for innovative products on a yearly basis in order to boost domestic technological standards and strengthen the industry’s competitiveness. AUO has won this award with its offering of a 65” 8K4K ultra high-definition curved LCD panel – a product that delivers perfection in picture quality and unparalleled visual experience.



### The 15th Golden Wingspan Award “Outstanding Enterprise for the Recruitment of People with Disabilities – Honorable Mention”

The Golden Wingspan Award is established by the Ministry of Labor as a means to identify and encourage businesses to recruit and hire people with disabilities. With care for the society as one of our core values, AUO has been offering diverse employment opportunities for people with physical/mental disabilities and the Company has been acknowledged with this award for its recruitment of employees with disabilities and offering of related assistance.



### 2017 Taiwan Corporate Sustainability Awards

Organized by the Taiwan Institute for Sustainable Energy (TAISE), the award is a highly credible and prestigious domestic distinction for corporate sustainability and ever since its launch in 2008, AUO has been a consecutive winner of this award. In addition to receiving The Most Prestigious Sustainability Award – Top Ten Domestic Corporations, “TOP50 Corporate Sustainability Report Awards”, “Climate Leader Award” and “Circular Economy Award” under “Best Performance of Specific Categories” in 2017, AUO Chairman and CEO Paul S.L. Peng also received the distinction of “Outstanding Corporate Sustainability Professional” for his contribution to the cause of sustainable development and his effort to facilitate interaction and sound development of the display manufacturing business.



### 2017 Taiwan Excellent PV Award

Established by the Energy Bureau of Ministry of Economic Affairs, this Award is to identify the best PV products of safety, great performance and reliability. AUO’s high efficiency SunForte back-contact solar module, SunVivo mono-crystalline module and SunPrimo multi-crystalline module have all met the expectations of the panel of jurors, thus making AUO the only winner in Taiwan to have this great honor with all crystalline solar modules.





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# 1-3 Stakeholder Issue Management

In the pursuit of sustainability, a company must understand and respond to the issues that concern its stakeholders. This will become an essential reference for the examination of corporate sustainability through the mechanism of transparent communication. By referring to the AA1000SES Stakeholder Engagement Standards, AUO has identified 9 major categories of stakeholders, including academia, suppliers, customers, NGOs, media, employees, investment institutions, students and communities. Through the identification process of annual stakeholder issues, the fitness of stakeholder classification and issues of concern will be reviewed and adjusted accordingly.

## Step1 Inventory of Communication Channels

Identify the source of external feedback and suggestions for each department and maintain active interaction with stakeholders in our day-to-day business through various communication channels.

## Step2 Identification of Stakeholders

Nine categories of stakeholders have been identified, including academia, suppliers, customers, NGOs, media, employees, investors, students and communities.

## Step6 Determine the Boundaries and Scope of Disclosure

Adequately define the scope and boundary of coverage for each aspect to ensure the transparency of AUO's value chain and its extended impact.

## Step5 Corresponding Material Issues

Correspond the selected material issues with the items of disclosure covered in the GRI guidelines.

## Step3 Screening of Issues of Concern

Design issue score cards based on GRI guidelines, AUO CSR policies, international rating initiatives, customer demands, industry benchmarks and so forth to evaluate their impact on business operation, the value chain and the impact on our sustainable targets. The screening generated 28 issues of concern.

## Step4 Determination of Material Issues

Based on the level of stakeholder concern and the outcome of the impact on the Company's operation and on the society, environment and economy as a whole, material issues are screened and duly reported to the Board of Directors.

### 4-1 Evaluation of Impact on Operation

Representatives of the CSR Committee will evaluate the impact of the issues on the Company's reputation, operation, sales and compliance and potential impact on the society, environment and economy as a whole.

### 4-2 Investigate the Level of Internal/External Concern

Implement evaluation of significance for each item by each of the 9 categories of stakeholders through on line survey/distribution of printed questionnaires.





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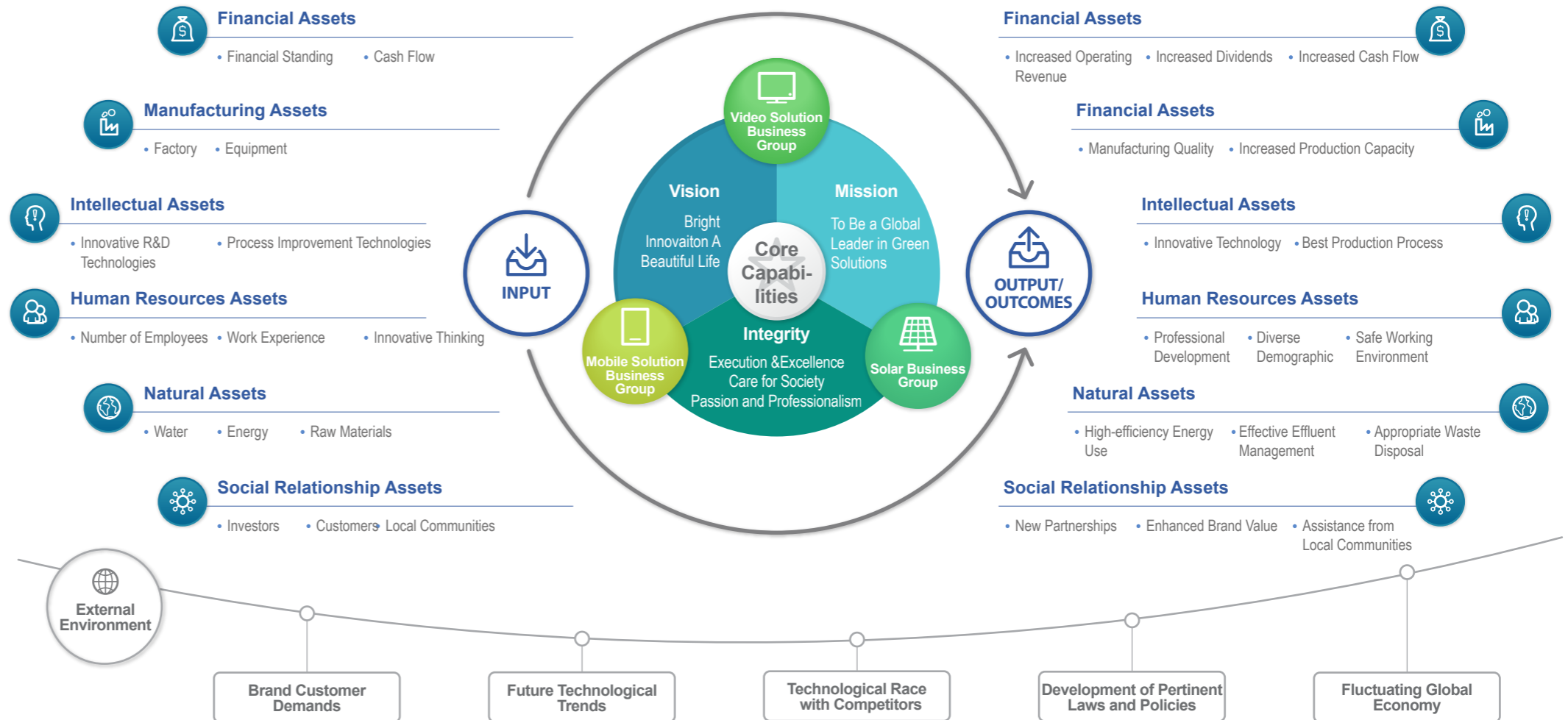
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Process of Sustainable Value Creation

With its core capabilities and operating model of value chains for its three major business groups at the heart of AUO's operations, the Company will continue to adhere to relevant international integrated reporting standards while adopting the model of sustainable value creation through six major assets in order to create corresponding value for different stakeholders. By factoring external influences such as brand customer demands, future technological trends, competition from the industry, and development of pertinent laws and policies, we shall drive the organization toward continued improvement of its capabilities for sustainable management as the basis for improved risk management and sustainable performance.





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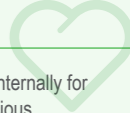

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### 1-3-1 Stakeholders' Communication Platform

In addition to maintaining interaction with stakeholders through a range of channels in everyday business activities, AUO has also created two specific mailboxes for external communication (info@auo.com) and CSR related affairs (csr@auo.com) to offer yet another channel of communication between the stakeholders and the Company. The mailboxes are intended for issues such as product information, business queries, product warranty, investor services, job opportunities, CSR issues and so forth. This external mailbox is managed by dedicated personnel, who will direct queries to the responsible department for processing/response.

#### Stakeholders' Communication Channels

	Topic of Communication	Channel of Communication	Corresponding Chapters
Academic Experts	<ul style="list-style-type: none"> <li>• Pollution Prevention Strategies</li> <li>• Green Product Management</li> <li>• Charity Involvement</li> <li>• Shaping of Corporate Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Expert Meetings</li> <li>• External Communications Mailbox</li> <li>• Conferences</li> </ul>	<ul style="list-style-type: none"> <li>• 1.3.1 Stakeholders' Communication Platform</li> </ul> 
☆	<ul style="list-style-type: none"> <li>• 5 experts from corporate, academic and counseling institutions were invited to speak to AUO representatives.</li> </ul>		
Students	<ul style="list-style-type: none"> <li>• Performance of Social Responsibilities</li> <li>• Recruitment and Welfare</li> <li>• GOLF project</li> </ul>	<ul style="list-style-type: none"> <li>• A+ Summer Internship</li> <li>• Meetings of industry-academic Cooperation</li> <li>• Factory Visits</li> <li>• Job Websites</li> </ul>	<ul style="list-style-type: none"> <li>• 6.1.1 Talent Distribution</li> </ul> 
☆	<ul style="list-style-type: none"> <li>• Trained 256 A+ summer interns worldwide and performed industry-academia collaboration with students.</li> </ul>		
NGOs	<ul style="list-style-type: none"> <li>• Charity Involvement</li> <li>• Shaping of Corporate Culture</li> <li>• Water Pollution Management</li> </ul>	<ul style="list-style-type: none"> <li>• External Conference Activities</li> <li>• Events Organized by NGOs</li> <li>• External Communication Mailbox</li> <li>• BenQ Foundation</li> </ul>	
☆	<ul style="list-style-type: none"> <li>• For the first half of 2017, the supervisory platform meeting presented AUO's environmental protection approaches to the participating NGOs.</li> <li>• For the second half of 2017, AUO hosted the Xiaoli River fish survey demonstration and invited relevant NGOs to take part and find out more about the survey techniques used.</li> <li>• Production of ecological survey video; the "Xiaoli River ecological survey result presentation" was held internally for local employees and those who are interested in the topic as an experience for them to cherish our precious environment.</li> </ul>		
Communities and Neighborhoods	<ul style="list-style-type: none"> <li>• Noise and Odor</li> <li>• Performance of Social Responsibilities</li> <li>• Activities in the Public Interest</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with experts</li> <li>• External Communications Mailbox</li> <li>• Factory Complaints Hotline</li> </ul>	<ul style="list-style-type: none"> <li>• 1.3.1 Stakeholders' Communication Platform</li> <li>• 5.3.3 Community Care</li> </ul> 
☆	<ul style="list-style-type: none"> <li>• Donated a total of NT\$ 1.01 million towards the adoption of environmentally friendly farmland.</li> <li>• Scholarship for local students from disadvantaged families- NT\$ 6.95 million dollars.</li> <li>• A total of 10 opinion feedbacks from local residents.</li> <li>• Purchased locally produced rice- 141,703 kg for catering meals and shareholders' meetings.</li> </ul>		

☆ Main Progress for 2017





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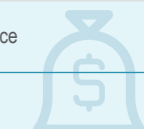

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Stakeholders' Communication Channels

Topic of Communication	Channel of Communication	Corresponding Chapters
<p><b>Media</b></p> <ul style="list-style-type: none"> <li>Charity</li> <li>Environmental Sustainability</li> <li>Operating Performance</li> </ul> <p>☆ <b>Operating Performance</b></p> <p>In 2017, 25 press releases were published for exposure of CSR, Corporate, Display, Solar and so forth. Press Conferences: Annual product presentation in the spring, shareholders' meeting, exclusive interviews on event participation, award presentation ceremony and so forth.</p>	<ul style="list-style-type: none"> <li>Exhibitions</li> <li>Press Conferences</li> <li>News Releases</li> </ul> <ul style="list-style-type: none"> <li>Charity</li> <li>Environmental Sustainability</li> </ul> <p>Fundraising for the Honesty-Intelligence Scholarship, A+ internship program and industry-academia collaboration, campus recruitment. Completion ceremony of the solar power plant at the Tainan and Longke sites, Green Party tree planting activity.</p>	<ul style="list-style-type: none"> <li>2.5.2 Suppliers and Contractors</li> </ul> 
<p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>Response to Conflict Minerals</li> <li>Prohibited &amp; Restricted Substances Policies</li> <li>Product Carbon Footprints</li> <li>Suppliers' CSR Ratings</li> </ul> <p>☆</p> <ul style="list-style-type: none"> <li>Responsible Business Alliance (RBA) audits for new and existing raw material suppliers and production contractors were conducted, with a total of <b>87</b> environmental audits, and plus <b>96</b> social audits.</li> <li>Established a supplier management system that gathers regular information on greenhouse gases, chemical substances, and energy usage.</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Conferences</li> <li>Complaints Mailbox</li> <li>Suppliers' Management Systems</li> <li>Supplier Audits</li> </ul> <ul style="list-style-type: none"> <li>Supplier risk evaluation was conducted for <b>82</b> suppliers and contractors involved in substantial purchase amounts to identify <b>7</b> high risk suppliers to be the target for 2018 RBA audits.</li> </ul>	<ul style="list-style-type: none"> <li>2.5.2 Suppliers and Contractors</li> </ul> 
<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Environmental Management and Performance</li> <li>RBA Implementation</li> <li>Employee Health and Safety</li> <li>Quality of Service</li> <li>Prohibited Substances</li> </ul> <p>☆</p> <ul style="list-style-type: none"> <li>Completed <b>108</b> CSR surveys as requested by customers.</li> <li>Responded to <b>58</b> customer complaints; conducted case-by-case reviews and assembled dedicated teams to follow up on improvement progress.</li> <li>Participated in supplier conventions organized by customers.</li> <li>With the revision of Green Product Hazardous Substance Management Regulation in 2017, our compliance to key customers increased from <b>95% to 100%</b></li> </ul>	<ul style="list-style-type: none"> <li>Surveys of Customer Satisfaction</li> <li>Customers Website systems</li> <li>Questionnaires</li> <li>Supplier Conventions</li> <li>Audits</li> </ul> <ul style="list-style-type: none"> <li>Responded to the routine quality audit conducted by customers with consistent product delivery and indefinite audits by new customers, with a total of <b>9</b> CSR audits.</li> <li>For mobile product BG customers, AUO has completed green product declaration for a total of <b>1,515</b> products and submitted them to relevant customers in 2017.</li> <li>Out of the <b>17</b> incidents of customer product anomaly, root cause investigation and counter strategies have been completed for 16 incidents, which were subsequently closed.</li> </ul>	<ul style="list-style-type: none"> <li>2.4.3 Customer Satisfaction</li> </ul> 
<p><b>Investment Institutions</b></p> <ul style="list-style-type: none"> <li>Performance of Social Responsibilities</li> <li>Operational Status</li> </ul> <p>☆</p> <ul style="list-style-type: none"> <li>Monthly Business Reports - <b>12</b> sessions.</li> <li>Annual Shareholder Meeting - <b>1</b> session.</li> <li>Quarterly Investor Briefings - <b>4</b> sessions.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly Business Reports</li> <li>Quarterly Investor Briefings</li> <li>Annual Shareholders Meetings</li> </ul>	<ul style="list-style-type: none"> <li>2.2.1 Economic Performance</li> </ul> 
<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>Operating Conditions</li> <li>Environmental Issues and Incidents</li> <li>Environmental Safety Projects</li> <li>Labor-management Relations</li> </ul> <p>☆</p> <ul style="list-style-type: none"> <li>Three sessions of the Meeting With the President were held and attended by <b>46</b> factory/department managers.</li> <li><b>13</b> sessions of the Meeting with BG Head were held and attended by a total of <b>254</b> managers and deputy managers.</li> <li><b>107</b> monthly or quarterly meetings with site managers.</li> </ul>	<ul style="list-style-type: none"> <li>WOW AUO Quarterly Publication</li> <li>General Complaints and Inquiries Hotline</li> <li>Appointment With the President Seminar</li> <li>Meeting with BG Head</li> <li>Business Briefings</li> <li>Welfare Committee meetings</li> <li>Site monthly or quarterly meetings</li> <li>DL interviews</li> <li>AUOer Website</li> <li>Club Fair</li> </ul> <ul style="list-style-type: none"> <li>The general complaints and inquiries hotline was used <b>9,615</b> times.</li> <li><b>28</b> direct employee meetings were held; 261 employees participated and provided <b>314</b> opinions.</li> <li>A total of <b>173</b> volunteer clubs with <b>6,819</b> members.</li> </ul>	<ul style="list-style-type: none"> <li>6.2.2 Employee Rights</li> </ul> <ul style="list-style-type: none"> <li>Labor-management Relations Conferences - <b>4</b> sessions.</li> <li>Business Briefings - <b>4</b> sessions.</li> <li>A total of 12 welfare meetings</li> </ul> 

☆ Main Progress for 2017

Note: Direct employees (DL) include dispatch technicians, technicians, mechanics, foremen, deputy foremen, and manufacturing team leaders.



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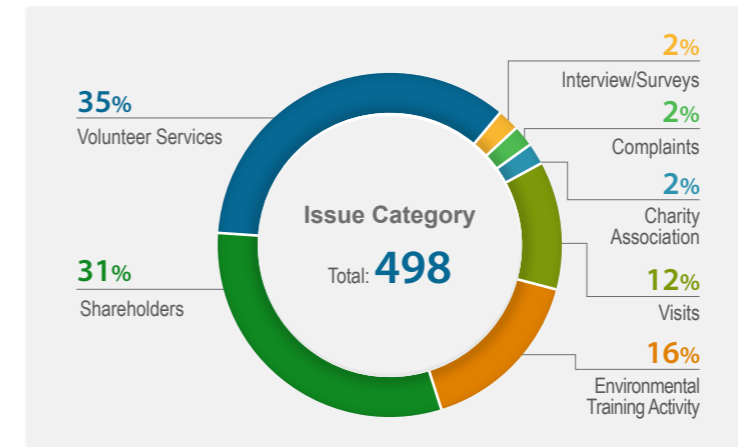
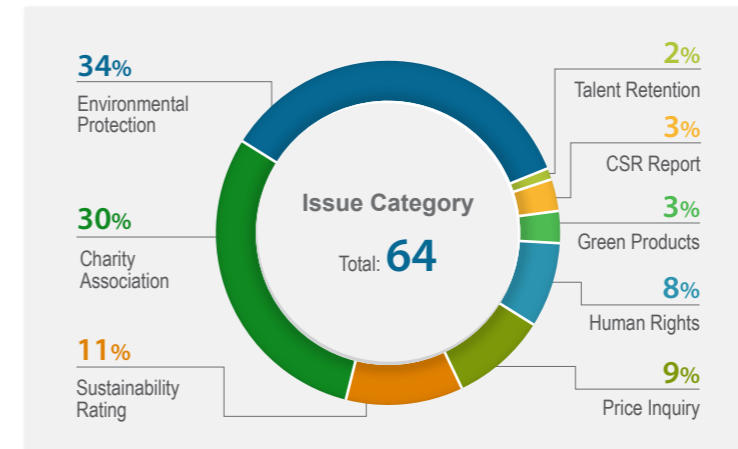
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**2017 Statistics on CSR**

In 2017, we responded to a total of 64 queries on issues of concern with regards to environmental protection, AUO has arranged 11 visits of GreenArk tour guide; most of visitors were undergraduate students, and some companies wish to visit AUO's solutions for zero discharge. By CSR mailbox, we also collect feedbacks from stakeholders, such as price inquiries or sustainability ranking information, so it helped AUO to have diverse channels of communications.

**2017 Statistics on Stakeholder Feedback**

In 2017, there were a total of 498 cases of stakeholder feedback, and AUO received a total of 10 opinions from local residents, including traffic jams, site odor, employee conduct, explanation of occupational accidents and so forth. So far, we maintained positive relations with stakeholders, and have informed our employees of these feedbacks to follow up. The primary sources of feedback include activities organized by relevant units, phone surveys and interviews as these help us to face stakeholders to have better suggestions and ideas.



**External Stakeholder Visits**

Apart from visits to customers and suppliers, AUO also accepted visit requests from other organizations in 2017. This was done in an effort to amplify the effects of collaboration and promote the industry and academia through the industry-academic platform built on visits made by the universities. The program aims not only to allow the optoelectronic industry to cultivate talents but also to collaborate with the industry to give back to society. There were also 8 specially arranged/requested visits with a total of 107 visitors. Through these visits, AUO introduced its ideals on management philosophy, innovative products and future prospects to visitors. By doing so, AUO shall make an active effort to maintain positive interaction with different organizations and to engage visiting units in further discussion and exchange.



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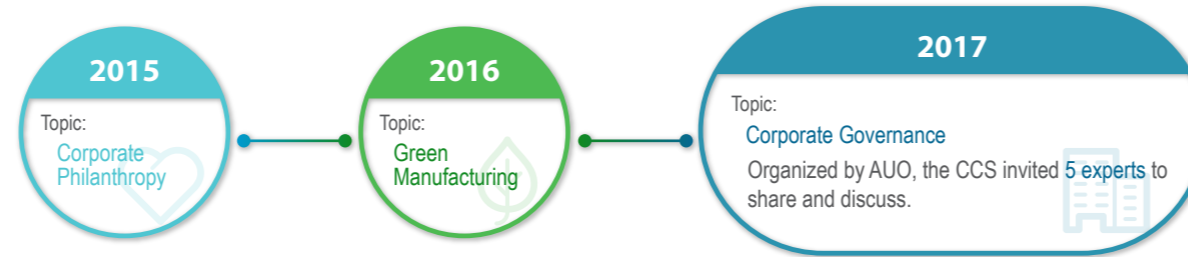
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## Expert Meetings



On October 5, 2017, AUO collaborated with the Center for Corporate Sustainability (CCS) for the third time as CCS sent five experts from different fields (i.e. the sector, academic research, corporate sustainability and so forth) to conduct a consultation and seminar with AUO's CSR Committee on the topic of corporate governance. At the seminar, VP and CFO Benjamin Tseng chaired the session in which employees and the experts discussed issues such as how to ensure due implementation of the Company's governance mechanism, to emphasize shareholder rights, operational transparency, immediate disclosure of information, assisting investors to understand the Company's performance in corporate governance and achieve outstanding results. Three specific topics were under discussion at the seminar: operational performance of the Board of Directors and its correlation to their remuneration, an introspection of Board functions from a CSR perspective and the legal trends of the governance structure in the near future.



## Field of Expertise

### Corporate Sustainability

**Wang Huai** General of the Taiwan Corporate Governance Association - Secretary

**Lee Yuh-Ming** The Center for Corporate Sustainability - Secretary

**Tseng Yu-Che** EY - Practicing Accountant

### Academic Research

**Lu Chia-Wu** Department of Finance and Cooperative Management, National Taipei University - Assistant Professor

### Financial Industry

**Hung Tzu-Yen** DBS (Taiwan)/Secretary of the Board - VP

## Key points from expert meeting



### Board of Directors Composition

- It could be a potential trend in the future for individuals without share ownership to serve as Directors.
- To leverage the professional background of new Directors or external Independent Directors.



### Board Function

- To have meeting records for pre-meeting and formal meetings and the reporting Director.
- To fulfill their responsibilities as Directors/auditors and engage in thorough discussion.



### Board of Directors Evaluation System

- The mechanism of hiring Independent Directors requires further improvement.
- Establish a follow-up and review system for the performance of Independent Directors.



### Number of Multiple Directorships of Board Members

- In conjunction with potential amendments to pertinent regulations, the maximum number of Board members with multiple directorships might be amended in the future.
- Pay attention to the board re-election in 2019 and incorporate information on the planning or training of potential talents as successors in the future.



### Issues Pertaining to Director Liability Insurance

- Measures should be taken to adhere to the duty of loyalty for Directors.
- Director liability insurance is also one of the indicators of AUO's corporate governance evaluation.



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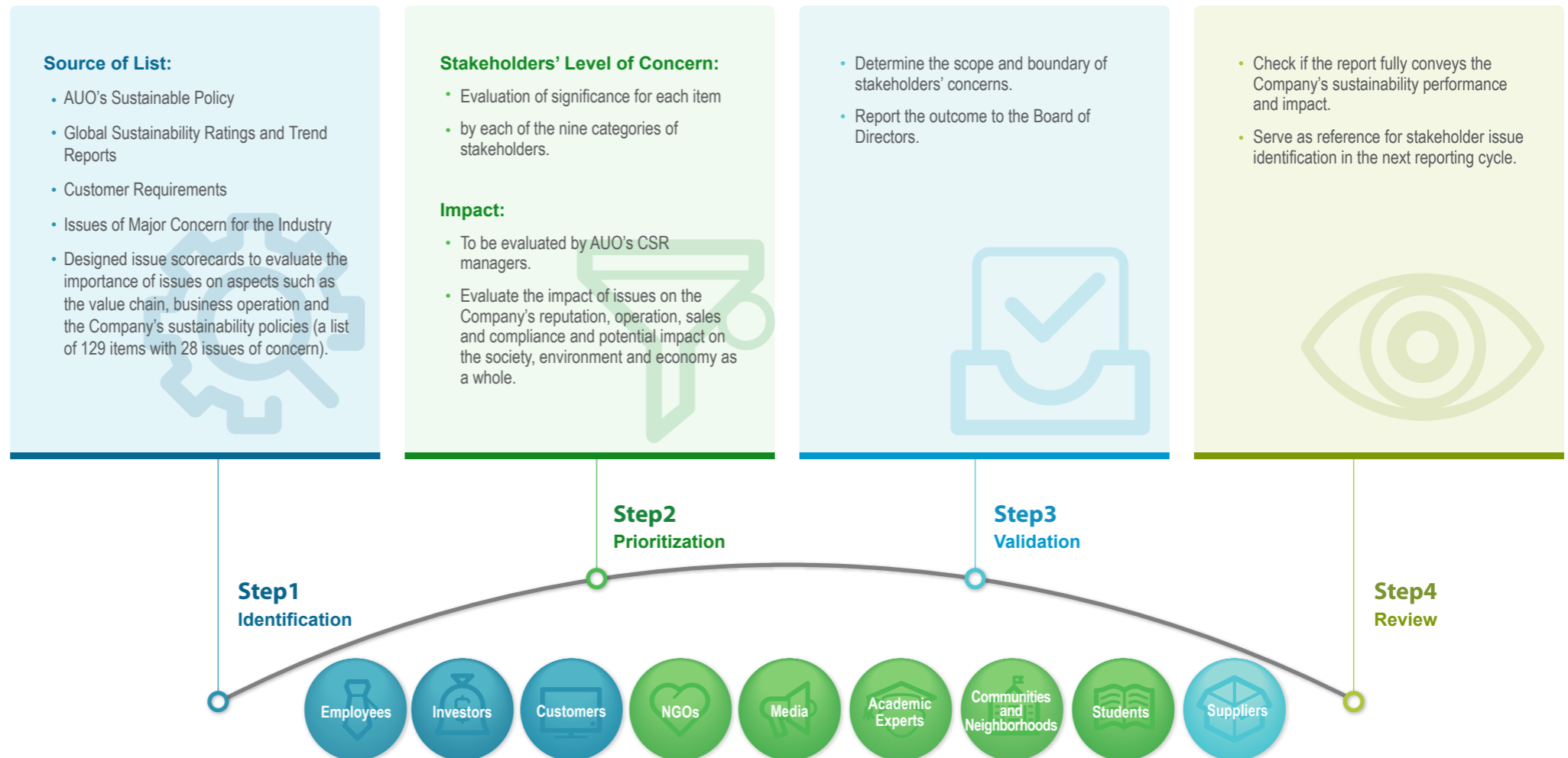
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### 1-3-2 Issues of Stakeholders' Concern: Identification and Responses

Apart from the usual communication channels, AUO also conducts annual surveys of major stakeholders to learn about issues that are of the highest concern to them. Issues of concern mainly comprised AUO's sustainable policy, global trend reports, customers' requirements and industry concerns in accordance with GRI Standards to examine the fitness of the list of issues of concern. With the participation of stakeholders, we were able to create a list of material issues and have sent questionnaires to stakeholder representatives via the Internet as a way to examine their level of concern for the issues on the list. In communities where access to the Internet was inconvenient, the questionnaires were sent with prepaid return postage to facilitate the process of completion. AUO departments assessed the same issues for the degree of impact on AUO, society, environment, economy and prioritized the issues based on the significance results of multiplying level of concern with degree of impact. The results were then presented to the Board of Directors. Material issues were determined through 4 steps: identification, prioritization, validation and review.







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There were a total of 28 issues of concern this year. Compared to 2016, three issues were newly added while seven issues were removed. In addition, 7 issues had been adjusted and consolidated in accordance with the GRI guidelines. A total of 225 questionnaires were collected in 2017 and these questionnaires were analyzed to identify 11 material issues for 2017. These issues have been incorporated into the annual plan for implementation by corresponding sub-committees under the CSR committee. The remaining 17 issues of lower priority have also been disclosed in terms of their identification boundary and scope in this report. The Company has adopted the PDCA (Plan, Do, Check and Action) approach for the setting of its management guidelines for the material aspects identified above. The effectiveness of the management guidelines is reviewed regularly to facilitate improvement.

Progress of 2016 Material Issues in 2017

Issues	Target	Progress	Corresponding Chapter
<span style="color: orange;">○</span> <b>01 Contractor Safety Management</b>	<ul style="list-style-type: none"> <li>• To improve the quality of contractor conference management and to involve site managers to attend contractor conferences.</li> <li>• Full attendance for contractors at the contractor conferences held by the sites.</li> <li>• <b>0</b> major safety incidents for contractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved the quality of contractor conference management and involved site managers to attend contractor conferences.</li> <li>• Full attendance for contractors at the contractor conferences held by the sites in 2017.</li> <li>• <b>0</b> major safety incidents for contractors in 2017.</li> </ul>	6.5.2 Contractor Safety Management
<span style="color: blue;">○</span> <b>02 Fair Competition and Fair Dealing</b>	<ul style="list-style-type: none"> <li>• Achieve <b>100%</b> training for indirect employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve <b>100%</b> training for indirect employees.</li> </ul>	2.2.4 Fair Competition
<span style="color: orange;">○</span> <b>03 Community Relations</b>	<ul style="list-style-type: none"> <li>• Foster positive relationships with neighboring communities for all AUO sites.</li> <li>• Zero sites had protests from residents of neighboring communities</li> </ul>	<ul style="list-style-type: none"> <li>• Foster positive relationships with neighboring communities for all AUO sites.</li> <li>• Zero sites had protests from residents of neighboring communities</li> </ul>	5.3.3 Community Care
<span style="color: blue;">○</span> <b>04 Information Security Management</b>	<ul style="list-style-type: none"> <li>• Completion of ISO 27001 certification at AUO headquarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Accredited to ISO27001 certification in 2017.</li> </ul>	2.2.3 Business Risk Management
<span style="color: green;">○</span> <b>05 Environmental Protection Investments</b>	<ul style="list-style-type: none"> <li>• Environmental expenditures from operating costs reached <b>NT\$2.94 billion</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental expenditures from operating costs reached <b>NT\$3.68 billion</b> in 2017.</li> </ul>	3.1.2 Environmental Accounting
<span style="color: blue;">○</span> <b>06 Operational Risk Management</b>	<ul style="list-style-type: none"> <li>• Systematic implementation of risk identification.</li> </ul>	<ul style="list-style-type: none"> <li>• Already adopted risk identification system for the process.</li> </ul>	2.2.3 Business Risk Management
<span style="color: green;">○</span> <b>07 Waste Management</b>	<ul style="list-style-type: none"> <li>• Continue to reduce liquid copper waste and achieve <b>0</b> outputs by 2020.</li> <li>• Continue to reduce sludge output and achieve <b>16%</b> reduction by 2020 compared to 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• Longke site and Houli site have already achieved <b>0</b> outputs in 2017.</li> <li>• Sludge output came to <b>25,294</b> metric tons – <b>3%</b> reduction compared to 2016.</li> </ul>	3.2.2 Water Efficient Production 3.2.5 Reuse of Waste
<span style="color: orange;">○</span> <b>08 Employment of personnel with disabilities and benefits.</b>	<ul style="list-style-type: none"> <li>• Maintained the ratio of employees with disabilities at <b>&gt;1%</b> of all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of disabled employees hired at <b>268</b> &gt; legal requirement of 243 employees.</li> </ul>	6.1 Talent Distribution
<span style="color: blue;">○</span> <b>09 Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>• Zero environmental violations.</li> <li>• Zero findings in labor inspections.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Two</b> environmental violations.</li> <li>• <b>Three</b> findings in labor inspections.</li> </ul>	3.2.5 Reuse of Waste 6.2.2 Employee Rights and Interests
<span style="color: blue;">○</span> <b>10 Governance Organization and Framework</b>	<ul style="list-style-type: none"> <li>• Be nominated for top <b>5%</b> of corporate governance evaluation.</li> <li> <span style="color: blue;">○</span> Board meeting attendance rate of at least <b>90%</b>.                             </li> </ul>	<ul style="list-style-type: none"> <li>• Placed in the top <b>6%-20%</b> in TWSE's 3rd corporate governance evaluation in 2017.</li> <li>• Board meeting and Audit Committee meeting attendance rate for 2017 was <b>100%</b>.</li> </ul>	2.1 Governance
<span style="color: blue;">○</span> <b>11 Conflict Minerals</b>	<ul style="list-style-type: none"> <li>• Raw material supplier compliance rate at <b>100%</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Raw material supplier compliance rate at <b>100%</b>.</li> </ul>	2.5.3 Response to Conflict Minerals
<span style="color: green;">○</span> <b>12 Product Carbon Footprints</b>	<ul style="list-style-type: none"> <li>• Carbon emission reduction at <b>40%</b>, with the goal of reducing one million metric tons of carbon emission by 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced a total of <b>456,000</b> tons of carbon emission from 2016 through 2017 with an achievement rate at <b>45.6%</b>.</li> </ul>	4.2 GHG Emission Reduction

○ Economic Achieved   
 ○ Environmental Achieved   
 ○ Society Achieved   
 ○ Product Responsibility Achieved



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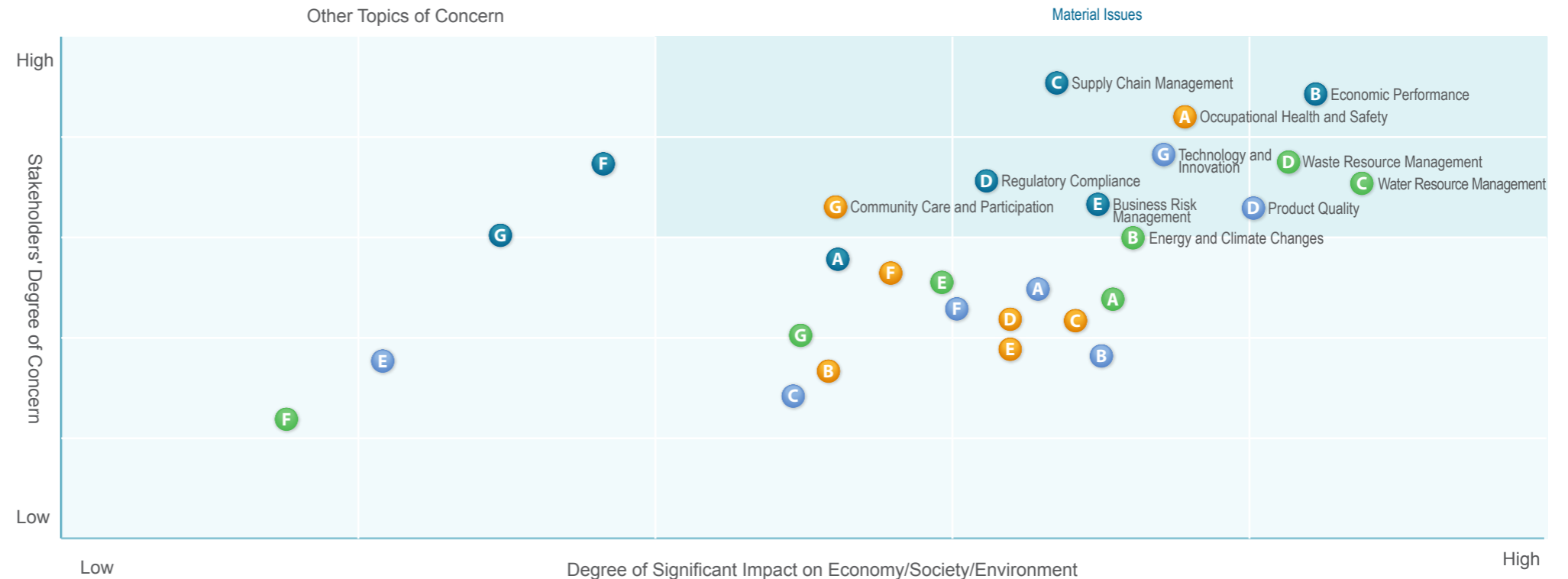
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**Results of Identification and Analysis of Significant Issues for 2017**



Economic	Environmental	Society	Product Responsibility
A. Board Governance and Function	A. Material Circular Economy	A. Occupational Health and Safety	A. Customer Relations Management
B. Economic Performance	B. Energy and Climate Changes	B. Education & Training	B. Product Competition and Transactions
C. Supply Chain Management	C. Water Resource Management	C. Employee Rights and Equality	C. Extended Product Responsibility
D. Regulatory Compliance	D. Waste Resource Management	D. Labor-management Relations	D. Product Quality
E. Business Risk Management	E. Chemical Management	E. Compensation and Welfare	E. Conflict Minerals
F. Information Security Management	F. Biodiversity	F. Integrity and Anti-corruption	F. Green Products and Services
G. Stakeholder Engagement	G. Environmental Protection Investment	G. Community Care and Participation	G. Technology and Innovation



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Current Status of Material Issues in 2017 and Relevant Objectives for 2018

Issues	Current Status in 2017	Objectives in 2018	Corresponding Chapter
01. Economic Performance	<ul style="list-style-type: none"> <li>• EPS<sup>1</sup> at NT\$.36 – a 3.6% growth compared to that of 2016.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to seek growth in earnings in 2018.</li> </ul>	2.2.1 Economic Performance
02. Water Resource Management	<ul style="list-style-type: none"> <li>• Ammonium nitrogen in wastewater discharged by Huaya site in 2017 came to 31,610 kg/y.</li> </ul>	<ul style="list-style-type: none"> <li>• To reduce ammonium nitrogen discharge by 44,180kg/y to achieve a reduction margin of 39.8%.</li> </ul>	3.2.3 Wastewater Management
03. Waste Resource Management	<ul style="list-style-type: none"> <li>• Molybdenum absorption resin system was introduced at the Taichung site to reduce rear-end sludge generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to reduce liquid copper waste to achieve 0 outputs by 2020.</li> <li>• Continue to reduce sludge output and achieve 16% reduction in 2020 compared to 2014.</li> </ul>	3.2.2 Water Efficient Production 3.2.5 Reuse of Waste
04. Occupational Health and Safety	<ul style="list-style-type: none"> <li>• Disabling injury frequency (FR) came to 0.33.</li> <li>• 0 incidents of major occupational hazard for personnel.</li> <li>• 1 incident of dangerous contractor occupational hazard/accident.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the frequency of disability frequency (FR) to &lt;0.2.</li> <li>• 0 incidents of major occupational hazard for personnel.</li> <li>• 0 incidents of dangerous contractor occupational hazard/accident.</li> </ul>	6.5 Work Safety
05. Supply Chain Management	<ul style="list-style-type: none"> <li>• Performed CSR risk evaluation for direct transaction supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve 100% response rate for the CSR risk evaluation.</li> <li>• Continue to provide assistance and make improvements for high-risk outcomes.</li> </ul>	2.5.2 Suppliers and Contractors
06. Technology and Innovation	<ul style="list-style-type: none"> <li>• NB panel penetration rate improved by 5%.</li> <li>• Received four flat display component and product technology awards in 2017. (Gold Panel Award 2017)</li> </ul>	<ul style="list-style-type: none"> <li>• Improve NB panel penetration rate by 3%.</li> <li>• Continue to take part in SID, Touch Taiwan Smart Manufacturing &amp; Monitech exhibitions and strive to win more awards.</li> </ul>	3.3.2 Green Innovation
07. Product Quality	<ul style="list-style-type: none"> <li>• Average customer satisfaction for mobile product business came to 95.1%.</li> <li>• Average customer satisfaction for display product business came to 97.2%.</li> <li>• Average customer satisfaction for solar business came to 95.9%.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to improve customer satisfaction.</li> </ul>	2.4.3 Customer Satisfaction
08. Regulatory Compliance	<ul style="list-style-type: none"> <li>• 94% passing rate for direct employees who received training on anti-trust, anti-corruption and export control, with more than 5,200 employees passing the tests.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand measures to ensure legal compliance for regulations that pertain to material legal issues, such as EU General Data Protection Regulations.</li> </ul>	2.2.4 Fair Competition
09. Business Risk Management	<ul style="list-style-type: none"> <li>• Established risk identification system and utilized the system to complete annual risk identification.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete annual major risk drills.</li> </ul>	2.2.3 Business Risk Management
10. Energy and Climate Changes	<ul style="list-style-type: none"> <li>• A total of 523 proposals for green manufacturing and energy-saving solutions; the total power saved for the year came to 68,637,000 kWh with an annual energy conservation rate of 1.55%.</li> <li>• The F-GHG emission for each unit of product came to 51.3 kgCO<sub>2</sub>e/m<sup>2</sup>.</li> <li>• Renewable generated and used by AUO for production came to 133847.8 kWh.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to save power to achieve 1.5% of annual energy conservation rate.</li> <li>• Continue to reduce F-GHG.</li> <li>• Renew the application for renewable energy generation permit.</li> </ul>	3.2.1 Energy Efficient Production 4.3.1 Greenhouse Gas Inventory
11. Community Care and Participation	<ul style="list-style-type: none"> <li>• Nurturing Honest and Intelligent People Scholarship: NT6.95 million dollars</li> <li>• General Science Education: 752 participants</li> <li>• Care for Nature: a total of 12,850 trees</li> </ul>	<ul style="list-style-type: none"> <li>• General Science Education: DADA's Magic Land, Longtan Water Resource Environmental Education, Taichung Environmental Education.</li> <li>• Social Care: Sponsorship for school children. (1) Honesty-Intelligence Scholarship (scholarship: individual recipient, remote township + science camp). (2) Gifts in Kind: Christmas Wish Program for children + donation of second hand resources to contribute to Green Recycle).</li> <li>• Continued adoption of environmentally-friendly farmland.</li> </ul>	5.4 Optoelectronic Science Education 5.1.2 Participation in Social Charity 5.5.1 Supporting Local Agricultural Produce

■ Economic ■ Environmental ■ Social ■ Product

Note 1: EPS (Earnings Per Share)



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### 1-3-3 Scope and Boundary of Material Issues

In order to accurately reflect and present AUO's supply chain, the scope of each material aspect has been duly defined to ensure transparency in AUO's supply chain and the extent of its impact. Given the fact that multiple indicators exist for specific issues and they cover different scopes, this report has taken the approach of presenting the results using the maximum boundary.

Issue Boundary	Significance on Operation	Degree of Involvement (direct/ ndirect)	Within the Organization						Outside of the Organization						Notes on Change in Issue	Corresponding GRI Guideline	Corresponding Chapter
			Taiwan	Mainland China	Overseas	Taiwan	Mainland China	Crystal	Local Communities	Suppliers/ Contractors	Transportation Companies	Waste Disposal Companies	Customers				
<b>Board Governance and Function</b>	Efficient Board function could help the Company to improve its performance in governance.	Direct Impact	●	●	●	●	●	●							☆	GRI 102- Governance	2.1.1 Board of Directors
<b>Economic Performance</b>	Increasing profit is the basis of business operation and it helps to create reliable sustainable performance in the long run.	Direct Impact	●	●	●										☆	GRI 201 GRI 415	2.2.1 Economic Performance
<b>Supply Chain Management</b>	Suppliers are important collaborating partners of AUO and by establishing supply chain management with effective communication, we will be able to work together and promote sustainable development for society.	Direct Impact	●	●	●	●	●	●		●					☆	GRI 206 GRI 308 GRI 414	2.5.1 Localized Purchase and Supply Chain Characteristics 2.5.2 Suppliers and Contractors
<b>Regulatory Compliance</b>	Legal compliance helps to boost the confidence of stakeholders in the Company while mitigating the risks of fines or impacts on the Company's reputation.	Direct Impact	●	●	●	●	●	●							☆	GRI 206 GRI 307 GRI 416 GRI 417 GRI 419	2.2.4 Fair Competition 3.2.5 Reuse of Waste
<b>Business Risk Management</b>	Effective risk management enables the creation of a safe and steady management environment; even in the event of losses. It will also help the Company to resume normal operations quickly and ensure sustainable operation of the Company.	Direct Impact	●	●	●	●	●	●		●					☆	GRI 102 - Strategies	2.2.3 Business Risk Management
<b>Information Security Management</b>	Sound corporate information management system is capable of protecting the Company's trade secrets and network security, thereby safeguarding the Company's intangible assets.	Direct Impact	●	●	●	●	●	●							☆	GRI 418	2.2.3 Business Risk Management
<b>Stakeholder Engagement</b>	Through effective communication on issues that are of concern to stakeholders and by conveying the Company's vision and sustainable actions, we will be able to boost stakeholders' recognition of AUO.	Direct Impact	●	●	●	●	●	●		●	●		●		★	GRI 102 - Stakeholder Engagement	1.3.1 Stakeholders' Communication Platform 1.3.2 Issues of Stakeholders' Concern: Identification and Responses

Economic

Material, disclosed in this report ● Material Notes on Change in Issue Same as 2016 ☆ Newly added in 2017 ★ Consolidated in 2017 ★





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Appendix

Issue Boundary	Significance on Operation	Degree of Involvement (direct/ indirect)	Within the Organization						Outside of the Organization					Notes on Change in Issue	Corresponding GRI Guideline	Corresponding Chapter
			AUO			Darwin Precisions			Local Communities	Suppliers/ Contractors	Transportation Companies	Waste Disposal Companies	Customers			
			Taiwan	Mainland China	Overseas	Taiwan	Mainland China	Crystal								
<b>Material Circular Economy</b>	Prudent use of raw materials and the management system will serve as the foundation of circular economic development for the Company.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 301	3.1.1 Materials and Emissions 3.2.2 Water Efficient Production (Circular Economy)	
<b>Energy and Climate Changes</b>	Adequate energy management and climate change strategies will help to reduce operational costs and risks.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 302 GRI 305	3.2.1 Energy Efficient Production 4.3.1 Greenhouse Gas Inventory 4.3.2 Scope 3 Inventory	
<b>Water Resource Management</b>	Effective water resource management can help to lower AUO's operational risk while strengthening its competitiveness.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 303 GRI 306	3.2.2 Water Efficient Production 3.2.3 Wastewater Management	
<b>Waste Resource Management</b>	Reducing the generation of waste and developing relevant resources could help AUO to continue lower its costs while mitigating its impact on the environment.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 306	3.2.5 Reuse of Waste	
<b>Chemical Management</b>	Hazardous substances from products and processes are duly controlled not only for environmental protection but also for the reduction of operational risks.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 306	3.3.1 Control of Hazardous Substance	
<b>Environmental Protection Investments</b>	Environmental accounting information offers a basis for decision-making with regards to environmental protection solutions that will facilitate sustainable investment for the Company.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 203	3.1.2 Environmental Accounting	
<b>Biodiversity</b>	By protecting the ecology in the surrounding areas of sites, we will be able to gain the trust of residents in neighboring communities.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 304	3.2.3 Wastewater Management	
<b>Customer Relations Management</b>	Through thorough management of customer relations, we will be able to have a full grasp of customers' needs, thereby gaining their trust and satisfaction.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 102-43 GRI 102-44 GRI 418	2.2.3 Business Risk Management 2.4.2 Quality Management 2.4.3 Customer Satisfaction	
<b>Product Competition and Transaction</b>	By conforming to anti-trust policies, we will be able to prevent risks of litigation from product competition.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	--	3.3.2 Green Innovation	
<b>Extended Product Responsibility</b>	Effective product recycling and maintenance management will help to mitigate the impact on operational costs.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	--	4.2.2 Action Plan	
<b>Product Quality</b>	By offering consistent and outstanding product quality, we will be able to improve customer satisfaction and the Company's operational performance.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 102-43 GRI 102-44	2.4.3 Customer Satisfaction	
<b>Conflict Minerals</b>	Due investigation and effective circumvention of sources of conflict minerals will satisfy customer demands while enhancing product value.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	--	2.5.3 Response to Conflict Minerals	
<b>Green Products and Services</b>	The development of green, eco-friendly products and services could create sustainability related opportunities for the Company and clients.	Indirect Impact	●	●	●	●	●	●	●	●	●	●	☆	GRI 417	3.3.2 Green Innovation	
<b>Technology and Innovation</b>	Continued engagement in technological development could facilitate innovation in the supply chain business model, thereby boosting the Company's core competitiveness.	Direct Impact	●	●	●	●	●	●	●	●	●	●	☆	--	3.3.2 Green Innovation	

Material, disclosed in this report ●

Material

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Issue Boundary	Significance on Operation	Degree of Involvement (direct/ ndirect)	Within the Organization						Outside of the Organization						Corresponding GRI Guideline	Corresponding Chapter			
			AUO			Darwin Precisions			Crystal			Local Communities	Suppliers/ Contractors	Transportation Companies			Waste Disposal Companies	Customers	Notes on Change in Issue
			Taiwan	Mainland China	Overseas	Taiwan	Mainland China	Crystal											
<b>Occupational Health and Safety</b>	As employees are our important asset, we will ensure a safe working environment so as to prevent occupational hazards that could cause potential costs and risks.	Indirect Impact	●	●	●							●			☆	GRI 403	6.5.1 Disabling Injuries 6.5.2 AUO Safety Culture		
<b>Education and Training</b>	With a good talent training and development plan, we will be able to retain talents, who will in turn make the Company more productive, strengthen its innovation and boost its profit-making capabilities.	Indirect Impact	●	●	●	●	●	●	●			●			☆	GRI 404	6.4.1 Learning and Development 6.4.2 Professional Training Courses 6.4.3 Performance Management		
<b>Employee Rights and Equality</b>	By providing employees with a fair working environment and unobstructed channels of communication, we will be able to strengthen their trust in the Company.	Indirect Impact	●	●	●	●	●	●	●			●			☆	GRI 405 GRI 406 GRI 408 GRI 409 GRI 411 GRI 412	6.2.2 Employee Rights and Interests		
<b>Labor-management Relations</b>	A healthy labor-management relationship will help to facilitate communication and coordination with employees, thereby bolstering employee cohesion.	Indirect Impact	●	●	●	●	●	●	●			●			☆	GRI 401 GRI 402 GRI 407	6.2.1 Compensation and Welfare 6.2.2 Employee Rights and Interests 6.3.6 Parental Leave		
<b>Remuneration and Welfare</b>	By offering employees a fair and sound system for remuneration and channels for promotion, we will be able to improve employee satisfaction.	Indirect Impact	●	●	●	●	●	●	●			●			☆	GRI 201 GRI 202 GRI 405	6.2.1 Compensation and Welfare		
<b>Integrity and Anti-corruption</b>	"Integrity" is the fundamental basis of any enterprise and it is essential in the achievement of steady operational outcome and improvement in relevant performance.	Indirect Impact	●	●	●	●	●	●	●			●			☆	GRI 205	2.2.5 Integrity and Anti-corruption		
<b>Community Care and Participation</b>	By fulfilling our corporate social responsibilities and taking the initiative to advocate for community care, we will be able to earn the recognition and support of the general populace.	Indirect Impact	●	●	●	●	●	●	●						☆	GRI 203 GRI 413	5.1.2 Participation in Social Charity 5.3.2 Global Charity Events 5.4 Optoelectronic Science Education 5.5.1 Support Local Agriculture		

Social

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# 2

## Corporate Governance



- 2.1 Governance**
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### Board Meeting Attendance Rate

Board meeting attendance rate for 2017 was 100%.

Attendance Rate **100%**

### Dow Jones Sustainability Index (DJSI)

Dow Jones Sustainability Index (DJSI) - Selected to the DJSI for 8 consecutive years.

**8** consecutive years

### Signing on the Integrity Declaration

All new FTEs completed integrity training and signed on the integrity declaration.

Signing rate **100%**

### Customer Satisfaction

Overall Customer Satisfaction was 95% - MS: 95.1%, VS: 97.2% and Solar: 95.9%.

Average **95%** above

### Supplier CSR Audits

183 Supplier CSR Audits conducted – 87 suppliers on environmental aspects and 96 suppliers on social aspects.

Total **183**

### Conflict Minerals Audits Conducted on Suppliers

261 Conflict Minerals Audits conducted on suppliers in 2017.

In 2017 **261**

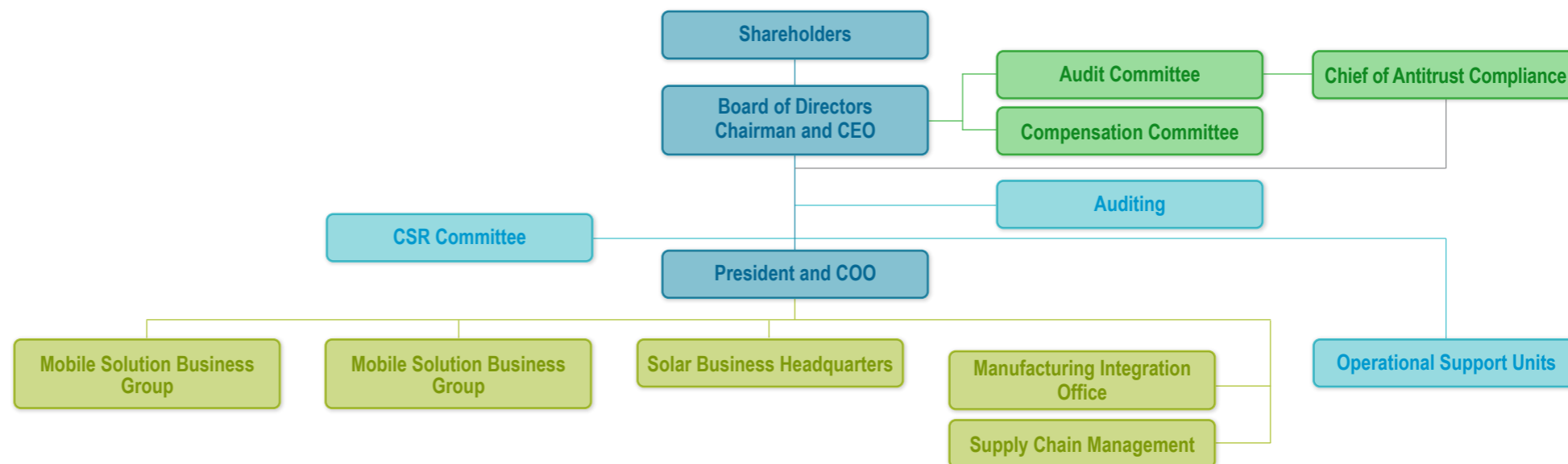


Corporate Social Responsibility Report

## 2-1 Governance Organization

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### AUO Organizational Structure



### Business Activities of Main Divisions

<p><b>CSR Committee</b></p> <p>Full implementation of relevant plans, horizontal integration of resources and active connection to the international community to improve the management efficiency of corporate social responsibilities while ensuring compliance with stakeholders' expectations on corporate governance, environmental protection and social care so as to steer the Company towards sustainable development.</p> <p><b>Audit Management</b></p> <p>Oversees internal audit and procedural management.</p> <p><b>Operational Support</b></p> <p>Manages financial, legal, intellectual property rights, IT engineering, human resources, and strategic affairs.</p>	<p><b>Antitrust Compliance Officer</b></p> <p>Ensures Company compliance with local and foreign antitrust laws. Evaluates risks of violation of antitrust laws and provides strategic recommendations. Develops a consistent and sustainable antitrust compliance system that works in favor of the Company's long-term commercial interests.</p>	<p><b>Video Solution Business Group</b></p> <p>Oversees R&amp;D, production, marketing and customer service of large-panel products such as LCD TVs, desktop displays, and public information displays. Manages raw materials, production procedures, and inventory plans for the above video display products. Designs and develops advanced display technologies and new products.</p> <p><b>Mobile Solution Business Group</b></p> <p>Oversees R&amp;D, production, marketing and customer service of small and medium-panel products such as notebook/tablet displays, video displays, mobile displays, and general-purpose displays. Manages raw materials, production procedures, and inventory plans for mobile video display products. Designs and develops advanced display technologies and new products.</p>	<p><b>Solar Business Headquarters</b></p> <p>Provides high efficiency solar modules, comprehensive power plant construction energy services and a highly integrated energy management platform.</p> <p><b>Production Coordination Office</b></p> <p>Integrates technical and quality platforms.</p> <p><b>Supply Chain Management</b></p> <p>Manages the Company's procurement, export and import affairs.</p>
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## 2-1-1 Board of Directors

The duties of AUO's Board of Directors include: Supervising the Company's strategy, monitoring the management and the operation, and arrangement of the corporate governance system. It is also responsible for the Company and the Shareholders, and exercises its powers in accordance with the law, Company resolutions, or the resolutions of the Shareholders' Meetings. In addition, through the disclosure of the Directors' attendance at Board Meetings in the annual report, the requirements of each Director's own responsibilities and obligations are emphasized to ensure the performance of Company monitoring and management. AUO's Directors are elected using a nomination system, where Shareholders vote from a list of director candidates during Shareholder Meetings. The current Board consists of nine members with abundant industry and academic experience. It holds meetings at least once a quarter, and a total of 6 meetings were held in 2017.

### Directors' Attendance at 2017 Board Meetings

	<b>Chairman and CEO</b> <b>Paul SL Peng</b>
Actual Attendance	6
Proxy Attendance	0
Actual Attendance Rate (%)	<b>100%</b>

	<b>Director</b> <b>Kuen-Yao Lee</b> <b>Peter Chen</b> (Qisda Corporation Representative) <b>Michael Tsai</b> (BenQ Foundation Representative)
Actual Attendance	6
Proxy Attendance	0
Actual Attendance Rate (%)	<b>100%</b>

	<b>Independent Director</b> <b>Vivien Huey-Juan Hsieh</b> 、 <b>Mei-Yueh Ho</b> 、 <b>Ping-He Yang</b> 、 <b>Chin-Bing (Philip) Peng</b> 、 <b>Yen-Shiang Shih</b>
Actual Attendance	6
Proxy Attendance	0
Actual Attendance Rate (%)	<b>100%</b>

### Board Members and Duties

	Academic and Career Background	Current Duties in the Company and in Other Companies
<b>Chairman and CEO</b> <b>Paul SL Peng</b> Male	MBA, Heriot-Watt University; President of AUO; Director of Qisda Corporation	CEO of AUO, Director of Qisda Corporation, Director of Darwin Precision
<b>Director</b> <b>Kuen-Yao Lee</b> Male	MBA, International Institute for Management Development, Switzerland; Chairman of Qisda Corporation; Chairman of AU Optronics Corp.	Chairman of Qisda Corporation; Director of Darfon Corporation; Director of BenQ Materials
<b>Peter Chen</b> Male Qisda Corporation Representative	Program, Business Administration, NCCU, Taiwan; EMBA, Thunderbird, USA; B.S, Electrical Engineering, NCKU, Taiwan; Director of BenQ Corporation; Director of Crystalvue Medical Corporation	Director and President, Qisda Corp.; Director, DFI, Inc.; Director, BenQ Materials Corp.; Chairman, BenQ Medical Technology Corp.; Chairman, Partner Tech Corp.
<b>Michael Tsai</b> Male BenQ Foundation Representative	EMBA, NCTU, Taiwan, Senior Vice President and President of Video Solution Business Group, AU Optronics Corp.; Director of Qisda Corporation	President and Chief Operating Officer, AU Optronics Corp.; Director of Lextar Electronics Corporation; Director of Daxin Materials Corp.
<b>Independent Director</b> <b>Vivien Huey-Juan Hsieh</b> Female	Ph.D. in Finance, University of Houston, USA; President of Co-Operative Asset Management Corp.; General Manager of Chungwa Development Capital Management; Assistant Manager of Investment Department, Chungwa Development Industrial Bank	Independent Director and Member of the Audit Committee and Remuneration Committee Member, Darwin Precision
<b>Mei-Yueh Ho</b> Female	B.S. Agricultural Chemistry, National Taiwan University; Minister of Economic Affairs; Minister, Council for Economic Planning and Development, ROC	Independent Director and Member of the Remuneration Committee and Audit Committee, Bank of Kaohsiung Ltd., Kinpo Electronics, Inc. and Ausnutria Dairy Corp., Independent Director and Member of the Remuneration Committee, ASE Group
<b>Yen-Shiang Shih</b> Male	PhD, Chemistry, MIT, USA, Prof. and Dean, Department of Chemical Engineering, NTUST, Taiwan; Director-General, SMEA, Ministry of Economic Affairs; Director, Taiwan Tobacco and Liquor Corporation; Director-General, IDB, Ministry of Economic Affairs; Vice Minister, Ministry of Economic Affairs; Deputy Minister, Ministry of Economic Affairs; Chairman, CPC Corp. Taiwan; Minister, Ministry of Economic Affairs; National Policy Advisor to the President, Chairman, Sinotech Engineering Consultants, Inc.; Supreme Advisor, Commerce Development Research Institute	Independent Director and Member of the Accounting Committee and Remuneration Committee, CTCL; Director, USI Corporation; Director, Taiwan Research Institute; Director, Taiwan Institute of Economic Research; Chair Professor, Chung Yuan Christian University, Taiwan; Convener of Energy and Petrochemical Equipment Team and Director, Cross-Strait CEO Summit; Association Policy Advisor, Taiwan Electrical and Electronic Manufacturers' Association; Chairman, Board of Directors, Sustainable and Circular Economy Development Association
<b>Ping-He Yang</b> Male	Ph.D. in Electrical Engineering, Princeton University, USA; MBA, Stanford University, USA; Vice Director, Electronics and Optoelectronics Research Laboratories, Industrial Technology Research Institute; President and Vice Chairman of Winbond Electronics Corp.	Chairman of UniSVR Global Information Technology Corp.
<b>Chin-Bing (Philip) Peng</b> Male	Graduate Institute of Business Administration, National Chengchi University; Senior Vice President and Chief Finance Officer of Acer Inc.	Director and President of iD SoftCapital Group; Director Representative of Acer Inc.; Director of Wistron NeWeb Corporation; Director Representative of Aopen Inc.; Director of Wistron Information Technology & Services Corporation



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### Status of Director's Training

AUO arranges annual training courses for its Directors. These courses cover a broad range of topics such as corporate governance, CSR, securities regulations, board meetings and so forth. Each session of training is three hours in duration.

<p>Chairman and CEO <b>Paul SL Peng</b></p> <p>2017 <b>8/15</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>	<p>Director <b>Kuen-Yao Lee</b></p> <p>2017 <b>8/15</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>11/16</b> Corruption Risk Management Practices</p>	<p>Director <b>Peter Chen</b> Qisda Corporation Representative</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>11/16</b> Corruption Risk Management Practices</p>
<p>Director <b>Michael Tsai</b> BenQ Foundation Representative</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>	<p>Independent Director <b>Vivien Huey-Juan Hsieh</b></p> <p>2017 <b>4/14</b> Challenges and Priorities for the Audit Committee</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>	<p>Independent Director <b>Ping-He Yang</b></p> <p>2017 <b>4/14</b> Challenges and Priorities for the Audit Committee</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>
<p>Independent Director <b>Mei-Yueh Ho</b></p> <p>2017 <b>4/14</b> Challenges and Priorities for the Audit Committee</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/2</b> International Financial Institution Trade Financing and Anti-money Laundering (1st part)</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>	<p>Independent Director <b>Chin-Bing (Philip) Peng</b></p> <p>2017 <b>4/14</b> Challenges and Priorities for the Audit Committee</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>	<p>Independent Director <b>Yen-Shiang Shih</b></p> <p>2017 <b>4/14</b> Challenges and Priorities for the Audit Committee</p> <p>2017 <b>7/25</b> Information Security Governance with the Development of Technology</p> <p>2017 <b>8/1</b> Tax Governance in the Era of Anti-avoidance</p> <p>2017 <b>10/25</b> Corruption Risk Management Practices</p>

### Avoidance of Conflicting Interests

#### Directors' Obligations to Avoid Conflicting Interests

The Company's Board of Directors Conference Rules and Audit Committee Foundation Rules are clear about Directors' obligations to avoid conflicting interests. If a Director, or the corporate entity that the Director represents, is considered a stakeholder in the discussed agenda, the Director must state the stakes involved during the current meeting session and shall disassociate from all discussions and voting if it is in conflict with the Company's interests. In such a case, the Director may not exercise voting rights on behalf of other Directors.

#### Independent Directors

The Company has Independent Directors in place to provide objective views based on their professional experience. These opinions are fully taken into consideration during Board discussions, and any agreement or disagreement with such opinions are reasoned and recorded in meeting minutes. This conflicting interest principle serves to protect the Company's interests. Furthermore, none of the Board Members hold equity stake in the Company's main suppliers.

#### Spokesperson

The Company has a spokesperson and corporate website in place to communicate with the public. An investor mailbox has also been created and is managed by dedicated personnel to handle Shareholders' opinions and queries.



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## 2-1-2 Audit Committee

The Audit Committee is responsible for helping the Board of Directors supervise the Company's operations and exercise authorities vested in it by the Securities and Exchange Act, the Company Act and other relevant laws. The Audit Committee communicates with the Company's financial statement auditors on a regular basis, and is responsible for the appointment of financial statement auditors as well as conducting independence and performance reviews. At the same time, internal auditors are required to submit audit reports to the Audit Committee on a regular basis while the Audit Committee also conducts regular evaluations of the Company's internal control system, internal auditors and their work performance.

### Duties of the Audit Committee

Monitor and review of the Company's financial statement and its appropriate expression



Monitor and evaluate the Company's internal control system to ensure effective implementation



Monitor the Company to ensure compliance with pertinent regulations, and with the significant regulations such as antitrust laws



Review the Company's transactions for the acquisition or disposal of assets or substantial loans to others, endorsing or acting as guarantor for third-parties, transactions with significant stakeholders and affairs pertaining Directors' voting rights to avoid conflicts of interests and so forth



Raise, issue or private placement of negotiable securities with stock options



Assess and monitor the Company's risk management



Appointment, dismissal and compensation of financial statement auditors



The Audit Committee consists entirely of Independent Directors (including one financial expert). All 5 Independent Directors conform with the requirements stated in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" concerning their expertise, work experiences, independence, and other concurrent roles.

AUO's Audit Committee Meetings are held at least once each quarter. A total of 9 meetings were held in 2017, with 100% attendance from all members.

#### ★ Convener

Vivien Huey-Juan Hsieh

Actual Attendance	9
Proxy Attendance	0
Actual Attendance Rate (%)	<b>100%</b>

#### 📋 Members

Mei-Yueh Ho 、 Ping-He Yang 、  
Chin-Bing (Philip) Peng 、  
Yen-Shiang Shih

Actual Attendance	9
Proxy Attendance	0
Actual Attendance Rate (%)	<b>100%</b>





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**2-1-3 Remuneration Committee**

In accordance with pertinent regulations, AUO has established its Compensation Committee, which comprises three Independent Directors as members as approved by the Board of Directors. Duties of the Compensation Committee:



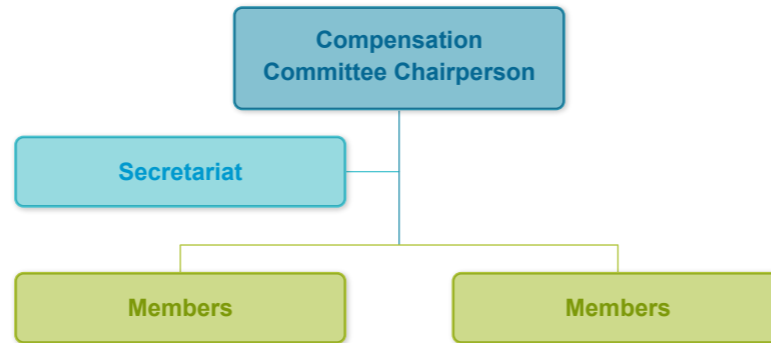
Stipulate and periodically review compensation policies, systems, standards and structures, and performance of Directors and managers.



Periodically review and stipulate compensation packages of Directors and managers.

The three Committee Members are Mr. Chin-Bing (Philip) Peng, Ms. Vivien Huey-Juan Hsieh and Mr. Ping-He Yang. Independent Director Mr. Peng was elected by all members of the Compensation Committee to be the Chairperson of the Committee. Five regular sessions were held by the committee in 2017.

**Framework of Compensation Committee**



**Compensation Policy of the Board of Directors and Senior Management**

Compensation packages for corporate executives, senior managers and administrators comprise of salary, annual bonus, allowances, and a performance bonus received as a share of earnings. The performance bonus accounted for 10-20% of the total compensation package, meaning that performance and compensation are highly correlated. Compensation packages for executive management are determined by the Compensation Committee as required by the law. This information has been properly disclosed to stakeholders in the Company's annual reports so as to help stakeholders to fully understand that compensation of the executive management is highly correlated with Company performance. The Compensation Committee also consults external experts for opinions when deciding on compensation packages.

According to AUO's Articles of Incorporation, Directors' compensation is capped at 1% of the Company's net profit (after provision/reversal of special reserves). The compensation policy of the board of directors also complies with regulation. This compensation is proposed by the Compensation Committee and executed with the Board's approval.

**Ratio (times) of Highest Compensation to Median Compensation**

Taiwan	Mainland China				Americas
	Suzhou	Songjiang	Xiamen	Kunshan	
Highest-to-median Compensation Ratio (times)	Highest-to-median Compensation Ratio (times)				Highest-to-median Compensation Ratio (times)
98.59	30.46	26.83	49.56	60.45	1.71
Ratio (times) of Compensation	Ratio (times) of Compensation				Ratio (times) of Compensation
3	3.9	5	6	3.8	2

Other Asian Regions			Europe		
Japan	Korea	Singapore	Czech Republic	Slovakia	Holland
Highest-to-median Compensation Ratio (times)			Highest-to-median Compensation Ratio (times)		
1.79	1.87	6.97	8.51	6.68	1.38
Ratio (times) of Compensation			Ratio (times) of Compensation		
2.8	4	5.33	2.5	3.4	3





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**2-1-4 CSR Committee**

AUO's CSR Committee was established at the end of 2013 as the Company's highest governing body for operations pertaining to sustainable development. Five Subcommittees were created to handle different matters that are relevant to the Company for decision-making on economic, environmental and social aspects. In light of the prevalence of CSR trends around the world in 2017, AUO completed the transition of its CSR Committee to 2.0 before the end of 2017 and created a new position of Chief Sustainable Officer in order to expand on the core driving force and competitive strength of the Committee, which created Seven subcommittees to oversee issues of material importance to the Company. Seven high ranking executives were appointed as the Chairperson for each Subcommittee and entrusted with the task of formulating and promoting relevant solutions. The AUO Chairman serves as the Chair of the CSR Committee while the Secretariat Office operates based on the principles of P-D-C-A to implement performance management and create CSR value for AUO. Objectives are verified by the Chairman of the CSR Committee prior to their promotion and all Subcommittees are required to report their progress to the Chairman. The Committee Chairman is responsible for planning the CSR Committee's tasks, approving the final contents of this report, and making progress reports during the first Board of Directors' Meeting of each year. During the Board Meeting held at the beginning of 2018, the Chairman reported to the Board of Directors on the performance of 18 issues under 7 categories while also presenting the process of transition for the CSR Committee.

**Structure of the CSR Committee<sup>1</sup>**



Note<sup>1</sup> :While the new position of chief sustainability officer was created in February 2018, for the sake of consistency with the annual report, the diagram of organizational structure after the restructuring of the committee is presented here instead.

**Operation of the Committee**

<b>Each Month</b>	<b>Each Quarter</b>	<b>Each Year</b>
The Committee Chairman will convene an internal operation monthly meeting to review the Company's CSR blueprint (including trends, risks and opportunities) and the status of goal completion and project implementation	The Secretariat will convene a quarterly meeting for the Chairperson to report to the Chairman with regards to affairs relating to each Subcommittee, including: Examination of outcomes for various objectives, improvement measures for indicators that failed to reach expectations, coordination of resources among units, changes in objectives, and so forth	The Committee shall report to the Board of Directors regarding the performance of CSR2.0

**AUO CSR Policy**

Sustainable Operations - Attention to economic, environmental and social impact.	Resources - Create economic value through recycling and efficient use of resources.
Integrity - Prohibition against improper gains, corruption and bribery.	Environment - Reduce the burden on the environment, mitigate climate change and maintain natural habitats.
Opportunity and Risk - Maximize benefits for customers, shareholders, employees and stakeholders.	Human Rights - Pay attention to equal opportunities, diversity and workers' rights.
Compliance - Commit to laws, international initiatives and standards.	Workplace - Build a safe and healthy work environment that allows talent to grow.
Technology - Advancement through product innovation and upgrade.	Charity - Extend care to society.
Partnership - Exert a positive influence throughout the supply chain.	Communication - Develop trust through transparent disclosure.



## 2-2 Business Operations

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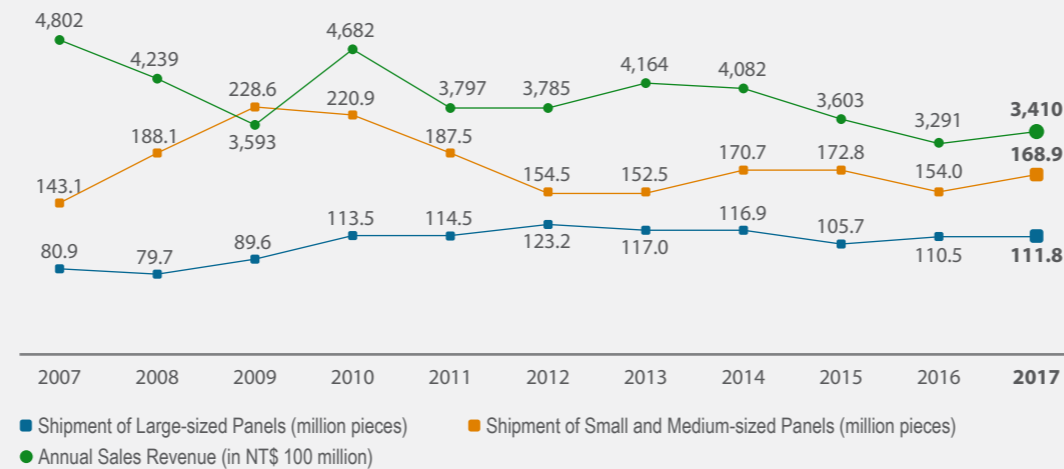
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### 2-2-1 Economic Performance

In addition to monthly revenue announcements, AUO also holds quarterly investor conferences and annual general meetings to convey its business performance. All relevant information can be found on AUO's website (<http://AUO.com>). The Company has spokesperson, acting spokesperson, investor relations, and stock affairs personnel in place to address the public and keep investors informed of the Company's operations. Under the Company Act, Shareholders are entitled to propose agendas in writing for discussion during annual general meetings. Furthermore, an Investors Relations section has been created on the Company website (both Chinese and English versions) to provide updated financial information and briefing materials for investors. Shareholders and investors are also welcomed to raise queries and suggestions using the investor mailbox ([ir@auo.com](mailto:ir@auo.com)). The Company is committed to achieving the highest transparency, so that investors can have the means to make informed decisions.

AUO's consolidated revenues totaled NT\$341.03 billion in 2017, representing a 3.6% increase over 2016. 111 million large-sized panels and 168 million small/medium sized panels were shipped during the year. The Company has been profitable for the fifth consecutive year, with net profit amounting to 32.36 billion. In recent years, the Company has also been active in improving its financial health and long-term competitiveness while making the most out of the strong economy in 2017 to demonstrate the fruitful results of its "Value Oriented" strategy.

Past Revenue and Shipments



### Net Sales and Operating Costs

	Net Sales	Operating Costs and Expenses	Tax Expenditure Data	Tax Credits
2012	3,785	4,163 <sup>2</sup>	6.36 <sup>3</sup>	0
2013 <sup>註1</sup>	4,164	4,081	9.83	0
2014	4,082	3,860	19.15	5
2015	3,603	3,428	27.56	0
2016	3,291	3,168	45.79	0 <sup>4</sup>
<b>2017</b>	<b>3,410</b>	<b>3,019</b>	<b>91.05</b>	<b>0</b>

(100 million NT dollars)

Note1 : The FSC-approved version of IFRS was introduced to Taiwan in 2013; the Company was only able to apply this new standard for its 2012 statements (for comparison) at the earliest.

Note2 : NT\$417.1 billion if calculated using the new standard.

Note3 : NT\$596 million if calculated using the new standard.

Note4 : Amount less than NT\$ 100 million.



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## 2-2-2 Sustainability Rating

### Dow Jones Sustainability Indices

In 2017, AUO was once again named to the Dow Jones Sustainability World Index[1] for the eighth consecutive year by standing out once again among participants in the ITC Electronic Equipment, Instruments & Components category for its pursuit of corporate sustainability operation and outstanding performance in green innovation. Not only that, in the Sustainability Award organized by RobecoSAM, AUO also received the Gold Class rating.



The DJSI World Index emphasizes the integration of economic performance and sustainability and AUO had an excellent year in overall performance. Out of the 22 criteria of assessment, the Company placed first out of 50 enterprises in many. AUO received a perfect score in seven criteria including Innovative Management of the economic dimension, Climate Strategy and Environmental Policy & Management Systems of the environmental dimension and Corporate Citizenship of the social dimension. Such performance not only reflects AUO's dedication to the innovation of its core product technologies but also the effort that the Company has put forth in environmental protection and social care by working alongside different stakeholders.

### Bloomberg Gender Equality Index

A total of 104 companies around the world participated in the Gender-Equality Index conducted by Bloomberg in 2017. AUO was invited to take part in the index for the first time in 2017, and became the only selected enterprise from Taiwan for its efforts in creating a friendly and equal workplace environment. The Index was launched to advocate for the inclusion of gender equality as a key factor of development while businesses focus on their products and services.



### CECP Survey

The Committee Encouraging Corporate Philanthropy (CECP) is a leading coalition of 220 corporations around the globe to promote the idea of corporate philanthropy, and AUO was invited to join in the CECP survey in the July of 2017.



### The Better Business Award 2017

The British Chamber of Commerce in Taipei (BCCT) held its CSR Program Award Selection at The Sherwood Taipei in 2017 and named AUO as the recipient of the Judges' Award (corporate category). BCCT commended the Company for the outstanding performance of all employees in the sustainability aspects of environmental protection, social care and corporate governance and encouraged AUO to continue its pursuit for excellence.



### FTSE4Good Index

In 2017, FTSE Russell had evaluated AUO's sustainability performance, and then confirmed that AUO was listed in FTSE4Good Index. This Index is designed to measure the outcomes of corporate sustainability in ESG dimensions.



Note1 : The Dow Jones Sustainability World Index (DJSI) is one of the most trusted measurements of corporate sustainability in the world today. It has become an important consideration to investors around the world. Founded in 1999 jointly by RobecoSAM and S&P Dow Jones, the Dow Jones Sustainability World Index was the first index of social responsibility for top businesses and it is one of the most trusted measurements of corporate sustainability around the world today. This index leverages on the influence of capital markets to drive companies to execute their corporate social responsibilities. It has become an important consideration to investors around the world.



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**2-2-3 Corporate Risk Management**

AUO has been conducting drills for its Business Continuity Plan (BCP) since 2008. Over the years, the Company has gradually modified its methods of implementation and each year, the Risk Governance Subcommittee has been responsible for the overall implementation while each department identifies risks that will impact Company operations based on the internal and external circumstances of the Company.

The identification methodology involves the evaluation of the top three risk scenarios identified by each department based on four main perspectives: strategy, finance, operation and hazard.

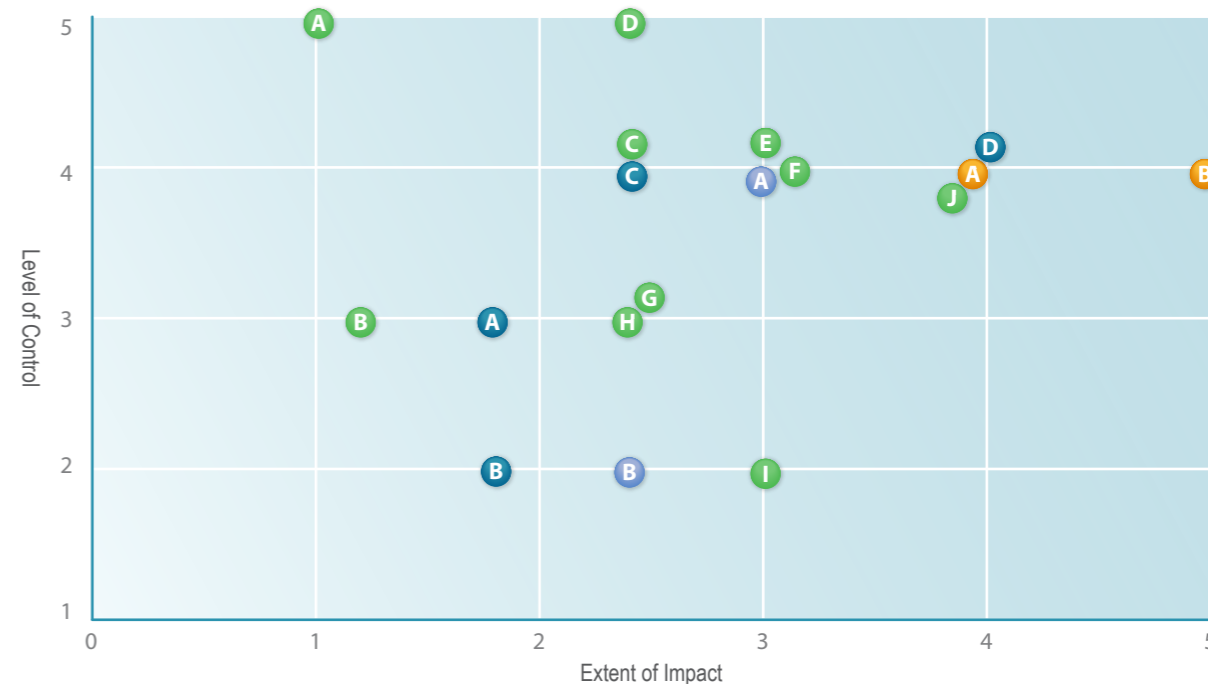
Through integration by the Committee, the risks are presented as the map of risks for AUO for the year in order for relevant risk management to be implemented. High risk scenarios and cases of incidents that have actually taken place can be converted to topics of relevant drills to simulate the potential impacts that could take place for AUO, thereby boosting the Company's risk management and disaster recovery capacities.

**Corporate Risk Identification**

In order to adequately respond to the economic, social and environmental risks from global material issues, we have established systematic risk response policies and processes at the corporate level. Through the CSR Committee, the CFO is entrusted with the task of managing the operations of the Risk Governance Subcommittee, which is responsible for risk identification for the entire Company with the participation of the Financial, Legal, Human Resources, Information Systems, Sales Operation, and Environmental Safety Departments and so forth by assessing specific scenarios (i.e. market risks and liquidity risks in terms of finance, and non-financial risks such as legal compliance, information security, climate change and environmental protection, social issues and so forth) from the perspective of corporate sustainability each year. Apart from mitigation and response to these issues, AUO is always seeking collaboration from internal/external partners and opportunities from global product quality innovation.

Risk identification is performed by determining the frequency of incidence, extent of impact and level of control in quantitative assessments.

To cover risks under the aspects of finance, strategy, operation and hazard for prioritization of risks in the matrix. For 2017, business competition has been identified as the Company's primary external risk while system structure was identified as the item for prioritized management within the organization. In general, the Company will be working towards the improvement of value-added services for products in order to achieve differentiation while strengthening the introduction of smart structures into the internal framework so as to improve the vulnerability of the fundamental system and strengthen the Company's performance in sustainable operation.



Hazard Risks	Financial Risk	Operational Risks
<ul style="list-style-type: none"> <li>A. Employee Health and Safety</li> <li>B. Calamities and Disasters</li> </ul>	<ul style="list-style-type: none"> <li>A. Tax Planning</li> <li>B. Purchasing Cost Management</li> <li>C. Asset Security</li> <li>D. Economic Status/ Industry Trends</li> </ul>	<ul style="list-style-type: none"> <li>A. System Architecture</li> <li>B. Raw Material Demand Control</li> <li>C. Corporate Reputation / Relationship with Stakeholders</li> <li>D. Human Resources Management</li> <li>E. Litigation and Resolution of Disputes</li> <li>F. Regulatory Compliance</li> <li>G. Software / Hardware</li> <li>H. Credit Management</li> <li>I. Inventory Management</li> <li>J. Competition</li> </ul>
Strategic Risks		
<ul style="list-style-type: none"> <li>A. Product Width</li> <li>B. Product Launch</li> </ul>		





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Large-scale Drills

In addition to routinely reviewing various SOPs for response processes for effectiveness, AUO also conducts two large-scale drills at different sites twice each year in order to check and strengthen the response capabilities of ERT (Emergency Response Team) on the sites. In 2017, the annual drills involved the specific combination of earthquakes and fire hazards to increase the intensity of the training to a simulation of compound disasters. In addition, emergency evacuation exercises were incorporated to ensure that if evacuation becomes necessary, all employees on site would be able to evacuate from the disaster area/factory in an orderly manner while the Site Manager (Director) would be able to have full oversight of employees' situation at all times and take the necessary response measures when needed.



Topics of Large-scale Drills in 2017

- Taiwan Basic Drill: Earthquake**
  - Acetic Acid Fire Hazard
  - CUB 2F Air-compressor Room Distribution Board
  - NFB Short-circuit Fire Hazard
  - Fire Hazard in the Waste Solvent Barrel Tank
  - EBR Leakage Fire Hazard
  - Ammonia Gas Leakage
  - Fire Hazard Caused by Gas Leakage
  - Waste Solvent Truck Leakage Fire Hazard
  - Ammonia Gas Leakage
  - EBR Drum Leakage Fire Hazard
- Mainland China**
  - F2 Warehouse Dock Vehicle Fire
  - U3 Cooling Tower Fire Hazard
  - Fire Hazard From the Leakage of Waste Organic Solvent During Transportation for Disposal
- Other Asian Regions**
  - Fire Hazard in the SiH4 Room Caused by Explosives Placed by Terrorists



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### External Feedback

Luzhu Fire Squad  
Captain **Chen Han-Chang**



In light of the many incidents of fire hazards at high-tech factories/fabs in the past that not only caused severe casualties and loss of property but also resulted in the injuries and death of many fire fighters, Luzhu Fire Squad (Kaohsiung City Fire Department) and AUO at Southern Taiwan Science Park collaborated by jointly organizing a disaster rescue drill in July 2017. The event was a simulation exercise at the site based on a compound disaster that had been caused by an earthquake. We also worked with other units such as the STSP Bureau and local law-enforcement in order to boost our horizontal connection so as to ensure the most rapid and effective deployment of the overall disaster rescue system functions.

Through this collaborated drill, I discovered that AUO has paid significant attention to the area of disaster response and has put forth considerable efforts into the prevention of hazards and emergency response in the event of a hazard both in terms of software and hardware; from the establishment of its emergency response center, to the training and equipment of its ERT personnel, not to mention STSP's first employee headcount system, which enables quick affirmation of employees' safe evacuation should a disaster occur.

### BCP Drills

AUO identifies risks by consulting the global risk map published annually by the World Economic Forum. The top three risk events identified by each department are then evaluated in four main perspectives: strategy, finance, operations, and impact. In addition to regular reviews of existing response procedures, AUO conducts one Company-level BCP drill every 2 years to ensure disruptions of every aspect can be effectively controlled. From disaster response at a single site to control of a Company-wide communicable disease outbreak, the drills have been designed to ensure that the Company can restore all functions within acceptable time spans. In 2017, the sites focused on emergency response drills and disaster recovery management. Although the Company-level BCP drill was not conducted, site-level BCP drills were duly implemented. For example, the Longtan Site conducted its BCP drill to simulate an unexpected reduction of voltage by Taiwan Power Company in which the production line had to respond to the emergency and follow with a disaster recovery process review.

### Fire Safety System Inspection

AUO's fire safety system functions as a vital facility that protects the safety of employees and reduces potential asset losses. The objective of keeping the system operating normally is to ensure that it can function as intended during emergencies to prevent potential damage and loss. In order to determine if the existing fire safety systems at the sites are in proper working order and find out if AUO's approach of system maintenance and management were consistent with pertinent international standards, AUO planned the inspection of its fire safety systems since 2017 by inviting loss prevention experts from domestic insurance companies to perform fire safety system functional tests and site survey at the 10 sites in Taiwan. Equipment to be inspected include fire pumps, stop valves, deluge valves, fire alarm systems, gaseous fire extinguishing systems, seismic protection for fire pipes, and so forth.



### Disaster Recovery Plan (DRP)

Post-disaster recovery is an important component of the business continuity plan. The goal of the Disaster Recovery Plan (DRP) is to ensure that proper emergency responses can be implemented to keep the situation under control in the event of a major hazard/disaster on the site while protecting equipment/facilities that are intact from the hazard/disaster so as to accelerate the process of resuming normal operations. This year, AUO collaborated with a renowned international post-disaster decontamination firm and chose the Taichung Site as the site of demonstration by introducing DRPs and inviting specialists to offer training for seed personnel from different departments. In addition, all departments were asked to provide their lists of key machinery and equipment and complete their drafts of DRPs before experts were invited to the sites to audit the sites and to ensure that the DRPs created by each department were correct and easy to implement.



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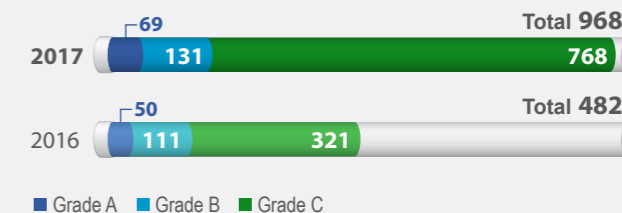
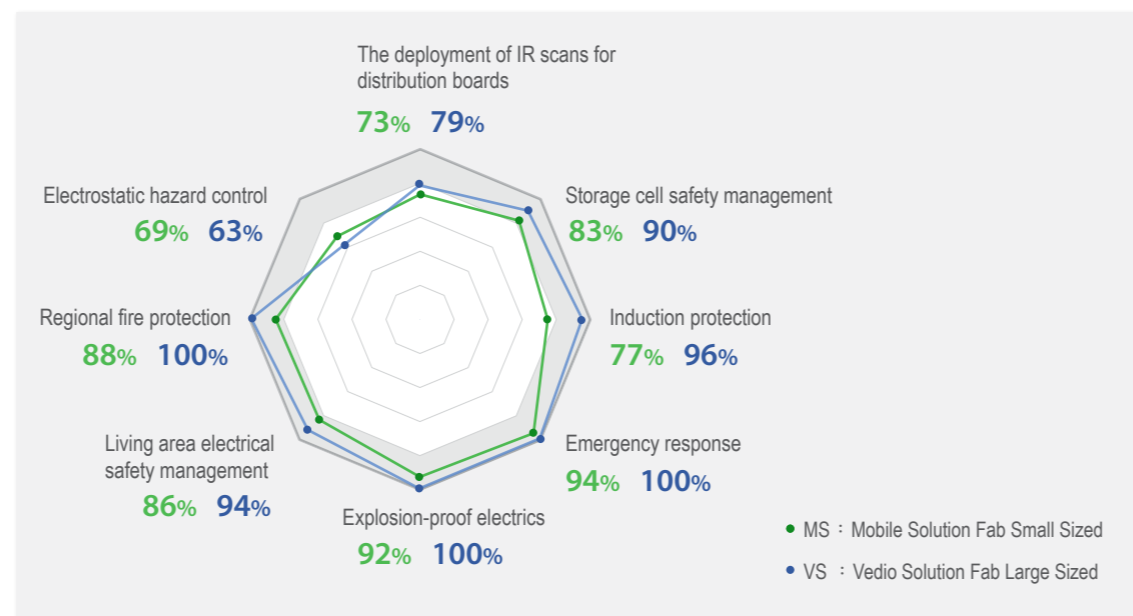
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Electrical Safety Project

In an effort to promote electrical safety at the Company while verifying and controlling relevant electrical risks that employees could be exposed to, AUO established its "Electrical Safety Project" Promotion Taskforce in 2016 Q4 and invited two major production lines to promote overall safety management in eight different aspects, with each site (including its living area) as a unit.

After the project launched, concrete results include the deployment of IR scans for distribution boards. In addition to improving the "early detection rate for abnormal components" for the power supply system and production equipment by two times compared to the previous year, implementation has also helped to improve production stability. For automatic material handling equipment that uses "highly hazardous lithium batteries" with higher capacities, the taskforce uses an online battery safety management system (BMS) for monitoring and management in order to enable real-time monitoring. Apart from that, we have also established regulations on the reasonable life cycle of batteries and purchasing regulations along with safe charging management, battery disposal management and so forth. With regards to emergency responses, "battery anomaly" was chosen as the scenario to formulate the response process, counter strategy and implementation of the emergency response exercise. For personnel that are exposed to the potential risks of electric shock, relevant electrical equipment with potential risks of power leakage have been inventoried and inspected while electricity leakage breakers were installed for additional protection.



IRS IR Scan Management System

A. Immediate Rectification

Temperature has exceeded the hazard threshold (i.e. exceeding the permissible temperature of 50°C, including 50) and the situation should be rectified within 3 work days. Once rectified, a re-inspection shall be implemented.

B. Routine Rectification

Temperature has exceeded the threshold value (i.e. exceeding the permissible temperature of 30 ~50°C, including 30) and the situation should be rectified within 7 work days. Once rectified, a reinspection shall be implemented.

C. Caution

- Temperature has exceeded the normal range (i.e. exceeding the permissible temperature of 5~30°C, including 5)
- In the inspection of the distribution board, the difference in three-phase loads fell within a 10% range with any two temperatures of the three phases having a difference greater than 15 °C; no immediate hazard at present but the temperatures shall be followed in the next 7 work days to determine if temperature anomalies exist.



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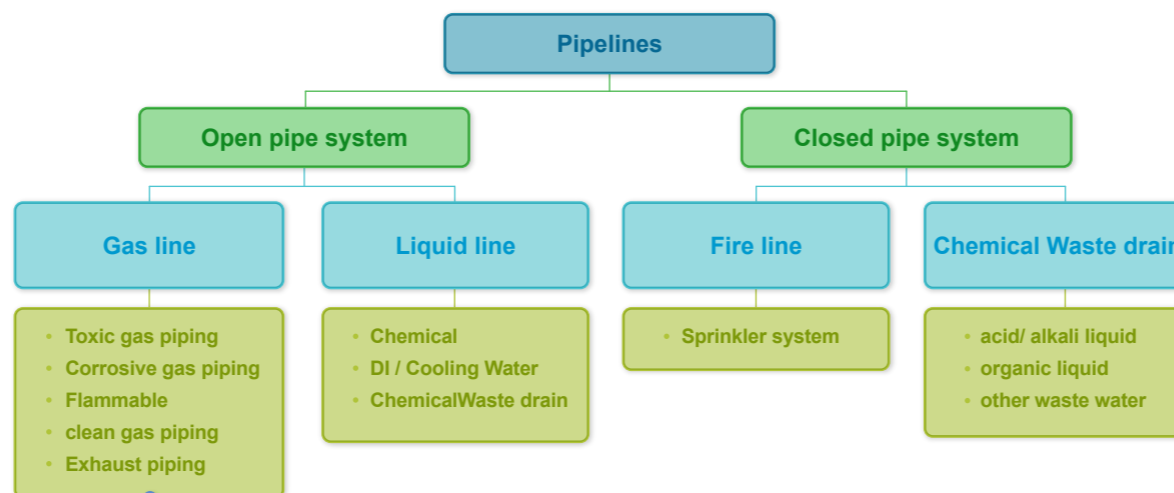
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### Ultrasonic Leak Detection Technology

Most of AUO's sites have reached 10 years, and AUO may face abnormal problems in equipment piping and affect production stability under long-term use. To improve the efficiency of inspections, the ESH division introduced ultrasonic leak-detection technology into the safety check practices to overcome the abnormal pipeline problems.

Ultrasonic detection equipments can be detect for "abnormal leaks at the pipe joints" or "equipment abnormal vibrations" with audio frequencies that cannot be heard by humans. AUO also benchmarks the management practices from petrochemical industry to select key areas and pipelines to do priority inspections.

#### Key areas and pipelines



#### Feature Descriptions

- It's easier to find liquid leaks from open pipelines.
- For gas leaks, there must be double check via other equipments or testing methods.

#### Site locations

Sites or engineering units or in-site gas stations

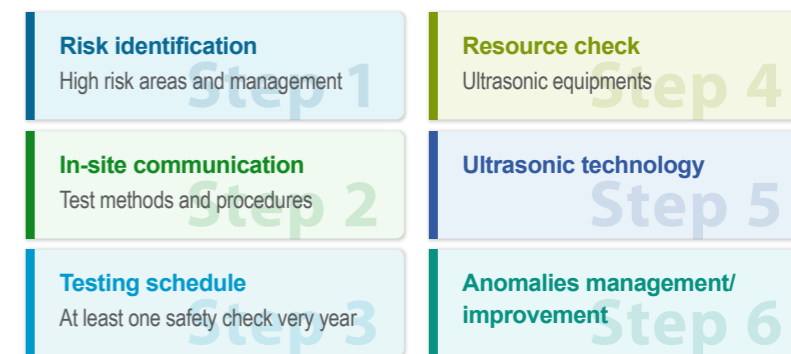
#### Check points

For testing areas or points, it's important to check the gas supply or gas treatment systems that use high-pressure gas lines, which respond to the gas line "connection points" or related valve elements. (for example, pneumatic valves, or hand valves)

### Management Goal

- Avoid waste of energy** reduce the leaking of Hot N2 or CDA
- Prevent production discontinuity** for instance, the problem of pneumatic valve will cause the normal supply of gas
- No material waste** no waste of abnormal leaking.
- For special gas leaks, manufacturing units also plan to use Ultrasonic leak detection technology in 2018**

### Management system and process



The abnormal categories were listed below after this technology introduced:

- Gas leakage of pneumatic valves or pressure regulators' connecting points** (including Hot N2 or CDA)
- Gas line breakage and leakage.**
- Abnormal sounds from Liquid pipes.**
- High air pipeline leakage.**
- Scrubber boxes' leaking with sounds.**





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## Taxation Risk Management

As a global leader in the display panel industry, AUO's investments are around the world. In order to adapt to tax regulations policies and tax related risks in different countries, AUO will adopt the following approach while maintaining an active attitude to stay up to date with relevant changes in tax policies in different countries and the potential tax risks that may arise from the development of local business.

## Tax Risks and Responses

**By region** Taiwan, China and Asia, Europe, USA

**Tax items** Corporate Income Tax, Indirect Tax, Other

- Risks**
- Uncertainties relating to tax laws may give rise to disputes.
  - Legislation of the OECD's BEPS policy occurred at different times from country to country, which gives rise to additional tax compliance costs.
  - Changes in tax laws or tax incentives may affect the Company's existing tax plans.
  - Lack of robust practices may render the Company unable to respond promptly to tax law changes.



Adhere to local tax laws; calculate and pay taxes correctly.



Support local government's tax policies on business innovation and reinvestment.



Handle tax matters with the utmost ethical standards.



Maintain open and positive communications with tax authorities.



Disclose tax information in financial statements and annual reports in strict accordance with reporting standards and laws.



Evaluate impact and response measures for changes in taxation laws.



Learn the latest developments/changes in local tax laws, and convey them to employees through internal training.

## Information Security Management



Through the Information Security Committee, AUO promotes relevant information security operations to achieve the goal of the Company's Information Security Management Policy – protecting the Company's intellectual property, promoting general awareness of information security and creating more opportunities for profits. In addition to improvement to various internal information security management mechanisms, routine dissemination of information security, and training in information security practices for employees over the years, AUO also introduced the ISO 27001 Information Security Management System in 2016 and received ISO 27001 accreditation in June 2017 in an effort to stay up to date with the latest international trends of information security while responding to customers' demands for information security. Through the introduction of ISO27001, AUO has strengthened its information security policies, protected customers' data and the company's intellectual property output, enhanced its information security incident response capabilities and met its information security policy indicators.

## Information Security Management Representatives

AUO's Chairman is the Chairperson of the Information Security Committee, the President is the Deputy Chairman, the Heads of each Division are the Members, the CIO is the Executive Director-General, and staff members appointed by each Division are the Officers. Meetings are held regularly to map out the Company's information security management execution. The Executive Director-General is in charge of coordinating and assigning the various tasks to the Committee Members. Each site also hosts a branch of the Information Security Committee, with the highest ranking executive at each site serving as the Chair of the branch. Both AUO headquarter and the branches also adopt information security management practices that best fit the local sites.

## Routine Employee Training on Information Security

Besides the basic information security training provided during new employee orientation, AUO holds regular e-mail social engineering drills and conducts information security knowledge training on sending/receiving e-mail with the aim of reducing the risk of employees clicking on malicious messages by mistakes. In addition to general information security training sessions, the Officers from each Division are also required to take part in information security management system trainings offered by external professional trainers to boost the information security management capacity of each Division. Through various information security trainings, apart from heightening employees' awareness for information security, these activities also ensure that relevant concepts of information security can be incorporated as a part of AUO's daily operations.

AUO has also incorporated information security management assessment with integrated structure and the investments of the 6 major capitals now include the financial asset required for the purchase of software/hardware for information security protection and the human resource assets that render the operation of the Information Security Committee possible. The Information Security Committee is responsible for establishing the targets of various solutions to prevent virus attacks and leakage of information to avoid potential incidents of business loss.



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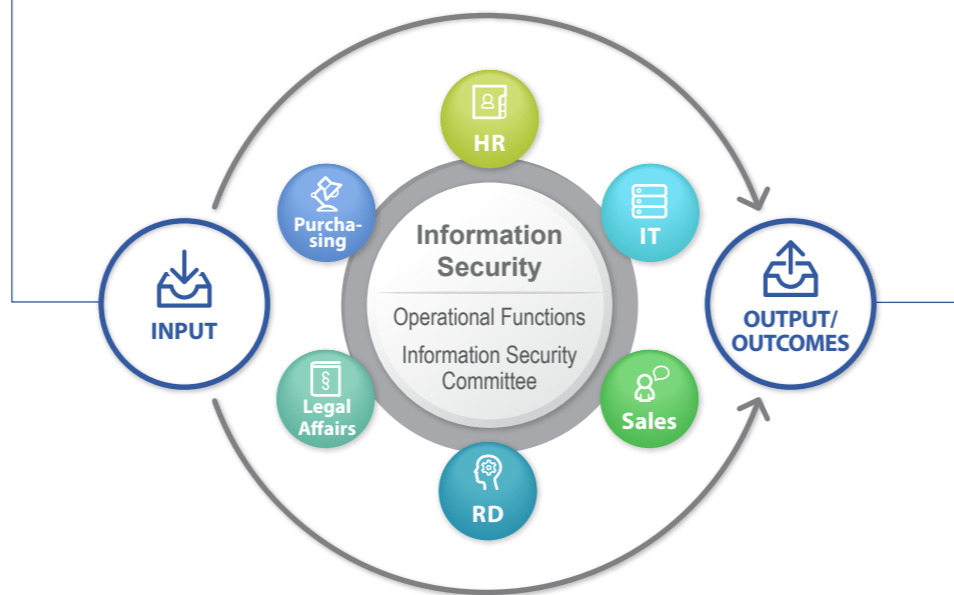
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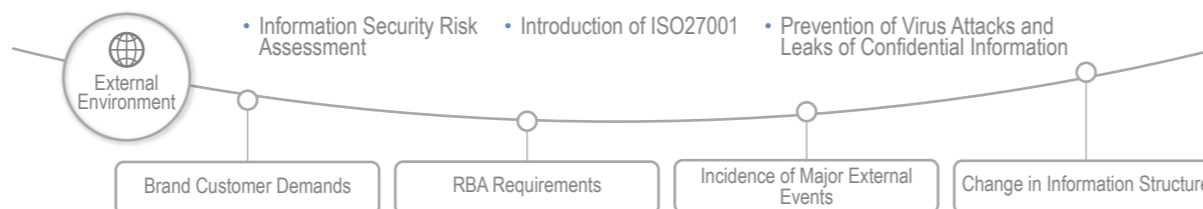
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**Information Security Management**



**2.2.4 Fair Competition**

Based on integrity, AUO's corporate culture emphasizes the cultivation of core DNA and values in all AUO employees. In order to stay true to our culture and driven by our spirit of accountability, AUO pledges that all business operations shall conform to pertinent local regulations. Not only that, we have also established our Enterprise Integrity Handbook, which spells out the basic code of conduct for employees. Various policies have also been implemented to ensure legal compliance and serve as the basis for conformity in order to achieve the objectives of effective management of legal risks and fulfilling our social responsibilities.

**Antitrust Litigation**

AUO and several other TFT-LCD manufacturers were accused of violating antitrust and competition laws. Consequently, the Company has been subjected to judicial investigation. Since December 2006, AUO has been investigated by, including but not limited to, the U.S. Department of Justice, the European Commission Directorate-General for Competition, the Korean Fair Trade Commission and the Secretariat of Economic Law of Brazil for price manipulation. Details of such investigations and the amounts paid in relation to them have been disclosed in AUO's Annual Report<sup>1</sup>.

**Policy Establishment and Update**

Starting in 2015, AUO established its Antitrust Law Compliance Policy and Antitrust Law Compliance Handbook in order to provide employees with a guideline for conduct that could help them to identify potential issues that could lead to violation of pertinent laws. The Policy and Handbook on antitrust law compliance were updated in December 2016 and made available on AUO's official website. In addition, AUO has learned from its experience in the promotion of antitrust law compliance and applied it to other legal issues as a way to strengthen legal compliance in other areas. In 2017, the Company established other policies such as the Export Compliance Policy, Anti-corruption Legal Compliance Handbook, Copyright and Anti-software Piracy Policy, Anti-economic Espionage and Anti-theft of Trade Secrets Policy, Conflict Minerals Policy, and Anti-dumping Policy. Not only that, AUO also updated its Information Protection and Personal Data Privacy Policies and all the documentations are available on AUO's intranet under the "Legal Compliance" section.

Note1 : Please refer to pages 68-69 of AUO's 2017 Annual Report



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## Management, Supervision and Establishment of Preventive Mechanisms

AUO is committed to complying with antitrust laws in Taiwan and foreign countries, and has established antitrust compliance for effective execution.

The Company has also appointed an Antitrust Compliance Officer who reports directly to the Audit Committee on a regular basis. The scope of the Officer's work covers incentives and systems, advocacy, risk assessment mechanisms, training and results examinations, and timely responses.

Through the risk assessment mechanism that is implemented at the end of each year, the Officer will be able to identify the areas of higher potential risks in the future and thereby strengthen the corresponding monitoring and prevention mechanisms. With regards to ensuring due implementation of legal compliance measures, the Legal Compliance Committee (comprising representatives from frontline sales units and administrative units) meets on a regular basis to review the process of antitrust law compliance plan execution. Starting from 2017, other important legal areas have also been gradually incorporated into the planning, with the most recent updates in international regulations and status of development for cases processed by law-enforcement agencies being shared regularly along with the discussion on relevant problems that various departments have encountered in the execution of the legal compliance plan.

The Chairman has also offered reminders on antitrust law compliance on a regular basis through announcements in the hopes that employees will not only adhere to the laws but also make a conscious effort to avoid behaviors and conduct that might be unlawful or appear to be unlawful to prevent antitrust investigations or litigation. In 2017, AUO broadened the scope of its dissemination and went beyond the regulations on competition but also covered other key legal issues such as anti-corruption.

## Education and Training

AUO has established a multi-tiered training system for legal compliance. It is designed to provide comprehensive legal compliance training for employees by incorporating online tests, classroom courses, large-scale inter-departmental coordinated trainings and advanced courses specifically designed for sales and marketing personnel. All new direct employees at all AUO sites around the world are required to complete their Antitrust Law Compliance Training within a specific period after reporting for duty, and existing employees are also required to receive annual antitrust training. In addition, the Company also offers special training for sales personnel in order to boost their awareness of legal compliance.

Note 1: As of 2017/10/16, if there were maternity leave, major injuries or sickness of FTEs during the training period, they would be allowed to submit their applications to legal department, and then waiting for their return to complete the training.

### Internal Training Courses

AUO Power Camp Antitrust Law Training was held for all AUO employees (with the exception of production line operators) around the world (including section and professional managers). There were **162** batches of training for a total of **10,949** participants.



### Orientation Training

With the exception of production line operators, all new AUO employees around the world are required to complete their Antitrust Law Compliance Training within **30** days after they have reported for duty.



### Online Tests and Courses

An Antitrust Law Compliance Pre-training Test was conducted for all AUO employees around the world (with the exception of production line operators). The passing score for the test was 90 and those who failed the test were required to take the online training and pass the test at the end of the training. A total of **5,597** employees participated in the training and **5,272** passed the test, with a passing rate of **94%**.<sup>1</sup>



### Advanced Courses

Given the characteristics of the work performed by sales personnel and sales assistants, AUO held Antitrust Law, Anti-corruption Law and Export Control Law Training, which were designed as small-classroom courses with contents covering specific exercises and presentation of relevant regulations. A total of three sessions were held and the attendance rate for all three sessions was over **90%**.



### Form Compliance



- Composed of relevant departments. Defines the framework and execution process to ensure effectiveness and efficiency.

Departments: • Legal • Finance • Audit  
• Sales • IT

### Establish Incentives and System



- Set up incentives and punitive measures through the company rules to define the corporate bottom-line in compliance with antitrust legislation.

Departments: • Legal • Audit

### Education and Verification



- Set up content and channels for company-wide education and training.
- Conduct interviews and case reviews of high-risk employees.

Departments: • HR • Legal

### Awareness



- Top-down declaration of AUO's stance on antitrust compliance to employees and Shareholders.

Departments: • Legal • Information

### Risk Assessment Mechanism



- Detection in the external environment.
- Auditing of internal processes.
- Enhanced monitoring.

Departments: • Sales • Legal

### Timely Response and Investigation



- Investigate suspicious cases and study guidelines.
- Set up a unified e-mail and telephone window for whistle blower reports.

Departments: • Legal • Audit



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**2-2-5 Integrity and Anti-corruption**

AUO perceives compliance with local regulations and adherence to the highest ethical standards as fundamental values and principles that all employees are expected to nurture as the guidelines that direct their course of action. In an effort to eradicate corruption, bribery and extortion, the Company has set out anti-corruption guidelines in the "Employee Manual" and published the "AUO Integrity Policy" for employees.

The Integrity Policy includes guidelines and case studies on various topics such as working with business partners, working with government agencies, intellectual property rights, conflicts of interest, IT system security, insider trading and antitrust laws. The content was approved by the Antitrust Compliance Officer and is published on the company's website. The Global Human Resources Officer was assigned to provide consultation on integrity issues, while the Legal Department is also tasked with clarifying employee queries and making sure that integrity is implemented through actions.

For the integrity and efficiency of the Company's operations, all employees are bound to comply with the following rules:



Maintain integrity and fairness in the selection of suppliers, and choose products or services that are the most competitive.



Refrain from making borrowing/lending arrangements or accepting gifts or treatments from suppliers, enterprises or customers that have direct or indirect business dealings with the Company, to the extent that may compromise the Company's reputation or business operations.



Do not accept kickbacks or other improper gains from suppliers.



Do not accept gifts, cash or in-kind benefits from suppliers (applies to employees and family members).



Do not exploit job authority for inappropriate gains or fraud.



Do not exploit job opportunities to cheat, embezzle or steal property from others or the Company.

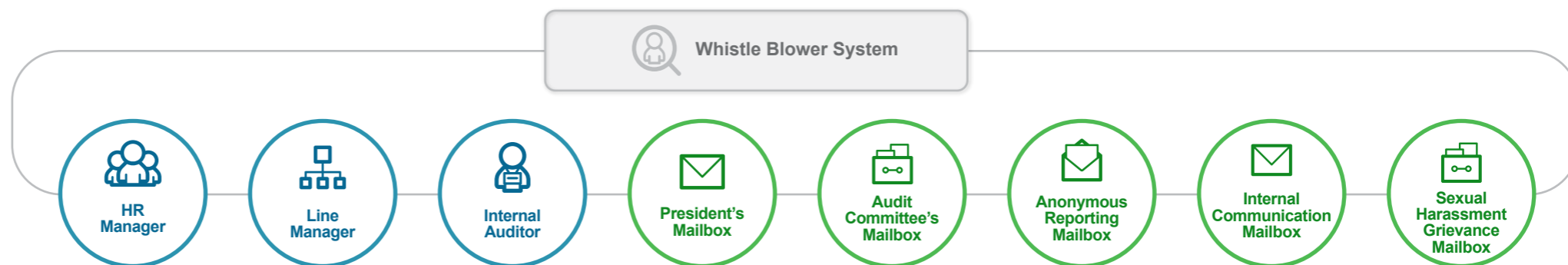


Expenses must be reported accurately.



Do not collude or conspire with colleagues or business partners.

**The Company has a Whistle Blower System in place; employees have been trained to report misconduct using this system.**







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Externally, the AUO website features a “Violation of Ethical Behavior Reporting System” (<http://integrity.ab1.auo.com/>) for one to directly report to the Company should any illegal conduct take place with regards to supply chain management. The Company will launch an investigation pursuant to internal procedures. Follow-up corrective and preventive measures will be proposed and the accompanying disciplinary actions resolved. There were a total of 7 reported cases in 2017. AUO’s internal control systems have been established in accordance with laws. An Internal Audit Department is assigned to conduct regular risk assessments and devise audit plans for the future. Audits are carried out in line with the plan, and the outcomes are reported regularly to the Audit Committee and the Board of Directors for management purposes. In the future, the Company will remain committed to its integrity principles and take measures to prevent corrupt behavior.

**Education and Training**

In order to ensure due compliance with pertinent local regulations for all operating offices and that all business operations are carried out in accordance with the highest moral standards, AUO has helped employees to develop proper legal concepts, and since the commencement of Law Compliance Courses in 2015, the Company has required all indirect employees to complete compliance courses and assessments online, and sign a declaration of compliance upon course completion. Furthermore, managers who engage in frequent exchanges with suppliers or are responsible for supplier related affairs and have been identified as being in positions of high integrity risk are required to undergo mandatory training on a yearly basis. This training covers actual case studies and regulations that managers are bound to follow in their work.

**Anti-Corruption Training**

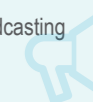
AUO had its HR Headquarters implement and monitor the execution of Integrity Operation Policies and corruption prevention solutions. The HR Headquarters reports to the Board of Directors at least once a year to facilitate integrity management.



Each new employee is required to attend an advocacy session on the AUO Integrity Policy and sign a declaration of integrity and the signing rate thus far has been **100%**.



Global Integrity Advocacy Week is held annually to promote relevant information on integrity through onsite broadcasting and through public information display system.



Online compliance courses are delivered to indirect employees once every two years on topics such as fair competition and antitrust law compliance, insider trading forbiddance, trade secret protection, business bribery and reports of conflict of interests. Employees are also required to sign a compliance declaration upon completion of the courses.



For departments that work closely with suppliers, AUO has offered a clear definition of integrity and appropriate conduct while strengthening integrity advocacy for employees. Not only that, relevant personnel are also required to report conflicts of interests and take part in relevant inventory plans.



Note1 : No case was reported through the Audit Committee Mailbox; 1 case through the Anonymous Reporting Mailbox, and 6 cases through the Supplier Mailbox.





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## 2-3 Governance of Subsidiaries

The main business activities of AUO cover the design, manufacturing and development of LCD modules and the development of solar energy products and technologies. Some of AUO's affiliated businesses were established to invest in the upstream and downstream businesses related to the aforementioned products. Among the affiliated businesses, AUO Crystal Corp. and Darwin Precisions Corporation are involved in manufacturing operations with characteristics that relate more closely to social and environmental risks covered under CSR. And as such, both companies have been included in AUO's annual CSR audits for suppliers. Since both companies are also members of the Group Company, they are required to interact and share their experiences on a regular basis through the intra-group CSR management platform. In order to respond to stakeholders who are concerned with the two companies' performance in specific aspects, relevant information has been disclosed herein.

 友達晶材 AUO Crystal		Time of Establishment
<b>AUO Crystal Corp.</b>		2009
Chairman	Cheng-Yih Lin	
Headquarters	No. 335, Section 2, Houke Road, Houli District, Taichung City	
Main Products and Technologies	Ingot (mono, multi), Wafer (mono, multi)	
Regions of Operation	Taiwan (Houli, Wuqi, Taichung), Malaysia (Malacca)	
Website	<a href="https://www.auocrystal.com/eng/">https://www.auocrystal.com/eng/</a>	

 Darwin Precisions Corporation		Time of Establishment
		1989
Chairman	Fu-Chi Hsiang	
Headquarters	No. 45, Lane 313, Section 3, Minsheng Road, Daya District, Taichung City	
Main Products and Technologies	Production of back-lighting modules for LCD TVs, desktop displays, laptop displays, large/small-sized industrial displays and automobile displays; assembly of display panels as one of the world's top three largest companies that specialize in PMMA and back-light module design, development and manufacturing.	
Regions of Operation	Taiwan, Wujiang, Kunshan, Suzhou, Hefei, Xiamen	
Website	<a href="http://www.darwinprecisions.com/?sn=1245&amp;lang=en-US">http://www.darwinprecisions.com/?sn=1245&amp;lang=en-US</a>	

### Economic

	 AUO Crystal Corp.	 Darwin Precisions Corporation
Revenue (NT\$ 100 million)	83.53	279.27



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Environmental			AUO	AUO Crystal Corp.	DARWIN	Darwin Precisions Corporation	
Energy	Purchased Electricity (GJ)			395,008		549,777	
	Natural Gas (GJ)			0		41,233	
	LPG (GJ)			0		0	
	Diesel (GJ)			29		385	
	Renewable Energy (GJ)			4,547		--	
Emissions	Scope 1 (tons)			34,77.65		3,362.53	
	Scope 2 (tons)			58,044.16		123,296.94	
	Scope 2 (tons)			0		0	
	ODS Usage (tons)			0		0.12	
	Greenhouse Gas Intensity(tons CO <sub>2</sub> e/m <sup>2</sup> )			0.0058		453.54	
	Discharge of Air Pollutants	VOCs Emissions(tons)			52.44		1.48
		SOx Pipeline Emissions (tons)			0		0.43
		NOx Pipeline Emissions (tons)			0		1.33
	Water Used in Production			1,369,808		269,695	
	Production Water Recycle Rate(%)			66%		6.98%	
Effluents and Waste	Water Pollutants Discharge	BOD (ton)		366.30		11.89	
		COD (ton)		938.66		33.86	
		SS (ton)		73.86		12.78	
	Waste Produced	Hazardous Business Waste (ton)			0.09		86.57
		Non-hazardous Business Waste (ton)			2,254.10		64.46
	Percentage of Waste Recycled(%)			84		95.17	
	Severe Leakage (over 1 metric ton) in 2017 (Incident)			0		0	
Regulatory Compliance	Environmental Compliance Incidents in the Year (Incident)			0		0	
Suppliers Environmental Assessment	Supplier Environmental Assessment		No specific requirements or audits		Performed annual and new supplier audits in accordance with Supplier Management Regulations		
Environmental Grievance Mechanisms	Environmental Grievance Mechanisms		The mailbox on the company website and the opinion mailbox function as the external and internal mechanisms for communication respectively. A total of 11 cases were received in 2017 and we have responded to all cases		The Audit Mailbox and the President's Mailbox and Opinion Mailbox function as the external and internal mechanisms for communication respectively. No case was received in 2017		



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Social		
	<b>AUO</b> AUO Crystal Corp.	<b>DARWIN</b> Darwin Precisions Corporation
Supplier Assessment for Labor Practices	No specific requirements or audits.	Performed annual and new supplier audits in accordance with Supplier Management Regulations.
Supplier Human Rights Assessment		
Grievance Mechanisms for Labor Issues	See Environmental Grievance Mechanisms	
Grievance Mechanisms for Human Rights Issues		
Grievance Mechanisms for Impacts on Society		
Equal Pay for Equal Work	There is no provision for gender-related differences in salary-related measures.	In accordance with Work Rules 4.4.10 Prohibition of Gender Discrimination on Payment of Wages (provided as follows: The Company should not treat its employees differently based on gender or sexual orientation. Employees with the same work and efficiency shall receive equal wages.)
Non-discrimination	Annual general medical check-ups and special medical check-ups are performed in accordance with regulations. There is no provision for gender-related differences in recruitment policies.	1. In DCAAD-23-012 Recruitment Policies, Provision 4.10 states prohibition of discrimination; in the Employee Manual, Provision 5.1.1.1 specifies prohibition of discrimination against job seekers and employees. 2. The Company has hired 5 physically challenged (2 severe, one moderate and 2 mild) employees and 68 foreign employees to prove that no discrimination exists in the workplace.
Forced Labor	2-3 non-periodical meetings with production line employees and 4 labor-management meetings are held annually to advocate employee related rights and collect opinions.	1. All employees sign employment contracts voluntarily. 2. The Company posts internal vacancies and employees may apply for transfers at will. 3. The Company requires employees to submit advance notice prior to resignation and employees may choose to resign at will.
Violation of Employment Laws During the Year (Incidents)	0	0
Anti-corruption	1. The Audit Office devises a new "Audit Plan" each year with the approval of the Board of Directors. In the Audit Plan, processes and matters prone to the aforementioned risks will be evaluated and checked, with the practice of necessary audit procedure. 2. Whistle Blower Mechanism: An "Integrity Mailbox" has been made available to receive anonymous complaints from within and outside the organization. All complaints are investigated by an impartial Audit Team. 3. New suppliers are required to submit an "Integrity Commitment Letter" before commencing business relationships. The letter not only highlights AUO's emphasis and requirements on integrity but also outlines various channels and contacts that suppliers can use to express grievances should violations be made.	1. The Company has set up internal control systems and internal audit plans in accordance with pertinent laws and regulations. 2. The Audit Office has set up implementation guidelines for internal audits based on the internal control system. In accordance with the implementation guidelines, the Office will execute the current control system and review its effectiveness and level of compliance.
Supplier Assessment for Impacts on Society	No specific requirements or audits	Perform annual and new supplier audits in accordance with Supplier Management Regulations.



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**2-4 Customer Relations**

AUO is committed to providing customers with total product solutions as well as innovative applications.

From product design, manufacturing, and delivery to maintenance, the Company has dedicated teams of experts to ensure delivery of products and services in the shortest time possible.

In terms of customer interaction, the Company arranges regular meetings to learn customer satisfaction levels and recognition of the AUO brand. A worldwide satisfaction monitoring survey is conducted on a yearly basis to monitor satisfaction.

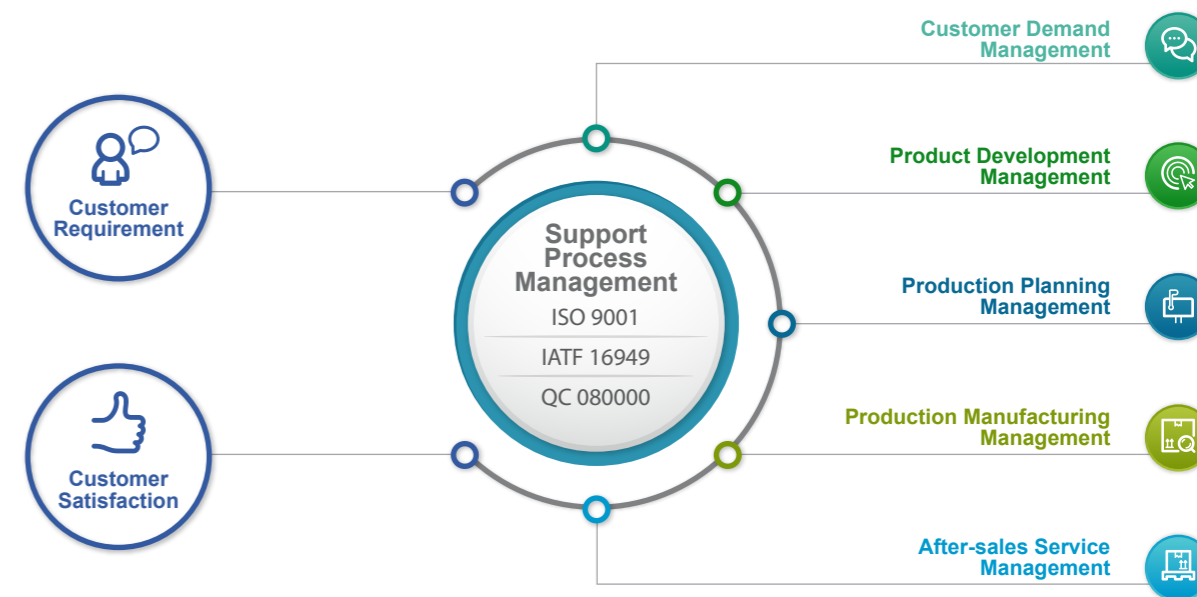
The survey covers 5 different aspects and through examination of the survey outcomes and our interactions with customers, we will be better able to accommodate customers' needs in order to improve our quality of service and collaboration. For goals that we do not manage to achieve, corresponding improvement strategies are implemented and reviewed at executive meetings as a means of improving our customer satisfaction.



**2-4-1 Framework of Quality Management**

Quality has always been AUO's core competitive strengths. One of the goals of our corporate operation is to satisfy the needs and expectations of our customers and stakeholders. Through the intricate workings of customer-oriented processes, relevant support procedures and organizational/responsibility management processes that are in place for relevant units, we are able to stay true to our quality policy of "punctual delivery of high quality green products and service to create win-win situations with our customers" and earn the satisfaction and recognition of our customers and stakeholders.

By adhering to international quality standards such as ISO9001, IATF16959, QC080000 and so forth, AUO has established a quality management system with a major IT component while staying true to the spirit of "there is always room for improvement" for continual improvement as we press on to create products and services of premium quality. Apart from the recognition of customers and stakeholders, our quality management has also been accredited to several international standards. In the near future, AUO will continue to leverage its strengths and become one of the world's leading companies.





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### 2-4-2 Quality Management

While AUO offers products with excellent quality, it has also established service locations worldwide that provide electronic after-sales services that cross borders. All production information, such as the progress status of return/replacement of goods and repairs, can be clearly conveyed via the system.

This global service network, along with a Customer Service System (CCS) provides customers with excellent after-sales services. Customers are able to log in to the CSS or contact our service staff to request repair or replacement for any defect experienced during the warranty period. Our Customer Service Staff will arrange to have the product in question replaced/repaired and delivered.

In the case of special complaints on product quality, the Engineering Service (ES) Team at each AUO overseas site will log the analysis and improvement plans of the cases in the CSS.

The Maintenance Center to learn the cause of customers' complaints and log detailed reports in the system after repairs have been completed. This system also makes it possible to track the status of RMA with return codes while saving the Maintenance Report in the system.

The CSS system received an improvement in 2016 Q4 through means of an update to simplify relevant processes for uploads/storage of Maintenance Reports along with improved system features. Coupled with timely handling by dedicated personnel, AUO was able to achieve comprehensive improvement in its product distribution and service with regards to the supply of panels for maintenance or key parts/components.

### Actual Case of Alternative Solution to Discontinued Product

01

One of AUO's TV products was no longer in production and the warranty for the product had expired. In 2017, a Japanese customer expressed concern regarding deterioration of functions for spare products and was worried that the product would no longer qualify for online repair. Guided by our motto of being responsible, AUO consented to the proposition of having the customer collaborate with our R&D Unit, which would continue to provide analyses and reports along with solutions to the customer so that the customer could continue to assess and use the panels with confidence.

02

In 2017, a Korean customer expressed interest in purchasing specific AUO products that were no longer covered by warranty. The products in question were no longer in production due to a shortage of relevant parts and components. However, after assessment, though the shortage of specific materials has rendered maintenance and repair of the original product unfeasible, prompt inter-departmental collaboration at AUO led to the establishment of a dedicated taskforce that verified new materials for maintenance while introducing a validation procedure. Through active collaboration, coordination and communication, AUO was able to deliver a solution for the customer to evaluate and reassured the customer that there would be no potential costs from product return. This enabled the customer to maintain its brand image in the market and helped AUO to earn the customer's recognition and trust.

03

AUO has not only focused its attention on the analysis of defective products that have been adopted by customers in their production lines but has also utilized relevant data and experiences into the quality feedback in the market. In 2017, a Turkish customer submitted a request for product return due to poor product functions. Despite the fact that the product had passed its warranty, AUO still took the initiative to arrange for the defective products to be returned for analysis. The cause for product function problem was defective components distributed by a specific supplier and even though the responsibility would fall on the part supplier, AUO's R&D Unit still made the effort to look for a new supplier to source the parts from while providing relevant resources to the customer in order to rectify the issues with the panels and thereby boost customer confidence and satisfaction.

The case involved inter-departmental collaboration initiated by the R&D Unit and the experiences and data also served as suggestions on assembly and usage for AUO's module manufacturers or other customers to create a win-win situation for all parties involved. In accordance with the Company's quality policy of "providing high-quality green products and services on time and creating win-win situations with customers", we have not only optimized our service procedures but also implemented internal dissemination for the promotion of effective recycling and reuse to reduce product scrap rate, thereby reducing the burden on the environment so that AUO can continue to grow as a sustainable green enterprise. We shall continue to strive to realize our corporate visions and missions as we go on to deliver amazing visual enjoyment for the world as a leading global green solution provider.





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**2-4-3 Customer Satisfaction**

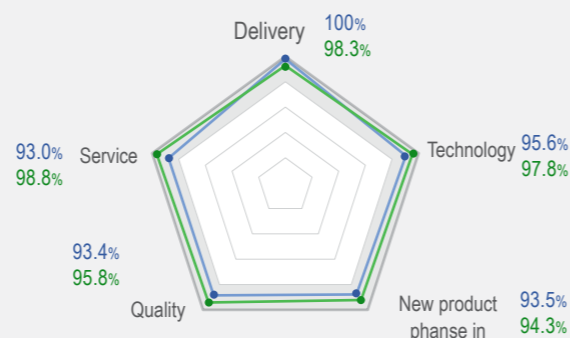
In 2017, our customers were satisfied with AUO's performance in the five big aspects in general. Compared to that in 2016, Mobile Solution Business Group showed slight improvement in Delivery but fared less well in Technology, New Products Phased In, Quality, and Service. As for Video Solution Business Group, we saw continual improvement in Delivery, Technology, New Products Phased In, Quality, and Service. Solar Business Group achieved noticeable improvement in terms of Delivery, Quality, Product Performance, and Service but could do better in Product Innovation.

In order to become our customers' trusted long-term partner, AUO conducts satisfaction surveys and participates in customer evaluation exercises to identify areas for improvement. A dedicated team meets regularly to review AUO's weaknesses, keep track of relevant results and find room for improvement. The team takes systematic steps to find the true cause of and solution to each problem.

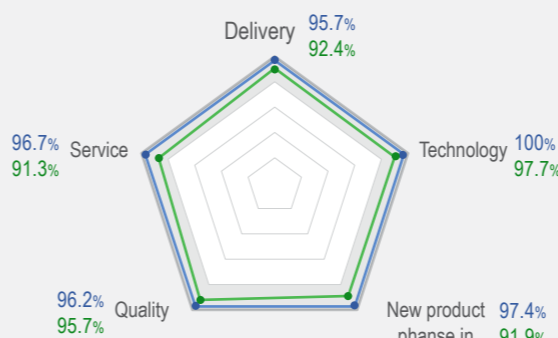
**Flow of the Customer Satisfaction Survey Procedure**



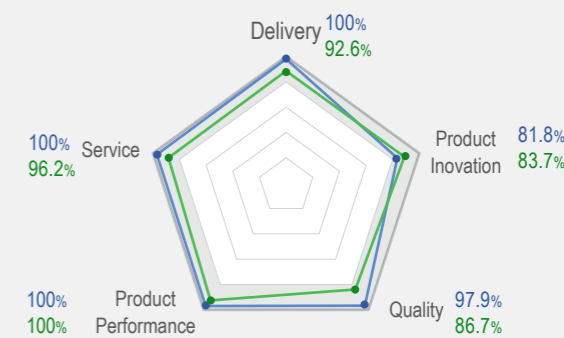
**Customer Satisfaction for Mobile Solution Business Group**



**Customer Satisfaction for Video Solution Business Group**



**Customer Satisfaction for Solar Business Group**



● 2017 ● 2016



## 2-5 Supply Chain Management

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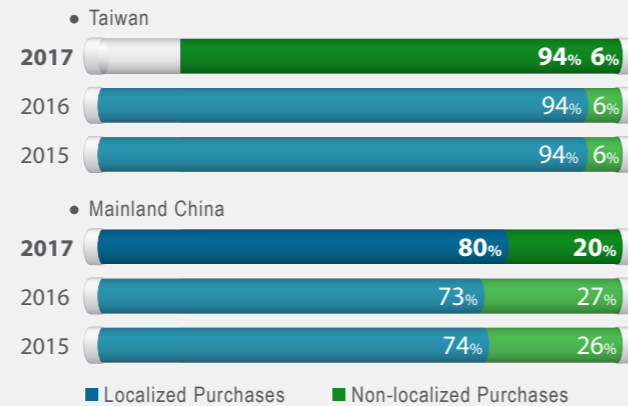
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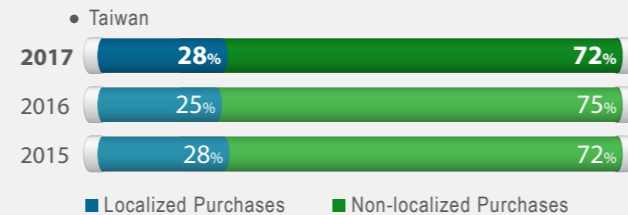
### 2-5-1 Local Procurement and Supply Chain Characteristics

Suppliers have always been important partners to AUO in its operation and as we pursue sustainable operation, the Company will work closely with its suppliers to facilitate mutual growth. AUO adopts a strategy of prioritizing the purchase of materials from local suppliers to improve production efficiency and reduce carbon emissions. It is also a way to support the local economy by increasing job opportunities. The sum of local purchases of raw materials accounted for 88% of the total in 2017. As Taiwan is AUO's most important production base, apart from local purchases from a logistical perspective, AUO has also adopted the perspective of social responsibility and separated suppliers based on their corporate nature. AUO categorizes its material suppliers as Taiwanese, foreign and Chinese. Taiwanese suppliers accounted for 47.1% of AUO's raw material purchases in 2017, which was identical to that of 2016.

#### Percentage of Local Procurement for the Display Business



#### Percentage of Localized Purchases for the Solar Business



### Risk Management of Supply Chain Business Disruption

"Artificial Intelligence" was one of the most popular topics of 2017 and many products, applications and appliances in consumers' daily lives have begun to adopt smart designs. In light of the growing demand for smart products, it is safe to assume that changes will take place in the existing global supply chain deployments for raw materials. AUO has globalized its supply chain for raw materials and given that materials come from different supply chains in different regions, the risks of supply chain business disruption can be separated into: supply risk and demand risk.

**Supply Risk:** In light of the impact from the substantial growth in the demand for smart products, AUO will bolster its collaboration with suppliers in partnership by routinely engaging in the sharing of information and market trends, material supply delivery and trends in inventory changes and so forth. For risks of material shortage, preemptive measures will be taken. For high risk factors in the supply chain, we will increase buffer stock and adopt a multi-source purchasing model to effectively reduce the risk by decreasing dependency on singular suppliers, thereby improving overall supply chain versatility. With regards to the selection of new product materials, AUO will prioritize suppliers that provide materials of standard market specifications as suppliers can increase stock level due to high commonality, thereby significantly reducing the risk of material shortage.

**Demand Risk:** Routinely update the list of high-risk materials and products and present it to the Sales Department, which will estimate market demand and confirm future order demands with customers. Results are then handed over to Procurement for strategic stock preparation.

### Risk Management of Natural Disasters Risk – Emergency Response Mechanism

#### Step1

Estimate the scope of influence based on the risk map information of regions/scales/origins of suppliers' manufacturing operations. Activate investigation of impact on the supply chain. Compile the first copy of the report within 4 hours of the incident.

#### Step2

Dispatch resources at global purchasing locations and continue to monitor the impact on the supply chain. Update at least twice a day on the recovery of supply chain.

#### Step3

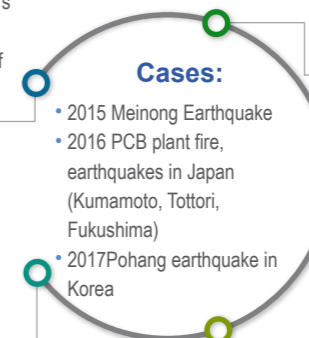
Present backup supply plans for affected products.

#### Step4

Activate the second-source emergency verification mechanism when necessary. Coordinate resources among PM/RD/QM and accelerate the introduction of the substitute plan. Check with the customers at the same time on demand, and distribute supply resources to minimize the impact.

#### Step5

After supply shortage has been resolved, review the level of supply risk once more and introduce long-term solutions to strengthen the supply chain.





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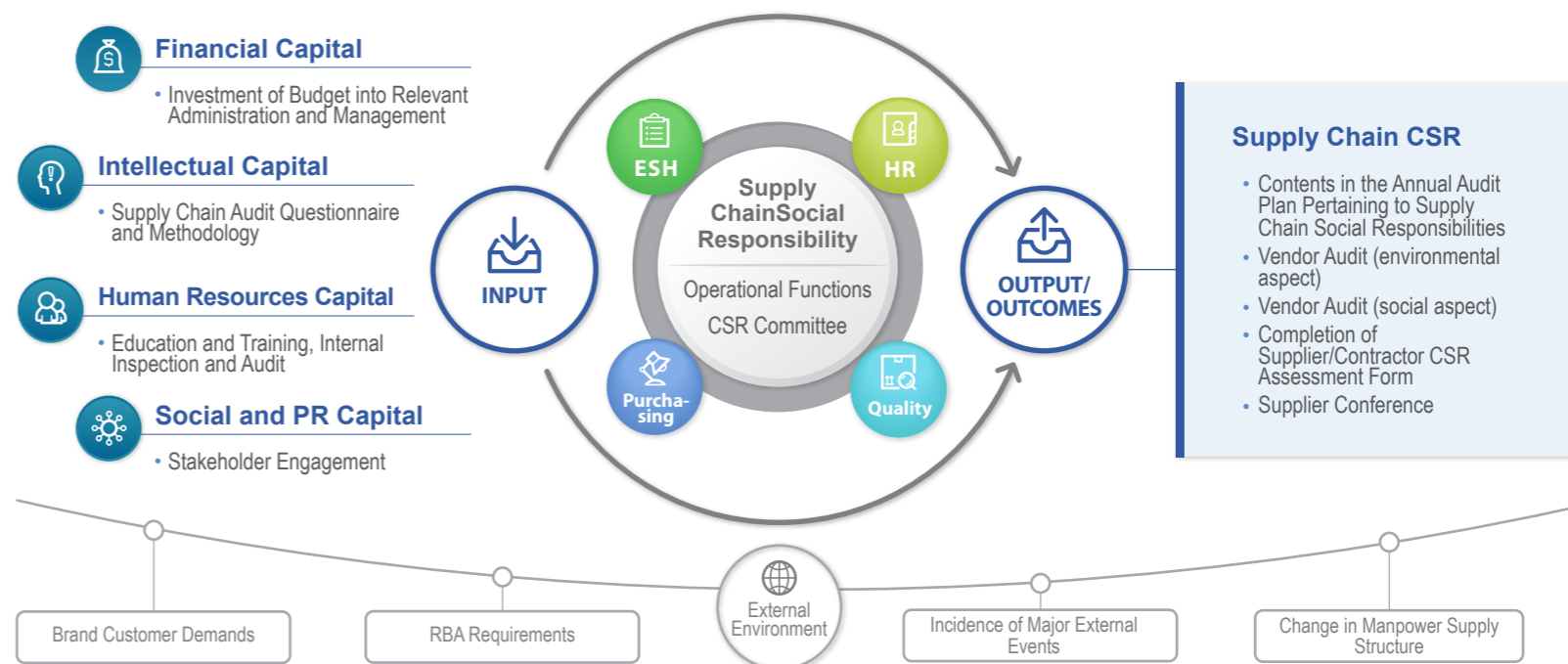
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**Supplier Characteristics**

	Raw Material Suppliers	Production Contractors	Waste Disposal Companies	Human Resource Contractors	Service Contractors
Definition	Suppliers that provide raw materials needed for production	Companies that the company commissions for product manufacturing	Waste Disposal Companies	Employment agencies and dispatched labor.	Suppliers that provide onsite services such as security, catering, janitorial services, and so forth.
Supplier Count	334 (35 new suppliers in 2017)	24 (2 new suppliers in 2017)	92	19	35
Risks of Environmental Violations	<ul style="list-style-type: none"> <li>• Absence of required permit and registration.</li> <li>• Inability to operate and document in accordance with permits.</li> </ul>		<ul style="list-style-type: none"> <li>• Illegal dumping of waste.</li> <li>• Inability to operate and document in accordance with permits.</li> </ul>	• N/A	• N/A
Risks of Labor-related Violations	<ul style="list-style-type: none"> <li>• Work, wages and welfare.</li> <li>• Violation of child labor, pregnant women or minors working night shifts.</li> </ul>				• Wages and welfare.
Risks of Human Rights Violations	<ul style="list-style-type: none"> <li>• Free choice of profession.</li> <li>• Deductions from wages as a disciplinary measure.</li> </ul>		• N/A	• Free choice of profession	• N/A
Risks of Community Violations	<ul style="list-style-type: none"> <li>• Noise and odor.</li> <li>• Causing local traffic congestion.</li> </ul>	• Noise and odor.	<ul style="list-style-type: none"> <li>• Noise and odor.</li> <li>• Loss of local property value.</li> </ul>	• N/A	• N/A

In 2017, integrated analysis incorporated the topics of supply chain social responsibilities and the investment of the six major assets involved, primarily human resource capital, intellectual capital and social capital for the supervision and audit of supplier operations. For the processes of resource exchange, we proposed relevant management indicators and best solutions while incorporating suppliers and contractors into our ESG risk assessment as the basis for tiered management and audits. This not only helps to reduce risks for AUO but also create more opportunities for collaboration.





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## 2-5-2 Raw Material Suppliers and Production Contractors

AUO manages its raw material suppliers and production contractors using the ESG (Environment, Society, Governance) approach, which covers aspects including quality, service, green product, production, environmental/safety/health risk, labor management, ethics and so forth. An Audit Team comprising personnel from the Quality, EHS, Procurement, R&D, and HR Departments is responsible for performing qualification assessments of new suppliers and contractors.

Only those that pass the assessment are allowed to conduct business with AUO. For existing suppliers, the Audit Team also conducts regular audits and assessments to ensure the quality of supply.

### Supplier ESG Management

Due to the many types of different suppliers and contractors involved in the optoelectronic industry, AUO's Annual Audit Plan is developed based on the material quality requirements of the product supplied. Suppliers that present higher environmental or social risks are subject to more stringent audits to conform to RBA standards. In the environmental aspect, AUO completed audits on 87 suppliers in 2017; 15 were new suppliers (new supplier audits) and 72 were existing suppliers (annual audit). The ratio of new supplier audits came to 40.5%. As for audits in the social aspect, audits were completed on 96 suppliers; 16 of which were new suppliers and the remaining 80 were existing suppliers. The ratio of new supplier audits came to 43.2%.

From the results of environmental non-compliance, AUO found 114 instances in the audits for new suppliers, with the majority of non-compliance falling under the category of management system for sub-optimal introduction of ISO 14001 and OHSAS18001 Certification. The suppliers in question were asked to rectify the situation by AUO. For existing suppliers, there were 680 instances of environmental/safety/health non-compliance, with the majority of non-compliance being inadequate emergency response reporting and exercises under the category of Health and Safety. The Company has already requested suppliers to review their procedures and take relevant measures to ensure the effectiveness of relevant mechanisms.

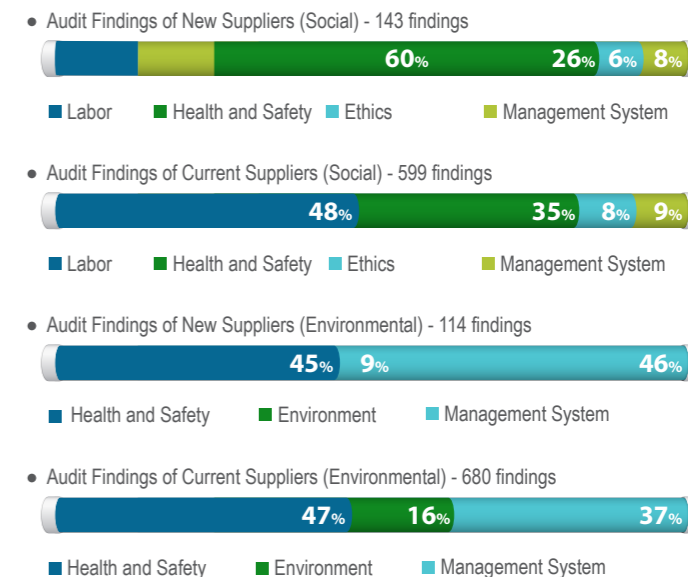
As for audits in the social aspect, 143 instances of non-compliance were found among new suppliers while existing suppliers had 599 instances of non-compliance, primarily related to overtime work under the category of Labor. The suppliers in question were instructed to make immediate rectifications and may only resume a business relationship with AUO when the rectifications have been verified.

### Supply Chain CSR Risk Survey

In addition to fulfilling our corporate social responsibilities, AUO has also taken the initiative to evaluate and manage the CSR risks of its supply chain in order to facilitate differentiation management for suppliers. Starting from 2015, AUO has requested suppliers in the Critical Tier-1 to fill out a "CSR Risk Assessment for Suppliers and Contractors", with contents covering three major aspects of economy, society and environment. The economic aspect investigates suppliers' financial standing, corporate governance, business continuity plan and other management issues; the social aspect is more concerned with labor rights, security of personal information and ethical conduct, while the environmental aspect addresses issues such as fire safety, pollution management, environmental/safety/health system introduction, and so forth. The score of the assessment is incorporated as a part of the supplier's performance evaluation, along with other items such as delivery, quality, design and so forth to determine the targets of AUO's Annual Audit.

In 2017, AUO selected 82 suppliers of direct and indirect materials from who AUO purchased heavily and all contractors to complete the "CSR Risk Assessment for Suppliers and Contractors on the online system". After evaluating the assessments, 6 suppliers and 1 contractor were identified as having high risks and have been included in the list for the annual EICC Audit in 2018.

### Audit Findings







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**2-5-3 Response to Conflict Minerals**

Conflict Minerals is regulated that all U.S. listed companies are bound to comply with. Companies are also required to disclose the progress and outcome of their investigations in a separate Conflict Minerals Report, and submit this report to U.S. Securities and Exchange Commission (SEC) along with the Annual Financial Report. As a publicly listed company in the U.S., AUO submitted its Conflict Minerals Report in May 2017 as required by law.

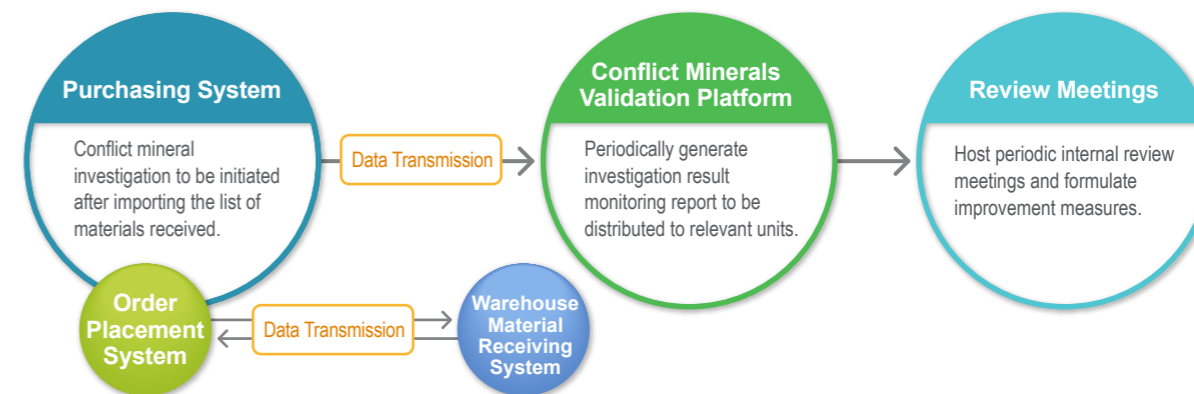
To ensure that all products comply with the requirements of conflict minerals regulations, AUO has established its Conflict Mineral Material Management Process that basically integrates relevant information from the Order Placement System (under the Procurement System) and Warehouse Inventory System. Once all relevant material lists have been compiled, relevant investigation is initiated on the Conflict Mineral Verification Platform, which generates routine reports and relevant monitoring reports to be given to relevant units. The Company also periodically reviews the progress of conflict mineral verification during regular internal meetings and formulates relevant improvement measures to ensure legal compliance for all products.

AUO demands all raw material suppliers to provide information concerning conflict minerals, including the name and location of refinery sites and the source of minerals. All reported information is reviewed by AUO and documented in the digital system "GPARS". More than 120 suppliers and 3,700 material categories were surveyed in 2017 to ensure that all of AUO's sources for gold (Au), tantalum (Ta), tin (Sn) and tungsten (W) did not come from regions with conflicts.

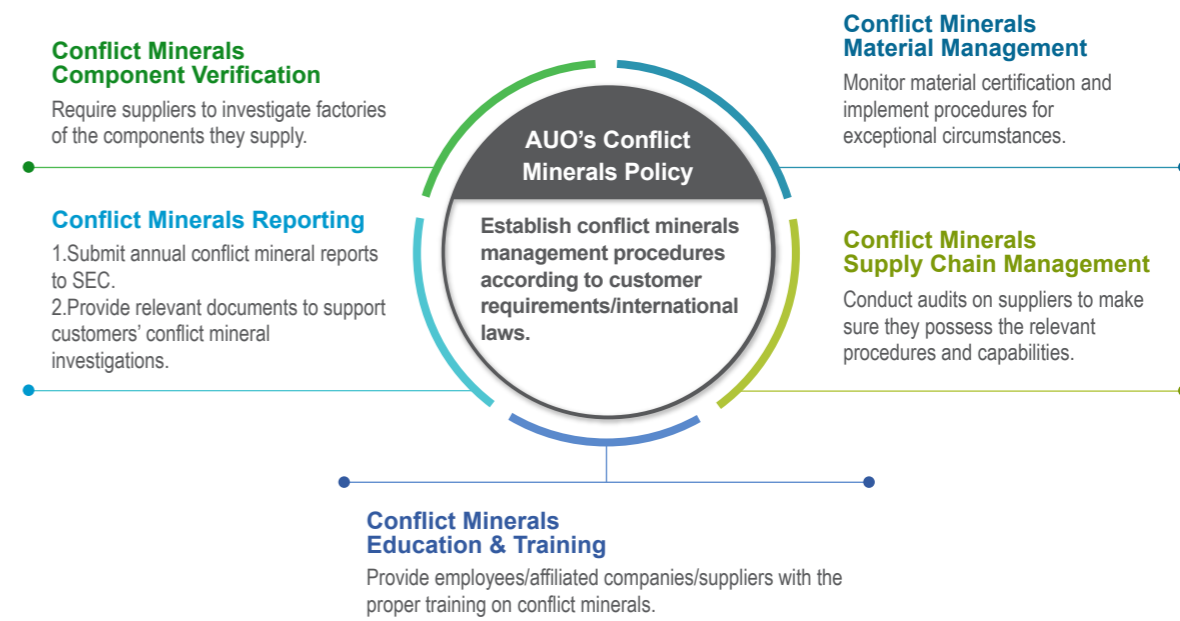
With regards to training on conflict minerals, AUO has held relevant annual trainings for employees to consolidate their knowledge and familiarize them with their roles and responsibilities in the work place. The training covers content including explanations of pertinent regulations, an introduction to the procedure of conflict mineral management, organization and responsibilities, and an introduction to relevant system tools. In 2017, AUO held 2 internal online courses.

To ensure its suppliers fulfill their responsibilities and duly implement conflict mineral management, AUO began audits of conflict minerals management on its suppliers in 2015. Through the audits, the suppliers are examined for their conflict mineral management practices and whether their practices met AUO's requirements. In 2017, conflict mineral management audits were conducted on 137 suppliers (216 audits in total).

**AUO's Conflict Minerals Management Structure**



**Conflict Mineral Material Management Procedure**



# 3

## Green Production and Innovation



### 3.1 Green Performance

### 3.2 Green Production

### 3.3 Product Innovation

#### Copper Liquid Waste

Zero copper liquid waste.

**0** waste

#### Reduced Total Sludge

Reduced total sludge in 2017 by 16% compared to 2014 (target achieved).

Reduced **16%**

#### Reduced VOCs

Reduced VOCs in 2017 to 1.21 g/m<sup>2</sup>.

**1.21** g/m<sup>2</sup> in 2017

#### Ecological Survey of Xiaoli River

Ecological survey of Xiaoli River completed in 2017, two years after AUO has recycled 100% of its production water

**Survey Completed**

#### Water Recycle

Achieved 90.7% water recycling rate – 146 million tons of water recycled in 2017

Recycling Rate **90.7%**

#### Established Controlled Chemicals

Established 108 categories of controlled chemicals – added new substances controlled by international law, increasing the total to 108 categories

Established **108** categories



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### Environmental Goal 2020



#### World's Current Status

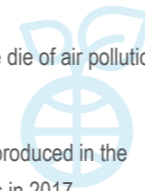
##### Water resource

- Water resource has been identified by 2016 World Economic Forum (WEF) as the third most critical risk



##### Environmental burden

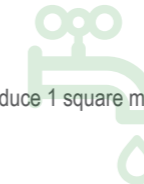
- According to WHO's estimates, 7 million people die of air pollution each year
- According to UN's estimates, electronic waste produced in the world will amount to 200 Empire State Buildings in 2017



#### AUO's Current Status

##### Water resource

- **0.43** cubic meters of water is used to produce 1 square meter of product.
- **90.7%** of water is recycled



##### Environmental burden

- Pollutants per unit of production are:
- VOCs: **1.21g/m<sup>2</sup>** (target achieved)
  - Copper liquid waste: **0kg/m<sup>2</sup>** (target achieved)
  - HF: **2.54 kg/m<sup>2</sup>** (target achieved)
  - 4Sludge: **25,294 tons** (target achieved)



#### AUO Target Before 2020

##### Water resource

- Water reduction – reduce production water intensity by **30%**
- Water creation – Taichung site users **10,000** tons of water per day
- Water neutrality – assist suppliers to save **5,000** CMD of water to achieve water neutrality



##### Environmental burden

- Pollutants per unit of production are:
- Reduce VOCs by **5%** compared to 2014 (1.58g/m<sup>2</sup>)
  - **Zero** copper liquid waste
  - Reduce HF by **5%** compared to 2014 (3.25 kg/m<sup>2</sup>)
  - Reduce sludge by **16%** compared to 2014 (31,778 tons)



Note 1: Only representative items are disclosed herein, not all targets of environmental burden



# 3-1 Green Performance

## 3-1-1 Material and Emission

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Glass Substrates			
17'	<b>95,134.5</b>	16'	62,232.0
		15'	106,911.7

Liquid Crystal			
17'	<b>88.6</b>	16'	83.8
		15'	76.9

Developer			
17'	<b>13,362</b>	16'	11,438.3
		15'	

Total Water Used			
17'	<b>32,570.4</b>	16'	26,982.2
		15'	27,244.6

Rainwater			
17'	<b>18.9</b>	16'	15.5
		15'	15.6

Total Energy Consumed			
17'	<b>18,948,808.8</b>	16'	16,684,892.4
		15'	15,936,832.9

LPG			
17'	<b>12,904.5</b>	16'	12,177.7
		15'	12,886.4

ArrayStripper <sup>1</sup> Usage			
17'	<b>78,320</b>	16'	77,110
		15'	71,530

ArrayStripper Use of Renewable Materials(%)			
17'	<b>88.5</b>	16'	88.1
		15'	88.1

AluminumEtchant			
17'	<b>10,560</b>	16'	11,231.0
		15'	

Fresh Water			
17'	<b>32,542.7</b>	16'	26,926.7
		15'	26,701.3

Production Water Recycle Volume			
17'	<b>146,685.7</b>	16'	133,163.6
		15'	120,886.2

Purchased Electricity			
17'	<b>18,215,728.2</b>	16'	15,956,824.4
		15'	15,276,372.1

Diesel			
17'	<b>97,306.3</b>	16'	91,144.0
		15'	44,479.1

Photoresist Usage			
17'	<b>2,931.8</b>	16'	5,181.4
		15'	

Photoresist Use of Renewable Materials			
17'	<b>0.1</b>	16'	0.2
		15'	

CFThinner			
17'	<b>1,538.0</b>	16'	1,133.0
		15'	1,040.0

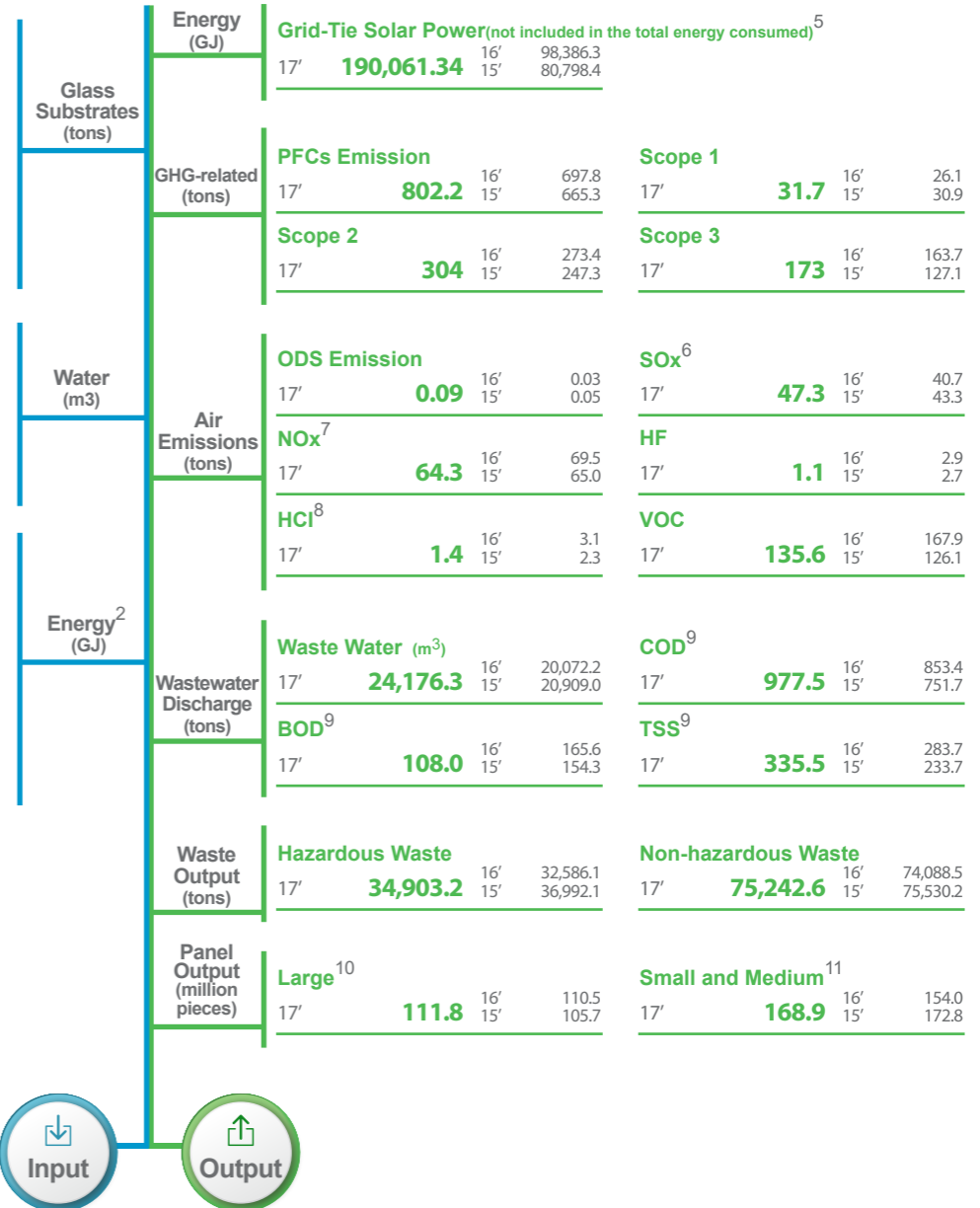
Ground Water			
17'	<b>8.7</b>	16'	40.0
		15'	527.7

Production Water Recycle Rate(%) <sup>4</sup>			
17'	<b>90.7</b>	16'	92.2
		15'	88.0

Natural Gas			
17'	<b>622,388.0</b>	16'	624,269.5
		15'	602,480.4

Self-generated Solar Power			
17'	<b>481.8</b>	16'	469.1
		15'	606.9

Wind Power			
17'	<b>-<sup>3</sup></b>	16'	7.7
		15'	7.9



Note 1: Due to the change in the calculation of stripper usage, the quantities for 2015-2017 have been recalculated

Note 2: Coefficients on energy (including total energy use, purchased electricity, natural gas, LPG, diesel and so forth) are taken from statistics provided by the Bureau of Energy for reference purposes

Note 3: AUO's wind power generation facilities were located in Taichung (3) site and installed at the exhaust duct of the site. Due to deterioration over the years and damage from various typhoons, the system was no longer able to resume normal operation. After careful assessment, the costs of servicing to restore the system would far outweigh the amount of power saved by the system and as such, all wind power generation facilities have been shutdown.

Note 4: Production water recycle rate = production water recycle volume/volume of fresh water used

Note 5: Including Sungen I, Sungen II, Sungen III, Sungen IV and AUO sites (Hsinchu, Tainan, Kaohsiung, Huaya, Longtan and Longke)

Note 6: Annual emissions volume was calculated in accordance with periodical testing and calculation standards required by law. (Applicable only to Taiwan)

Note 7: Annual emissions volume was calculated in accordance with periodical testing and calculation standards required by law. (Applicable only to Taiwan)

Note 8: Annual emissions volume was calculated in accordance with local laws for the respective sites. (Applicable only to Taiwan and Singapore)

Note 9: Due to considerations of impact from waste water discharge on natural water body environments, waste water is discharged in one of two ways: proprietary and collective (applicable to sites in Taiwan, China and Singapore) Proprietary discharge (water is self-treated until it conforms to standards); wastewater is regularly tested for quality and measured for volume; collective discharge (water is channeled and treated at the industrial park's water treatment plant); wastewater is regularly tested for quality and measured for volume by the industrial park.

Note 10: Large-size panels refer to 10-inch and above.

Note 11: Small and medium-size panels refer to any size below 10 inches.





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### 3-1-2 Environmental Accounting

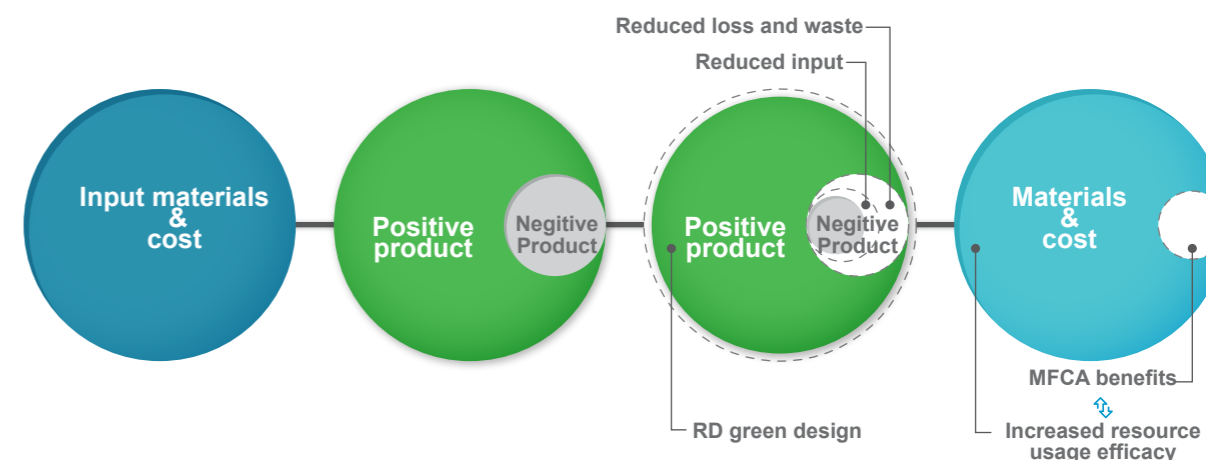
AUO's environmental accounting practices began in 2009. In 2011, a system was developed and established in order to calculate environmental costs for China and Taiwan sites. By 2012, systems were completed for European and Singapore sites. The total environmental protection expenditure in 2017 came to approximately NT\$ 3.68 billion – a 25% increase from 2016. This includes a current expenditure of NT\$ 2.51 billion, which is 4.1% more than that of 2016 while the capital expenditure was NT\$ 1.16 billion. Today, environmental accounting has become an integral reference point in AUO's environmental management system.

■ Current Expenditure<sup>1</sup> ■ Capital Expenditure<sup>2</sup> Unit: NT\$ thousands

Year	Operating Costs			Upstream and Downstream Related Costs	Management Costs	R&D Costs	Social Activity Costs	Loss and Remedy Costs	Other Environmental Protection Costs	Subtotal
	Pollution Control Costs	Global Environmental Protection Costs	Resource Sustainability Costs							
2017	Total Costs	703,116	407,672	227,844	52,739	15,056	2,934	87	350,681	2,518,021
	Capital Expenditure	1,072,288	17,430	27,634	0	95	0	0	43,890	1,161,337
2016	Total Costs	615,939	574,061	186,090	53,294	23,667	6,593	416	289,025	2,406,190
	Capital Expenditure	524,393	6,494	2,678	0	0	0	0	0	533,565
2015	Total Costs	594,183	294,452	135,769	56,517	19,242	4,249	100	214,608	1,953,250
	Capital Expenditure	413,213	16,558	83,375	0	4,326	0	0	0	517,472

### Material Flow Cost Accounting

Starting from 2015, AUO adopted source inspection as a way to examine its energy resource efficiency and embraced the goal of zero waste as the optimal path to cost reduction. With material and production flow as the fundamental framework, material flow cost accounting (MFCA) enables AUO to review its overall resource material and energy resource efficiency to achieve the two-fold benefit of resource usage optimization and minimization of environmental impact so as to create more profit for the company while contributing more to external environmental protection. Longke site adopted MFCA in 2017 along with other improvement projects such as molybdenum recycling, target material usage optimization, adjustment in bonding adhesive purchase volume and so forth to enable supervision and monitoring through ISO 14000 environmental management system solutions.



Note 1: Current expenditure: refers to expenditure that produces effect only within the current period. Also known as revenue expenditure, it generally includes personnel, utilities, materials, maintenance and testing expenses.  
 Note 2: Capital expenditure: refers to expenditure that produces effect beyond one accounting period and can be capitalized into assets; it generally includes sites, equipment and construction projects.



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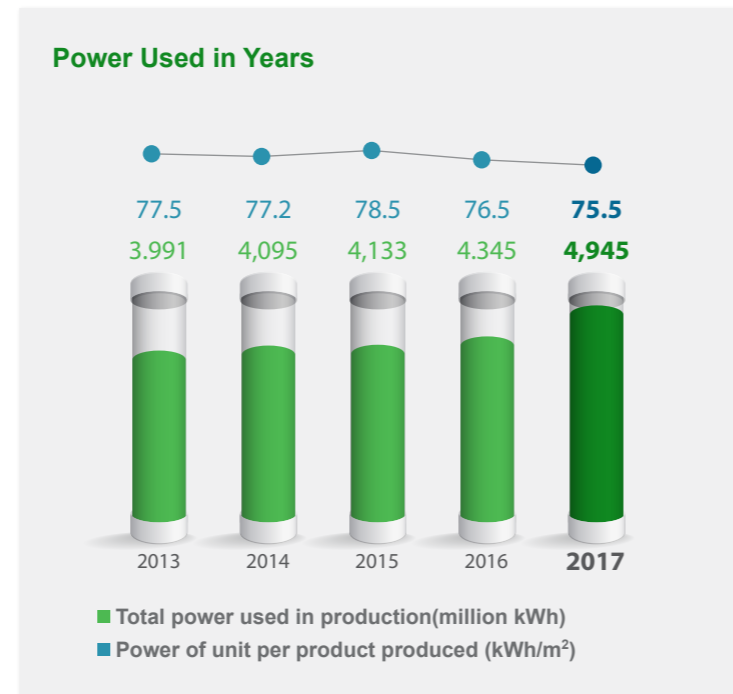
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## 3-2 Green Production

### 3-2-1 Energy Efficient Production

5.06 billion kWh of energy was consumed by AUO in 2017 on the global scale, of which 4.945 billion kWh was consumed for manufacturing process. It was an increase from that of 2016 due to capacity enhancement, but the power consumption per unit area has been decreasing from 77.5 kWh/m<sup>2</sup> in 2013 to 75.5 kWh/m<sup>2</sup> in 2017, which translates to an improvement of 3%. AUO is always searching for better energy-saving solutions in the hopes of improving our performance.

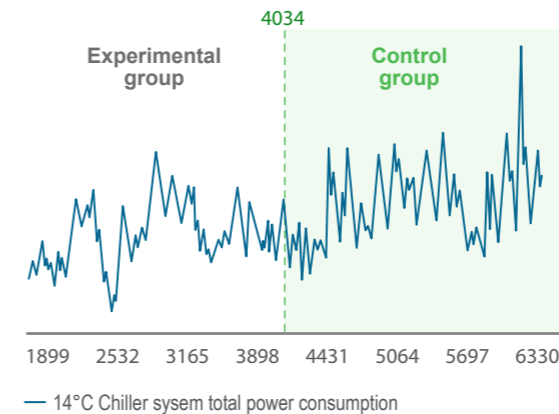


### Improvements in Energy-Saving Technologies

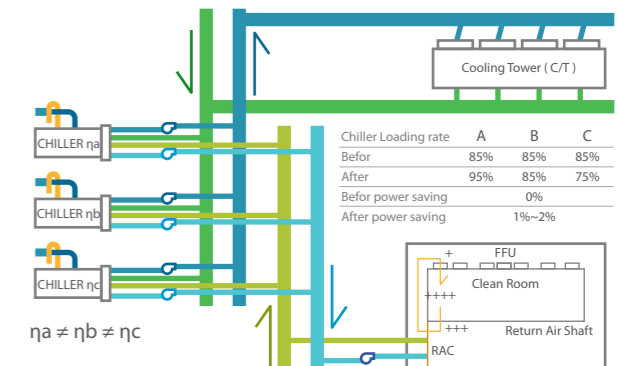
With regards to the adoption of new energy-saving technologies, AUO has introduced big data analytics for its chillers to achieve optimal operations. By analyzing the correlation between chiller load and chiller power consumption, the goal is to identify the optimal load for each chiller unit in order to get the best performance.

Without compromising the stability of the high temperature cooling water supply system, deliberate adjustments were made to chiller temperatures to obtain corresponding outputs that were then processed with big data analysis and sophisticated programs to construct a regression model. The model was designed to automatically compute the specific temperature setting for each chiller unit to achieve variable output water temperature configurations with the sole purpose of balancing the loads. This makes it possible to increase the load for units with better performance while units that operate at less efficiency would have reduced load so that the overall chiller system can operate at minimum power consumption as a whole.

### Time Serials Plot of 14°C Chiller system total power consumption



### Chiller System Optimization



Expected Result:  
**1.29** million kWh of electricity save per year

Energy saving rate at approximately  
**1.9%**

Note 1: The calculation of power consumed per square meter of panel manufactured is based on the total area of product manufactured in 2017 as the denominator.



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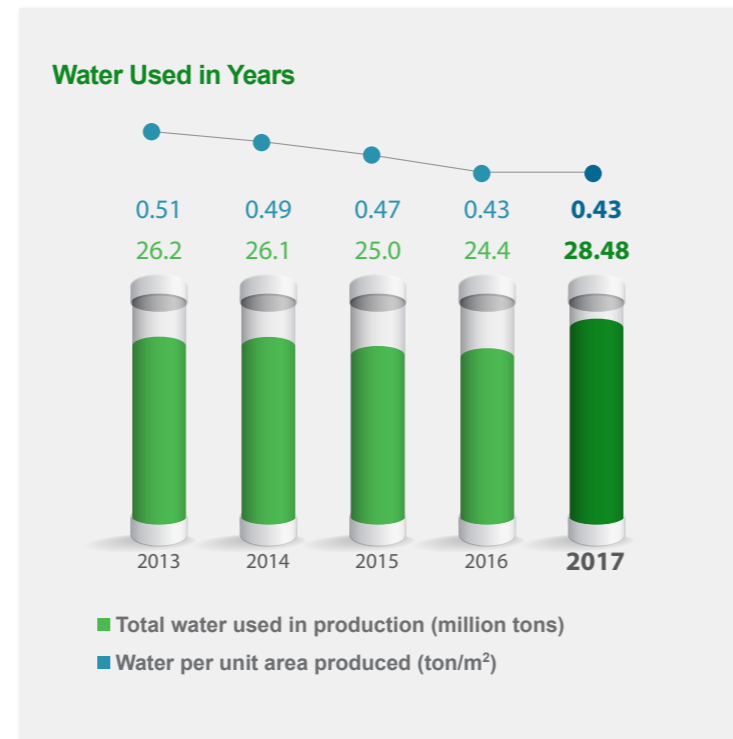
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### 3-2-2 Water Efficient Production

The development, distribution and management of water resources have become a key issue for economies and societies across the world due to extreme climate. Although there had been no severe drought in 2017 as we had seen in 2015, AUO intends to improve its green technologies and water resource management to face the challenges ahead.

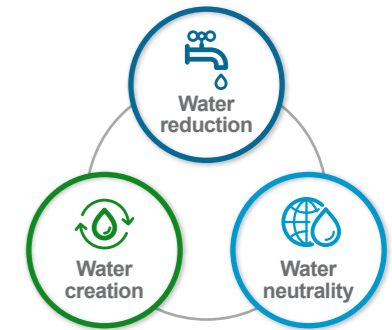


### AUO Water Target 2020 and Progress in 2017

With regards to water resource development, AUO aims to achieve three specific goals of water reduction, water creation and water neutrality by 2020 in Taiwan.

The target for “Water Reduction” is to reduce water use intensity by 30% through the development of more advanced process technologies and improvements to the efficiency of water treatment equipment; the target for “Water Creation” is to recycle 10,000 tons of water per day at the Taichung site, greatly improving the Company’s water independence while supporting national water resource policy; the target for “Water Replenishment” is to take Lungtan site’s full recycling of processed water to a new level. This will be achieved through internal reductions, as well as supporting the supply chain with water-saving technologies and services, to effectively reduce water consumption within the suppliers, aiming to water neutrality in Taiwan.

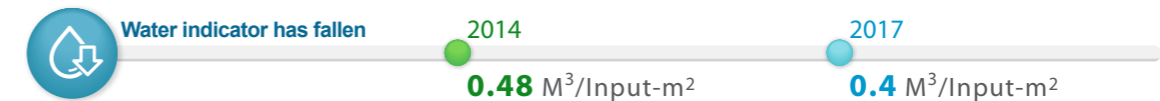
### Three specific goals of water resource development



### Decrease of Water Intensity in Production by 30%<sup>1</sup>

In terms of water reduction indicator, AUO has installed various wastewater treatment facilities such as ultra-filter (UF), pigment low recycling system and membrane bio-reactor (MBR) recycling system and so forth at Taichung site this year. These new facilities will save approximately 1.04 million tons of recycled water. For 2017, AUO’s water reduction indicator has fallen from 0.48 in 2014 to 0.4 m<sup>3</sup>/Input-m<sup>2</sup>, which is close to 56% of the goal for the second year.

In the future, apart from continuing to improve upon relevant constructions, AUO will also actively respond to government policies on the introduction of reclaimed water in order to make further progress towards the goal of 30% water reduction.



Note1: AUO Water 2020 targets are only applicable to sites in Taiwan



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### Reclaimed Water Development Policy: 10,000 CMD in Taichung site

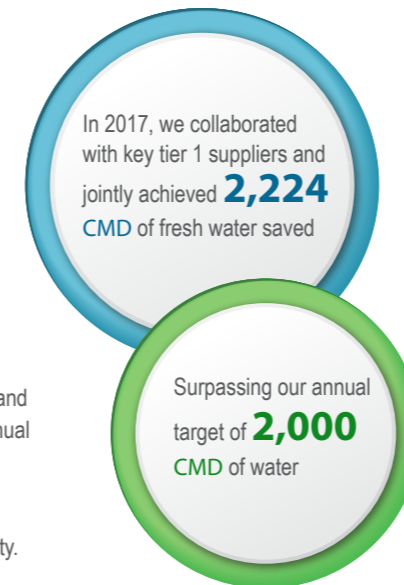
Geographically, Taiwan is situated in a region with plenty of seasonal winds and due to the effects of stationary fronts during seasonal changes and typhoons in the summer; the island should have plenty of water resources all year round. However, due to its unique topography, the abundant water resources cannot be effectively retained on the island. So despite having the highest density of reservoirs around the world, Taiwan remains in the top 18 countries worldwide to suffer from water shortages. The legislation of the Reclaimed Water Resources Development Act in 2014 has paved the way for domestic sewage to become a stable source of systemic reclaimed water. Coupled with the allocation of government budget towards the construction of the “six plus one” demonstration facility in 2017 and the injection of forward-looking funds, the municipal government and competent authorities have been actively involved in matching the supply with demand. In consideration of the risks of water resource shortage that could be caused by climate change, AUO has expressed enthusiastic support on the government’s promotion for using reclaimed water and took the initiative to introduce 10,000 CMD of reclaimed water at its Taichung site. And as such, AUO has been assessing the feasible demand for reclaimed water from Shuinan and Fengyuan for Taichung and Anping for Tainan in 2017.



### Water Neutrality Project: 1-on-1 Communication with Key Tier 1 Suppliers

Starting from 2016 onward, AUO has been inviting its supply chain partners to discuss and communicate on the topic of effective water conservation and management so as to proactively prepare for potential water shortages and mitigate factors of uncertainty for sustainable operation in the future in light of the risks of water shortage due to climate changes and the increased frequency in flooding and drought in Taiwan in recent years. AUO’s target is to leverage its external influence to achieve 5,000 CMD of water saved by 2020. In 2017, we have collaborated with our key tier 1 suppliers and jointly accomplished 2,224 CMD of fresh water saved, thereby surpassing our annual target of 2,000 CMD.

For 2018, AUO intends to collaborate with its new venture/subsidiary U-Fresh Technology Inc. to make further progress in the area of environmental sustainability. Hopefully through relevant technologies developed in the past and experiences in practical project integration, AUO will be able to assist the sector to cope with the environmental protection standards that have become more stringent by the day whilst leading our supply chain partners to the blue ocean of opportunities in environmental issues as the public awareness for environmental protection grows higher and higher.



### 3-2-3 Wastewater Management

With past incidents of river pollution caused by companies illegally discharging wastewater with excessive concentration of pollutants, public outrage and petitions for more effective measures to be taken has led to the enactment of Water Pollution Control Act in 2015. The Act has posed significant challenges to the sector with regards to wastewater management. The Act was enacted in the spirits of “Enhanced Risk Prevention”, “Higher Penalties and Liabilities”, “Tracing of Illicit Gains”, “Incentives for Misconduct Reports” and “Information Disclosure” in order to strengthen existing management and penalties concerning water pollution control so as to ensure companies involved in relevant violations receive their due penalties.

#### Timely Response to Impacts of the Regulation

In 2017, the Water Pollution Control Act has undergone significant amendments, including effluent standard, water pollution prevention measures, testing and reporting management procedures and so forth. In the article on discharge permit cancellation for specific businesses, new contents added to the standard include: stricter control on heavy metal concentration, new addition of tin as a heavy metal, effective residual chlorine and a list of controlled hazardous substances that originally appeared under Article 14.1.

#### AUO had taken the initiative to conduct self-assessment for risks of water pollution, the Act was still in draft.



##### Inspection and testing

1. Testing for tin and other hazardous substances in effluent
2. Through adequate front-end processes and streaming measures at the sites, AUO was able to ensure that effluent from its sites show no hazardous substances in testing.



##### Monitoring management

With regards to the stricter control on high risk heavy metals, AUO has also installed high sensitivity real-time monitoring at sites with proprietary discharge to dramatically reduce the risk of abnormal discharge.





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## 2018 Further Water Quality Improvement Project – Reduction of Ammoniacal Nitrogen Wastewater

With regards to water pollution prevent technology, Huaya site has completed the planning of its wastewater treatment system in 2017 to incorporate BioNET®: Biological New Environmental Technology to achieve the reduction of ammoniacal nitrogen in effluent. Featuring porous carriers as the medium in the reactor tank, the technology increases interception of suspended solids and due to the numerous open pores on the carriers, they help with the stability of effluent current. In 2017, Huaya site's ammoniacal nitrogen discharge came to 31,610 kg/y – an impressive 40.1% reduction compared to that of 2016.

Features:

A

The porous carriers offer large surface areas for the proliferation of microorganisms that accumulate to remove various pollutants.

B

Porous carriers in the reactor tank offer the advantages of higher load, high efficiency and high stability. It facilitates the cultivation of specific nitrification bacteria.

C

The fixed bed structure makes operations easy.

D

With regards to the treatment of organic pollutants, porous carriers are twice more effective compared to traditional activated sludge.

E

Compared to activated sludge, BioNET generates lower amount of suspended solids in the effluent without requiring a sedimentation tank. Not only that, it also generates less sludge waste compared to activated sludge.

## Xiaoli River Ecological Survey

In an effort to understand the ecological impact full process water recycling at Longtan site on Xiaoli River, AUO proactively and voluntarily formed external ecological survey teams to carry out a three-year ecological survey from 2015 through 2017 on a quarterly basis. The entire project concluded in the winter of 2017. Data collected in 2015 reflected the status of Xiaoli River ecology before Longtan site implemented full process water recycling while data from 2016 and 2017 were gathered after full process water recycling was in place. The data collected from the ecological survey provided valuable information on 12 major types of organisms in the Xiaoli River ecosystem.



Apart from the discovery of various species worthy of concern such as Cyprinids (NT), Begonia, Luisia, Black Eagles, Mandarin Ducks, Red Bamboo Snakes, Eastern Water Snakes, and Golden-Ringed Dragonflies, comparison of data before and after the implementation of full process water recycling showed an increase in two sensitive species of Lake candidus dace and Macrobrachium asperulum. However, algae and plankton indicators showed no significant changes in the span of three years. No conclusions can be drawn on the changes of Xiaoli River ecosystem and full process water recycling based on the data from output samples. Potential factors that might have played a role include changes in bodies of water, changes in rainfall as well as interaction with other sources of pollution and as a result, species, their distribution and water quality could all be affected. In short, after AUO's Longtan site implemented full process water recycling, the burden on Xiaoli River ecosystem has definitely been lightened. But due to other factors of influence, no conclusive statement could be made regarding the direction of change that the river ecosystem has exhibited.



2015

- Initiation of scientific identification on the Xiaoli River ecosystem
- Completion of full process water recycling at the Longtan site

2016

- 1st year of ecological survey after full process water recycling
- Scope of the survey covers ecosystems on land and in water

2017

- 2nd year of ecological survey after full process water recycling
- Comparison of differences in river ecosystem before and after full process water recycling



For more information of Xiaoli River Special Report, please check the following website:  
[https://auo.com/en-global/Report\\_and\\_Certificate/download/1581](https://auo.com/en-global/Report_and_Certificate/download/1581)





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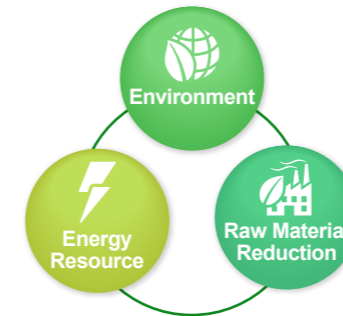
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### 3-2-4 Air Pollution Control

In setting the goals for 2017, AUO has adopted three major indicators for energy resource, environment and raw material reduction with relevant follow-up and management for specific targets under each indicator. Each month, through the compilation of relevant statistics and meetings for review and improvement, AUO has managed to affirm the progress and result of each solution that has been implemented. AUO has managed to accomplish the targets for most of the management indicators under environment in 2017. Not only that, the company has already achieved the targets for 2020 this year in specific areas, such as volatile organic compounds (VOCs) emission, sludge generated and raw material indicators.



#### Impact of Poor Air Quality and Countermeasures

In light of the deteriorating air quality during fall and winter seasons that inadvertently led to worsened living environments, EPA has established a number of control measures in 2017, such as requesting businesses to establish emergency prevention plans for worsened air quality, increasing the rate for fixed source of pollutant for air pollution control fee and so forth. Some competent authorities even advocated for businesses to adopt the volume of VOCs emission as the control threshold for emergency prevention measures. Given the fact that the air pollutant emission factors established for the optoelectronic industry was derived from dated information and data from more than a decade ago, present day optoelectronic companies have been mistakenly perceived as the main culprit for air pollution for their VOCs emission and were thus put under the spotlight as the targets for reduced production.



#### Compliance with Self-governance Articles in Cities

Starting from 2012, due to multifactorial considerations for energy usage safety and reducing thermal power generation as a source of significant environmental pollution, municipal governments have made it mandatory for production plants operating on contract capacities to install renewable power generating facilities at specific capacities.

In AUO's action plan to operate Taiwan's largest roof-top solar powered site, the company has already achieved a generating capacity of **41.9 MW**

Note 1: VOCs indicator spelled out for GP management only include sites with CEMS, covering Huaya, Longtan, Longke, Taichung and Houli.



#### Reduction of Air Pollution Control Fee and Clarification as the Main Contributor of VOCs Pollution

To address this problem, the Taiwan TFT LCD Association (TTLA) has been involved in the application to enable members of the association to establish their emission factor for air pollution control fee since 2011. In 2018, official announcement regarding the renewal of air pollutant emission factor for TTLA has been made by EPA to make the payment of air pollution control fee more accurately reflect the industry's emission status, resulting in a dramatic reduction of overall risks from air pollution control fee by more than 80% with a reduction of approximately NT\$ 40 million in air pollution control fee. This is much more in line with the spirit of user pays principle for air pollution control fee and helps to vindicate the common misconception for optoelectronic industry as the main contributor of VOCs emission.



#### Construction Improvements for Better Performance

In typical optoelectronic manufacturing processes, VOCs are tightly collected at the front end of the process and once the exhausts reach the rear end of the process, it would be processed through the best available control technology (BACT) – zeolite rotor concentrator and regenerative thermal oxidizer before emission.

In 2017, in order to achieve further reduction of VOCs emission at Longtan site, apart from updating two of the zeolite rotor concentrators, AUO has modified the process by cooling the exhausts (with relatively high emission concentration) through a heat exchange before reintroducing it to the rotor concentrator to dramatically reduce the environmental burden from VOCs emission.

In addition, as the valves for the exhaust system have been replaced with tight-sealing types, they have significantly reduced effusion in the flues. This is how AUO has managed to reach the target for 2020 since last year and we have set a higher target for VOCs indicator

Reduce VOCs emission to **1.21 g/m<sup>2</sup>** of output



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**3-2-5 Reuse of Waste**

AUO adheres to the spirit of the circle economy and ensures that relevant process wastes are reused in production where possible before certified treatment service providers and recyclers are commissioned to handle the wastes and only when there is no alternative means of disposal will the company resolve to send it to incineration facilities or landfills. Presently, AUO has been recycling over a dozen of usable wastes such as: liquid crystal glass, plain glass, thinner (EBR), acetone, hydrofluoric acid, indium dust, indium epoxy, active carbon, containers, mixed metal scrap, recycled materials, electric arc furnace dust and so forth. The furnace dust collected from the air pollution prevention equipment can be further processed through dissolution, filtered pressed and chemically displaced to become sodium fluorosilicate sediments, which can be made into industrial grade sodium fluorosilicate to be used as the raw material for fluorinating agents, metallurgy and production of pure silicon. The recycling of ITO (indium tin oxide) etchant is achieved by installing the resin absorption system on specific machinery. The resins are handed over to recyclers of precious metals after process to reclaim indium slag through means of desorption. The slags would be further refined into indium ingots. Indium is not only a rare metal but also a strategic reserve resource and the fact that AUO is able to recycle indium reflects the company's achievement in urban mining. After the method of introducing electroextraction to etchants as a way to produce copper tubing was adopted at Houli site in 2016, the system is also incorporated at Longke site this year in order to turn the copper liquid waste that had no economic value into copper metal resources.

In addition, reduction at the source is another key aspect of waste reduction for AUO. The introduction of the molybdenum absorption resin system at Taichung site in 2017 has led to a reduction of sludge generation by 56%. On top of that, the total volume of hazardous waste in Taiwan is 18,857.45 tons per year, of which an extremely tiny amount of 0.01% comes from nickel cadmium batteries. Following the spirit of the Basel Convention, these substances are shipped to developed countries for recycling treatment.

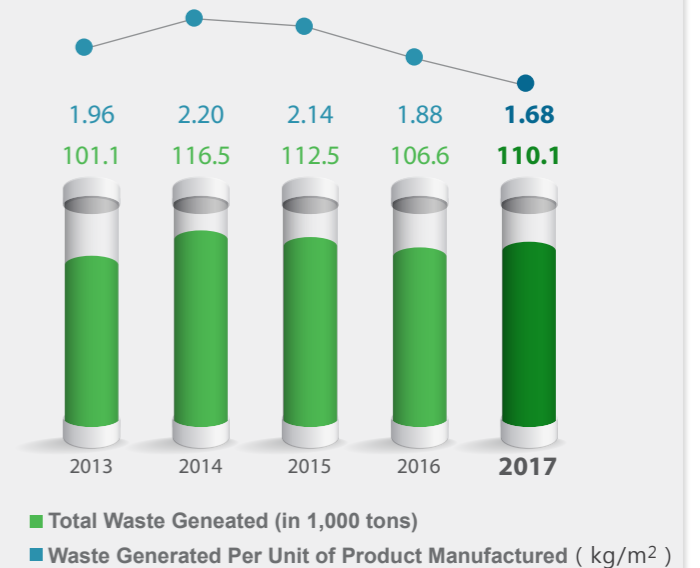
**2017 Waste Output**

	Hazardous	Non-hazardous <sup>2</sup>	Total
Recycled	17,236.30	61,970.26	79,206.56
Incinerated	3,477.76	7,094.11	10,571.87
Landfilled	5,657.71	5,846.52	11,504.23
Others <sup>1</sup>	8,531.46	331.73	8,863.19
<b>Total</b>	<b>34,903.23</b>	<b>75,242.62</b>	<b>110,145.85</b>

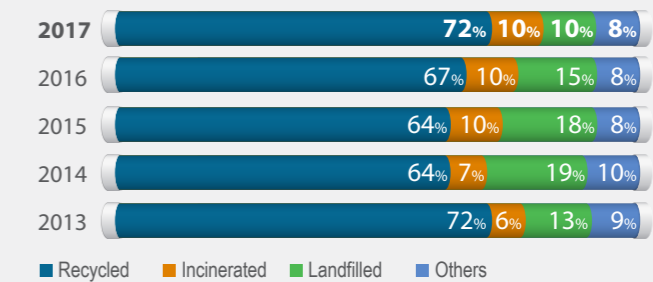
Note 1: Other: hazardous wastewater is from sites in Singapore and non-hazardous chemical wastes are from sites in Taiwan

Note 2: Non-hazardous wastes – domestic (1) Wastes from sites in Suzhou and Xiamen are estimated based on the number of collections and average loading. (2) Domestic wastes from Hsinchu site are not included. (3) Manure and feces from sites in Hsinchu, Suzhou, Songjiang, Xiamen, Czech Republic and Slovakia are not included.

**Changes in Production Waste**



**Percentage of Waste Treatment by Method**





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### Losses Incurred from Environmental Pollution

 An audit on business waste at Hsinchu site by environmental protection unit found the code use by AUO for waste declaration to be inconsistent with the definitions published by the competent authority.

Countermeasures and Corrective Actions

AUO has taken the initiative to communicate with the competent authority regarding clarifications on the codes for business waste to ensure correct code usage in future declarations.

Amount of Fine (NT\$) **6000**

 Wastes generated at the Tainan site exceeded the maximum volume as stated in the Waste Disposal Plan by 10%

Countermeasures and Corrective Actions

Relevant revisions will be made to the Waste Disposal Plan

Amount of Fine (NT\$) **6000**

### Management of Waste Service Providers

In Taiwan, AUO conducts routine annual audits for waste service providers involved in actual transportation of wastes for disposal. For waste service providers that require additional attention, the company also performs random surveillance to ensure that waste is treated in a legitimate manner. In 2017, AUO conducted a total of 43 regular audits and 7 ad-hoc audits for its waste service providers by focusing on back-end product flow. At the same time, the company has been communicating with service providers regarding issues they might have encountered during the process of disposal so as to work together on overcoming specific challenges to facilitate smooth waste disposal process.



### An Example of Circular Economy – Zero Copper Liquid Waste Output

Specific targets have been set in Green Production (GP) 2020 regarding the risks of acceptance and elimination of copper liquid waste generated during manufacturing process. And as such, AUO has also set its target of “zero copper liquid waste” for 2020 by evaluating the feasibility of introducing copper tube recycling operation at all production sites that have adopted copper processes in manufacturing. In 2017, Longke and Houli sites have already achieved their copper liquid waste targets by achieving a full circular economy and recycling 28.59 tons of high purity copper tubes to dramatically reduce the operating costs for commissioned incineration and the environmental burden it creates.

 More information of Circular Economy is here:  
[https://auo.com/en-global/Report\\_and\\_Certificate/download/1581](https://auo.com/en-global/Report_and_Certificate/download/1581)

## 3-2-6 Development of Legal Cloud Platform

From the previous chapters and sections, it is evident that large manufacturing businesses face many challenges in an attempt to react immediately to the changes in relevant regulations. To this end, AUO has verified close to 500 regulations that pertain to the environment, safety and health. After much deliberation and assessment, the company has decided that the incorporation of a systemic database on relevant regulations to be an essential action for improvement. And thus, AUO has commissioned a professional third-party that specialize in the operation of legal data database in 2017 to custom build a legal platform with features that are aligned to AUO's operations.

### An Effective Platform of Legal Regulation Communication

Generally speaking, when responsible units have to work with sophisticated laws and regulations on environment and safety, situations of discrepancy in cognitive perception could easily arise. If contents of pertinent laws and regulations were given directly to responsible units for independent evaluation and verification, it would surely lead to miscommunication with the sites of operation. And as such, we have instead opted to extract corresponding portions of regulations that relate to the actual operations being performed to be parsed by dedicated environment and safety personnel into simple and easily understandable text for personnel at onsite units. As a result, the contents are presented in a sequential order that correspond to the articles in the related regulation to make the handling and comprehension of environment and safety regulations more manageable.

### A Legal Database that Supports Real-time Management

Compared to other laws, regulations on environment, safety and health are subjected to frequent revisions due to changes in external circumstances. And as such, being consciously aware in the specific changes that have been made in the regulations and defining effective management actions in order to ensure due compliance by onsite units have become the key to the development of this legal platform. With this platform, whenever the need for an issue to be explained arises internally/externally, AUO will be able to update its internal management practices immediately based on the latest legal requirements and notify the responsible unit for compliance. In addition, the management will be able to utilize this legal database to gather relevant information such as public hearing for potential laws and regulations at the draft stage, negotiations, corresponding countermeasures for potential impact from the enactment of regulations from draft and so forth for proper management in the database.

### Dynamic Review of Legal Compliance

Once the management practices that correspond to pertinent laws have been established, through law/regulation identification by responsible units and audit of legal compliance at onsite units on the basis established previously, AUO will be able to monitor the status of legal identification rate and legal compliance for the entire company (by site and by department) in real time. By follow-up on the items of non-compliance as shown through the management system, AUO will be able to ensure due implementation of its P-D-C-A cycle of continual improvement while significantly ensuring material legal compliance for the company.





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## 3-3 Product Innovation

### 3-3-1 Control of Hazardous Substance

#### Continual Compliance with RoHS<sup>1</sup> 2.0 for Display Products

The European Union announced the RoHS 2.0 directive on June 4 2015, the recast contains allowance to add new materials, and 4 hazardous substances have been added to increase the total from 6 to 10 hazardous substances, including four specific phthalates. The directive will take effect after 22 July 2019.

In an effort to ensure that all products continue to conform to the requirements of RoHS 2.0, AUO has revised its green product hazardous substance management regulation (Ver.14) on January 1 2016 to raise the management level for four specific phthalates to Banned class A. This means that suppliers are now required to declare to AUO for the absence of the banned substance with test report for Banned Class A chemicals as evidence to reduce the risk of products violating the RoHS directive.

#### Policy dissemination and training

AUO has held two supplier conferences in Taiwan and China in June and July 2017 respectively to relay RoHS 2.0 related policies and requirements to the participating suppliers. For employees, AUO has also resorted to different channels and means such as internal e-newsletter, broadcasting and offering training courses to help employees heighten their green product awareness while ensuring personnel involved in relevant processes to have adequate understanding of the roles they play and the responsibilities they have been entrusted with in order to facilitate the promotion of RoHS 2.0 related policies.

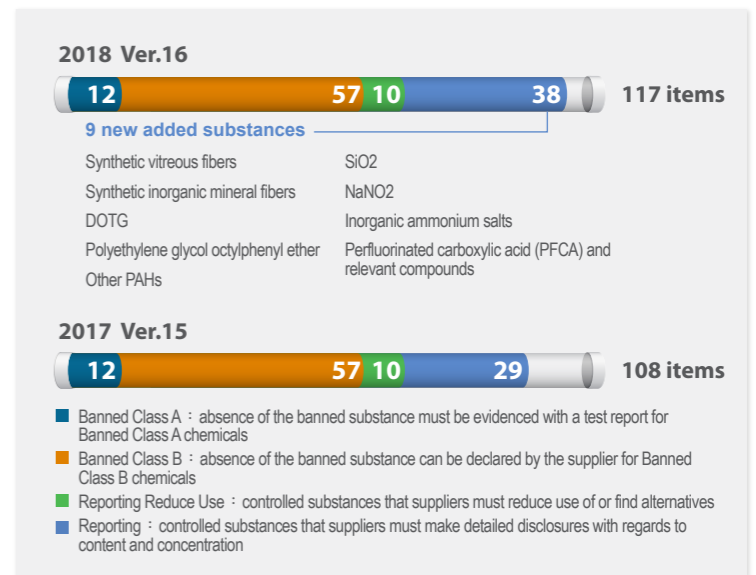
#### The control of display products and materials

AUO launched its RoHS 2.0 upgrade plan in August 2016. The plan involves the active promotion for "Green Product Hazardous Substance Management Regulation" for products and materials to be updated to Ver.14 and above along with periodical issuance of monitoring report and continued observation and supervision of relevant units in their execution. After a year of implementation, AUO has achieved significant improvements in relevant areas and successfully introduced card-based control mechanism for RoHS 2.0 production management in October 2017. The mechanism requires materials to be verified for RoHS 2.0 conformity before they can be fed to the production line for manufacturing. In other words, starting from October 2017, AUO is able to guarantee that all products shipped are RoHS 2.0 compliant.



#### AUO's Green Product Hazardous Substance Management Regulation Ver. 16 – Display Products

In order to achieve the goal of selecting materials that are environmental friendly so as to improve compliance with customers' management for hazardous substance while meeting the expectations of our stakeholders, AUO would verify and affirm relevant demands for all key clients, international laws and latest trends in environmental protection on a yearly basis. These demands and requirements would serve as the basis for the revision of the "Green Product Hazardous Substance Management Regulations" for the following year during the 4th quarter of the current year. AUO's Green Product Hazardous Substance Management Regulation Ver. 16 for 2018 will take effect on Jan 1 2018 and the list contains a total of 117 controlled substances to ensure compliance with pertinent international regulations and customer demands.



Note 1: RoHS: The Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS) Directive (2002/95/EC)



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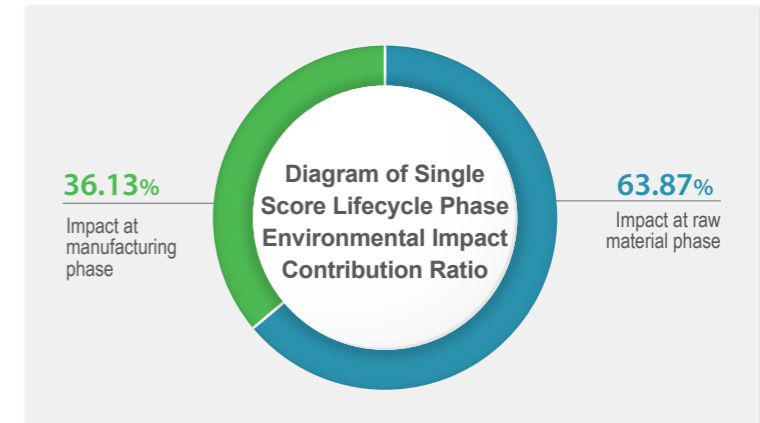
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**3-3-2 Innovation Design and Process Improvement**

**Product Environment Footprint Project**

In an effort to faithfully capture and shed light on the extent of product lifecycle's impact on local environment to ensure accountability on the manufacturer's part while boosting the company's environmental performance so as to help clients to respond to the global green opportunities brought by the disclosure of environmental impact information, AUO has taken the initiative by choosing 65" product manufactured at its Longke site as the target of product lifecycle impact assessment in accordance with the structure laid out by the International Reference Life Cycle Data System (ILCD) to assess the product on 15 indicators of environmental impact. At the raw material phase, hotspot of emission has been identified as the target of environmental impact by examining the discrepancies between the volume specified in material flow management and the actual input. Results of environmental impact were assessed at the manufacturing phase and purchased power turned out to be the emission source that showed the greatest environmental impact. And as such, AUO has sought to improve its energy performance through the operations of its energy management system by covering aspects such as energy efficiency, usage, consumption and intensity while reducing its energy costs, GHG emission and other environmental impacts.



**Technological Development in High Penetration Panels**

The market for mobile devices has continued to grow in recent years. As consumers' demand for ultra-high definition (UHD) and energy-saving panels grew, AUO has introduced low-temperature polycrystalline silicon (LTPS) process for its Laptop panel development. LTPS is a panel technology that involves high electron mobility and with it as a technological basis, we could strive for even higher definition, reducing the size of sub pixel TFT switch component and the black matrix (BM). This will lead to improved light penetration (back light utilization rate) to achieve better power efficiency! Compared to a-Si panel technology, UHD panels offer a panel penetration rate by 30%.

Backplane Platform	A-Si	LTPS
Electron mobility rate (cm <sup>2</sup> /V-s)	0.5~1.5	50~500
Pixel aperture ratio(%)	Base	Reduced BM(X&Yaxis) to expand the transparent area of the aperture ratio
Power Saving Ratio(%)	Base	Saving 30%

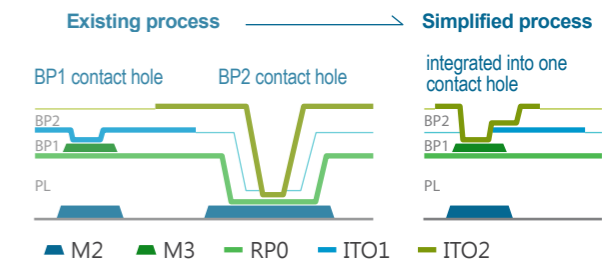
**Photomask Process Reduction**

Compared to traditional LCD panels, LTPS TFT (Low Temperature Poly-silicon) offer advantages such as faster response speed, high resolution, high brightness, low power consumption while delivering better image quality. LTPS TFT with incell TP (iTP) design makes it possible to embed sensor circuitry inside the LCD panel and thereby makes the end-product even more compact with higher resolution. However, it does come with the drawback of requiring two additional photomasks, which impacts yield rate and adds to the production cost.

The objective of the project is to operate on the premise of not increasing capital expenditure by utilizing existing facilities to increase the monthly output of LTPS iTPs. This will be achieved by combining the two processes of adding BP1 and BP2 to the iTP sensor component into one single process. However, it will require the Fab involved to improve its line width control and etching process. As shown in the illustration below, the structure of LTPS TFT involves contact holes of different depths and the width of the two contact holes require precise control in order to correspond to the specifications of high resolution smartphones. With LTPS Kunshan (L6K) site as an example, combining the processes of BP1 and BP2 could potentially increase maximum output capacity for all iTP products by as much as 38%. Presently, photomask design and initial etching process testing have already been completed and product development and testing are expected for completion in June 2018.

	Existing Process	Simplified Process (as feature in this project)
Number of photomask	11	10
BP1	1 photomask	Combined as 1 photomask
BP2	1 photomask	

**Cross-sectional diagram of iTP structure ( 11 photomasks -> 10 photomasks)**







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### Freeform Panel

In contrast to traditional a-Si panel technologies, LCD with LTPS TFT offer the advantages of having smaller components, lower drive voltage, higher reliability and so forth. And as such, LCD manufactured with LTPS technology provide superior specifications in higher penetration rate, better power performance and narrow bezels. Because of these selling points, the technology has been a crucial weapon in AUO's arsenal in driving its technological capabilities forward in recent years.

With the rising popularity of full-screen smartphones, screen-to-body ratio<sup>1</sup> has become a key indicator that consumers take into consideration when choosing smartphones. Screen-to-body ratio can be expressed as the ratio of a phone's display area and the frontal area of the phone itself. The higher the ratio, the more information it will be able to display. Traditional methods of increasing screen-to-body ratio have involved reducing the borders. However, such reductions have been limited and could easily compromise the structural integrity and reliability of phones.



And as such, we are beginning to see non-conventional specifications that do not conform to the 16:9 aspect ratio; by designing displays with 17.5:9 or 19:9 aspect ratios, smartphone manufacturers have managed to get their products to display more contents without changing consumers' grip width. Not only that, some phones have also featured freeform designs with notches in order for the entire front side of the phone to be used for image display. With its strength in integrated manufacturing that the company has accumulated in the past, AUO has commenced the design and development of full high definition (FHD+) + Notch + iTP products with its clients in Q3 of 2017 and successfully lighted up and submitted the prototype in Q4 2017. Hopefully, we will be able to steer the direction of next-gen smartphone exterior design for 2018.

### Reduction in Chemical for Copper Processing

As the panel resolution continues to grow higher, copper processing has become a necessary component in panel manufacturing with significant amount of copper liquid needed in the manufacturing process. In an effort to continue with the reduction of chemical while cutting down on the discharge of chemical wastes, AUO has introduced 2nd generation copper liquid in conjunction with new manufacturing process design to achieve the reduction targets. The 2nd generation copper liquid feature new chemical ingredients that contain higher concentration of copper ions that offer longer duration of use to deliver higher product output while achieving the target of 20~30% reduction. In addition, given the same volume of wastewater discharge, 2nd generation chemical makes it possible to reduce COD by approximately 40% compared to the 1st generation chemical, thereby reducing the burden of pollution from discharge and costs of treatment.

Longke L6B site		Houli L8B site	
annual volume of 1st gen chemical at site is around 5,100 tons and the new chemical is expected to reduce the annual volume by 1,275 tons		annual volume of 1st gen chemical at site is around 6,500 tons and the new chemical is expected to reduce the annual volume by 1,625 tons	
expected annual reduction by <b>1,275 tons</b>		expected annual reduction by <b>1,625 tons</b>	
Taichung (3)			
annual volume of 1st gen chemical at site is around 2,700 tons and new chemical is expected to reduce the annual volume by 675 tons		annual volume of 1st gen chemical at site is around 1,700 tons and new chemical is expected to reduce the annual volume by 425 tons	
expected annual reduction by <b>675 tons</b>		expected annual reduction by <b>425 tons</b>	

Before improvement		After improvement	
1st gen copper liquid		2nd gen copper liquid	
Unit price for the chemical (NT/Kg)			
<b>High</b>		<b>30% reduction</b>	
Cu ion Lifetime (ppm)			
<b>6,000</b>		<b>9,000</b>	
Dosage (L/m <sup>2</sup> )			
<b>High</b>		<b>Reduction by 20~30%</b>	
Safety			
<b>High</b>		<b>Higher</b>	
COD (mg/L)			
<b>160,000~200,000</b>		<b>80,000~120,000</b>	

Note 1: The screen-to-body ratio represents the relative ratio of the screen area to the front panel area of mobile phone. It is a parameter that makes the product design of the mobile phone better in terms of visibility.



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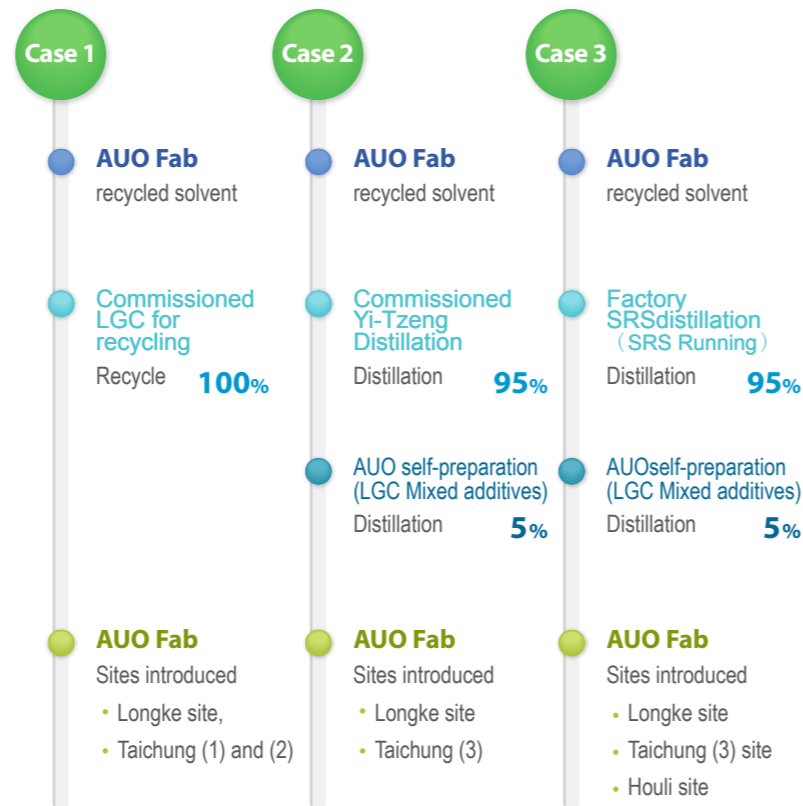
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**Stripping Solvent Recycling**

LCD manufacturing process involves the use of high quantities of stripping solvent and AUO has been constructing recycling systems for stripping solvents at different sites in order to reuse the solvents. To achieve the goal of 100% stripping solvent recycling, the company has opted to reduce chemical waste discharge and treatment. At the moment, AUO has chosen to commission external recycling service while using the self-constructed recycling facilities at the sites by collaborating with two suppliers to achieve the goal of recycling and reuse.



**High-end E-sport LCD Panel**

Having committed to the market of e-sport displays for years, AUO remains ahead of the competition by developing professional flat, bezel-less e-sport LCD panels that deliver faster refresh rates and more refined picture quality. In order to deliver the finest in gaming experience for professional gamers, AUO has been working with NVIDIA – global leading brand name in video processing technologies to develop the NVIDIA G-SYNC™ HDR technology, which enables versatile adjustment of screen refresh frequency based on dynamic or static image display to achieve better energy efficiency. Not only that, high-end HDR technology renders the contrast for darker areas in games more vivid while presenting more details and layers in bright and dark images.

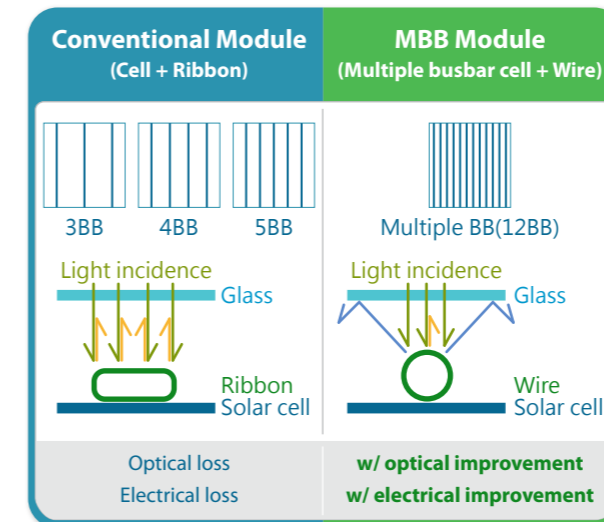
In addition, QLED wide color gamut technologies have also been incorporated to achieve optimal color rendering to dramatically increase the feeling of realism in gaming. AUO is the first company in the world to launch 27" e-sports display products that feature UHD 4K and 144Hz refresh rate with advanced HDR technologies and Adobe RGB 99% high color saturation. Not only that, AUO's 35" WQHD (3440 x 1440) e-sports display panel delivers an incredible 200Hz refresh rate with the same advanced HDR technologies. Coupled with an ultra wide 21:9 curved panel, the product is built to deliver the most immersive e-sports experience.

**Advanced and Highly Efficient Solar Modules**

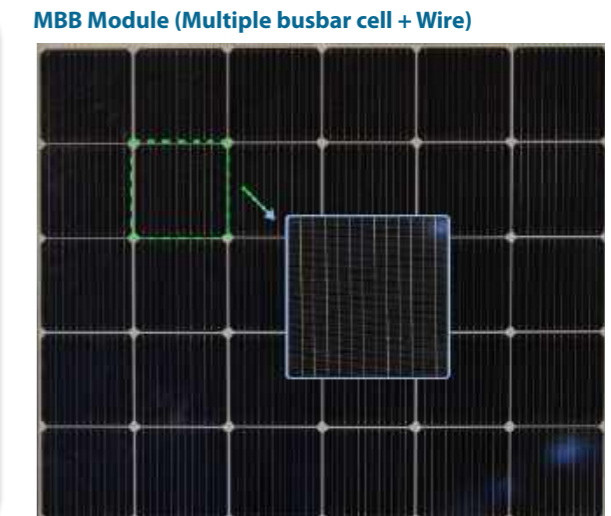
In recent years, due to the growing severity of climate changes around the world, humankind has been paying more attention to the topic of "energy conservation and carbon reduction". In light of the growing awareness for environmental protection, AUO has always been dedicated to the development of advanced and highly efficient solar modules as a leading brand name in the green energy industry. We have already used MMB cell (multiple busbar cell) interconnecting technologies in solar modules to increase optical gain while reducing ohmic losses.

At the 2017 Taiwan International PV Exhibition, AUO showcased its 72-cell MBB high efficiency solar module with an impressive power rating of 395W. By improving the photoelectric conversion rate for solar modules to facilitate higher adoption for PV applications, AUO has endeavored to fulfill its commitment to promoting green energy.

**Advanced and Highly Efficient Solar Modules – (technical features)**



**Advanced and Highly Efficient Solar Modules– (actual picture)**



# 4 Responding to Climate Change

## 4.1 Climate Change Governance

## 4.2 GHG Emission Reduction

## 4.3 Carbon Footprint in Value Chain

### Green Packaging

Packaging material recycling rate for 2017 came to 93.11%

Recycling rate **93.11%**

### Production process related PFCs

As of 2017, production process related PFCs has reduced by 14.7 million metric tons of CO<sub>2</sub>e

**14.7** million metric tons

### Energy Resource Management

Total energy conserved in 2017 came to 6,863.7million kilowatt-hours, approximately 1.55% of annual energy conservation

**6,863.7** million kilowatt-hours

### Low-carbon Transportation

Adjustments were made to the transportation methods of shipments to reduce approximately 631 tons of carbon emission in 2017, an improvement by 8%

Reduced **631** tons

### Carbon 2020

AUO's Carbon 2020 proposal (announced in 2015) to reduce carbon emission by 1 million tons in five years – the progress made thus far is 45.6% in 2017

Reduced **45.6%** in 2017

### Roof-type Solar Plants

The cumulative installation of roof-type solar plants in AUO Taiwan sites reached 125MW in 2017

Reached **125** MW



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**Responding to Climate Change**

Climate change is a global issue. With the goal of limiting the increase of global temperature by no more than 2°C in mind, the potential risks and opportunities from expanding production capacity and market opportunities is something that needs to be taken into account as part of AUO’s business strategy in advance. And as such, AUO has referred to Climate Change Reporting Framework (CDSB) and “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” (TCFD) as the basis for the company’s overall reporting and management operations.





## 4-1 Climate Change Governance

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### 4-1-1 Policy

The AUO CSR Committee is responsible for developing mitigation and adaptation measures that combat climate change in accordance with UN Sustainable Development Goals (SDGs).

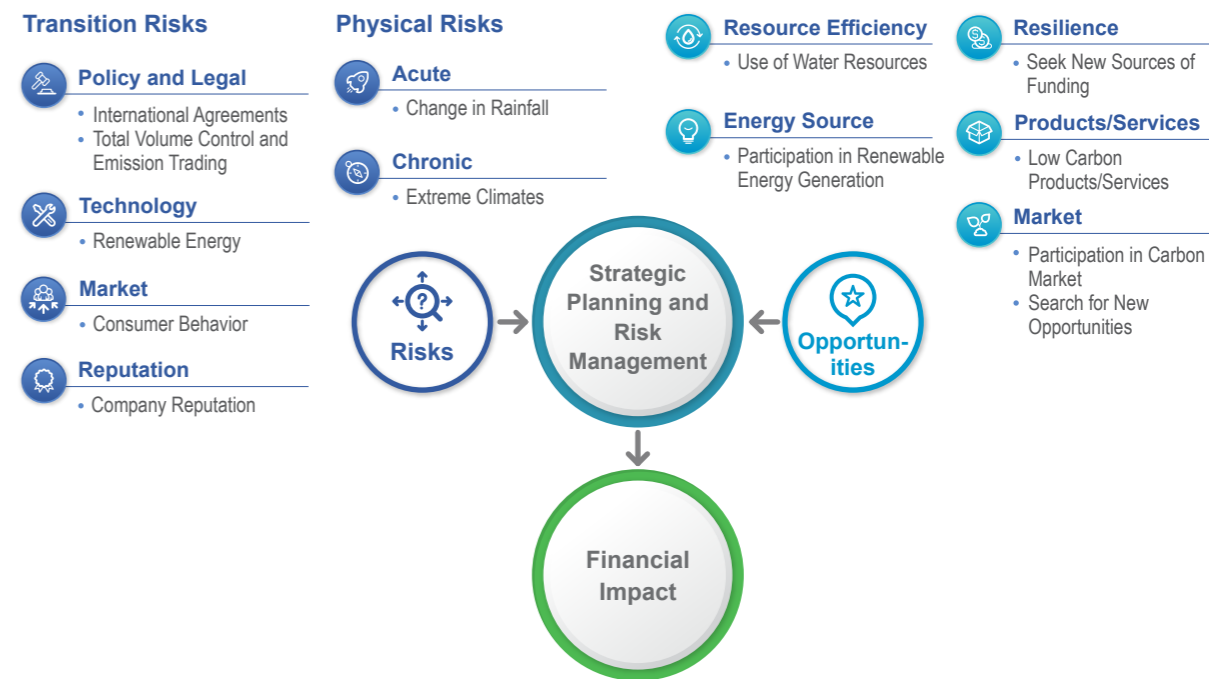
AUO has formulated climate change management strategies as the basis for risk and opportunity evaluation as well as GHG reduction and carbon credit management.



### 4-1-2 Risk and Opportunity

Climate change can lead to economic and political impacts at both local and global scales, and it is the vital issue to be discussed in the annual risk identification process conducted by the Risk Governance Subcommittee under AUO's CSR committee. Fifty-eight (58) risks and opportunities defined in the risk-driving items and opportunity items from CDP guidance that incorporated the risks and opportunities defined by TCFD were selected for matrix quantification to determine the likelihood of occurrence, the magnitude of impact and the potential cost if it did occur. Seven (7) main risks were identified for 2017, including international agreements, caps and emission trade schemes, renewable energy, extreme climates, change in precipitation patterns, change in consumer behavior and market reputation while 6 opportunities of water resource usage, participation in carbon market, low-carbon products and services, seek new sources of funding, participation in renewable energy and search for new opportunities have been selected as key issues for 2017.

### AUO Climate-Related Risks, Opportunities and Financial Impact Diagram



Note: With regards to the financial impact from climate change, as AUO is still in the process of conducting its internal evaluation, relevant quantified financial data will not be fully disclosed in this report but will be covered in greater detail in future CDP report.





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**Analysis of Material Climate Change Issues**

Risks					
Aspects of Identification	Aspects of Identification	Risk drivers	Concerned parties	Risks and Opportunities	Management methods
<b>Transition Risks</b>	<b>Policy and Legal</b>	<b>International agreements</b>	• AUO	Global commitment leads low-carbon development and increases the responsibility in carbon reduction and its accompanying risks.	<ul style="list-style-type: none"> <li>• Continue to implement AUO's Carbon 2020 strategy.</li> <li>• Set SBT target.</li> <li>• Continue to work towards the goal of 1.5% annual power conservation rate through adopting ISO 50001 and investing in energy-saving projects.</li> </ul>
	<b>Policy and Legal</b>	<b>Cap and emission trade schemes</b>	• AUO	Initiative to be launched by Taiwan's EPA in two years. The initiative will limit emissions from most AUO fabs and raising operating costs.	<ul style="list-style-type: none"> <li>• Communicate with government through industry associations to ensure appropriate emission caps and distribution mechanisms.</li> <li>• Establish internal carbon pricing to manage and reduce emissions.</li> <li>• Conduct GHG inventory.</li> </ul>
<b>Transition Risks</b>	<b>Technology</b>	<b>Renewable energy</b>	• AUO • Customer	Clean energy regulations have been proposed by local or central governments around the world, requiring businesses to generate or purchase a certain amount of renewable energy.	<ul style="list-style-type: none"> <li>• Invest in solar businesses.</li> <li>• Establish rooftop solar PV systems at AUO's 8 fab buildings in Taiwan (completed in 2017).</li> </ul>
<b>Physical Risks</b>	<b>Acute</b>	<b>Change in precipitation pattern</b>	• AUO	Changes in precipitation pattern could cause a prolonged period of water shortage and present challenges to production water supply	<ul style="list-style-type: none"> <li>• Continue to implement AUO's Water 2020 strategy.</li> <li>• Contract new fabs according to the LEED (U.S. green building) standard and introduce water-saving designs.</li> <li>• Develop full-recycling system for process water.</li> </ul>
<b>Physical Risks</b>	<b>Chronic</b>	<b>Extreme climates</b>	• Supply Chain	Climate change is likely to affect the strength and frequency of floods and droughts and AUO's suppliers may not be able to mitigate or adapt to some of these impacts	<ul style="list-style-type: none"> <li>• Conduct company-level BCP on supply shortage.</li> <li>• Implement annual supply chain risk management.</li> <li>• Construct supply chain risk map.</li> </ul>
<b>Physical Risks</b>	<b>Market</b>	<b>Consumer Behavior</b>	• AUO • Customer	Environmental awareness is rising among general consumers and therefore, AUO's brand customers would request the company to offer products with better environmental performance that surpass the legal requirements.	<ul style="list-style-type: none"> <li>• Continue to develop energy-efficient TFT-LCD panels.</li> <li>• Develop high-efficiency solar panels.</li> <li>• Establish environmental footprint systems for product management.</li> </ul>
<b>Transition Risks</b>	<b>Reputation</b>	<b>Reputation</b>	• Investor	ESG considerations becoming increasingly important, with investors looking at CSR as an important factor in their decision-making	<ul style="list-style-type: none"> <li>• The CSR Committee has been established to manage and promote AUO's sustainability performance.</li> <li>• Take part in major international ESG/sustainability assessments such as DJSI, CDP, MSCI, FTSE and so forth and improve upon relevant management while sharing AUO's experience with other industries/organizations.</li> </ul>



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## Opportunities

Aspects of Identification	Risk drivers	Concerned parties	Risks and Opportunities	Management methods
<b>Resource Efficiency</b>	<b>Use of Water Resources</b>	<ul style="list-style-type: none"> <li>• AUO</li> <li>• Customer</li> <li>• NGO</li> </ul>	Annual precipitation in Taiwan has been decreasing and becoming unstable in recent years. And as such, manufacturers with lower water dependence would have greater advantages in the TFT-LCD market. Compared to other competitors in the TFT-LCD market, AUO has a better chance of adequately adapting to climate change and responding to local expectations from customers and NGOs.	<ul style="list-style-type: none"> <li>• With Longtan site's zero wastewater discharge technologies, AUO has established its GreenArk display hall to showcase the company's water conservation technologies. This not only provides a chance for AUO to inspire other companies but also prompted AUO to set up U-Fresh Technology Inc. as a spinoff to focus on the development of new water resource products and services. The spinoff has also taken part in the discussion of specific water resource issues in the formulation of government policies.</li> </ul>
<b>Market</b>	<b>Participation in Carbon Market</b>	<ul style="list-style-type: none"> <li>• AUO</li> <li>• Customer</li> </ul>	In light of change in global climate and the effects of global warming, the government has promulgated various incentive measures to promote alternative energies in order to reduce the demand for traditional energy generation, thereby reducing the emissions of carbon dioxide during the generation process.	<ul style="list-style-type: none"> <li>• Governmental promotion and incentives for green energy have brought the opportunities for AUO to involve itself in the construction of solar power plants.</li> </ul>
<b>Market</b>	<b>Search for New Opportunities</b>	<ul style="list-style-type: none"> <li>• AUO</li> </ul>	In light of the government's new energy policies, AUO will endeavor to create new opportunities.	<ul style="list-style-type: none"> <li>• AUO will continue to work with other businesses and academic institutions to develop solar power generation systems.</li> </ul>
<b>Products/ Services</b>	<b>Low-carbon products or services</b>	<ul style="list-style-type: none"> <li>• AUO</li> <li>• Customer</li> </ul>	Stay ahead of the market trends and ensure stable product supply in order to ensure that the demands of foreign and local customers are met; this will improve customers' satisfaction from AUO's sustainable products and services	<ul style="list-style-type: none"> <li>• Establish supply contracts</li> <li>• Make suitable adjustment to pricing for products and services</li> <li>• Strengthen collaborative relationship</li> </ul>
<b>Resilience</b>	<b>Seek New Sources of Funding</b>	<ul style="list-style-type: none"> <li>• AUO</li> <li>• Banks</li> <li>• Shareholders</li> </ul>	AUO investors have adhered to the principles of Green Economy and Equator Principles by investing in ESG and solar power related businesses.	<ul style="list-style-type: none"> <li>• Establish CSR Committee and actively improve upon ESG related operations</li> <li>• Improve upon the transparency of climate change and carbon management data disclosure so that investors would be more inclined to finance AUO to take part in more green investments</li> </ul>
<b>Energy Source</b>	<b>Participation in Renewable Energy Generation</b>	<ul style="list-style-type: none"> <li>• AUO</li> </ul>	Having been involved in a long-term investment that spanned from 2012 through 2016, the company will continue to involve itself in the solar power generation business in 2017. Promote the Market of Green Electricity Trading	<ul style="list-style-type: none"> <li>• AUO will demonstrate its capacity to construct different types of solar power plants.</li> </ul>

## CDP Disclosure

Ever since 2007, AUO has proactively responded to CDP questionnaire and has been participating in customer Supply Chain Program surveys. Both of which have been regarded as strategic tools in response to climate change. Not only that, the participation has reflected the company's support for "CDP Commit to Action" advocacy by pledging to fulfill its responsibility to disclose relevant information that relates to climate change while responding to the international demand for carbon emission transparency. The disclosed information includes AUO's climate change strategies, risk and opportunity analysis, GHG emission inventory, third-party verification, GHG reduction targets and performance, and the company's approach to carbon-related issues. As a member of CDLI for three consecutive years starting from 2013, AUO has made significant progress in three dimensions of climate change governance, risk and opportunity management and GHG verification. AUO received an A- in the 2017 CDP combined score of disclosure and performance and fell in the Leadership CDP score category; only 10 companies from Taiwan have received this impressive score from CDP for the year.

Taking a closer look at AUO's ratings in the 2017 CDP climate change survey, AUO received an A- rating in the category of Emissions Management and performed the best with regards to Governance and Strategy for having actively collaborated with suppliers to respond to issues of climate change, thereby earning the highest A rating; for Risk and Opportunity Management, AUO did moderately well with a B rating. CDP pointed out that the company will need to present more concrete responses to the risks and opportunities that global climate change and water resources would bring in the future. In light of the results and suggestions on future improvements, AUO will adhere to the inventory and scope of certifications that have been adopted for 2017 in the contents and disclosures to be made for the 2018 CDP survey with a heavier emphasis on TCFD framework and outcomes on carbon management for the company.



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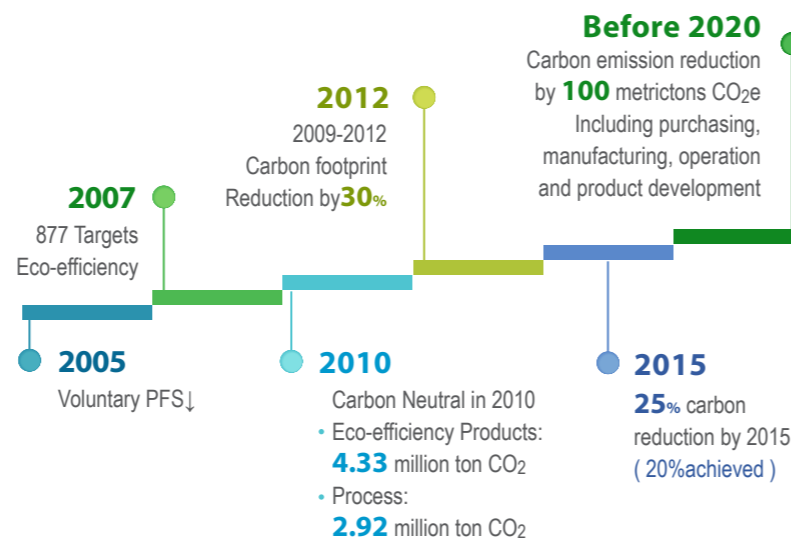
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## 4-2 GHG Emission Reduction

### 4-2-1 Objective

#### Progress of Carbon 2020

AUO has launched several carbon reduction initiatives since 2005 and reached GHG reduction targets in each stage. In 2015, AUO announced its Carbon 2020 target, which is based on the life-cycle management concept with the plan to reduce 1 million metric tons of carbon emissions by 2020. The measures to implement and fulfill the objective include all aspects from low-carbon product design, material selection, localized purchasing, 4R strategy, green production, green transportation and development of energy-efficient panels. As of 2017, the progress made thus far was 45.6% completion with the reduction breakdown as follows: 2% from green procurement and logistics measures, 25% from green production practices and 73% from product innovation. In addition, AUO has committed to setting up Science Based Target as a way to respond and meet the 2°C target.



Note1 : The target for carbon emission reduction is aligned with IPCC AR5 scenario in order to meet the global warming limit.

### 4-2-2 Action Plan

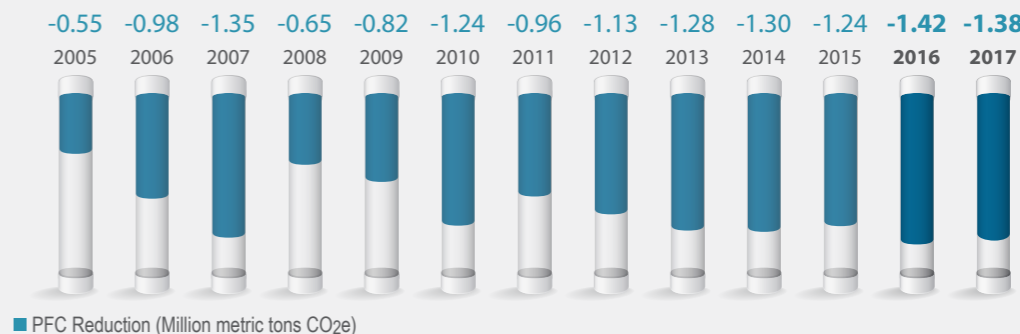
#### PFCs Reduction

In response to the reduction of high greenhouse effect from PFCs such as NF<sub>3</sub>, SF<sub>6</sub> and CF<sub>4</sub>, AUO has volunteered to install local scrubbers in all sites constructed after 2003, whereas old-generation sites constructed before 2003 have also been installed with the same equipment to achieve 100% local scrubber installation by 2010. A total of 14.7 million metric tons of kgCO<sub>2</sub>e/m<sup>2</sup> has been reduced as of 2017. PFCs emissions per unit area were reduced from 56.8 kgCO<sub>2</sub>e/m<sup>2</sup> in 2005 to 2.6kgCO<sub>2</sub>e/m<sup>2</sup> in 2017, while direction emission of F-GHG has decreased more than 95 %.

#### PCF emission per product area (kgCO<sub>2</sub>e/m<sup>2</sup>)



#### PFC reduction over the years





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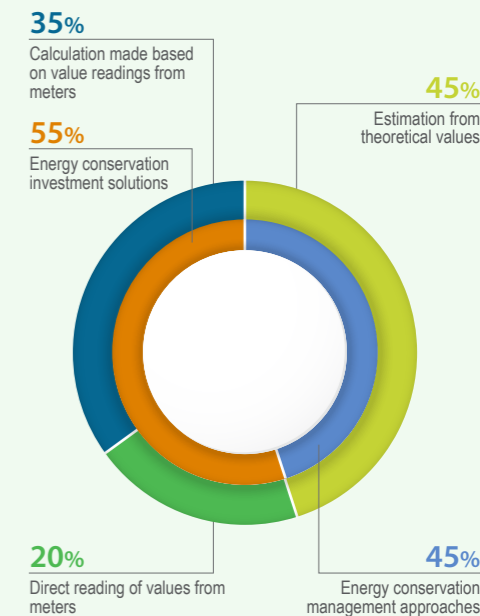
### Energy Management

Ever since AUO adopted the ISO 50001 Energy Management System in 2011, the company has completed relevant external 3rd-party verification for sites in Taiwan and Singapore in 2017 while its Suzhou and Songjiang sites also passed equivalent national standard GB/T 2331-2009 in China. Through robust internal and external audits to incorporate energy management into manufacturing activities and performs measurement and verification to ensure the effectiveness of its energy solutions. Regular supervision by the executive management has effectively mitigated energy/resource wastes, controlled costs and contributed towards a more “focused, simplified and value-added” (for B2B and E2E) energy management system.



### Materiality of EnMS platform performance

Due to pertinent regulations that made it mandatory for businesses to implement specific energy-saving measures, AUO handles between 400-500 energy-saving proposals on average each year through its Energy Management System (EnMS). These proposals have been duly registered and managed as required. Despite the massive volume of data on energy-saving projects, the database system offered various functions of proposal review management, data compilation and statistics, report generation, output assessment report creation and so forth. In 2017, there had been a total of 523 proposals on energy conservation, with the annual performance of 6,863.7 kWh of power saved. This converts to approximately 1.55% in annual energy conservation rate. 45% of the conservation came from management improvements in refined manufacturing processes and the remaining 55% was attributed to specific investments in the budget. With regards to the ratio of verified measurement, as much as 55% of the energy conserved was measured and verified; only 45% of the conservation fell under the category of unmeasured estimation. In order to validate the materiality of relevant energy-saving solutions, starting from 2016, 85% of the accrued energy conserved for the year has been incorporated into the scope of onsite verification as AUO engaged units that proposed the solutions in face-to-face discussion on the implementations of the solutions. Thus far, close to a hundred solutions were verified each year. After collecting the patterns of common mistakes made by the implementing units and offering feedback through relevant trainings, AUO has been able to improve the contents of proposals and results from the adopted solutions. The approach is not only compliant to the requirements of ISO 50001 management system when it comes to solution management but also harkens back to the management implications behind the establishment of pertinent regulations by competent authorities.



### Improving the quality of internal proposals through competitions

Since 2008, AUO has made considerable efforts in the areas of energy conservation, water conservation, environmental indicators and raw material reduction while investing significant amount of resources to keep the organization running smoothly. Apart from considerations for environmental friendliness, AUO also hopes to create an atmosphere within the company that will help employees foster higher awareness and commitment to creating a sustainable environment. And as such, AUO has held various competitions for proposals as a way to acknowledge the efforts from different sites so as to provide tangible rewards that will motivate employees to keep coming up with new ideas for environmental friendly solutions. By engaging all employees through a voting process, outstanding solutions will gain greater exposure and create more opportunities for different sites to share their experiences and learn from one another.





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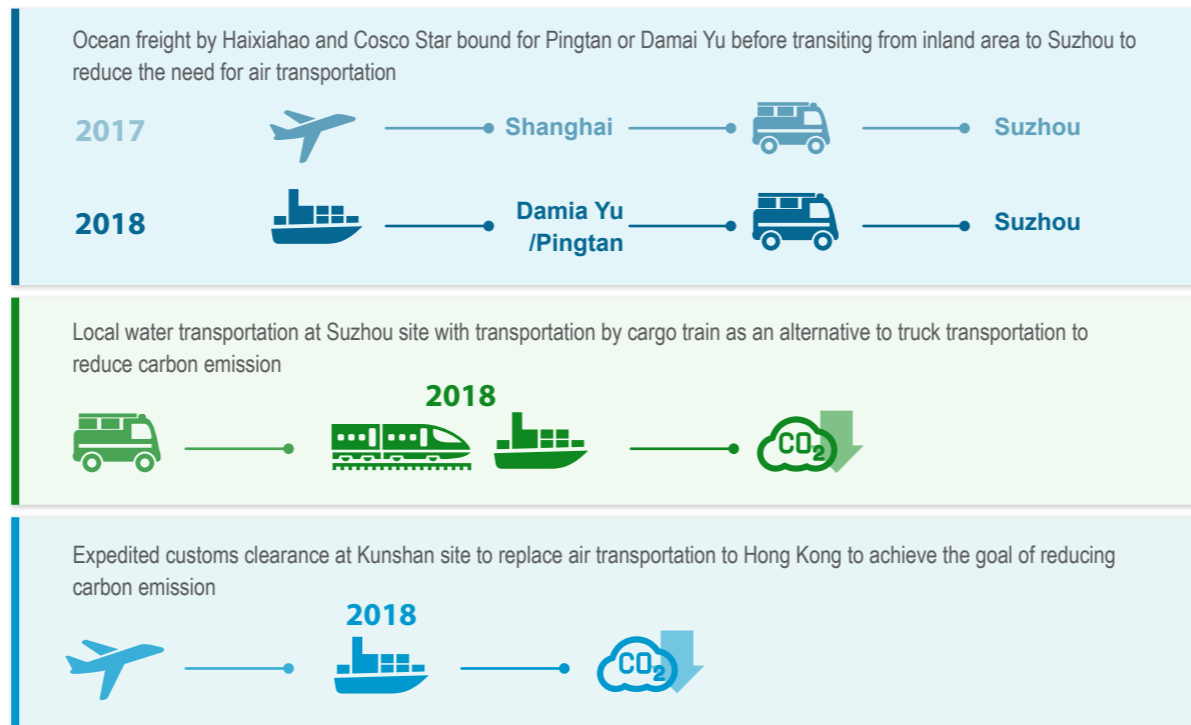
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### Low-Carbon Transportation

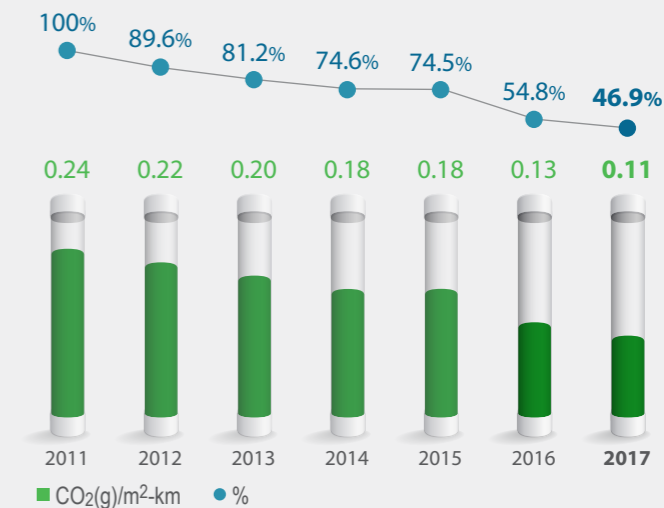
Beginning from the end of 2011, AUO has introduced green transportation that focused primarily on ocean freight to determine the carbon emission from products shipped in containers (i.e. emission factor per square meter of product shipped). With the statistics from 2011 as the baseline, as of the end of 2017, AUO's accrued carbon emission factor has fallen from 0.24 g/ m<sup>2</sup> - km in 2011 to 0.11 g/ m<sup>2</sup> - km in 2017. The figure is 46.9% of that of 2011 and is equivalent to a 53% reduction and 111% increase in area of product shipped.

AUO is committed to promoting green transportation for its sustainable supply chain and has thus pledged to implement three intermodal transportation routes in 2017, reducing total CO<sub>2</sub>e by 630 metric tons (8% improvement). Between 2011 and 2017, the company's low-carbon transportation models have reduced CO<sub>2</sub>e by a total of 8,345 metric tons. As for 2018, AUO will continue to develop new green intermodal transportation solutions for routes that currently require air transportation in order to achieve the goal of sustainable logistics and carbon emission reduction.

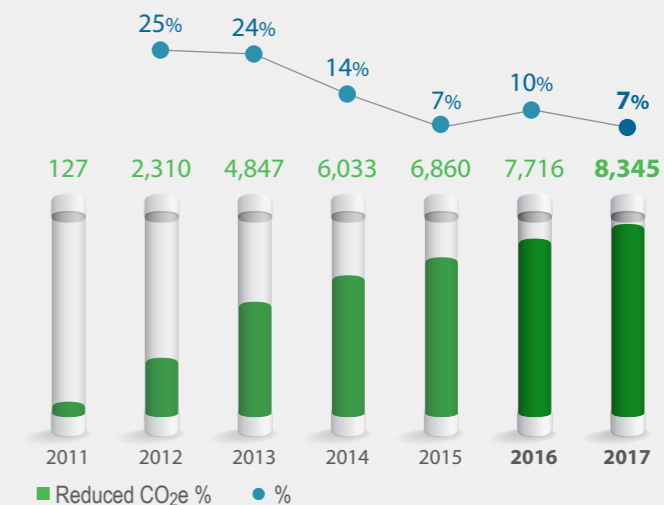
In 2018, Haixiahao ocean freighter will be commissioned to handle ocean freight bound for Damai Yu to reduce the need for air transportation, coupled with:



### Ocean Freight of Finished Products



### Intermodal Transportation to Reduce Carbon Emission



Note1 : Statistics on carbon emission are taken from Yang Ming Marine Transport Corp.'s CSR Report.

Note2 : Cargo from Suzhou warehouse bound for Port of Shanghai to be transported by feeder vessels via domestic routes as an alternative to truck transportation. For domestic transportation from Suzhou site to Huanan region, the mixed modal of railway + truck transportation will replace the former model involving only truck transportation. Due to the cancellation of specific train services, the data will only represent the statistics from January through September 2017. One-stop customs clearance at Xiamen site to transport cargos bound for Hong Kong with truck delivery as an alternative for air transportation. Formula for CO<sub>2</sub>e reduction ratio: [total CO<sub>2</sub> emission(g) pre-adoption - total CO<sub>2</sub> emission(g) post-adoption] / total CO<sub>2</sub> emission(g) pre-adoption]





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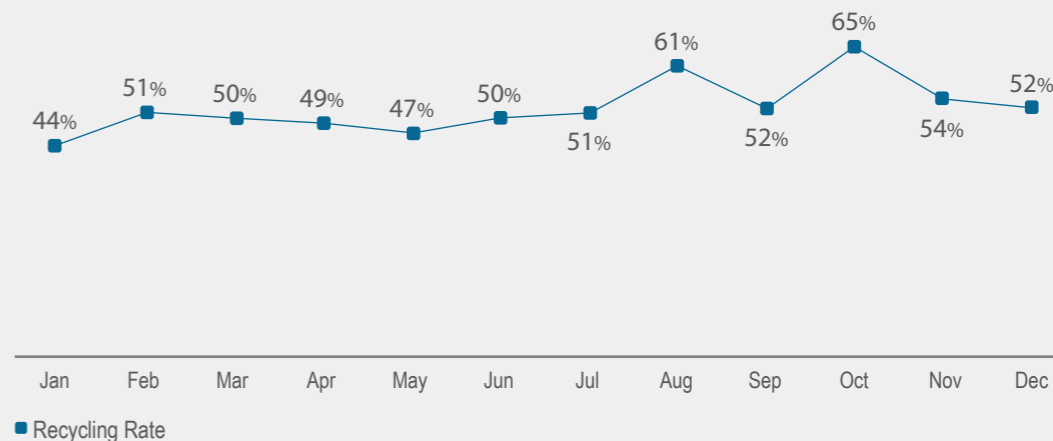
### Recycling Packaging Resources

AUO has adopted and promoted the practice of packaging material recycling for several years as the recycling of product packaging reduces the need for repeated purchases of packaging materials. The costs saved from packaging material recycling would in turn help to reduce the costs of material purchase. The packaging material recycling rate for 2017 was calculated based on the volume of recyclable TV packaging material collected from customers by each site in China (no. of cartons)/the volume of recyclable TV packaging material shipped (no. of cartons) to customers. This is applicable to all TV display sites and as of December 2017, the average recycling rate came to 52%. Due to limitations on packaging material characteristics, packaging materials that have been damaged, soiled, deformed/scratched due to collision in the process of transportation and delivery to customers could not be recycled. Packaging materials that were intact have been duly recycled and cleaned for reuse.

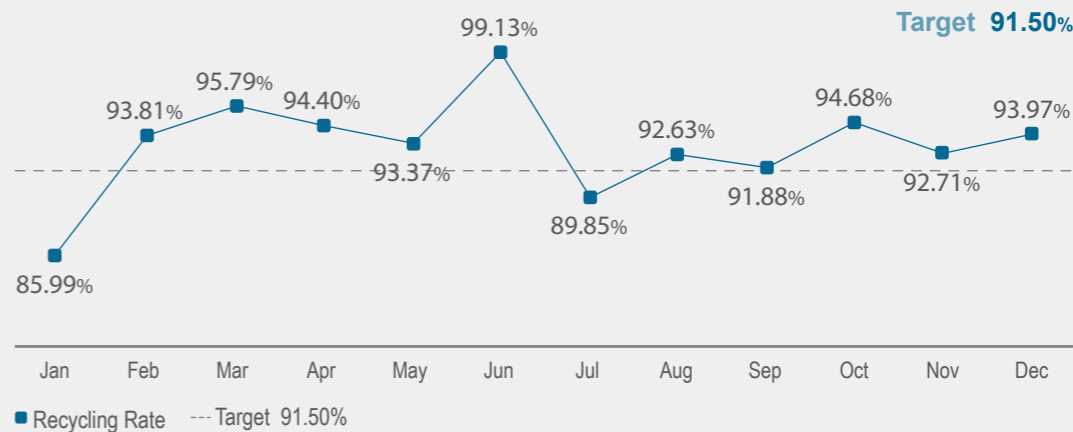
### Packaging Material Recycling by Suppliers

In the operation of green supply chain management, steps have been taken to encourage suppliers to recycle and reuse packaging materials while improving their loading efficiency in order to become more environmental friendly by reducing environmental pollution. Not only that, the costs saved from cutting packaging material use by suppliers would in turn benefit the customers and end-users. The meaning of sustainability is never meant to be restricted to contributions from individuals or businesses; it offers benefits to societies, different nations and even the entire world as a whole without downsides. AUO has already requested suppliers to recycle packaging materials whenever possible for quite some time; the recycling of packaging materials not only reduces the need for repeated purchases of packaging materials, thereby enabling suppliers to reduce their costs for end products. The costs saved would also be reflected in the reduced cost for material purchase on AUO's part. For 2017, the target for packaging material recycling was set to 91.5% (derived from the formula: monthly volume of packaging material recycled at each site/month volume of packaging material shipped), which is applicable to all Display sites. As of the end of December 2017, the average recycling rate had been 93.11% (target achieved).

#### TV Packaging Recycling Rate in China



#### Packaging Material Recycling by Suppliers





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**Carbon Reducing Packaging Materials**

With regards to the issue of “sustainable development”, AUO has adopted a series of guidelines and policies to achieve green management. For packaging design, gradual reduction of carbon emission was adopted as an indicator to gauge the process with emphasis on the use of green, eco-friendly materials. In the operation of green supply chain management, steps have been taken to encourage suppliers to recycle and reuse packaging materials while improving their loading efficiency in order to become more environmental friendly by reducing environmental pollution. Not only that, the costs saved from cutting packaging material use by suppliers would in turn benefit the customers and end-users. Suzhou and Xiamen sites have implemented carbon reduction through packaging material for some time now, with the carbon emission from for four types of packaging materials to be reduced by 1% per year for 2016 and 2017. As of 2017 Q4, both Suzhou and Xiamen sites have already achieved their target of 1% carbon emission reduction.

Carbon reduction for packaging material is achieved primarily through the following approaches:



AV module layered packaging



Eliminates the need for buffer material inside the trays



Car module displaced layered packaging



GD vertical disk packaging

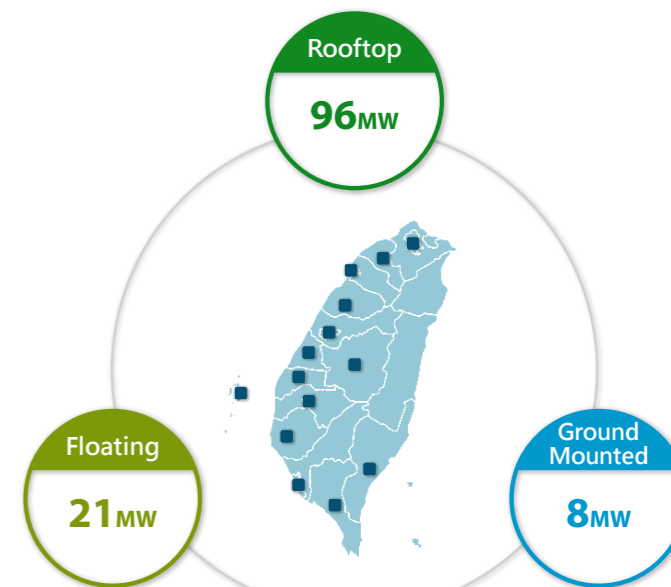
**All-Rounded Solar Power Plants – Covering Rooftops, Ground Mounted and Floating Types**

In an attempt to address the aforementioned issues, AUO has invested substantial efforts into solar panel R&D and production for the goal of clean energy development starting from 2008. Given Taiwan’s limited land space and low space utilization in industrial areas, AUO decided to make use of the rooftops of LCD panel Fab buildings where high-efficiency solar module suitable for rooftop power generation and related power system were installed. The company decided to invest in rooftop solar power plants with an ultimate goal of completing solar system installations at all AUO plants in Taiwan by the end of 2016 with a total installed capacity of 41.9 MW. All power generated would be connected back to the grid as a gesture by AUO to support the government’s policy for green energy generation.

In recent years, AUO has taken a step further by expanding the scope of its solar power plants to include ground mounted type and floating type projects to satisfy the diverse needs for power plant construction. With regards to ground mounted solar power generation facility, AUO won the tender for the construction of a 3.5MW solar power system at Tainan in 2017 Guanmiao landfill site with the goal of introducing power generating functionalities to the existing landfill site in order to create greater economic benefits. As for floating solar power generation facility, due to the characteristics of the water environment that could reduce the operating temperature of the photovoltaic modules, thereby achieving better generation efficiency of 3~5% compared to rooftop facilities, the government has been aggressively promoting the development of floating solar power plants in recent years. Thus far, AUO has secured the bids for three flood detention ponds in Tainan and Kaohsiung, with a total potential installed capacity of 12 MW.

AUO has been proactively constructing solar power systems and this year alone has witnessed close to doubled growth compared to last year in terms of installed capacity, with the total installed capacity reaching 125 MW across Taiwan. In 2018, apart from the local market in Taiwan, AUO will continue to seek opportunities abroad to replace traditional means of power generation with green energy to achieve superior energy efficiency for potential clients, thereby collaborating to achieve win-win by contributing towards the goal of creating a sustainable environment.

**Solar Business around Taiwan**



- Total installed capacity across Taiwan reaching **125 MW**<sup>1</sup>
- Power industry-grade project preparation with extensive construction experiences
- Recipient of Topsolar Award and Taiwan Real Estate Excellence Award for several years

Note 1 : The statistical data from all sites of Taiwan as of October 2017.



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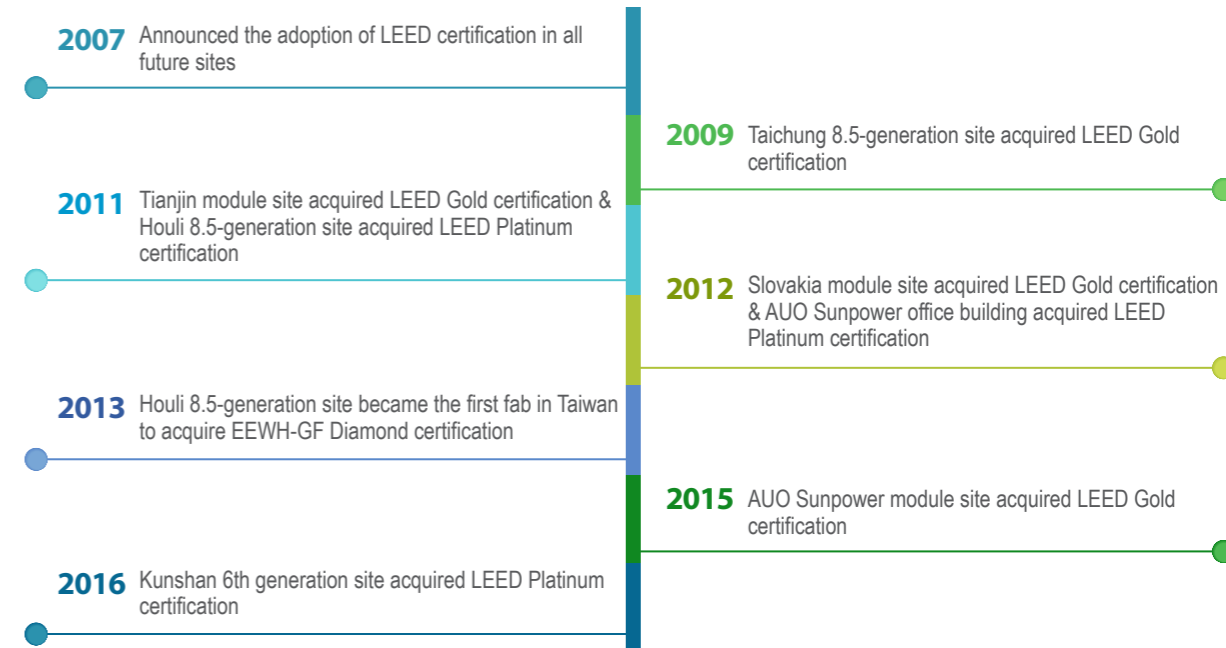
### Green Buildings

#### AUO's LEED Platinum rating<sup>6</sup> site in Kunshan, China

Insisting on its unwavering commitment to green energy, environmental protection and sustainability, AUO has obtained 7 LEED certifications throughout its global operation locations thus far. The 6th-generation LTPS (low-temperature poly-silicon) fab at Kunshan Site in China incorporated various designs for improved energy management and water efficiency in its construction with an overall energy efficiency of 50%. This translates to 470 million kWh of power saved each year and is equivalent to the annual power consumption of 120,000 households in Kunshan City. In terms of carbon emission reduction, the 400,000 metric tons reduced each year is equal to ¼ of the annual carbon uptake of Zhangjiajie National Forest Park. In terms of water use efficiency, the reclamation rate of water from process water has reached 90% and with regards to other aspects such as materials, equipment, manufacturing process and product development, AUO has invested a significant amount of R&D resources while embracing highly efficient smart factory design to significantly improve productivity and product quality. AUO's Kunshan site has a LEED certified floor area of 480,000 m<sup>2</sup>; it is the company's second, and the first TFT-LCD fab in China to receive the LEED Platinum rating from USGBC.



### AUO's Green Building Milestones



Prior to the construction of the Kunshan manufacturing site, the design of the facility has already incorporated distributed photovoltaic systems on the rooftop and in 2017, the installation of more than 16,000 solar panels was completed to utilize approximately 160,000 square meters of roof space. The total installation capacity came to 5MW and with the average effective daily mean yield of more than 1,000 sun-hours per year in Jiangsu Province, the facilities are capable of generating 14,000 kWh of solar power on a daily basis. This is equivalent to a reduction of 1,838 metric tons of coal for power generation each year and reduction of carbon dioxide emission by 5,234 metric tons.

Note1 : Established by the U.S. Green Building Council (USGBC), the LEED green building rating system is aimed at encouraging the development and promotion of sustainable buildings and it is currently the most extensively used system for green building evaluation and verification in the international community. The LEED rating system offers four levels of certification: certified, silver, gold and platinum.

Note2 : EEWH-GF (Ecology, Energy, Waste & Health-Green Factory)



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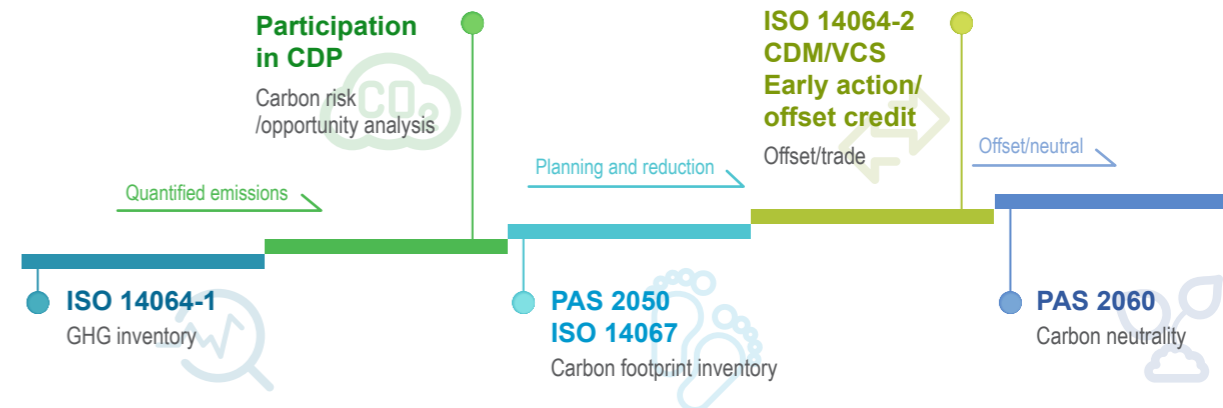
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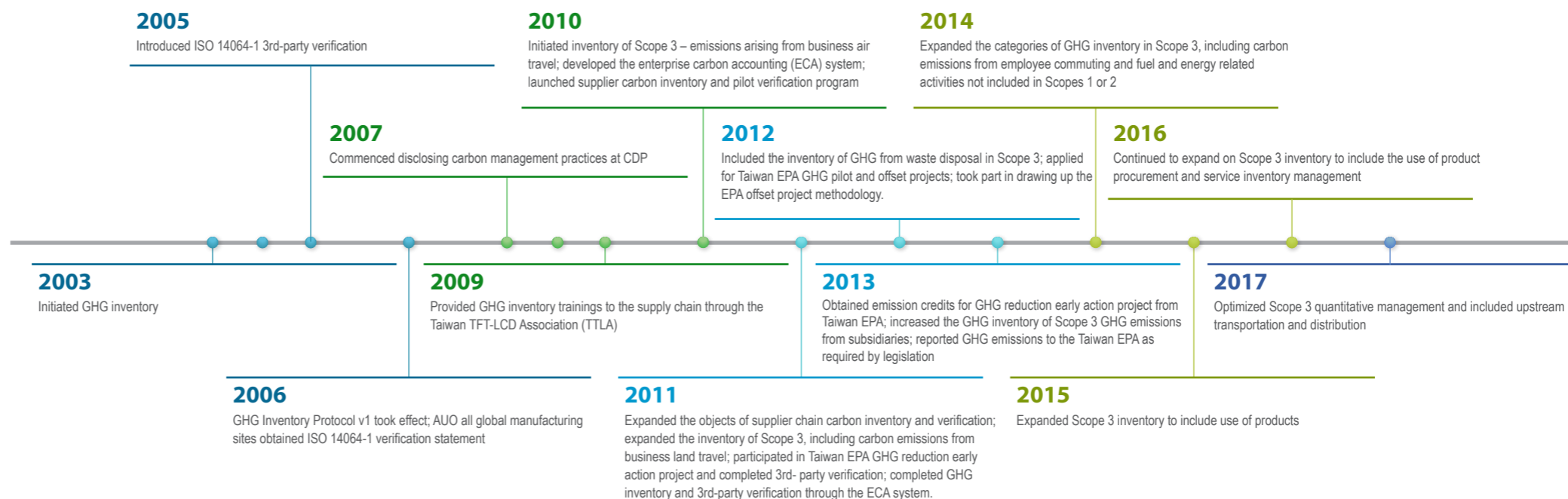
## 4-3 Carbon Footprint in Value Chain

AUO strives to gradually achieve carbon neutrality through a comprehensive inventory and produce carbon footprint reports annually. Greenhouse gas emissions data is divided into three scopes: Scope 1 refers to carbon emissions during production, Scope 2 refers to carbon emissions from purchase electricity and Scope 3 refers to carbon emissions from other indirect activities. Quantified carbon footprint is an integral part of the business value chain as it tracks all carbon activities and emission spots for the business while providing an overview for relevant risks and effective management.



### 4-3-1 Greenhouse Gas Inventory

AUO has been conducting its GHG inventory since 2003 to cover all its global manufacturing sites and overseas offices. Third-party verification of ISO 14064-1 was also introduced with emission disclosures carried out in 2005. Lastly, the Enterprise Carbon Accounting System (ECAs) and the Eco-efficiency Index System (EELs) were developed in 2014 as tools for managing long-term carbon reduction goals.







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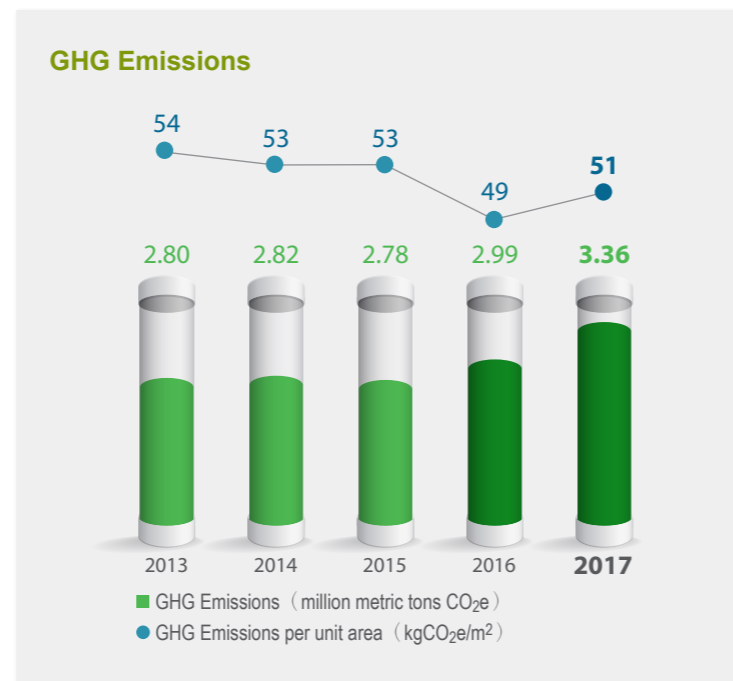
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The global GHG emissions of AUO were 3.36million metric tons  $\text{kgCO}_2\text{e}/\text{m}^2$  in 2017. Since Quanshan plant in China increased production by 11.3% compared to previous year, this result is mainly from electricity generation in Scope 2, which is responsible for 90.6% of AUO's total emissions, followed by PFCs and from fuels from public systems during processing in Scope 1, which accounted for 9.4%.

In accordance with the international trend of source reduction, AUO has adopted "GHG emission intensity per unit area" as the basis for relevant management indicators, and the company tracks the actual accomplished level of GHG reduction in green production. The 2017 GHG emissions per unit area of production was  $51.3\text{kgCO}_2\text{e}/\text{m}^2$  - a 45% reduction compared to that of 2008.

The direct GHG emission intensity for Scope 1 was  $4.8\text{kgCO}_2\text{e}/\text{m}^2$ , a 12% increase compared to that of 2016. The corresponding indirect GHG emissions intensity for Scope 2 was  $46.4\text{kgCO}_2\text{e}/\text{m}^2$ , which is a 3% increase compared to that of 2016.



**GHG Emissions by Scope**

	2013	2014	2015	2016	2017
Scope 1	0.34	0.34	0.31	0.26	0.32
Scope 2	2.46	2.49	2.47	2.73	3.04
Scope 3	0.03	0.21	1.27	1.63	1.73

Million metric tons  $\text{CO}_2\text{e}$

**GHG Emissions by Site**

	2013	2014	2015	2016	2017
Taiwan	2.45	2.48	2.45	2.63	2.72
China	0.22	0.21	0.20	0.23	0.52
Singapore	0.12	0.13	0.12	0.12	0.11
Europe	0.0078	0.0090	0.0104	0.01102	0.01052
Overseas offices	0.00013	0.00044	0.00044	0.00043	0.00044

Million metric tons  $\text{CO}_2\text{e}$



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**4-3-2 Scope 3 Inventory**

AUO began Scope 3 inventory and disclosure of greenhouse gases at the company level in 2010 based on the GHG protocol and continues to expand the scope of its inventory today.

**Table of Scope 3 Implementation Status**

<p><b>A 1. Purchased goods and services</b> In the independent inventory carried out in 2016, items identified include glass substrate, liquid crystal, photoresist, developers, etchants, strippers and thinners. Through green manufacturing and reduction management, AUO has been able to lower the burden on the environment. GHG emissions in 2017 from this standard were estimated to be at 287,987.19 metric tons CO<sub>2</sub>e.</p>
<p><b>A 3. Fuel and energy related activities (not included in Scope 1 or Scope 2)</b> Each year, shuttle service provider has been commissioned to handle shuttle service for sites in Taiwan and disclose relevant GHG emission data since 2014. GHG emissions have been quantified and disclosed based on the shuttle mileage service and the carbon emissions from this activity totaled approximately 647.72 metric tons CO<sub>2</sub>e in 2017, most of the emissions came from the use of diesel.</p>
<p><b>A 6. Business travel</b> AUO began its management of employees' business travel in 2010 based on the carbon emissions calculator developed by the International Civil Aviation Organization (ICAO) to calculate the mileage and carbon footprint of business travels made by employees. A total of 614 metric tons CO<sub>2</sub>e was attributed to business travels in 2017.</p>
<p><b>A 7. Employee commuting</b> Starting from 2014 onward, AUO adopted the latest statistical report published by the Ministry of Transportation for the calculation of GHG emissions from employee commuting in Taiwan by determining the average distance traveled and the carbon emission for each employee. For 2017, carbon emissions from employee commuting totaled approximately 21,154.1 tonCO<sub>2</sub>e; this included emissions from cars and motorcycles.</p>
<p><b>A 9. Investments</b> Inventory of subsidiaries' carbon emissions commenced in 2013. The carbon emission from AUO's investments totaled 188,181.28 ton CO<sub>2</sub>e. Please refer to chapter 2.3 of this report.</p>
<p><b>C 2. Capital goods</b></p>
<p><b>D 8. Upstream leased assets</b></p>



<p><b>A 4. Upstream transportation and distribution</b> Through a combination of approaches that started in 2008 such as the Green Operation plan, promotion of local purchasing, packaging recycling, increasing loading rate, adopting intermodal transportation and so forth to reduce carbon emission from distribution, AUO has implemented full quantification of GHG emission from the transportation of its key materials and products in 2017. The calculation is made based on parameters such as weight, model of transportation involved and distance covered for specific materials purchased from representative suppliers (76% of all purchases and 100% of all AUO products). Estimate of AUO's emission factor for this category came to 3340.29 metric tons of CO<sub>2</sub>e.</p>
<p><b>A 5. Waste Treatment</b> Starting from 2011, AUO has developed its waste inventory system to establish specific waste disposal and GHG emission intensity by service provider in order to calculate the amount of carbon emission based on factors such as the actual volume of wastes disposed and treated on a yearly basis and reasonable experience factor. The types of waste inventory include: sludge, organic solvents, waste glass, waste acids, waste dust, empty barrels and scrap metals. Carbon emissions from waste treatment totaled 2,942.95 CO<sub>2</sub>e in 2017, more than 83% of which were in Taiwan.</p>
<p><b>A 10. Downstream transportation and distribution</b> Introduced quantitative management in 2017 and continued to implement green logistics to reduce carbon emissions from transportation and distribution activities.</p>
<p><b>A 12. Use of sold product</b> Introduced quantitative management in 2015 to promote green products and provide customers with more efficient solutions. In 2017, this was a total of 1,225,409 tons CO<sub>2</sub>e.</p>
<p><b>B 13. End-of-life treatment of sold products</b> Introduced green product design to provide customers with recyclable solutions.</p>
<p><b>B 14. Downstream leased assets</b> Leased premises of subsidiaries, and these assets shall be incorporated into Scope 3 inventory.</p>
<p><b>C 11. Processing of sold products</b></p>
<p><b>C 15. Franchises</b></p>



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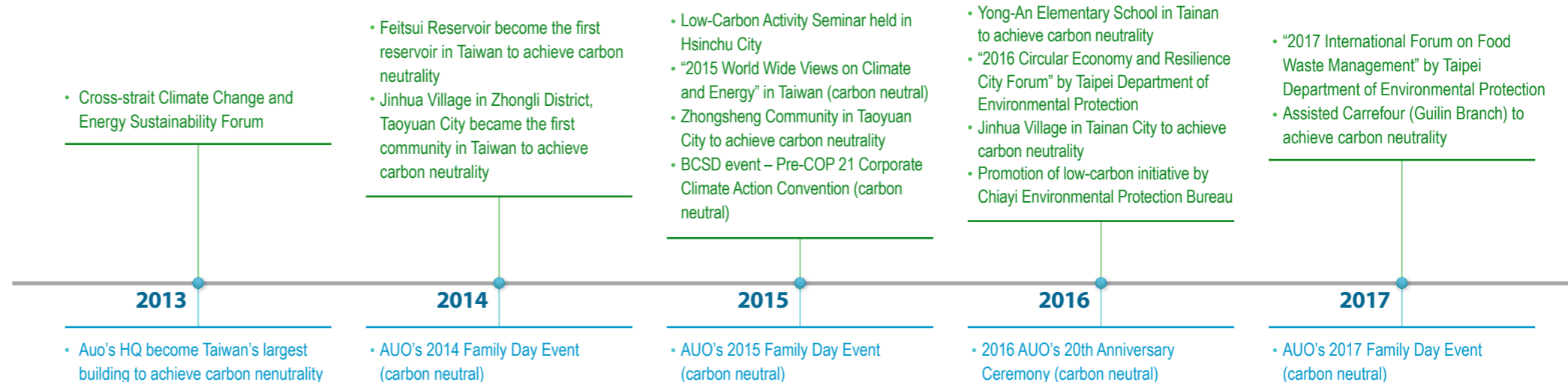
**4-3-3 Carbon Credit Management**

AUO is dedicated to voluntary source reduction and carbon credits and ever since its participation in the 2013 EPA early action project, the company has already obtained 9.56 million tons of carbon credits. Not only that, carbon credits have been used to promote carbon neutrality and source reduction so that we can build up a low-carbon economy and society.

AUO has been promoting its carbon neutral strategy since 2013. Internally, we promote carbon neutrality at company buildings and in various activities by reducing emissions in our offices and employee dormitories while events such as family day and sports activities for employees have incorporated elements of low-carbon concept. Externally, we offer 100,000 metric tons of our own carbon credits obtained in Taiwan to other organizations. One organization may apply for it once, and the cap for carbon credit application is 3,000 metric tons.

By encouraging external parties to engage in GHG reduction and achieve carbon neutrality, AUO has extended its spirit of carbon neutrality to stakeholders including the government, relevant organizations, suppliers, communities and neighboring residents by contributing the positive social force of energy conservation and carbon reduction. Ever since the launch of AUO's carbon neutrality policy and its gradual promotion, five internal building and events have achieved the goal of carbon neutrality by 2017, along with 13 external non-profit organizations involved in the process of carbon neutrality application. These participants include businesses such as Carrefour, reservoirs, communities, schools and events such as international forums.

Climate change influences global warming, as many abnormal weather events have taken place. Many scientific data have also proven the impact of GHG to the environment. Carbon neutral actions mainly target carbon emissions that can't be otherwise reduced and the proactive action of carbon credit can be used to waive such reductions so that we can do our fair share of contributions to the cause of environmental protection.



# 5

## Community Care and Participation

### 5.1 Charity Development Framework and Objectives

### 5.2 Nurturing Honest and Intelligent People

### 5.3 Care for Charity

### 5.4 Optoelectronic Science Education

### 5.5 Care for Nature

#### Volunteer service

15,307 Hours of volunteer service-Environmental education, Honesty-Intelligence Camp and others

**15,307** hours

#### DADA's Magic Land

DADA's Magic Land received 3,417 visitors in the year of 2017

2017 **3,417** visitors

#### Donated

NT\$20.15 million donated-Includes contribution to the honesty-intelligence scholarship, purchase of local agricultural produce, environmentally-friendly farming, and donations to the BenQ Foundation

NT\$ **20.15** million

#### Education Promotion

5,186 participants in optoelectronic science education and environmental education promotion

**5,186** participants

#### GreenArk Water Resource Showroom

Educational venue built in line with sustainability concepts, accumulated more than 1,700 visitors in 2017

**1,700** visitors

#### Donated items

6,579 donated items from AUO employees via Christmas Wish program and Green Recycling.

**6,579** items donated





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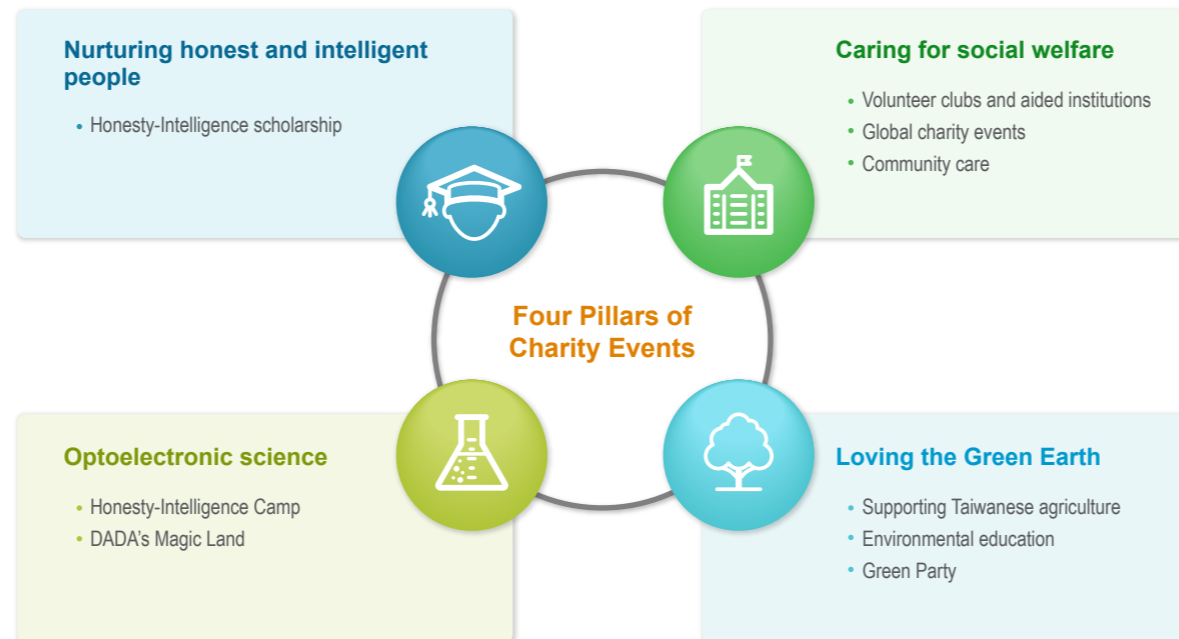
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## 5-1 Charity Development Framework and Objectives

AUO has adopted “Nurturing honest and intelligent people”, “Caring for social welfare”, “Optoelectronic Science Education”, and “Loving the Green Earth” as the four pillars of charitable events to encourage employees to volunteer and participate in relevant activities not only for self-realization but also to contribute to the greater good of our society.

### 5-1-1 Pillars of Charity Events

Based on our many years of experience in charity promotion, we have found volunteer recurrence to be the key factor that ensures successful charity promotions. As such, in 2013 AUO devised its “ABC” approach as a systematic way to build the altruistic volunteer culture within the company.



Note1 : London Benchmark Group aims at providing the measurement standards of community investment, and now LBG is operated and managed by Corporate Citizenship.

### The ABC Approach To Charity Development

#### ACTION

##### Corporate Volunteer Action

Encourage employees to become volunteer

- Introduce motivators
- Offer training
- Provide incentives

#### BRAND

##### Charity Brand Establishment

Shaping Corporate Volunteer Culture

- Dissemination
- Creation of the right atmosphere



AUO adopts LBG framework to evaluate how the Company contributes to the society, determine the input, output and influence of its charity programs, and to help revise and adjust its goals In light of changing climates around the world, AUO has recognized energy-saving as one of the most important product features.

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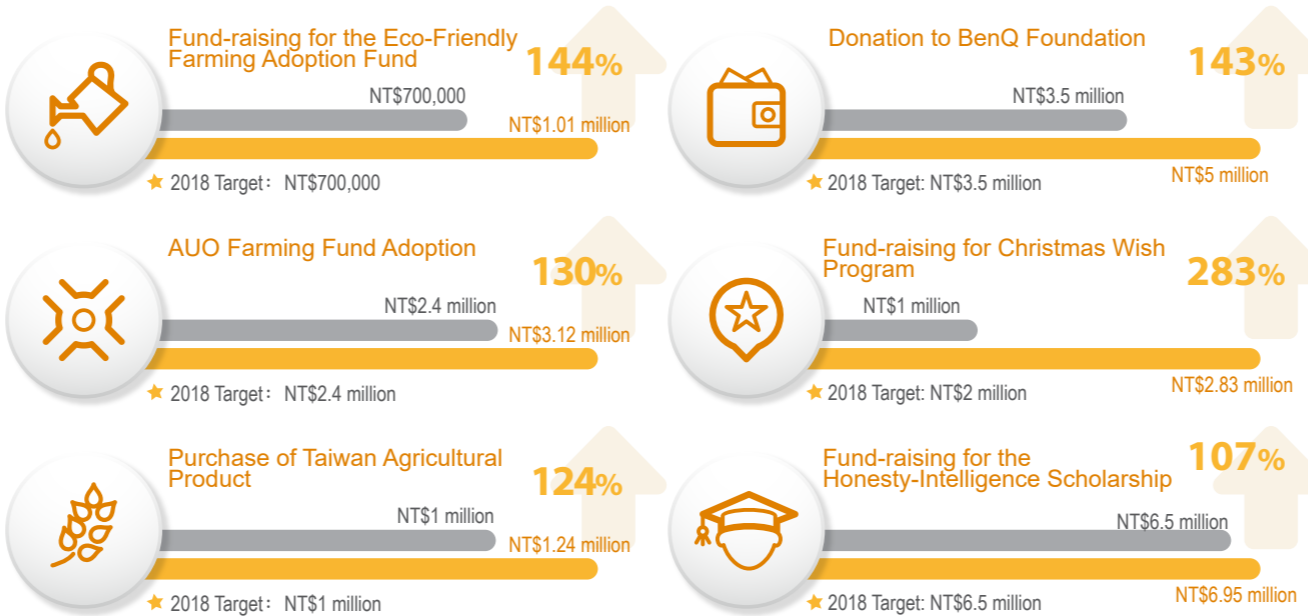
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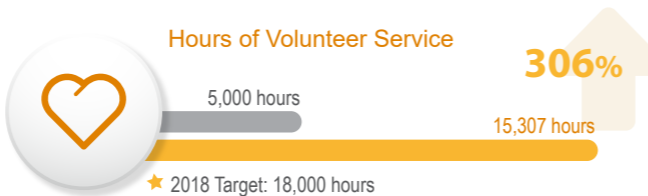
**5-1-2 Participation in Social Charity**

**Actual results from input in 2017**

Category - Cash



Category - Time

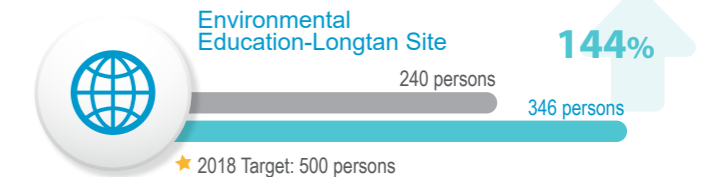
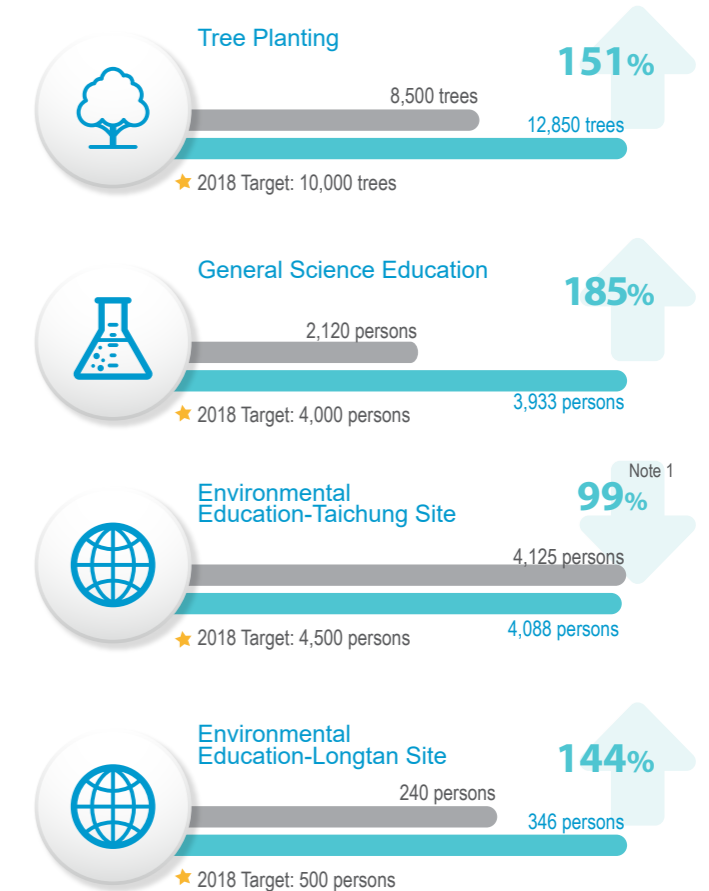


Category - Supplies



**Actual output in 2017**

Category - Charitable Activities



● Target in 2017 ● Actual results from input in 2017 ● Achievement rate from input in 2017 ● Actual output in 2017 ● Achievement rate from output in 2017  
 ★ 2018 LBG Targets-Social and Environmental KPIs

Note 1: With regards to environmental education promotion, the plan involved having 40 students for each batch of participants. However, as the number of students for most grades fell this year, we were unable to reach the anticipated output target for this year.



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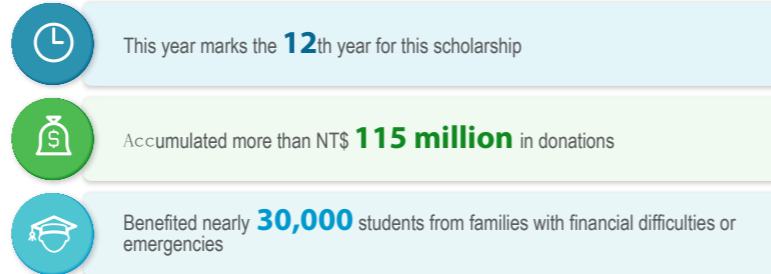
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## 5-2 Nurturing Honest and Intelligent People

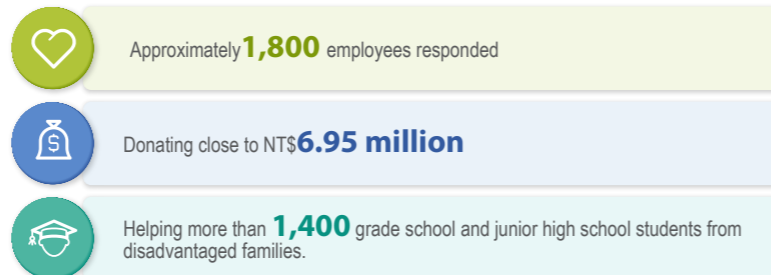
### The Honesty-Intelligence Scholarship

In an effort to give back to society, AUO has been running Honesty-Intelligence Scholarship program since 2006.



The scholarship involves a voluntary contribution from employees to donate 1-3 days' worth of their salaries. With clearly defined beneficiaries for the donation and a transparent process of fund management and ease of application, the scholarship has been well-received among our employees as a means to lend a helping hand to students who have difficulty in applying for other scholarships.

Fund-raising for the scholarship in 2017



### External Feedback

Love Story: Guan Dong Elementary School  
Director Chu Li-Lien



**“The scholarship offers more than just financial aid; it teaches them to be grateful and work hard”**

The Honesty-Intelligence Scholarship is about to enter its 10th year. During the past decade, AUO helped more than 27,000 children from families in difficult situations; some of those children have come from single-parent families, or have been raised by their grandparents or come from new immigrant families and other backgrounds that put them at a disadvantage. Or perhaps their families have encountered something unexpected and suddenly fell into financial

difficulties. Each and every one of them had a story that tugged at our heart strings.

Guan Dong Elementary School, which is situated in close proximity to the Science Park, has been established for 56 years. Contrary to the popular belief that since most jobs at the Science Park offer lucrative pay, the school must have abundant resources due to its closeness to the Science Park, more than 10% of its students come from disadvantaged family backgrounds in the neighboring military dependents' village and old communities. Their parents might be aboriginal people from rural townships who have come to Hsinchu in search of odd jobs; foreign spouses who speak a different mother tongue or even grandparents raising their grandchildren purely on relief funds. Financial difficulties have often put these disadvantaged students in the embarrassing situation of not being able to pay the school fees when school reopens. They need help from their teachers when buying the most basic supplies such as notebooks and pens. Needless to say, a field trip for graduation (which students love so much) is always a luxury for them.

According to Director Chu, this AUO Scholarship has helped many disadvantaged students to realize their dreams of taking part in field trips in order to expand their vision beyond the confines of the school. It may very well be the first sleepover away from home for these children or even their first visit to a different municipality outside of Hsinchu. Regardless, it is definitely a truly memorable and pleasant experience for the children.

Director Chu also pointed out that the scholarship offers more than just the apparent financial aid; apart from helping impoverished students through economic hardship, the scholarship also teaches the children that as they receive warmth from society, they ought to be grateful and motivated.



The Honesty-intelligence scholarship website page : <http://auo.com/Event/2017scholarship/index.html>



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**5-3 Care for Charity**

**5-3-1 Volunteer Clubs**

Since 2013, AUO sites in Taiwan had set up 7 charity clubs to provide social welfare services on a regular basis to nearby institutions, including local Social Welfare Bureau's shelters for children, disabled children, school dropouts and so forth. Services by AUO volunteers include offering their company, cleaning, and help with students' school work. In addition, volunteers assisted children from these institutions to go to school via Christmas Wish Program or scholarship funding.



**5-3-2 Global Charity Events**

The Christmas Wish Program Sites in Taiwan have been organizing the Christmas Wish Program since 2002, and during the past 16 years, the Program has helped to collect 3,297 Christmas gifts and tuition subsidies for approximately 8,600 disadvantaged children from rural townships and welfare institutions. Thus far, the Program has contributed a total of NT\$5,249,500 in tuition subsidy. For 2017, the Christmas Wish Program adopted the theme of "Lighting up the Hopes of Disadvantaged Children" and involved employees recommending and voting for potential candidates that are in need of help. To ensure that the children receiving the aid can truly feel the passion that drives AUO volunteers, dozens of senior supervisors along with 60 employees and their families were invited to serve as volunteers in year-end event by delivering gifts to welfare institutions and schools in rural areas as AUO's way of sending our love and care.



Delivering gifts to these social welfare institutions and schools in rural areas

**Taoyuan:** Yude Children's Shelter, Reindeer Children Home, Baby Development Center

**Hsinchu:** Bluesky Home, Pqwasan Tayal, NCTU Sanfu club,

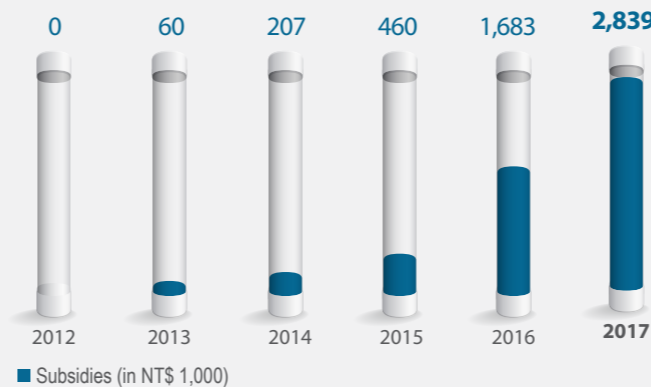
**Miaoli:** Holy Family for Special Education

**Nantou:** Tonglin, Gwang Sing Elementary School

**Tainan:** Nantou Tonglin/ Gwang Sing Elementary School

**Taitung:** Kanting Elementary School, Seed Family

**Output of the Christmas Wish Program Over the Years**



**Suzhou Site**

Adhering to the philosophy of environmental protection and accountability, Suzhou Site launched tree planting campaign and attracted more than 300 employees and their families to take part in adding a dash of green to our planet. Not only that, Suzhou Site also launched its "Thousand Books into the Mountains" campaign by donating more than 300 books and supplies to schools in mountainous regions in the central and western part of the province, plus a charitable movie-viewing for retired residents in the community; in addition, the "Pouch of Blood Project" was organized with approximately 200 individuals involved in donating blood to the blood bank. At the Family Day, the site hosted a handicraft charity sale and raised RMB 4,000 to support a foundation that is involved in helping patients with spinal injuries to receive. In 2017, more than treatment and recover their health..



**Xiamen Site**

To keep the positive interaction between the Site and its neighboring communities, the Site has been actively involved in different activities, including a tree planting event, and local product special sales. Employees take part in various activities such as routine night runs, karaoke competitions, and the basketball club. To promote traditional Minnan culture, invitations were sent to the village committees and seniors' association of neighboring villages to attend Mid-Autumn Festival event, which attracted more than 100 villagers who came to see the performance by the renowned Gaojia Opera Troupe; for Family Day, the Site held an event at Shantou Village and invited guests from relevant government agencies and people from neighboring villages, related businesses and collaborating schools, with a total of more than 300 participants with AUO employees.







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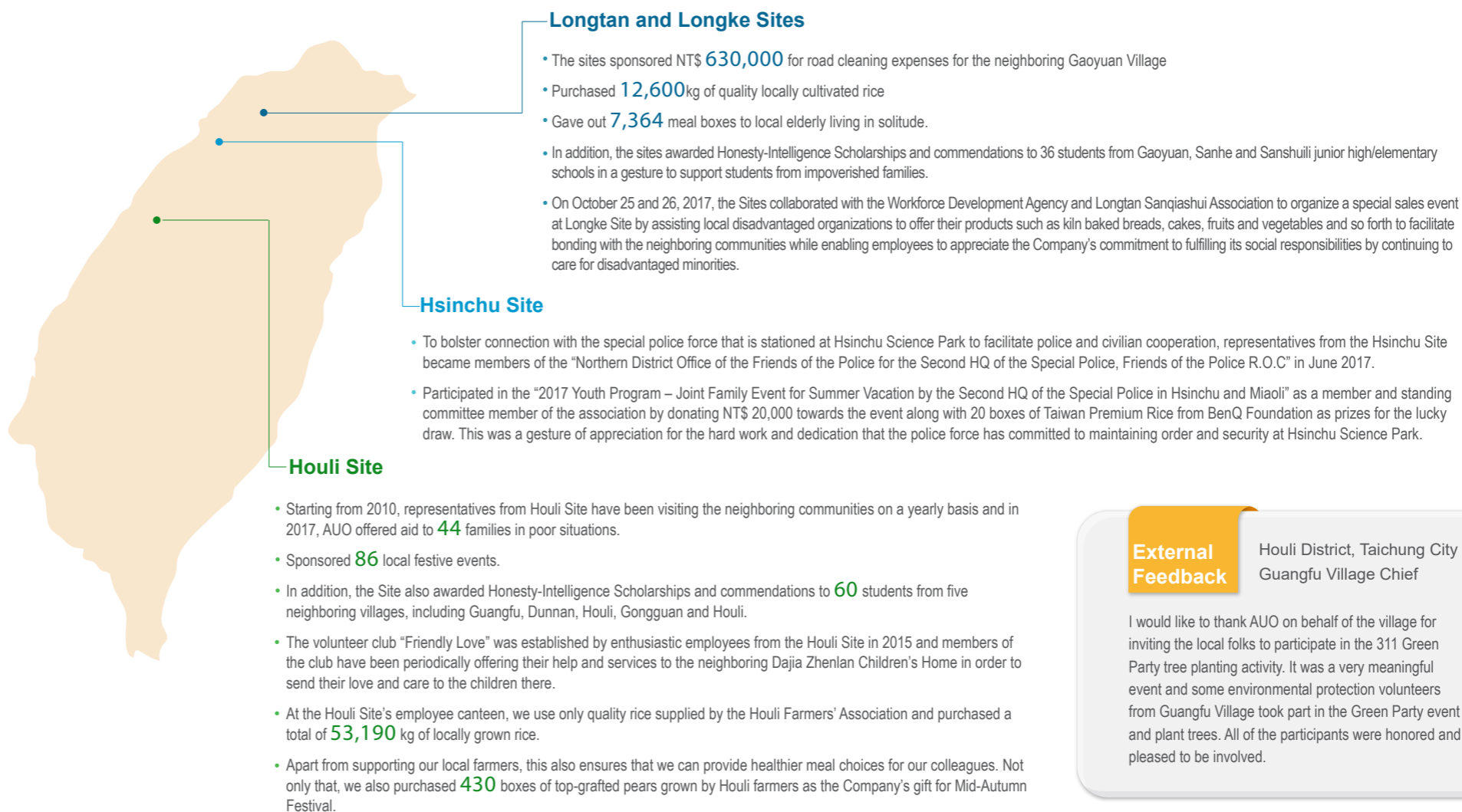
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### 5-3-3 Community Care

#### Neighborhood Activities in the Community

AUO has long been committed to the management of community relations by paying visits and caring for local folks in order to listen to their voices and needs. For disadvantaged minorities and families in distress, we also provide consolation and concrete assistance as a way of fostering our relationship with the local communities to achieve our vision of harmonious coexistence with local residents.



#### External Feedback

Houli District, Taichung City  
Guangfu Village Chief

I would like to thank AUO on behalf of the village for inviting the local folks to participate in the 311 Green Party tree planting activity. It was a very meaningful event and some environmental protection volunteers from Guangfu Village took part in the Green Party event and plant trees. All of the participants were honored and pleased to be involved.



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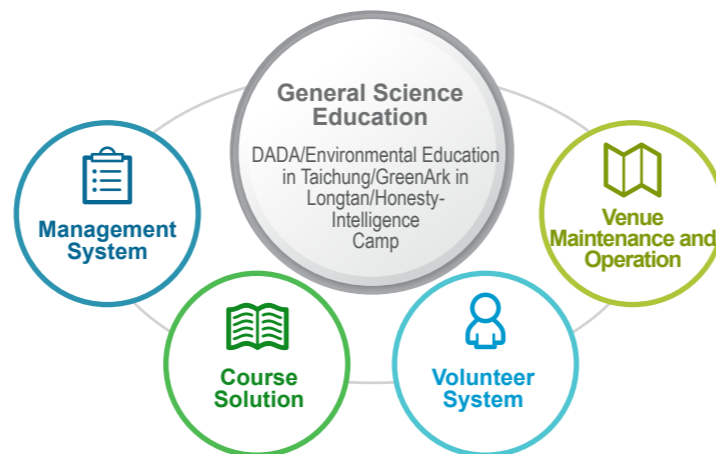
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**5-4 Optoelectronic Science Education**

**Education plays a key role in the growth of children and it is the basis for innovation of science.**

As such, AUO has spared no effort in the promotion of education for many years.

- 2006**  
 In order to encourage disadvantaged children from rural townships to engage in independent learning by developing their willingness, attitude, methodology and capacity for learning, AUO has been collaborating with BenQ Foundation on a yearly basis by hosting the "Honesty-Intelligence Camp" that lasts 3 days and 2 nights during summer vacation.
- 2009**  
 The Camp took a step further to work with National Museum of Natural Science for general science education component by constructing the largest learning site in Taiwan for optoelectronic and image display principles.
- 2012**  
 AUO embraced the concepts of environmental protection and sustainability and to inspire all employees to "Think Green".
- 2014**  
 The site was certified by Environmental Protection Administration in 2014, making AUO's "Taichung Site Environmental Education Facility" the first educational facility to be operated by a manufacturing company in Taiwan.
- 2015**  
 The site was later expanded in 2015 and renamed "DADA's Magic Land".
- 2017**  
 In order to improve students' basic knowledge of science and the environment and strengthen their problem-solving capacities as a way to nurture optoelectronic talents for green sustainability, AUO has compiled the teaching outcome from past "Honesty-Intelligence Camps", "DADA's Magic Land" and "Environmental Education" and through the continual accumulation of experience along with improvements made based upon participants' feedback, we have developed a systematic framework with four specific dimensions of "Operational Management", "Course Solution", "Volunteer System" and "Venue Maintenance and Operation", which is expected to deliver superior educational services that will boost the effectiveness of education promotion for "AUO's Science Education".



**5-4-1 Honesty-Intelligence Camp**

In 2017, we held a total of 6 sessions of the camp and invited children from 8 elementary schools in rural areas and a social welfare organization along County Highway No.3 in Hsinchu County. A total of 236 children and 11 AUO volunteers took part in the camps. Course content covered science knowledge on optoelectronic and solar power and environmental education in the natural surroundings of Mabu Forest.



The camp encouraged the children to not be afraid of failure and to learn the right ways to seek progress with the hope of inspiring unlimited imagination so that they can all grow up to be "honest and intelligent people" who uphold the value of honesty whilst being gifted with boundless creativity. The camp has offered a memorable and educational outdoor experience for all the children and volunteers during summer vacation.

**5-4-2 DADA's Magic Land**

In 2017, DADA's Magic Land continued to work closely with National Museum of Natural Science. In addition to standard guided tours of the venue, we also planned for new family themed events and volunteer training courses such as the "DADA Fun Vacation", "Little Docent Camp", "DADA Classroom" and "Learning about Service in a Different Way?!" as diverse and interesting channels of learning for employees, their families and the general public. At the same time, coupled with the booths and promotion for other large events such as AUO's Green Party and Family Day, we hope to extend the reach of DADA's Magic Land and general science education to more employees, their families and the public.



In 2017, DADA's Magic Land received a total of 3,417 visitors in guided tours, with 722 volunteers providing a combined total of 1,805 hours of service. In order to nurture honest and intelligent people while promoting science education, AUO has collaborated with National Museum of Natural Science and the Yuan T. Lee Foundation Science Education for All by enlisting their expertise in creating the one-day science camp – "DADA's Magic Science Camp". We held 10 sessions in 2017 and invited approximately 516 junior high school students who won the scholarship to take part in the camp for free so as to inspire their interest in science and develop their unlimited potential. For 2018, AUO is planning to increase the number of visitors at the venue while improving volunteer management by gradually expanding outward, starting within the Company, in the hopes of bringing science education to the daily lives of people and inspiring children to explore the world of science with their imaginative minds.

DADA's Magic Land page can be found at <http://dada.auo.com/>



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## 5-4-3 Environmental Education

### Environmental Education Facility of Taichung Site

In 2017, AUO continued to promote relevant environmental education activities such as outdoor lessons and visits for adult visitors in order for more teachers and students from schools in rural areas to take part in the fascinating, interesting and meaningful environmental education courses. The environmental education facility of Taichung Site had a total of 4,088 participants. It is our intention to help the general public internalize the concepts of environmental balance, energy conservation and carbon reduction through our courses. In addition, the venue also reached out to schools for the first time as we incorporated our syllabus at schools to develop a special course that we will offer at the school campus. We will also be going over the potential of development for on campus service in the future with teachers from different schools.



Since 2011, we have been involved in collaboration with Focus Junior High School in a travel-study program for 6 years, and as of 2017, we have had the participation of 4,100 grade 7 students in the program. The goal of the program is to help teachers and students gain better appreciation for the importance of environment and the significance of local culture by visiting green facilities for friendly development, sustainable green energies and the old West Dadun Kiln. Externally, with regards to environmental education related activities and seminars, we have shared AUO's environmental education courses and our philosophy through interactive experiences and article publication. Internally, we integrate these activities with Green Party and Family Day to promote the ideas of environmental education to more employees. Through diversified promotion, AUO hopes to spread its philosophy and mission of environmental protection in all of us.

### Environmental Education Promotion of Longtan Site

The environmental education team at the Longtan Site has taken the full recycling process of manufacturing water as its basis, coupled with the Water Resource Showroom's existing facilities to create interactive games, hands-on experiments and group discussions for participants. In November 2016, the team also created an environmental protection course specifically for students in grades 4 through 6 as a means of delivering the concept of cherishing our water resources while presenting scientific knowledge behind AUO's full recycling of water used in its manufacturing processes. By the end of December 2017, a total of 13 sessions of training had been implemented for a total of 346 participants.

During the summer vacation, the Site also signed an MOU with the River Education Center to work as partners and jointly host two "Water Magicians" summer camps, where employees with children between ages 9-12 and students from schools neighboring the Longtan Site were invited to participate. A total of 46 students attended the event. AUO shall continue to improve upon the quality of its demonstrations and relevant software and hardware.

### GreenArk Guided Tours

At the end of 2015, Longtan Site became the first manufacturing facility in Taiwan to fully recycle all water resources used in its manufacturing process and carried out a sealing ceremony for its discharge pipelines in Xiaoli River. Not only that, the Site also became the home to AUO's "Green Ark Water Resource Showroom" to reflect the efforts in promoting water resource education and fulfill AUO's green commitment.



The "GreenArk Water Resource Showroom" was designed based on key concepts of water and energy conservation, waste reduction and promotion of ecological and environmental protection. Constructed with green building concepts along with AUO's PV modules and energy storage system devices, GreenArk serves as a statement of AUO's endeavors in low-carbon environmental protection. Through the featured content and guided tours, visitors will learn more about AUO's water conserving technologies and relevant knowledge on water resources. Since its inauguration, GreenArk had a total of 79 guided tours as of the end of 2017 and has received more than 1,700 representatives from relevant industries, government offices and academia from 12 countries, thus sharing AUO's green technologies and philosophy of sustainability to all.





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## 5-5 Care for Nature

### 5-5-1 Supporting Local Agricultural Produce

#### Group Purchasing

For years, AUO has been paying close attention to Taiwan's agricultural industry and starting from 2008, the Company launched direct purchases of more than 20 agricultural products straight from the regions of production in an effort to help local farmers while preventing unreasonable shares of the profit from falling to intermediaries and reducing the distance of transportation for the produce. In 2017, we launched various group buy activities for fresh agricultural produce directly from the region of production, such as tankan citrus from Nanpu of Hsinchu, honey tangerines from Douliu of Yunlin, garlic from Citong of Yunlin, pears from Houli of Taichung, pomelos from Hegang of Hualien and so forth. With the total amount exceeding NT\$1.24 million, we made it convenient for employees to buy products that are in season whilst bringing more exposure to farming philosophies of local farmers, thus making the connection from farm to table.

#### Farmland Adoption

Beginning in 2008, AUO has called upon employees for support in adopting various paddy farmlands in Taiwan that embrace friendly farming and by 2017, we have adopted more than 50 hectares of farmland in Nanpu (Hsinchu), Xizhou (Changhua) and Daxi (Taoyuan). In 2017, we adopted farmlands in Daxi of Taoyuan and offered our support to rice farmers for their insistence on cultivating toxin-free rice. Apart from responding to BenQ Foundation's effort to support cultivation of existing farmlands sponsored by the foundation, AUO has also produced a relevant promotional video with the topic of "Colorful Diary" for its "Eco-Friendly Farming Adoption" fund-raising campaign, which was targeted at encouraging AUO employees to join the ranks of eco-friendly farmland adoption. A total of 795 employees answered to the call and donated NT\$ 1.01 million towards the cause.



### 5-5-2 Green Party

In response to Arbor Day, AUO has collaborated with the BenQ Foundation for 10 consecutive years by jointly organizing the Green Party event and as of 2017, we have planted in excess of 1 million trees thus far. Apart from the BenQ Materials Corporation (Yunlin Technology Industrial Park) and AUO's Houli Site, we have also held our first tree planting event at Qisda's farmland in Yilan. At Houli Site, we have made a special effort to integrate the event with charity by inviting children from Dajia Zhenlan Children's Home and the teachers and students from Taichung School for the Visually Impaired (both of which the AUO volunteer club have been serving for considerable amount of time) to take part in the event. The opening ceremony commenced in the enthusiastic and passionate voices of children from Taichung School for the Visually Impaired as they sung in unison, while close to 2,000 employees and their family members from four companies (AUO, Darwin, Lextar and AUO Crystal) became tree planting volunteers. Together they planted saps of Taiwan Cherry, Common Lantana, Jamaica False-valerian and so forth. In addition, AUO also hosted a "Farmer's Market" at the event by promoting agricultural products such as the organic and pollutant-free Shangshui Rice from Xizhou along with fresh vegetables, fruits, dried fruits and other handmade food from farmers. Through this meaningful tree planting event, more people could come together to answer to the call for environmental protection and carbon reduction by taking local actions.





# 6

## Employee Relationships



### 6.1 Talent Composition

### 6.2 Welfare and Rights

### 6.3 Healthcare

### 6.4 Education and Training

### 6.5 Work Safety

#### Healthy Workplace

Received the “Healthy Workplace Badge of Accreditations” from the Health Promotion Administration, Ministry of Health and Welfare.

Healthy Workplace Badge of Accreditations

#### Industry-academia Collaboration

Trained 256 A+ summer interns worldwide and industry-academia collaboration students.

Worldwide **256** interns

#### Employment of Employees with Disabilities

Employment of Employees with Disabilities –We increased our employment of employees with disabilities to 268, which is higher than the statutory requirement.

Increase to **268**

#### Zero Human Rights Disputes

There have been no human rights complaints and no defects found in the 12 internal audits conducted worldwide.

Total **0**

#### Zero Employment Disputes

The Company has grievance channels in place to facilitate harmonious employer-employee relationships. No employment disputes were reported in 2017.

Total **0**

#### Communication and Counseling

The Company has hired work life coaches to provide related consultation services with regards to the working environment. These coaches have offered a total of 582 hours of services.

Total **582** hours



## 6-1 Talent Composition

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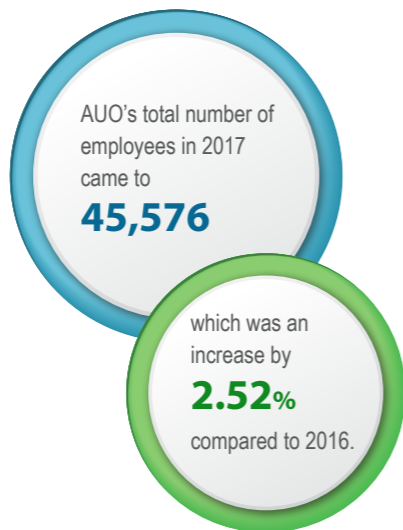
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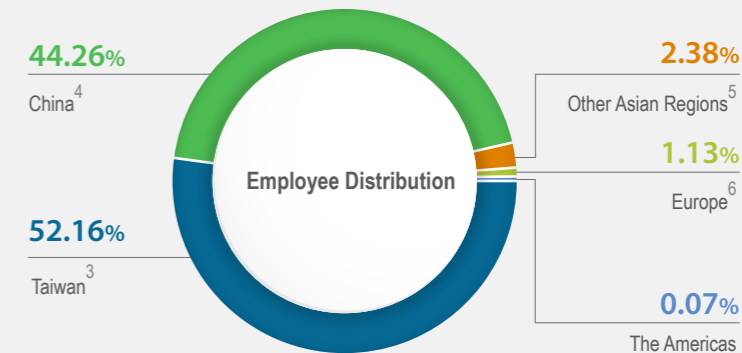
### 6-1-1 Talent Distribution



AUO formulates business strategies on a yearly basis, during which all departments are required to plan the size of the workforce needed for the coming year, and submit their personnel requests to the HR Department. The HR Department then disseminates information on job openings through various recruitment channels and proceeds with talent recruitment. Talent recruitment procedures have been developed in accordance with local regulations and are carried out in a fair manner to recruit suitable talents for open positions.

#### Talent Distribution

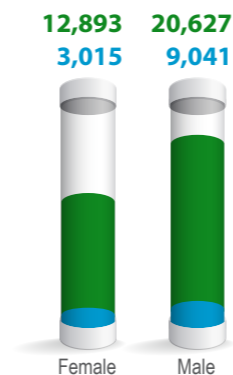
	Indirect Employees <sup>1</sup>	Direct Employees <sup>2</sup>	Total
2017	12,056	33,520	45,576
2016	11,947	32,508	44,455
2015	11,605	29,757	41,362
2014	11,364	32,491	43,855
2013	11,755	34,030	45,785



#### Employee Gender Ratio



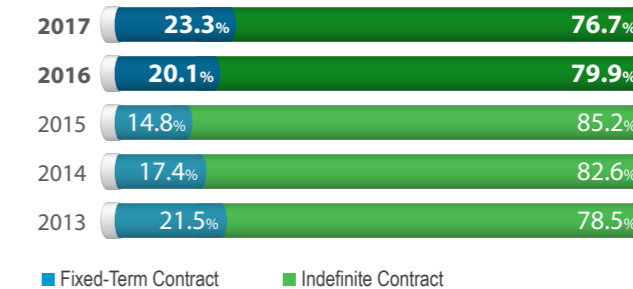
#### Structural Ratio by Employees Type



#### Gender Ratio<sup>7</sup> of Employees in Managerial Positions



#### Ratio of Contract Type Over the Years



<sup>1</sup> : Indirect employees (IDL) include management and non-management staff.  
<sup>2</sup> : Direct employees (DL) include dispatch technicians, technicians, mechanics, foremen, deputy foremen, and manufacturing team leaders.  
<sup>3</sup> : Facilities in Taiwan Include: The Huaya Site, Longke Site, Longtan Site, Hsinchu Site, Houli Site, Taichung Site, Tainan Site and Kaohsiung Site.  
<sup>4</sup> : Facilities in China Include: The Kunshan Site, Suzhou Site, Songjiang Site and Xiamen Site.

<sup>5</sup> : Other Asian Regions Include: Japan, Korea and Singapore.  
<sup>6</sup> : Facilities in Europe Include: The Czech Republic, Slovakia and Holland.  
<sup>7</sup> : Managerial positions refer to supervisor positions such as section chief, assistant manager and other higher ranking positions.



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**Employees by Contract Type <sup>1</sup>**

Contract Nature of Employment		Taiwan	Mainland China	Other Asian Regions	Europe	Americas	Total	
Female	Indefinite	7,331	4,774	130	178	5	12,418	
	Fixed-term	Part-Time/Interns	-	1,455	-	-	-	1,455
		Foreign Employees	1,037	-	189	-	-	1,226
		Temporary Employees	6	760	-	32	-	798
		Short-term Employees	10	-	1	-	-	11
Male	Indefinite	13,314	8,631	350	235	25	22,555	
	Fixed-term	Part-Time/Interns	1	1,843	-	-	-	1,844
		Foreign Employees	2,059	-	413	-	-	2,472
		Temporary Employees	-	2,708	-	72	-	2,780
		Short-term Employees	17	-	-	-	-	17
Total		23,775	20,171	1,083	517	30	45,576	

**Age Distribution by Location**

Age		Taiwan	Mainland China	Other Asian Regions	Europe	Americas	Total
Female	Under 29	1,465	4,395	109	57	-	6,026
	Between 30-49	6,677	2,593	200	124	5	9,599
	Over 50	242	1	11	29	-	283
Male	Under 29	2,834	9,193	207	94	-	12,328
	Between 30-49	12,334	3,962	497	189	22	17,004
	Over 50	223	27	59	24	3	336
Total		23,775	20,171	1,083	517	30	45,576

**Hiring of Local Managers by Location**



**Employee Morale and Turnover Management**

AUO has conducted interviews with employees to learn from their voices; then the inputs were sorted and analyzed for supervisors to improve upon our management system from HR Department; and continued to watch the turnover trend in the same industry, so it would allow the managers to receive relevant feedbacks to find out the root causes for employee resignation. So, it will lead to future improvements via corresponding projects to achieve the goal of talent recruitment and retention.

<sup>1</sup> : AUO has no part-time employees; our outsourced manpower is only involved in jobs that are not related to production but involve specific skills for relevant maintenance and repairs such as premise security guard, cleaning and sanitation, fire safety equipment, network communication equipment, electrical equipment, air-conditioning equipment, water discharge system, dormitory facility, water tower, elevator, and so forth. As outsourced manpower is usually focused on the specific task involved rather than the actual manpower as the target for the contract, relevant statistics are harder to compile and have therefore been omitted for clarity.



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### Employment of Employees with Disabilities & Care

AUO has increased its employment of personnel with disabilities<sup>1</sup> from 60 to 268, and they receive the same wages and benefits as other employees without discrimination.

In 2017, AUO received the 15th Golden Wingspan Award for “Outstanding Enterprises for Hiring Disabled Employees” as an example in the industry for creating a friendly work place for employees with disabilities by offering diverse work opportunities to them. By continuing to create a friendly work environment, we strive to help employees with disabilities to take joy in their work and acknowledge their value and self-worth.



### History and Results of the A+ Seed Project

Starting from 2004 onward, AUO has nurtured more than 1,400 outstanding seed interns around the world for the past 14 years. The “Practicum Internship” is the most distinctive component of AUO’s A+ Seed Internship Project that sets it apart from other enterprises as it requires all A+ seed applicants to go through job interviews by the same standard as official employees. During the two months of internship, each and every A+ seed intern will be assigned with a clearly defined project mission and designated mentor to help them adapt to the Company environment and their work. After going through various stages of preliminary review, secondary review and final review, these projects are evaluated by a panel of jurors to determine the most outstanding project and interns who delivered exceptional performance are even given the privilege of advanced admission. For key talents, AUO also offers lucrative scholarships for Master’s and Doctorate degree holders in the hopes of attracting more outstanding talents to join in AUO.



### Introduction to AUO’s Internship Factory & Results

AUO has converted its existing 3.5G production line to the first LCD substrate internship factory in Taiwan by making it accessible to students from schools that are involved in industry-academia collaboration so as to help students gain a better understanding of the substrate industry and its working environment. This also ensures that corporate resources are effectively given back to academia so as to fulfill our corporate social responsibilities of linking our line of business to practical applications. At the factory, students are not only able to see the structure of various equipment up close, but they also learn more about the process of substrate manufacturing by going into the clean room, helping them consolidate the knowledge they have learned at school and standard practices in the industry to close the gap between what they learn and the actual operations in the industry. This is AUO’s way of sharing its resources for optoelectronic education with academia.



<sup>1</sup> : Pursuant to government regulations, those recognized to be “severely disabled” or “profoundly disabled” will account for double-weighting for employee statistics.

### 6-1-2 Total Care for Expatriates

In order to deliver the most timely customer service, AUO has not only established many manufacturing sites and service offices around the world but also implemented welfare policies to cater for the needs of its expatriates. Apart from offering accommodation allowance, meal allowance and subsidies for expatriates’ children to receive education abroad, AUO also provides a dependents’ subsidy to cover the living expenses for dependents who had to resign from their jobs in order to travel abroad with expatriates. On top of that, in order to provide expatriates the peace of mind they need to work overseas, AUO also ensures that employees and their family members are covered by comprehensive group insurance.

<p><b>For expatriates with family members</b></p>	<p><b>Medical Care</b></p>
<p>AUO accommodates employees with an expatriate allowance, accommodation allowance, dependents’ subsidy, subsidy for their children’s education and 24-hour serviced dormitories at AUO sites.</p>	<p>AUO has engaged “International SOS” – a provider of 24-hour global medical assistance to cater for employees’ safety and wellbeing.</p>
<p><b>Rotation Planning</b></p>	
<p>Plans are made to reinstate expatriates in their home country 12 months before their assignment ends; these plans are reviewed 6 months and 3 months before the end of their current assignment.</p> <p>Headquarters and the expatriates existing and future line managers will monitor the list of expatriates whose assignments are about to expire and explore suitable positions for those who are due to return to work in Taiwan.</p>	





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### 6-1-3 Diversified Talent Development

Out of respect for employees' career development without compromising AUO's operational needs, AUO offers a diversity of development channels such as overseas rotation, execution of key missions, expertise transfer, overseas training, global position competition, and so forth. With diverse opportunities and stages that enable employees to engage in cross-cultural, cross-territorial learning, AUO encourages employees to fully develop their potential by acquiring new knowledge and skills while developing broader vision and larger interpersonal networks.

Apart from employees who have been chosen for transfer due to the needs of specific missions and objectives, employees can also voluntarily request for transfer in accordance with the regulations laid out in the Internal Position Competition Procedure; after adequate communication and verification of intentions, such applications can be approved by supervisors and then take effect.



### 6-1-4 Development and Nurturing of Field-Specific Talents

To commend talents of key technologies who have made outstanding contributions or delivered exceptional performance in their fields of specialization, AUO had launched its "Expert System" since 2012, and "Technician System" since 2015.



Expert  
System

It involves a review committee consisting of senior R&D managers responsible for conducting a series of reviews and evaluations before they select the experts for an open commendation ceremony. Through the establishment, AUO continues to develop outstanding internal talents who bring prospective technologies to the Company and maintain its R&D momentum going forward.



Technician  
System

In 2015, AUO also launched its "Technician System", which is a job redesign for the original position of "Assistant Engineer". As front line engineers and technicians are the guardians of the Company's momentum, personnel development and inheritance of skills have always been issues of vital concern for AUO. As such, through the redefinition of specific job descriptions, coupled with comprehensive technical training systems and an expanded blueprint for career promotion and development, AUO encourages employees involved in fundamental engineering to be inspired to become AUO's "Technical Experts" by continuing to hone their skills and pass specific certifications.



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### 6-1-5 New AUOer

As of 2017, AUO has a total of 3,070 employees from the Philippines on its A-Team. In an effort to eradicate the gaps of language and culture and further develop talents in its A-Team, the company initiated its New AUOer Project in the end of 2016 to create a friendlier working environment through changes in different aspects such as career planning, cultural recognition, care and so forth with the goal of helping members of the A-Team to blend seamlessly into AUO to become new AUOers.



#### In the end of 2016

AUO began to re-develop the blueprint of career development for the A-Team.



#### In 2017

Launched a trial run of A-Team management staff and Adv. A-Team.

#### A-Team

Through the introduction of A-Team management staff, AUO will be able to strengthen the process of communication between the management and the A-Team so as to handle A-Team related issues while improving the discipline and morale of A-Team members. Also with the Adv. A-Team system, AUO has essentially provided A-Team members with greater room for career development in AUO.

### Cultural Recognition

AUO has more than 3,000 Filipino employees in its A-Team. In order to help all employees to better understand the cultures, customs, and lifestyle habits of the Philippines so as to facilitate exchange on an emotional level, AUO held 8 "Philippine Cultural Festival" events at six sites in Taiwan. Site managers led their colleagues to take part in the festivals and a total of approximately 6,300 employees attended the eight celebrations.

Activities during the cultural festivals can be separated into three major components: A-Team's Story Time, Collection of Works, and Cultural Experiences, with content including interactive performances and static displays. Static displays featured content of drawings and texts that described Filipino employees' experiences and thoughts on coming to Taiwan. The content was meant as a presentation of the courage that A-Team members had to muster in order to leave their homes to work in a foreign land for the sake of their families and their own dreams while illustrating the challenges and difficulties they had to overcome, including getting accustomed to a foreign environment, different food and lifestyle habits here in Taiwan.

By doing so, AUO presented an opportunity for employees to realize and be empathetic towards Filipino peers from the perspective of appreciation. These events went a long way to educate employees to be inclusive of varied cultures, and showed respect for foreign colleagues to facilitate mutual understandings, which shall lead to a true "Team Up".

### Care

AUO has provided a number of thoughtful and considerate conveniences and care in accordance with the characteristics of each site, such as setting up Filipino stores so that employees can buy Filipino foods, purchase and replenish their stock of daily supplies; setting up beauty salons for employees to groom themselves in a comfortable environment; arranging Filipino dish cooking classes so that employees can recreate the tastes of home and alleviate their feeling of homesickness.

In addition, AUO worked with the Manila Economic and Cultural Office (MECO) to arrange for MECO representatives to conduct disseminations on topics such as Filipino social welfare, narcotics prevention, hazards of smoking and so forth to boost Filipino employees' awareness for personal health and safety. Through love, patience and care, AUO has made a commitment to employees' wellbeing so that they can find joy in their work and life.





## 6-2 Welfare and Rights

### 6-2-1 Compensation and Welfare

#### Salary and Insurance

AUO views employees as the greatest asset of a company. With a diverse and competitive salary structure and under the premise of improving the performance of the Company's operation, different teams, and individual employees, AUO has designed various short-term and long-term incentive programs with great versatility for different positions as a way to share the Company's profit surplus with its employees.

With regards to the starting salary for new employees, all major AUO global operating offices set the starting salary for employees between 1.32 - 1.65 times the local minimum wage by taking criteria such as their educational background, previous work experience, professional knowledge/skills, work seniority, and so forth into consideration. Employee salaries are not differentiated by factors such as gender, ethnicity, religion, political preference, marital status or union association. AUO takes part in an international market salary survey on a yearly basis for suitable salary adjustments to be made based on the market standard for specific positions and employees' personal performance to ensure its competitiveness in the market.

#### Comparison of Standard Salary<sup>1</sup> and Legally Required Salary

	Taiwan	Mainland China				Asia			Europe			Americas
		Suzhou	Suzhou	Kunshan	Xiamen	Japan	Korea	Singapore	Czech Republic	Slovakia	Holland	
Standard-to-local-minimum-salary Ratio for Entry-level Males <sup>2</sup>	1.4	1.47	1.43	1.65	1.32	N/A <sup>3</sup>	N/A <sup>4</sup>		1.45	1.55		N/A <sup>3</sup>
Standard-to-local-minimum-salary Ratio for Entry-level Females	1.42	1.52	1.41	1.6	1.44						1.43	1.39

In addition to the legally required social insurance coverage at each of AUO's operating locations, employees at Taiwan/Mainland China sites also enjoy comprehensive group insurance coverage that encompasses life insurance, accident insurance, medical insurance, cancer insurance, and so forth. Not only that, the coverage of group insurance is also extended to cover employees' family members so as to offer better protection for their lives and safety. As for employees on business trips and expatriates, AUO also offers dedicated insurance coverage plans.

#### Male-to-Female Salary Ratio<sup>5</sup>



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1 : Regular Salary Payable on a Monthly Basis.

2 : Entry level employees refer to direct employees.

3 : Not applicable since there are no direct employees in AUO's sites in Japan, Korea, Holland and the Americas.

4 : Singaporean laws do not set a minimum wage requirement, thus the data is not applicable.

5 : With male employees as the basis of comparison.

6 : 0 because there are no female managers in Holland and the Americas regions.



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**Pension Scheme**

To encourage employees to fully commit to their career and work towards a stable, supported lifestyle after retirement, AUO contributes towards relevant social security premiums such as labor retirement, medical care, senior's pension and so forth as legally stipulated at each operating location. For Taiwan sites, AUO has established its Retirement Fund Supervisory and Management Committee as legally required taking charge of the promotions of pension management and retirement procedures. In the old system, businesses are required to make monthly deposits equivalent to 2% of the monthly wages of eligible employees into employees' retirement preparatory accounts under the Bank of Taiwan. At present, the reserve has come to approximately NT\$ 2.2 billion, which is only restricted to withdrawal/deposit by the employer with no employee participation. To safeguard employees' rights, AUO has commissioned actuaries to compile an actuarial report to ensure sufficient allocation towards the retirement fund. With the launch of the new pension system, the Company will deposit 6% of employees' monthly salary into employees' personal pension accounts in accordance with their pension class interval; in addition to fixed deposits by the Company, employees can also choose to deposit any amount within 6% of their monthly salary to their designated account for tax exemption. When an employee has met the requirements for legal retirement, he/she may submit a retirement application and opt to collect his/her pension under the old pension system (if he/she is eligible) once the process has been completed. Not only that, pension in their designated account can also be accessed once they reach the age of 60.

Taiwan	China				Americas	
	Suzhou	Song jiang	Xiamen	Kun shan		
Ratio of Salary Counted for by Pension Appropriation Employer (%)	14	20	12	19	Ratio of Salary Counted for by Pension Appropriation Employer (%)	
Ratio of Salary Counted for by Pension Appropriation Employee (%)	8	8	8	8	Ratio of Salary Counted for by Pension Appropriation Employee (%)	
Retirement Plan Approach	Retirement Plan Approach Endowment Life Insurance (Employee Account)				Retirement Plan Approach Social security	
Old System: Company Pension Account New System: Personal Pension Account						
Other Asian Regions			Europe <sup>1</sup>			
Japan	Korea	Singapore <sup>1</sup>	Czech Republic	Slovakia	Holland	
Ratio of Salary Counted for by Pension Appropriation Employer (%)	9.15	4.5	7.5~17	21.5	14	2.9-17.9
Ratio of Salary Counted for by Pension Appropriation Employee (%)	9.15	4.5	5~20	6.5	4	1.5-8.9
Retirement Plan Approach	CPF (Employee Account) <sup>2</sup>		Retirement Plan Approach			
Employees' Pension Insurance (Government's Labor Insurance)	National Pension		Pension Funds	Retirement Insurance	Flexibel Renteniers Plan(insurance)	

☆ Degree of Employee Participation in Retirement Plan **100%**

1 : The information for Singapore, the Czech Republic and Slovakia comes from the Department of Investment Services, Ministry of Economic Affairs; the data for Singapore, the Czech Republic and Slovakia is dated August 2017.

2 : CPF is the abbreviation for Central Provident Fund, a unique central provident fund that Singapore has adopted. Contributions to the CPF go to three separate accounts at pre-determined proportions: ordinary account, special account and medisave account.

**Welfare Committee**

The AUO Employee Welfare Committee (the Welfare Committee) was established in Taiwan accordance with the law for a number of purposes, including care for employees' lives, maintaining labor-management relations, and promoting proper entertainment/recreational initiatives. Committee members comprise representatives from various departments within the Company; these representatives are voted for by their respective departments to exercise authorities in monthly meetings and to resolve welfare policies and organize initiatives that concern employees' interests. The Welfare Committee then carries out the resolved policies on holiday bonuses and various individual welfare allowances for travel, maternity, marriages, funerals and other emergencies. In addition, the Welfare Committee also organizes club initiatives and seasonal sporting events.

Maternity Allowance	Beneficiaries <b>826</b>	Amount (NTD) <b>854,000</b>	
Funeral Benefits	Beneficiaries <b>1,908</b>	Amount (NTD) <b>1,908,000</b>	
Marriage Allowance	Beneficiaries <b>493</b>	Amount (NTD) <b>1,479,000</b>	
Emergency Allowance	Beneficiaries <b>39</b>	Amount (NTD) <b>1,410,000</b>	
Hospitalization Allowance	Beneficiaries <b>309</b>	Amount (NTD) <b>309,000</b>	





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## Feast of Life

Started in 2011, the Feast of Life is a series of exciting events held in the spring and summer each year with the goal of delivering positive energy that moves employees' spirits. In 2017, the Feast of Life took on four specific themes of "Contemporary Art", "Cultural Preservation", "Social Care", and "Think Big", structured in four different tiers to gradually progress from professional domains to the entire society as a whole as AUO continues to expand the scope and coverage of care with its gentle strength. The Feast of Life program went on a circuit tour of 22 performances across different sites and drew a total of 4,144 participants; 7 performances were held at different sites in China and attracted 2,057 participants.

Chris encouraged everyone to "orient yourself with your eyes in red; walk forward with your feet in black". Just as the message of "passion x insistence" that Feast of Life is aimed at delivering, both momentums are seeds that can kindle the flames in our hearts to energize ourselves to move forward. In the future, Feast of Life will continue to invite employees to explore different life stories of "passion x insistence" in the gentlest way that is closest to our lives possible by presenting inspiring performances, thought-provoking images and heart-touching narratives to re-awaken the energy that touches one's heart within us, so that we can spread the positive influence to others and the environment.



### The first episode "Contemporary Art"

focused primarily on exhibition and performance with the intention of leveraging the power of art to transform the spirit of "passion x insistence" into figurative expressions that one can experience through the five senses. The opening performance was held at the Hsinchu site with a feast of music brought by Taiwan Pure String (a chamber string ensemble), while Biung Sauhluman Tankisia Takisvislainan Tak-Banuaz, winner of the Golden Melody Awards, was invited to perform at Longke, Longtan, Huaya and Houli. With his flair for live performance and humorous styles, Biung received acclaim for his performances. Employees at the Taichung site were treated to interactive instruction by Succession Percussion Group to get their hands involved in composing a piece of percussion music whilst colleagues at the Tainan site had their attention drawn to the vibrant energies of Electric-Techno Neon Gods.

### The second episode "Cultural Preservation"

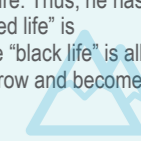
which involved the passing on of heritage to manifest the belief in "passion x insistence" as a "local spirit" that protects our traditions by incorporating regional customs and cultures. For this part of the series, Song Shao-Ching, a renowned crosstalk performer, was invited to illustrate the unique characteristics of crosstalk to stay abreast with the times as a tool of commentary on current affairs and demonstrate how techniques of traditional performance can incorporate hot topics and trends to make crosstalk always relevant. Song emphasized that "listening" is not only the introductory lesson to performing arts but also a vital lesson in one's life – one must learn to listen and feel with his heart in order to break through boundaries and create self-worth. The concept coincided with AUO's management philosophy of "creating value through innovation" and certainly opened the door to cross-domain interaction.

### The third episode "Social Care"

focused on taking action and placing oneself in others' shoes in order to develop empathy to change our society through concrete action. The band Life Jazz, which comprises a group of musicians with visual impairments, was invited to share their experiences with us. Due to their physical impairments, these performers had to commit more effort and hard work in order to earn their spot under the limelight as they expressed their passion for music undaunted insistence despite difficulties. In order to help more people with visual or physical disabilities to enrich their lives through music, all profits from their performances goes towards music education. Their lofty ideals and noble intentions were given meaning by their actions to care for others, paving the way to improving the lives of others.

### The final episode "Think Big"

centered on inviting influential people who accomplished extraordinary things through "passion x insistence" to share with us how they have observed all the positive and beautiful aspects of this land through a different perspective in order to care for everything in their lives. For this part, Chris Wang, the actor and celebrity who is renowned for his extreme journeys and life adventures, was chosen as the candidate to speak for the indomitable spirit of "insistence x passion" by sharing his visions and experiences from having traveled around the world. Chris pointed out that as a free spirit and passionate individual, he had striven to build upon more energy that would allow him to realize his dreams but at the same time, his status as a public figure meant that he had to shoulder all sorts of pressure. Thus, he has separated life into two parts of "red" and "black", that are two sides to the same coin. "Red life" is characterized by hope, passion, and love – things that keep the flame of life going, while "black life" is all about reality and pressure – negative things that if one can overcome, will help one to grow and become stronger if one has the willpower to pull through.





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### Sunny Day

In order to facilitate exchange and interaction between employees within the same department and help them create memorable moments, AUO has organized the “Sunny Day” event during the second half of each year by allocating funds to each department as a way to encourage all departments to arrange outdoor activities.

Content of the activity is up to each department to design and employees are encouraged to participate in the activity with their family members. In 2017, AUO’s Sunny Day events included a trip to Lanyu, Stiff-leg day-trip at Houli and Fengyuan, DIY-farm experience, a guided cultural tour in Lugang, and so forth. These wonderful activities go a long way to create pleasant summer memories that help employees to bond.



### Perpetual Award

In 2017, AUO Taiwan had 23 employees who have served the Company for 20 years. These loyal employees have supported the Company with due diligence and grown together with the Company along the way as they witnessed the history of AUO’s

growth into a leading provider of optoelectronic solutions around the world. At the same time, approximately 710 AUOers have also reached the milestone of serving 10 years at AUO. As a gesture of appreciation to all AUO colleagues who have dedicated a significant period of their lives to their position with unwavering loyalty, the Company ordered custom-made premium quality Trophies of Perpetual Service to be awarded to these employees at a special award ceremony.



### Family Day

In 2017, AUO Family Day kicked off first in China, followed by the event in Taiwan.

The first AUO Family Day was organized in the Huadong region on October 14 and it had more than 10,000 participants. Featuring a vibrantly colored and dazzling stage decorated in a retro style, a number of performances and talent shows were presented by various teams and clubs to take participants on a trip back to the past by reliving the classics from the 60s to the 90s.

The AUO Family Day for Xiamen region was organized on October 29 with more than 9,000 participants. The kick-boxing workout, tap dance and many special performances brought by different teams entertained the audience.

For AUO Taiwan, the Family Day was held at Lihpao Land on October 21, and it was attended by over 18,000 enthusiastic people. As a warm up performance for the stage, active AUO employee clubs were asked to perform with the theme of “Music Festival of Camaraderie”. The opening show, a Face-Changing performance, launched the event on a high note to the surprise and delight of employees when AUO’s senior managers donned the costumes and presented themselves on stage.







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### Sports Competition

Each year, AUO's Sports Competition retains its central message of encouraging employees to take up sports and exercise as a hobby so that they can experience the joy of sweating and working together with a team to achieve specific goals. Starting from 2016 onward, AUO Taiwan's Sports Competition took on a special twist as the sites launched the latest "Creativity x Marathon" series event that is suited for all.

#### 「 Site Marathons 」

AUO employees were encouraged to make teams and complete the 21-Km half marathon together while making the experience of road running more interesting with 100 creative ways. During the period of three months, a total of **2,674 participants from 228 groups** have taken part in this event.



#### 「 Online Marathon 」

This design came from the concept of road running enthusiasts traveling around Taiwan to challenge different marathons. This 10-week event attracted registration from **over 1,000 employees in 94 teams** who completed a total accumulated distance of more than **112,000 km**. AUO distributed more than **1,100 boxes** as special reward.



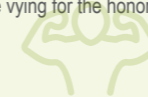
**For the Huadong site, "I exercise therefore I am health and happy" was the theme for the Sports Competition.**

In addition to the Online Marathon, the competition also covered other competitive sports including basketball, table tennis, badminton, soccer, and so forth. A total of **1,740 employees** took part in the event (**1,100 participated** in the Online Marathon and ran for a total of **49,186km**).



**"Act, Now!" was the theme for Xiamen site's Sports Competition**

which **involved 59 teams in 98 games with 4,585 participants** in total. The games included dodgeball, basketball, badminton, soccer, table tennis, tug-of-war and cheer leading performances. Every participant gave their all and endeavored to win the trophies accompanied by passionate cheering from the spectators and words of encouragement from their supervisors; at that moment, every participant no doubt felt like a true athlete vying for the honor that is victory!



### Grants and Promotion of Clubs

AUO has a total of 173 clubs around the globe, and has established the Employee Club Management Procedure, which helps that employees may apply to create a club as long the threshold of 20 existing AUOers as members is met. The clubs fall under major categories such as competitive sports, arts and humanities, charity services, and other recreational activities that are good to physical and mental health. In 2017, the total count of AUO clubs across the globe came to 6,819 members.

In Taiwan, AUO hosts two joint-club exhibitions on a yearly basis. Events include "Club Life Week – Head for the Fairs" (for the first half of the year) and "Year-End Exhibition – No Limit to Dreams" (for the second half of the year). In order to encourage more employees to learn more about various employee clubs, AUO has designed the "Point Collection Coupon for the Fair" for the first joint-club exhibition for participants to get the chance to win various souvenirs simply by taking part in booth activities. A total of 65 clubs took part in the event, which attracted over 2,700 participants. It was an activity for AUO employees to take a break from their work and unwind at the fair. The event for the second half of the year centered on creating a stage for club members to showcase the achievements they have made by pursuing and making their dreams a reality through their club participation. Coupled with the documentary for the Wish for Christmas Program, the event was intended to call upon more employees to take better care of themselves while doing the best they can to help others around them.





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## 6-2-2 Employee Rights and Interests

AUO is dedicated to protecting employees' human rights by more than just policy protection but also through specific management mechanisms from the perspective of execution in order to ensure that all employees are properly taken care of.

In the event of human rights violations or mismanagement, employees can respond via various communication channels that AUO has established. The Company will also protect employees' freedom and confidentiality when lodging complaints.

To encouraging a moral culture that is liberal with an emphasis on mutual respect, AUO has promoted its core corporate values of integrity over the years. Through disseminations on case studies pertaining to the code of ethics, the Company has taken various steps to boost employees' moral awareness. AUO shall continue to promote its integrity culture through media such as site broadcasting, e-billboards and so forth to help employees indoctrinate the values of integrity culture in their minds.



Diversified communication and appeal channels.



Great lengths to keep grievances and employees' personal information confidential and secured.



In addition, race, gender, age, political affiliation and religious beliefs will never be a factor in the basis/criteria for employee hiring, performance evaluation, or promotion at AUO.

## Human Rights Management

To safeguard the rights of employees and ensure that the Company fulfills its social responsibility, in 2006 AUO began to align its management policies with relevant international standards such as Social Accountability 8000, the Global Sullivan Principles, the UN Guiding Principles on Business and Human Rights, and the Responsible Business Alliance Code of Conduct. On top of that, AUO also started a human rights risk inventory for all stakeholders in 2017 by highlighting vulnerable groups and issues and implementing specific mitigative measures and monitoring mechanisms.

AUO's commitment to employee rights are clearly stated in documentations such as the "AUO Human Rights Policy", "Employee Manual", "Work Regulations", "Recruitment/Appointment Policy", "Sexual Harassment Prevention Policy", "Unlawful Infringement Prevention Policy", "Employee Communication Policy", and "Complaint Procedure". With regards to legal regulations, freedom of employment, humane treatment, prevention of discrimination and sexual harassment, safeguarding employees' right to file grievances and so forth, the Company has also taken a step further to establish diverse and effective communication mechanisms, ensure a sound salary and benefit structure, and offer opportunities for development and training courses on this topic.

Child labor is explicitly prohibited in AUO's CRS policies and the "AUO Human Rights Policy". In order to ensure the health and safety for underage workers, no hazardous work is to be assigned to them. AUO has always supported freedom of employment as all job duties have been undertaken by employees on a voluntary basis. In 2017, no cases of slavery or human trafficking were reported. Apart from the explicit statements in relevant policies, AUO's recruitment policy also offers a clear definition of child labor and its prohibition. Not only that, further procedures regarding the banning of child labor were also established at sites in China. Annual internal audits on human rights and labor conditions are conducted across all sites and a total of 12 audits were carried out in 2017. These covered scopes of the Company's operation involving labor, health and safety, moral code, management system and so forth, and ensure that all employees are fully aware of the importance of human rights and that the Company is operating in compliance with pertinent local regulations and international standards. To ensure that all employees have an adequate grasp of their own rights and the Company's policies and implementation of social responsibility, each and every employee is required to complete a CSR course and briefing on AUO's human rights policies (20 minutes) on their first day at the Company. Thus far, the training completion rate has been 100% (employees are required to pass the test as a part of their orientation training).





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### Communication and Consultation

AUO has taken an active stance in building positive employee relationship by establishing various channels of open and positive communication. Employees are free to provide their opinions through the "Opinion Mailbox", "President's Mailbox", "Audit Committee Member's Mailbox", "Sexual Harassment Grievance Mailbox" "7885 (please help me) Hotline" and "6885 Hotline". Monthly and quarterly labor-management meetings and Welfare Committee meetings are also held to ensure smooth communication. In addition, dedicated personnel in employee relationship are also available at each site for the purposes of carrying out random phone interviews to monitor employees' psychological health from time to time. To provide better care for direct employees, regular interview programs have been organized in Taiwan starting from 2014 with focus group interviews utilized as a means for the Company to listen to direct employees and care for them. 28 interviews were held in 2017, with 261 participants registered for the interviews. A total of 314 suggestions were collected and sent to corresponding units for further processing and rectification.

In regards to psychological consultation, AUO offers Work Life Coaching along with a 24-hour hotline that offers free counseling for employees with psychological, work or career development issues. A professional team of consultants have been enlisted to talk directly with employees seeking assistance by offering a safe and confidential channel for consultation and stress relief. In 2017, a total of 582 hours were registered by employees from sites in Taiwan and China.

#### Communication and Consultation Channels - 2017

Opinion Mailbox					President's Mailbox				
Cases Accepted:	Taiwan	208	China	1,108	Cases Accepted:	Taiwan	21	China	66
Status:	Settled Cases	1,316	Outstanding Cases	0	Status:	Settled Cases	87	Outstanding Cases	0
Audit Committee Mailbox					Sexual Harassment Grievance Mailbox				
Cases Accepted:	Taiwan	0	China	0	Cases Accepted:	Taiwan	7	China	0
Status:	Settled Cases	0	Outstanding Cases	0	Status:	Settled Cases	7	Outstanding Cases	0
7885 Hotline					6885 Hotline				
Cases Accepted:	Taiwan	6,437	China	2,134	Cases Accepted:	Taiwan	275	China	769
Status:	Settled Cases	8,571	Outstanding Cases	0	Status:	Settled Cases	1,044	Outstanding Cases	0

AUO regularly holds "Conferences with Executives" where junior managers are invited to have a relaxing tea party with the President and Vice Presidents of different business groups and manufacturing departments to discuss topics relating to strategic deployment, company operation, department management, human resources and so forth.

In 2017, a total of 24 "Conferences with Executives" and 148 "Appointments with the Site Director" were held at sites in Taiwan and China. The meetings with higher level executives provide an opportunity for junior managers to stay up to date on the latest industry trends and future business operations while enabling them to share their observations and thoughts with the higher level executives to facilitate communication.

### Labor-Management Relations

In an effort to improve labor and management relations, AUO has established labor unions in Suzhou, Xiamen, and Singapore. In Taiwan, the "Labor-Management Conference Procedure" has been formulated based on Article 83 of the Labor Standards Act and policies announced by the Ministry of Interior to ensure that labor-management conferences are held on a regular basis at each plant for negotiation and discussion of labor-related issues.

In principle, labor-management conferences shall be attended by an equal number of representatives on both sides, with 5 being the minimum and 15 being the maximum from each side. Representatives on the labor side are directly elected by all workers for a 4-year term, after which they may be elected again to serve a consecutive term. Labor-management conferences are held once every three months. Presently, there are 5 management representatives and 5 labor representatives at the Headquarter and each plant for a total of 45 representatives. All employees are entitled to make recommendations to the Company through their representatives.

Case Description		Amount of Fine (NTD)
Employee lodged a complaint on the scheduling principle for special leave. An inspection on work hours was conducted by the competent authority. The inspection found the employee to have worked in excess of 12 hours on the day.		<b>150,000</b>
Employee lodged a complaint of being unable to apply for overtime pay for overtime hours. An inspection on overtime work was conducted by the competent authority. The inspection found employee to have worked in excess of 12 hours on the day.		<b>20,000</b>
In November 2017, Hsinchu Science Park Bureau conducted a labor inspection and requested records of attendance and salary remittance for specific employees at the Hsinchu site for the past five years. However, entrance access data provided by the site was unable to offer concrete proof of said employee's actual attendance.		<b>20,000</b>
Total		<b>190,000</b>
Corrective Action Plan		
AUO's five major report systems went online in July 2017. The systems are meant for unit supervisors to monitor employees' hours of overtime and leave schedules so as to make appropriate allocation of manpower based on a reasonable workload for all employees.		



## 6-3 Health Care

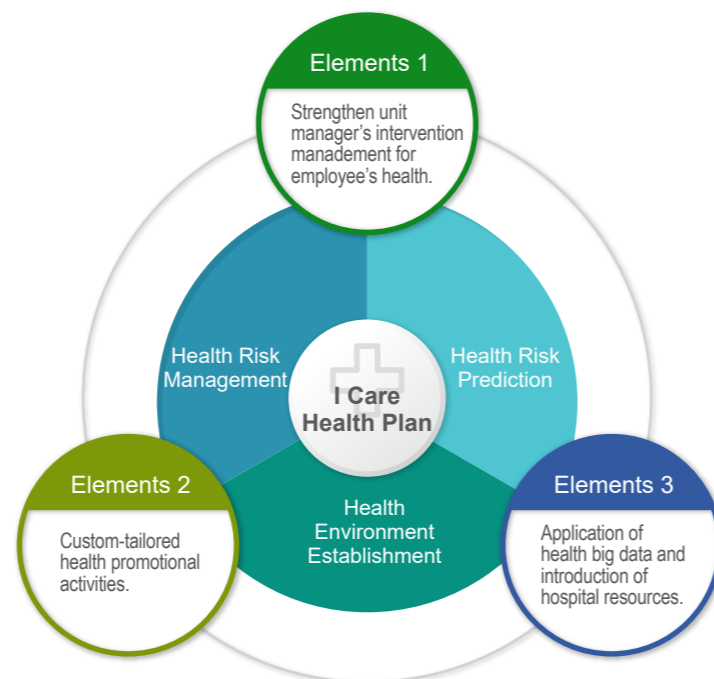
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### 6-3-1 I Care Health Plan

In continuation of 2016's "I Care Health Plan", which was designed to call upon managers to pay attention to their employees' health, AUO has adopted three components of "Health Risk Management", "Health Environment Establishment" and "Health Risk Prediction" to facilitate comprehensive care for all employees' physiological, psychological and spiritual health, thereby helping employees to strike a healthy balance between their work and life.

In 2017, in order to help managers better understand how the "I Care Health Plan" operates, we added descriptions for the three elements as a reminder to managers to look out for potential health issues for different units through the use of health big data applications and the introduction of resources from hospitals in order to gain a better grasp on employees' health problems. This will in turn enable managers to adopt different health promotional activities to improve the health of their employees.

#### I Care Health Plan



### 6-3-2 Health Environment Establishment

In order to improve employees' awareness of health and create a health-oriented atmosphere at different sites, the Wellness Center has made a slight adjustment to its functional role and will be helping different sites to drive various health promotional initiatives through relevant assistance and support so as to heighten employees' health awareness.

Like in 2015, AUO (except for Europe) incorporated "health promotional initiatives" into the Safety ABC scoring for sites. Any participation will lead to extra points for the site. In the past few years, several sites have adopted this model for the establishment of a healthy environment.





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## Traffic Safety & Health Guru Seminars

AUO's varied sites managed all kinds of data and had health promotion activities. In order to enable AUOers to learn traffic safety and health knowledge in more depth, we have organized lectures and seminar activities in different Taiwan sites in conjunction with external and government resources. Through different ways to strengthen colleagues' awareness of traffic safety and then to enhance the positive change of colleagues' health.

In 2017, the first VR (virtual reality) simulation drill was held at Taichung site, while defensive driving training module was held at both at Longtan and Longke sites via the Health Guru Seminar. The Tainan and Kaohsiung sites also held lectures on health topics, related to sleep disorders, work stress, weight loss sports competition, etc. all with great responses. Overall, these events and health-related activities involved a total of 6,069 participants.



## Healthy Workplace Accreditations

In 2017, AUO's Hsinchu site came out on top among 14,000 competing premises to receive the "Healthy Workplace Badge of Accreditations" from the Health Promotion Administration, Ministry of Health and Welfare. The award is designed by the Health Promotion Administration in an effort to encourage businesses to emphasize employees' personal health and to create safe working environment for employees and subcontractors. Corporations are evaluated by HPA on specific criteria below:

Tobacco hazard prevention results surpassing legal requirements.

01

Occupational injury/illness prevention and health promotion plan at the site delivering significant results.

02

No incidents of major occupational hazards (including subcontractor) that resulted in death or major labor-management disputes that would affect the Company's corporate image during the year.

03

Starting from 2016, AUO launched its "I Care Health Plan" as a comprehensive solution for employee health, with content covering health risk management, health risk prediction, and health environment establishment. With the joint efforts of unit managers, environment safety personnel, occupational medicine doctors, and nurses, AUO has striven to prevent various potential health risks by creating a healthy working environment that will help employees to optimize their health.





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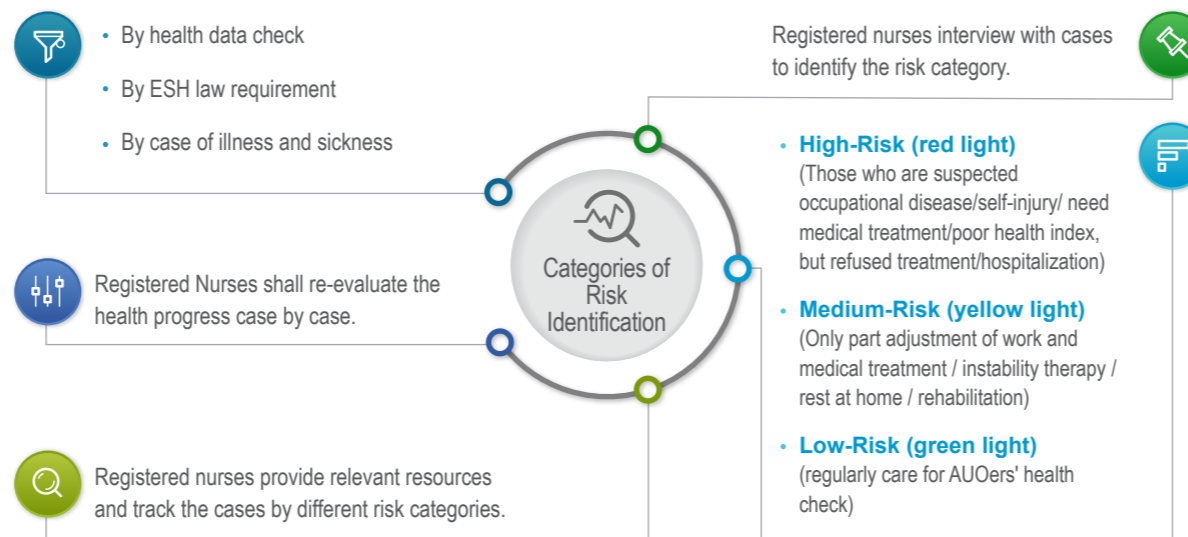
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**6-3-3 Health Risk Management**

The Wellness Center is responsible for managing the records of employees at with specific health issues (i.e. abnormalities in health checkups, diseases, pregnancy, skeletal-muscular illnesses, and so forth) at AUO Taiwan. Registered nurses conduct risk level identification (as illustrated below) for these employees based on factors such as the nature of their work, lifestyle and habits, family medical history, and so forth and arrange for one-on-one consultations for them with professional medical specialists. Not only that, the nurses follow-up on the status of specific cases and inform their department manager, and also ESH Department to make specific adjustments to environment/job description. By striving to improve employees' health, AUO hopes that all employees are able to deliver consistent performance at work.

**Health Risk Identification**



As there were more than 5,000 employees with varying degrees of health issues in Taiwan, potential cases identified with a high risk level have been included in the "Star Program" in order for registered nurses, site directors and relevant health seed personnel to work together on improving their health.

**Feedback**

**Participants from Star Program**

- Before my case was chosen for the Star Program, while I was shocked to be diagnosed with illness and asked to take medication. More surprising was the fact that my health condition improved noticeably after taking medication. This was when I learned about my illness and the importance of early diagnosis.
- After verifying my healthy lifestyle goals with the nurse, I began to gradually make various changes. Because of the reminders from the nurse, I recorded the process to help myself have better awareness of my progress. For example, I recorded my blood pressure measurements, exercise sessions, and healthy meals I have eaten, and so forth.
- I cut down on smoking and changed my daily routines to ensure sufficient rest.
- I went for long walks 3-4 times per week.
- I took the initiative to go to the Wellness Center to take my blood sugar measurements and notify the nurse regarding what I had eaten.
- I reported back punctually to follow-up on my conditions and submitted the records for my medication usage.
- I learned to pay more attention to the state of my health and took the initiative to go to the Wellness Center to take my blood pressure measurements.

**Observation**

**Sites' Registered Professional Nurses**

- With the Star Program, colleagues can learn more about their own physical conditions and arrange for each person in professional medical consultations to make better for AUOers' good health and wellbeing.
- Through this activity, for those who have poor compliance, each site or department head can PUSH colleagues in coordinating with the Wellness Center to promote healthy self-management.
- For Employees to further improve the abnormal values of health data, it's better to provide relevant health education lessons.
- In health-related activities, if the site management head takes the lead to create an atmosphere of self-management, and it's more effective to benefit the site employees.





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**Star Program**

In 2017, the Star Program continued with its management model for high-risk cases as in the previous year and developed a number of tools such as a workplace health survey and skeletal-muscular sore/ache survey to generate relevant data such as abnormal work hours per month and analysis of employees' annual health checkup in order to identify the key risks of health hazards for each site.

Not only that, in order to find out more about employees' physical and mental stress, the site adopted the occupational health solution by Acer Cloud to conduct a 3-month physical and mental vitality indicator assessment in conjunction with the external resources of Taichung Life Line to check on and help employees. Furthermore, the site has also arranged for stress relief seminars and growth groups in the hopes of helping employees to acquire the essential skills of workplace stress and emotional management.

**Health Risk Prediction**

In order to provide a means of health management and control for employees and nursing personnel, AUO has established a health risk management system that utilizes data analytics to separate employees into different groups of varying health risks along with a warning mechanism in the hopes of achieving early detection of abnormally high risk levels through warnings of health anomalies. In addition, the Company will also communicate with all department managers for preventive purposes to make relevant adjustments to employees' work when needed to reduce the likelihood of illnesses.

AUO's Wellness Center has organized the following health promotional initiatives in conjunction with public health authorities and pursuant to the Occupational Safety and Health Act:

**Passionate Youths Eager to Donate Blood**

- A total of **1,378** employees from AUOTaiwan took part in the event and donated **2,136** pouches of blood.

**Smoking Cessation Activities**

- The event attracted a total of **231** employees to be a part of the initiative to quit smoking.
- The chances of someone successfully quitting smoking in a month were as high as **71%**, and **53%** in the second month.

**CPR+AED Training for EMTs**

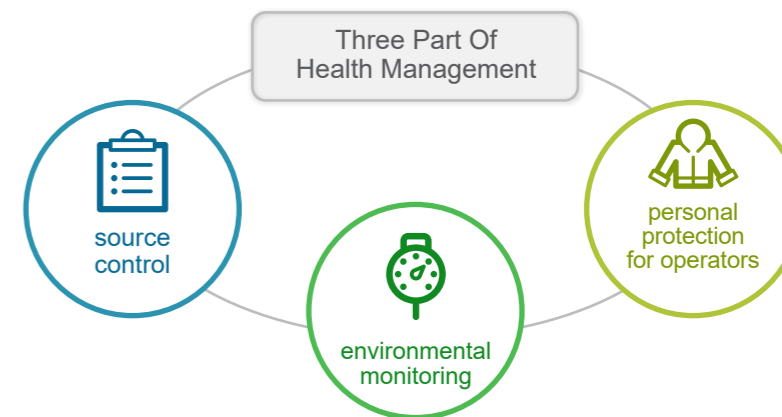
- The total number of trainees in Taiwan was **766**; **709** employees completed the training with a participation rate of **92.56%**.

**Work Life Coach (WLC)**

- A total of **149** hours were registered between January and December 2017; life-related consultation accounted for **48.6%** while work related consultation accounted for **51.4%** of the service, which scored **9.7** (out of 10) in terms of satisfaction.

**6-3-4 Risk Management of Employees with Occupational Diseases**

AUO takes the issue of employee health very seriously. In addition to ensuring compliance with pertinent regulations, the Company has endeavored to provide an ideal working environment for employees by taking specific measures to achieve



At the same time, AUO has conducted special health examinations for employees working in specific environments in order to manage the potential health risks. In addition to the legally required health checkups, AUO also periodically reviews and compiles suggestions from occupational medicine doctors at each site with conclusions and recommendations from discussions between doctors, the on site operating department, and safety and health departments to implement specific management measures by providing appropriate health guidance and reassigning/adjusting the work for employees depending on the case subjects. Each month, the status of case subjects are reported to unit managers through AUO's health platform in order for instant care and resources to be given. For potential health issues, measures have been taken to ensure early warning and prompt rectification.



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**6-3-5 International SOS Medical Service**

Since 2012, AUO has cooperated with the Taiwan branch of International SOS to provide comprehensive care for employees traveling around the world and expatriates.

In order to help employees on business trips to stay up to date on the latest local news, they can simply enable the Wi-Fi setting on their smart phones, download the free APP to locate themselves, (through positioning) and consult the latest warnings in the country of their current location (such as epidemic warnings and so forth). It is a convenient means for employees to activate international SOS global protection anytime, anywhere.



**6-3-6 Parental Leave**

AUO has always promoted a balance between life and work by creating a work environment where employees are treated with care and respect. In light of issues of the childcare and nursing that employees in Taiwan have been facing, all employees with more than half a year of employment are entitled to apply for parental leave of up to 2 years before their youngest children (including foster children) reach the age of 3 in accordance with the "Gender Equality in Employment Act" and "Implementation Rules of Parental Leave Without Pay". Prior to the expiration of parental leave, AUO will automatically contact the employees to check on how they have fared while arranging to return to their original unit and position. Upon employees' return, the Company will provide relevant training modules to make their return to work and re-adaptation to work place as smooth as possible.



1 : Calculation of Reinstatement Rate: Number of employees reinstated in 2017/Number of employees expected to be reinstated in 2017 X 100%.  
 2 : Calculation of Retention Rate: Number of employees reinstated and continuing to work for 1 year as of 2016/Number of employees reinstated in 2016 X 100%.

**6-3-7 Canteen Food Safety Management**

Food safety has always been an important topic around the world. To "ensure the safety of food served" in the cafeteria, AUO has implemented food safety management and imposed stringent standards for canteen in all Taiwan sites. Dedicated personnel responsible for sanitation and hygiene have been assigned to monitor relevant government information, regulations and policies in order to verify and respond to potential issues in a timely manner to ensure the dietary safety of all employees.

**Healthy Diet**

Starting from 2016, AUO continued to promote a healthy diet by advocating the concepts of less sugar, oil and salt with the following programs: Sugar-free Thursdays, sugar-reduced dessert served on Monday/Wednesday/Friday at meal times, and sugarless beverages served on Tuesdays/Thursdays/Saturdays/Sundays, with deep fried dishes served in the main course area reduced to 25%. In addition, the cafeterias began serving mixed grain rice in 2017 in an effort to help employees eat more healthily.

**Environment**

With regards to sanitation and hygiene, all kitchen staff are required to wear standard work outfits, wash and sterilize their hands and use separate colored knives and chopping boards to isolate the preparation of raw and cooked ingredients. On top of that, employee canteen are compliant with the "Food Health Guidelines" and all canteen in Taiwan sites have been certified by Hygiene Monitored (HM) by passing on site and food ingredient inspections in 2017.

**Kitchen Staff**

Last but not least, all kitchen staff attend hygiene and sanitation seminars and trainings on a regular basis to boost their knowledge in this aspect so that our employees can eat with confidence.



## 6-4 Education and Training

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### 6-4-1 Learning and Development

Education and training for AUO Taiwan employees is based on the Company's SOP "Education and Training Procedure".

#### The purpose

to develop employee knowledge and skills, while improving their work efficiency and quality. Through effective use and development of human resources, the goals of employee growth and business development are integrated. From the moment employees join the organization, AUO invests significant resources towards their training. Training is available at different stages of employees' careers, such as the new employee training camp. AUO also adopts different training methods at each stage such as on-the-job training, self-study, and so forth in order to achieve the best results. In addition, for employees who have ended their career due to retirement or termination of employment, AUO also offers resources such as referral or career consultation so that employees can maintain their vocational capacity as the Company assists them with future career planning.

#### Ensure effective management policies

meetings on various educational trainings are held at AUO's Learning College (ALC) to go over results of course surveys as a way to track employee progress and provide suggestions. Upon their arrival, new employees go through systematic learning and development based on their responsibilities and job grade.

### Improved Management

In an effort to promote team leadership for the implementation of relevant strategies, after the Management Course Optimization was completed, AUO continued to optimize trainings that incorporate Company systems and tables as part of the syllabus in 2017. Not only that, the Company has also provided training on specific case studies relating to the Labor Standards Act as a way to support managers in the aspects of manufacturing, development and operation in accordance with amendments to the regulations. Participants in the training responded with a 9.66 satisfaction rating for the training. At the same time, AUO also offered human resource management courses in 2017 for non-HR managers covering the principles and spirit of recruitment, training, appointment and retention in order to help managers better understand the resources at their disposal so that they can achieve customized planning and supervision for employees with different needs for training and development.

### Win Camp and On-site New Employee Training

In order to help new employees become acclimatized to the environment and understand the Company's business philosophy and culture, 274 on-site new employee training sessions and 9 AUO Win Camps have been held for direct and indirect employees. The course "Corporate Culture and Branding" in the Win Camp was to feature images of products to be developed by AUO in the future. The images served as visual cues for trainees to brainstorm on potential applications for the technologies, thereby guiding trainees to be more attuned to the Company's vision while connecting course content to their work.

	Total Number Of Sessions	Total Number Of Participants
Huaya Site	41	151
Longke Site	46	291
Longtan Site	47	299
Hsinchu Site	27	363
Houli Site	47	291
Taichung Site 1-3	49	1,028
Tainan Site	17	129
Kaohsiung	(All trainings were conducted at Tainan)	54
<b>Total</b>	<b>274</b>	<b>2,606</b>

### Training Camps

In terms of communication of strategy, all employees are included in the transparent communication loop as a way for AUO to demonstrate that everyone matters. Through open platforms such as eABC, ABC, APC and AAC training camps, employees gain a better understanding of the developmental direction for the new year ahead. During 2017 APC training camp, the value competition strategy of "strengthening existing advantages to identify new directions of value" was announced. Some of the stories of accountability that were worth sharing were converted into interesting comics for exposure through different channels such as internal publication, e-books, public broadcasting, and so forth to amplify the influence of positive ripples as a way to reinforce actions of accountability.





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<b>eABC Training Camp</b> Participants: Functional Head and Above	Training Hours <b>12</b>	No. of sessions <b>2</b>	<b>ABC Training Camp</b> Participants: Department/Section Managers and Above	Training Hours <b>8</b>	No. of sessions <b>8</b>
<b>APC Training Camp</b> Participants: Indirect Employees	Training Hours <b>3.5</b>	No. of sessions <b>162</b>	<b>AAC Training Camp</b> Participants: Manufacturing Team Leaders/Foremen/Deputy Foremen	Training Hours <b>3</b>	No. of sessions <b>61</b>

**Average Training Hours for Direct/Indirect/Managerial/Non-Managerial Employees in 2017 (unit: hours)<sup>1</sup>**

Taiwan					Mainland China				
	Direct Employee	Indirect Employee	Management	Non-management		Direct Employee	Indirect Employee	Management	Non-management
	0.4	45.7	50	14.9	Kunshan	0.8	27.2	6.4	3.9
					Suzhou	31.3	76.3	23.5	45.1
					Songjiang				
					Xiamen	0.5	48.3	15.5	5.1
Other Asian Regions					Europe				
	Direct Employee	Indirect Employee	Management	Non-management		Direct Employee	Indirect Employee	Management	Non-management
Japan	(N/A)	0.5	0.5	0.5	Czech Republic	0.3	36.7	7.9	4.2
Korea					Slovakia	13.6	9.9	13.1	1.3
Singapore	0.0	28.3	0.0	13	Holland	(N/A)	0.5	0.5	0.5
Americas									
	Direct Employee	Indirect Employee	Management	Non-management					
	(N/A)	0.5	0.5	0.5					

1 : As explicitly stated in AUO's Education and Training Procedure: "Education and training is applicable to all Company employees; objectives for training are set in accordance with trainees' functions at work and shall not be discriminatory due to factors such as ethnicity, skin color, age, gender, sexual orientation, nationality, disability, pregnancy, religious beliefs, political affiliation, union association or marital status." And as such, the hours of learning and development do not factor gender as a point of differentiation.

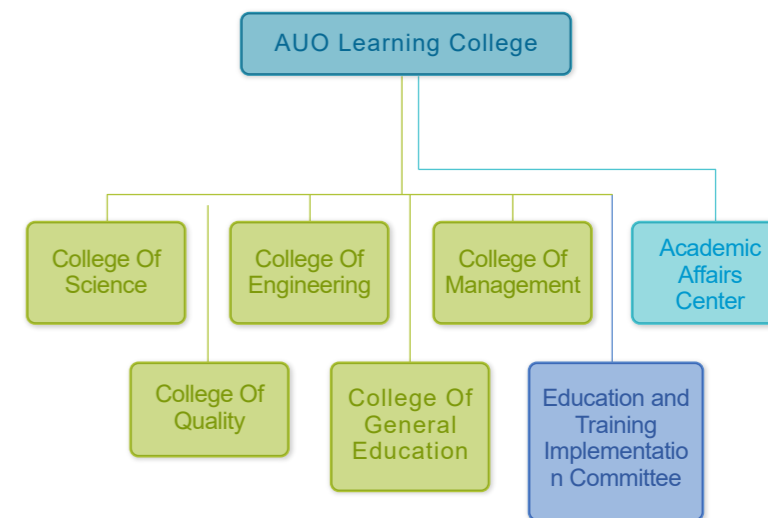
2 : Not applicable since there are no direct employees in Japan, Korea, Holland and the Americas.

**6-4-2 Professional Training Courses**

In the fiercely competitive technological industry, AUO established the AUO Learning College (ALC) back in 2001 to design talent road maps for the training of employees in the skills required by various departments. Meanwhile, employees are given access to internal/external resources in training as a way to encourage them to continue their training by acquiring professional knowledge and engaging in cross-domain learning.

ALC comprises five institutes: The Institute of Science, Institute of Engineering, Institute of Management, Institute of Quality and Institute of General Education, which correspond to R&D, manufacturing, QA, management and all employees in general. 5 VPs have been appointed as the deans of each institute along with course advisors to design the syllabi for the institutes to ensure quality. The College is AUO's solution to nurturing its talent pool in the rapidly changing market.

**Structure of the AUO Learning College**







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**Institute of General Education**

AUO places heavy emphasis on employees' capacity for innovative thinking and general knowledge and as such, the Institute of General Education was established in 2014 to help employees develop these skills. In addition to courses on management, law and finance, the Institute of General Education also organizes cross-domain seminars and forums. For the 2017 "The Trend" lecture series, the Institute invited Professor Tzong-Rong Tsai from Soochow University and the CEO of Gogolook to share the latest trends and the entrepreneurial experience of creating a startup company. The "AUO Liberal Arts Forum" is a discussion forum where managers are invited to speak to employees on topics such as sustainability, innovation, logistics, IT and legal issues. These talks and lectures are meant to encourage employees to think outside the box and adopt innovative thinking in their work and life. Hopefully through these cross-domain courses, employees can benefit from a broadened perspective and add a dash of humanity to their rational thoughts due to their engineering backgrounds.



**Institute Innovation and Transition - Guo Guang Opera Company 's Workshop by the Institute of Science**

To help R&D team to see different industries' breakthroughs in their niches and attain innovation in the face of difficult situations, the AUO Institute of Science planned the "Cultural Experience with the Guo Guang Opera" special modules in 2017. Through the content on arts and humanities, there were 5 goals that employees can learn, such as: tracing the original source of motives without forgetting the original intention, breaking the framework for innovation, cultivating aesthetics, basic skills all the time, and closer teamwork. Participants benefited from an improved perception for aesthetics while instilling the warmth of humanity into the souls of products. After the training modules, participants continued to amplify their social impact via a variety of channels such as AUO's internal publications, AUO Gallery.



RD section manager and above,  
378 participants in total

Master's Seminar	6/6 (Tue)
Number of Sessions	2
Completion Rate	100%
<hr/>	
Workshop	6/7 (Wed) - 6/29 (Thu)
Number of Sessions	10
Completion Rate	98%
<b>Overall Satisfaction</b>	<b>9.6</b>

**Participant's Takeaway**

After actually going through the basic training, I developed a true appreciation for the wisdom behind the saying "It takes 10 years of hard work for one to perform 15 minutes on stage". There are many seemingly trivial movements that define the role of a clown. Without spending the time and dedication to practice, one could easily become a "clown" on the stage with poorly executed movements. When we put on our costumes and makeup, we could feel the opera company staff's insistence on quality. They were as serious and careful as they could be, and did not do a sloppy job just because we were beginners putting on a casual performance; each layer of makeup, each stroke of the eyeliner and each piece of wig were applied on us with meticulous precision. It was something that happened before I was about to go on stage that left me with a lasting impression; when the staff member saw that I had two strings of beads missing from my head dress, he insisted on getting the missing parts and said "Nothing should be missing!" even though time was running short. He ran upstairs to the room where the props were kept and put the strings on me. Their insistence on even the slightest detail and the thoroughness of the costumes has impressed me greatly. In the seemingly chaotic backstage, each and every staff member and performer knew the process of the performance by heart and would appear on stage at the right time without cue. Everyone worked hard towards the pivotal goal of "delivering a perfect performance" and had a perfect grasp of the roles they were given. Applying the experience to our work, even though everyone has been given their roles, without clearly defined goals and the right guidance, we could end up working in different directions and making effective team work a great challenge.



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### Institute Innovation and Transition - Intern Factory by the Institute of Engineering

Through the process of learning knowledge, by teaching theoretical knowledge and imparting practical skills to integrate “theory” and “practice”, one can expect great results from the learners. In order to help employees combine theoretical knowledge with practical work, AUO used its Hsinchu L3B facility space for the construction of the only “intern factory” for substrate manufacturing practice in the Company. The Institute of Engineering is responsible for planning a series of practical training courses for employees to visit the factory and learn about the actual process of substrate manufacturing and principles of machinery operation with detailed instructions and explanations from dedicated personnel and hands-on practice.

#### Trainees' Takeaway

**(Guided tour of manufacturing process)** The entire instruction process has been of great help to me. From STOCK transport, air circulation, pressure, SDMS placement, machine specifications, and so forth, these explanations have helped me to build the rudimentary concepts for the audits I will be performing in the future. Not only that, the machine has been configured into the teaching mode so it was more than just a power point presentation. It was a great overview.

**(Low-voltage industrial distribution internship)** Apart from learning how to read a circuitry diagram and basic wiring, I have also gained a better appreciation for the importance of power wire distribution. The demonstration has helped me to get a better idea of the order of wiring when operating the machinery and the basic concept of electric currents, thus making my work safer. When the instructor was explaining to participants for the hands-on exercise, he would stop the session whenever someone had trouble understanding for 1-on-1 explanation, and provided examples to help us remember even the more sophisticated and difficult theories.

#### Training of Instructors

Guided by the concepts of “thorough education and training implementation” and belief in “perseverance and inheritance”, ALC has diligently planned the training courses that AUO employees may need in their work. Each year, Teacher’s Day events are held in Taiwan and Mainland China as a way for employees to show their appreciation for the contribution from internal instructors in the area of training and cultural inheritance. The event includes the appointment ceremony for deans and course advisors, presentation of the outstanding instructor awards and talks on the latest trends in teaching by external instructors so that guests and instructors alike have the opportunity to learn and reflect whilst our colleagues appreciate the sense of achievement and pride in being an AUO instructor.



#### Instructors Thought

**(Instructor for the Institute of Science)** Outstanding internal instructors are invaluable assets of AUO and a pillar of support for the Company. It is great that we are able to become acquainted through connections by HR; it’s a wonderful way to boost Company morale and competitiveness. Internal instructors are great people. Great job!

**(Instructor for the Institute of Engineering)** This is a wonderful system. The instructor’s committee and all instructors are committed to imparting what they have learned and various techniques to the trainees.

**(Instructor for the Institute of Quality)** Training for internal instructors is a great idea as it enable us to acquire new knowledge and recharge ourselves; it really is a wonderful activity.

### 6-4-3 Performance Management

AUO has implemented a transparent, fair and open mechanism along with its Performance Management System for the evaluation of employee performance. Regardless of employees ethnicity, gender or age, the mechanism and system are applicable to all employees through routine implementation.

AUO’s performance management system delivers two major functions: measurement and development of employees’ performance. With employee development at its core and performance evaluation being a supplementary component, the system offers an accurate reflection of employees’ performance through their evaluations. Not only that, employee salaries and their promotions are also closely tied to their performance. Employees are able to communicate with their managers through interviews in order to cover aspects such as organizational goals, personal performance targets, learning and development, and so forth in order to establish their individual targets for the year so that both parties can routinely review the progress that has been made. With immediate feedback and suggestions from managers, employees are able to achieve the targets they have been given. Through bilateral interactions, managers are also able to adopt high performance as the objective of talent development to nurture and strengthen individual employees’ competence and thereby improve the Company’s competitiveness and overall efficacy.



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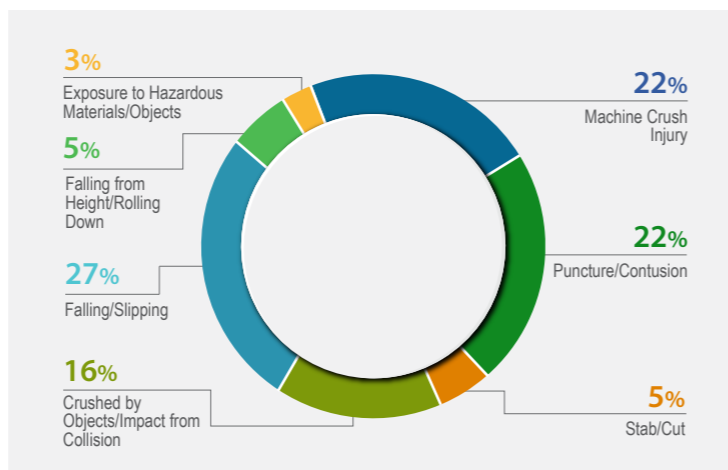
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**6-5 Work Safety**

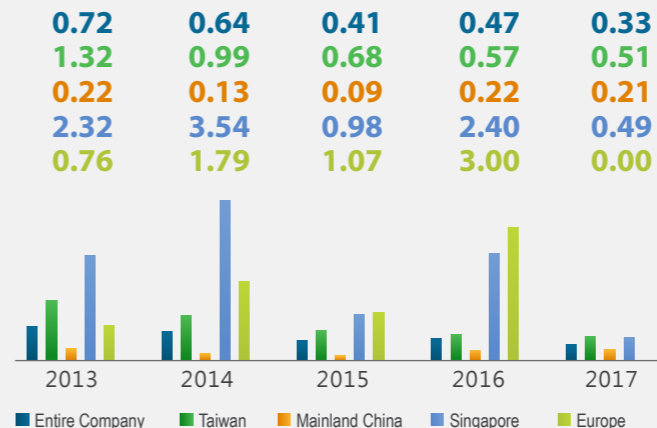
**6-5-1 Disabling Injuries**

In 2017, AUO had 37 disabling injuries at sites around the world, with a frequency rate of 0.33 per million working hours and a severity rate of 5.02 per million working hours. Slips, sprains and roller injuries were the most frequent and contributed 27% and 22% of all injuries respectively. Analyzing these accidents by examining factors such as employees' work seniority, position, department, job content, cause of accident, location and so forth, roller/crushing injuries were most common in clean rooms, followed by slips and falls during maintenance of escalators and machine troubleshooting. The causes for most injuries could be traced back to employees' failure to observe relevant SOPs and had no direct relation to specific personnel traits. In addition, apart from clean rooms, we also observed that personnel injuries were fairly common in public areas with mostly slips/falls and sports injuries. In light of these facts, in addition to ensuring proper maintenance of relevant facilities and equipment at the sites, AUO will also strengthen the training for new employees and rotated employees, routinely disseminate cases of injuries as precautions and formulate corresponding safety procedures for specific units. Managers will also be involved in relevant supervision to improve employees' awareness for personal safety by adhering to various items on safety management.

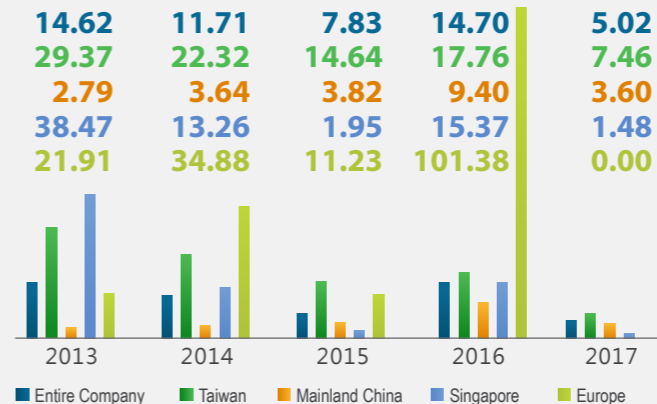
**Employee Suffering from Injury**



**Disabling Injury Frequency Rate** (number of disabling injuries/million working hours)



**Disabling Injury Severity Rate (SR)** (workdays lost/million working hours)



**2017 Absence Rate<sup>1</sup>**

Taiwan		
	7.43	10.26
Mainland China		
Kunshan	7.27	6.9
Suzhou	6.5	10.5
Songjiang <sup>2</sup>	6.5	10.5
Xiamen	5.98	13.00
Other Asian Regions		
Japan	7.42	10.57
Korea	5.7	5.9
Singapore	13.86	14.76
Europe		
Czech Republic	12.72	14.08
Slovakia	13.8	14.5
Holland	8.91	12.07
Americas		
	7.0	8.9
Entire Company		
	10.03	12.84

■ Male ■ Female

1 : The formula for Absence Rate calculation: total absent days/total number of work days \*100%. The high percentage is due to the fact that special leave, official business leave, childcare leave, maternity leave, personal leave and sick leave have been included; the percentage is significantly lower if only personal leave and sick leave are accounted for.

2 : The 2017 absence rate for the Suzhou and Songjiang sites includes employee leave; the calculation will be separated in 2018.





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## 6-5-2 AUO Safety Culture

Systematic promotion for AUO's safety culture began in 2013. The safety culture was formulated based on factors such as accidents over the years, general safety indicators, process and site characteristics, and so forth in order to identify the focal points of safety. In addition, AUO also referred to the domestic average accident rate to outline its safety plan and objectives for the period between 2014 and 2017, while converting annual targets into indicators for internal control at different sites in the hopes of encouraging total participation from employees to gradually develop AUO's outstanding safety culture.

### Central Themes of Safety ABC



"Safety ABC" comprises three major elements for safety, namely "Attitude", "Behavior" and "Culture". Through the promotion of this project, AUO hopes that all AUOers can ingrain and internalize these three elements.

The central theme for 2017's "Safety ABC" was "Abide by Safety Principles and Strengthen Partners in Safety" as AUO strengthened its safety requirements and imposed penalties so that employees would watch their colleagues' safety and offer friendly reminders when needed. Apart from setting the annual targets, the Company also held a number of safety promotional events. In order to encourage and identify outstanding managers and employees who facilitate safety behaviors at the sites, AUO held a selection of "Safety Leader" and "Safety Expert" at all sites in order to motivate more employees to join the ranks of Partner in Safety. Employees could nominate themselves or their colleagues and the list of potential candidates was submitted to the site manager, ESH and relevant unit managers to select 21 Safety Leaders and 35 Safety Experts.

AUO also invited speakers from other benchmark companies to talk about and share the practices of safety culture promotion other companies have adopted with AUO employees. By becoming aware of relevant core values and beliefs, each and every manager came to the realization that all injuries and occupational illnesses are in fact preventable and that all employees are capable of working safely under the right safety instructions. With regards to the aspect of mutual assistance in terms of safety culture, all employees have the obligation to not only safeguard their own safety and health but also to be mindful of the safety of those around us. This concept hearkens back to the theme of "Abide by Safety Principles and Strengthen Partners in Safety". AUO also led its managers to engage in a safety culture exchange with competitors so that they could learn from the techniques and experiences of safety culture promotion that others have adopted to be applied at AUO sites.

Based on past experiences from safety culture exchanges, AUO adopted leading indicators that are widely used by competitors in its internal safety management while expanding the scope of its safety promotion by incorporating contractors and outsourced personnel. The Company will continue to strengthen its supervision of contractors through the verification of specific constructions. For 2018, AUO has set the target of "Zero Major Incidents" and expects all employees to play their role in safety regardless of their position so as to achieve the goal of "Zero Hazards".

### Prevention of Ergonomic Hazards

With regards to ergonomic hazards, AUO has implemented on-site prevention and control measures in three specific aspects of hardware equipment control, ergonomic hazard identification and continual improvement in working conditions. In 2016, AUO collaborated with NTU Hospital and the National Taipei University of Technology as representatives of the industry, medicine and academia to jointly carry out a study on ergonomic hazards and musculoskeletal disorders that explored the content of repetitive work at working sites and changes in the ergonomic risks for musculoskeletal disorders by incorporating a variety of assessment tools for ergonomic hazard risks to expand the dimensions of assessment and adjustment to optimize the existing approaches. Through an e-workplace health questionnaire on musculoskeletal issues, the study gathered comprehensive feedback from on-site operators on their musculoskeletal status to help AUO improve upon its existing internal procedures while expanding the scope of ergonomic hazard identification for on-site personnel. In addition, AUO also trained a total of 60 employees to serve as seed evaluators of ergonomic hazard risks with the task of helping employees to identify potential ergonomic hazards and burdens that might be otherwise hidden in their work. After optimizing the approach for risk assessment and procedure, a total of 40 work items with potential risks of ergonomic hazards were identified through investigations conducted at the sites.





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**Hardware and Equipment Control**

Equipment/machinery must conform to the requirements of ergonomic designs requested by AUO, and equipment/machinery suppliers are required to sign relevant safety regulations such as a declaration of equipment compliance and internal audit procedures in order to provide operators with safer equipment.

**Ergonomic Hazard Identification**

- Expand the scope of assessment through the collaboration of representatives from the industry, medicine and academia while adjusting the approach of assessment for optimization.
- Expand the dimensions of ergonomic hazard identification through the e-workplace health questionnaire on musculoskeletal issues on a yearly basis.
- Training of 60 employees to serve as seed evaluators of ergonomic hazard risks with the task of identifying potential ergonomic hazards and burdens that might be otherwise hidden in employees' work.

**Continual Improvement of Working Conditions**

- Through risk evaluation, different risks are separated into different levels (high, medium-high, medium, and low) with the inclusion of targets with a weaker capacity for recovery<sup>1</sup> as prioritized targets for improvement.
- Implement follow-up on improvement and review through the Company's internal occupational safety and hygiene management system.



1 : Targets with a weaker capacity for recovery refer to new employees, employees under the age of 21 or over the age of 40 suffering from special illnesses.

2 : Not applicable as the committee has not been established in the region.

**Evacuation 2.0**

In order to make conventional evacuation mechanisms more precise while ensuring smart control over the evacuation of on-site operators and contractor employees at the sites, AUO has initiated its "Evacuation 2.0 Project" through the network platform and relevant electronic sensor equipment as a replacement for the traditional tallying and headcount done on paper. "Emergency Headcount Electronic Sensors" and the "I Am Safe – Active Safety Reporting System" have been installed at all sites to provide employees and contractors with proactive and diverse interfaces for reporting.

With the integrated "AUO Safety" system as the central interface for the commanding officer in the event of an evacuation in an environment with wireless network access, the Company has strengthened the emergency response system by improving its channels of information access to ensure that the right response strategies and decisions can be made in time when needed. In 2017, AUO sites held a total of 6 large-scale emergency response drills and 50 evacuation exercises with the new system and the Company will continue to optimize its performance.

**Losses Incurred Due to Occupational Safety Accidents**

**Failure to report to the Hsinchu Science Park Bureau within 8 hours after an employee was hospitalized for a fractured arm.**

Corrective Action Plan  
Establish an effective care and reporting mechanism to ensure immediate notification on the change of medical assistance that employees may receive to prevent reporting time delays.

**(in NTD) 60,000**

**An employee fell and suffered a bone fracture after slipping from stepping on a grease puddle from a forklift in the docking area, reflecting the site's failure to provide a safe working environment for on-site employees.**

- Corrective Action Plan
- Separate lanes of movement for personnel and forklifts at the docking area.
  - Get rid of particle-free wipes and replace with catchment trays for forklifts to prevent spillage of chemicals on the floor.
  - Designate personnel to clean the floor on a regular basis.

**(in NTD) 30,000**

**Ratio of Labor Representatives in the Occupational Safety Committee**

	■ Number of Labor Representatives		■ Total Number of Committee Members	
Huaya	38	57	67%	
Longke	45	97	46%	
Longtan	31	49	63%	
Hsinchu L3B	27	57	47%	
Hsinchu L3C	23	43	53%	
Taichung 1	112	118	76%	
Taichung 2	83	176	47%	
Taichung 3	84	164	51%	
Houli	53	59	59%	
Tainan	18	49	37%	
Kaohsiung	15	31	48%	
Kunshan	46	148	31%	
Kunshan	3	8	38%	
Suzhou	28	50	56%	
Xiamen	34	65	52%	
Singapore	24	47	51%	
Slovakia				N/A <sup>2</sup>
Czech Republic				



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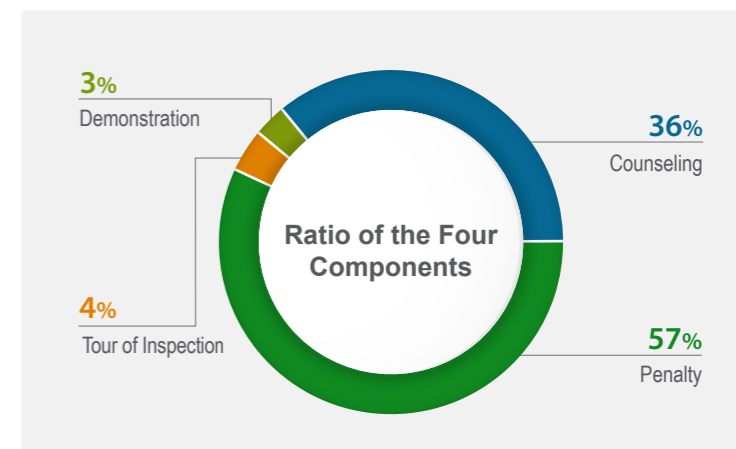
**6-5-3 Contractor Safety Management**

Starting in 2016, AUO took simplification and value-adding principles as the starting point to establish an electronic contractor safety management system that will enable contractors to log on and self-manage its SOPs to achieve effective management. For 2017, AUO has actively assisted contractors to join a coordinated organization, which has 6,724 members at present. Meetings were convened based on the nature of construction work by contractors for focused discussion with the participation of site/division managers. On the other hand, AUO promoted the four components for contractor management by carrying out key audits and management point analysis with the following approaches and results:

2017 Status	Actions to be Taken in 2018
<ul style="list-style-type: none"> <li>Improve the quality of coordination meeting management by having site managers attend the meetings.</li> <li>Promote the four components of contractor management: counseling, fines, tours of inspection and demonstration and carrying out of key audits and management point analysis.</li> <li>Continue to encourage contractors who have yet to join the organization to become members for more effective management.</li> </ul>	<ul style="list-style-type: none"> <li>In light of the "Contractor Safety Management System Vulnerability Analysis and Experience From the Safety Management Exchange with TSMC", AUO shall reflect upon its existing contractor construction approval management process.</li> <li>Adjust management level based on the risk of construction and include construction report designs.</li> <li>Install electronic billboards for construction to strengthen contractor's on-site employee control and due execution of hazard notification for digital management.</li> </ul>

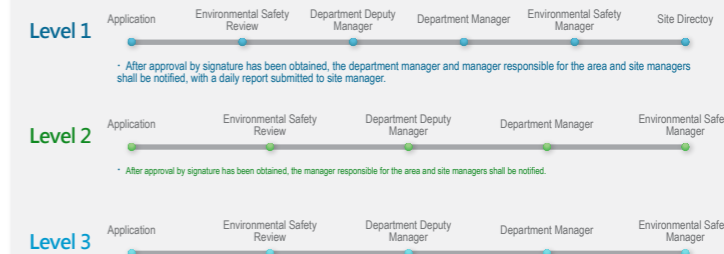
**Breakdown of contractor negligence by category**

Contractor supervisor/safety and hygiene personnel regulation <b>7</b>	Construction work permit <b>14</b>
Usage regulations for dangerous and hazardous materials <b>8</b>	Site management and regulations on cleanliness <b>62</b>
Use and management of dangerous machinery equipment <b>27</b>	Use of personal protective gear <b>60</b>
Access management <b>15</b>	Contractor safety and hygiene management regulations <b>178</b>



**Report Management Model of Planning & Construction**

<b>Level 1 (High Risk)</b>	Dangerous operations (disassembly of dangerous pipelines, confined spaces, suspension), special operations with high risks, or major impact to operation.
<b>Level 2 (Medium Risk)</b>	Dangerous operations (involving scaffolding, applications of fire, disassembly of exhaust pipelines, disassembly of drainage pipes, drilling/milling holes).
<b>Level 3 (Low Risk)</b>	Normal operations.





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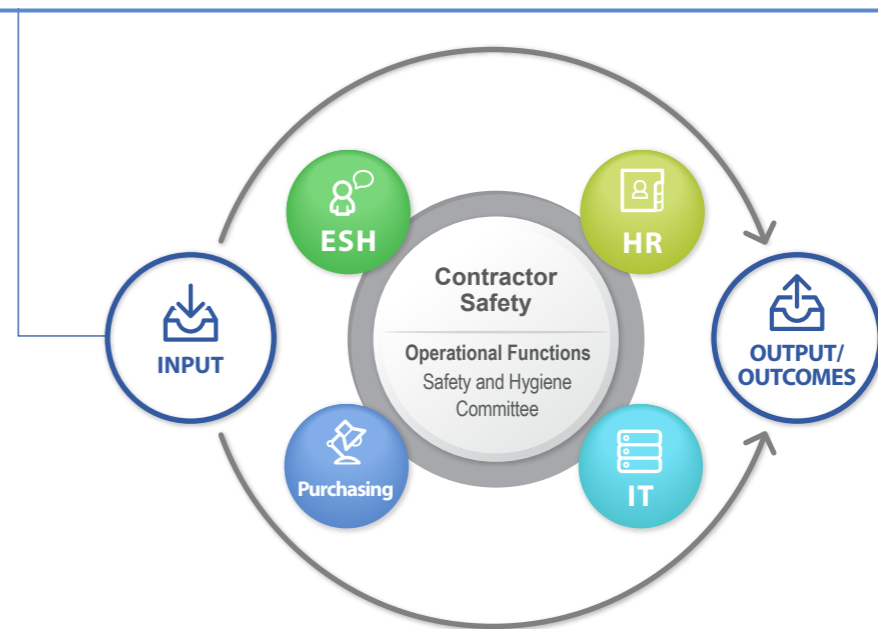
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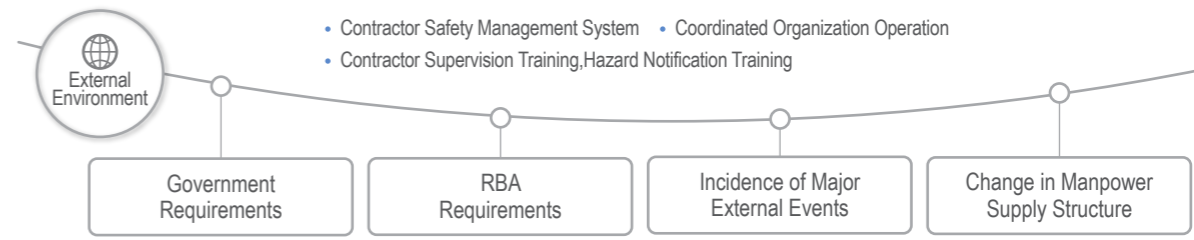
**Number of Contractors and Categories**

 <b>Construction</b> <b>25,141</b>	<p>Site Affairs/Constructionns</p> <ul style="list-style-type: none"> <li>Liquid and gas equipment maintenance contract service provider and chemical supplier</li> <li>Air conditioner and electrical control equipment maintenance contract service providers</li> </ul>
 <b>Equipment</b> <b>637</b>	<p>Equipment Contractor</p> <ul style="list-style-type: none"> <li>Array, CF equipment maintenance contract service providers</li> <li>Cell and Module equipment maintenance contract service providers</li> <li>AS transmission equipment, photovoltaic and other equipment maintenance contract service providers</li> </ul>
 <b>Other</b> <b>2,172</b>	<p>Permanent Contractors</p> <ul style="list-style-type: none"> <li>Site affairs, IT or construction firms stationed at the site for expansion projects, AUO subsidiaries</li> <li>Site maintenance, repair and sorting related (hauling service, 5S, inspection, packaging removal), sorting service provider</li> <li>Site services (i.e. security service, 5S, food and beverage service provider, dormitory administration personnel, fitness center , nurses (doctors of occupational medicine))</li> </ul> <p>Logistics service provider</p> <ul style="list-style-type: none"> <li>High-risk loading and unloading service provider</li> <li>Large transportation (import, export and material control) and logistics service provider who accesses sites on a regular basis</li> <li>Waste transportation service provider</li> </ul>
<b>Total</b> <b>27,950</b>	<p>The meeting will carry out key point dissemination for different types of contractors</p>

In 2017, AUO incorporated integrated analysis for contractor safety management by identifying the six major capitals invested in the area, including intellectual capital for management system development, human resource capital for audit management and training, financial capital and social capital for the execution of contractor control and transactions, and so forth to assess the value that the Company has created from the perspective of resource exchange. For example, the contractor safety management system has reduced the demand for human resource review by offering relevant safety education training to reduce the likelihood of risks and accidents under specific indicators jointly established by Environmental Safety Committee and the coordinated organization.



**Contractor Safety Nagement**



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Page No.	Chapter	Before Correction	After Correction
29	2	An enterprise receiving the honor of being in the top 5% of governance accreditation of Taiwan Stock Exchange Corporation for three consecutive years.	An enterprise receiving the honor of being in the top 5% of governance accreditation of Taiwan Stock Exchange Corporation for two consecutive years.
49	2.4.2	AUO overseas stationed customer service (Engineering Service, ES) is able to register the analysis and improvement method of abnormal cases on the CCS System.	AUO overseas stationed customer service (Engineering Service, ES) is able to register the analysis and improvement method of abnormal cases on the CSS System.
81	4.2.2	Low carbon transportation trend graph error.	<p>The chart displays two data series from 2011 to 2016:</p> <ul style="list-style-type: none"> <li><b>Accumulated carbon emission reduction amount for low carbon transportation (tons):</b> 127 (2011), 2,310 (2012), 4,847 (2013), 6,033 (2014), 6,850 (2015), 7,715 (2016).</li> <li><b>Carton emission reduction amount for unit area of panel transportation per kilometer:</b> 25% (2011), 24% (2012), 14% (2014), 7% (2015), 10% (2016).</li> </ul>



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## Management Guideline

How to Manage	Management Achievement	Management Improvement	Performance Outcome	Complaint Method
<b>Economic Performance</b>				
To ensure the satisfaction of requests of the competent authority and to protect the rights of the investment public and interested parties, AUO has established complete company governance regulations, including various types of management rules of employee ethics regulations, employee ethics regulations, supplier management rules, and tax policies. In addition, AUO has also set up numerous internal control and supervisory units including the Audit Committee, Remuneration Committee, Sustainability Committee, and Independent Directors (five in total). Furthermore, to examine the functions and operation efficiency of the Board of Directors, the members of the Board of Directors and the Board of Directors' Meeting Unit perform the "Board of Directors Internal Self-Assessment" on five major aspects of the "Entire Board of Directors" for a total of 47 evaluation indicators. In addition, the Company has also established relevant operation procedures to establish a Spokesman and Deputy Spokesman system. Furthermore, the latest news and important corporate social responsibilities of the Company are provided through various communication channels of the interested party area provided on the Company website, external seminars, industry-government-academic meetings as well as customer satisfaction surveys. Furthermore, internal/external relevant complaint operation procedures, and the case handling process for responsible units accepting cases have been established. Moreover, personal information protection regulations are complied with, and employees are strictly prohibited from engaging in any retaliatory acts.	<p>"1.Receiving the honor from the Taiwan Stock Exchange Corporation of being in the top 5% of enterprises for company governance accreditation in 2015 and 2016, proves that AUO has achieved outstanding performance in various aspects, including the implementation of governance system, protection of Shareholders' rights, operation transparency, risk management, and real-time information disclosure.</p> <p>2. Since 2009, the Company has been nominated for the (Dow Jones Sustainability World Index, DJSI World) for 8 years consecutively.</p> <p>3. In 2017, the internal self-assessment result of the Board of Directors of AUO exceeded the industrial standard, evidently demonstrating the function and operation efficiency of the Board of Directors of the Company."</p>	<p>1.Establish clearer regulations.</p> <p>2.New management regulations corresponding to defects.</p>	2.2.1 Economic Performance	<p>Shareholders' E-mail Address</p> <p>auo@auo.com</p> <p>Employment Ethics Violation Reporting System</p> <p>http://integrity.ab1.auo.com</p>
<b>Water Resource Management</b>				
To reduce water consumption reliance and to effectively utilize water resources, we have established an internal water resource management infrastructure in order to divide it into the facility level and the Company level as well as to establish timely and smooth channels for employees in all units, facility supervisors and Company core management levels. In addition, water resource management review meetings, implementation meetings, communication, coordination and execution are convened monthly in order to promote saving water through the 2015 plan to reduce water consumption by 30% in the five years to 2020 plan. From aspects of water source improvement, manufacturing process water recycling and reuse, and cooperation with the government's reclaimed water evaluation, all employees of the Company are able to implement water saving at all levels and to demonstrate the consistent water saving goal and standards.	From the beginning, the concept of water saving has been incorporated into facility design consideration. Houli Plant of AUO is the first facility to receive the platinum level certification in the world, and at the beginning of the plant construction, the green facility design concept was introduced. The plant is constructed with water purification in connection with the recycled water saving system in such a way that there is no need to use a final water recycling treatment system, allowing the manufacturing end to repetitively use water resources. In 2015, the five-year plan and goal was established to perform periodic monitoring and measurements in order to examine the execution achievement, to evaluate the water resource management performance of each plant and to strengthen the water saving awareness of employees and supervisors. The facility technical team of AUO began research on manufacturing processes with "zero emission" technology for waste water full recycling in 2010, and relevant technology development was completed over nearly 3 years. Such technology was launched in the Longtan Plant for the first time, making the plant the first facility in the world with a manufacturing process waste water recycling rate of 100%.	We examine and analyze water consumption indicator information, confirm failure modes, review improvement methods through the facility technical team, and expand the promotion, such that through CFT discussion, all facility areas can implement prevention and allow the Company to achieve the goal of reduction of water consumption reliance.	3.2.3 Wastewater Management	<p>info@auo.com</p> <p>csr@auo.com"</p>
<b>Waste Resource Management</b>				
To ensure waste can be legally, properly and safely handled, we have established waste cleaning procedures with the goal of minimizing the impacts caused on the environment. The principle of the Company for handling waste is to reuse it in the manufacturing process sequentially in order to manufacture resource by-products, to consign qualified vendors to perform reclaiming and recycling, followed by which incineration or bury methods can then be used for processing at the end. In addition, we have established copper acid reduction such that by 2020, a total of 0 output and a reduction in the sludge total amount of 16% in comparison to the amount in 2014 can be achieved.	The internal GP Team shall confirm the target (copper acid and sludge reduction) execution status on a monthly basis and review the cause of failure to reach the target. The sludge amount in 2017 was 3% less than the amount in 2016, and the amount is currently being reduced continuously; 0 output for copper acid.	In the event failure of target achievement is discovered, in the GP meeting, the cause of failure to reach the target review shall be performed, and improvement solutions in terms of the system or equipment aspect shall be established.	3.2.5 Reuse of Waste	<p>info@auo.com</p> <p>csr@auo.com</p>



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How to Manage	Management Achievement	Management Improvement	Performance Outcome	Complaint Method
<b>Occupational Health and Safety</b>				
We have established an internal safety and health management organization structure, ranging from the labor representatives in all units and facility supervisors to the core management level of the Company, such that it is divided into the facility level and the Company level. Timely and smooth channels have been established, and occupational health and safety management review meetings are convened on a quarterly basis in order to implement review, communication, coordination and execution of occupational health and safety as well as sanitary aspects. In addition, the AUO Life Saving Rules were also established in order to allow all of the employees of the Company, regardless of their position, to comply with such rules in four aspects of source management, operation safety, protective measures and administrative management; consequently, consistent goals and standards of the safety-first policy can be demonstrated thoroughly.	Since 2012, the Company has systematically promoted safety culture activities, and established a three-year plan and goal for the years from 2014 to 2016 to perform supervision and measurements in order to examine the performance of execution, evaluate the safety performance of each plant, to enhance the safety awareness of employees and supervisors such that there have been no major defects in the annual occupational safety and health management system OHSAS 18000 verification audit.	We have examined the existing safety indicators in the facility area. In the event real-time and true safety status cannot be presented, the Company management level then reviews and establishes plans in order to introduce the utilization of leading indicators (leading indicators). The facility safety performance evaluation items were increased from 2 items to 6 items. In addition, the safety implementation scope was expanded. Consequently, through competition among plants, supervisors at all levels are encouraged to lead all of the staff to participate in safety activities and to achieve the goal of zero disasters for the Company.	6.5 Work Safety	info@auo.com csr@auo.com
<b>Supply Chain Management</b>				
For the supply chain overall annual CSR risk assessment, relevant units of AUO are able to perform risk assessment on the CSR related risk indicators for the direct materials, indirect materials, manpower outsourcing and waste suppliers. In addition, contracts signed with relevant suppliers also include the request for the supplier to sign a social responsibility declaration in order to ensure that suppliers comply with human rights related regulations.	The response rate of the annual CSR risk assessment investigation is 100%, and the Company CSR has received awards, the DJSI sustainability indicator with a high score, and no major CSR defects or abnormalities.	In the event there are suppliers with high risk, meetings are held periodically to request for improvement. If improvement cannot be made, then alternative supply solutions are to be adopted, and the stop of cooperation is also considered.	2.5.2 Raw Material Suppliers and Production Contractors	Employment Ethics Violation Reporting System <a href="http://integrity.ab1.auo.com/zh-hant/node/1">http://integrity.ab1.auo.com/zh-hant/node/1</a>
<b>Technology and Innovation</b>				
AUO is dedicated to the value of innovation in order to improve competitiveness, and the Company has established a development and verification process for new technology platforms according to the new technology development platform process control procedures specified by the Company in order to ensure that during the technology transfer to new product development, standard operations can be followed to optimize the technology transfer and to successfully introduce mass production of the product, such that the Company is able to develop high resolution, wide color field, high contrast, curvature, abnormality, LTPS and OLED display technologies. Furthermore, the Company is able to integrate touch control or embedded touch control technologies in order to provide diverse and rich product combinations to customers as integrated solutions and to satisfy the customized product demands; consequently, higher valued added products can be created for customers.	In 2017, AUO products received the Gold Panel Award 2017, indicating its outstanding performance in technology innovation. In addition, AUO has rooted deeply in LTPS technology for the launch of a 15.6" UHD 4K LTPS notebook panel with ultra-high resolution, ultra-slim frame and light-weight as well as energy saving characteristics, which is able to achieve energy saving performance more than 30% higher than a-Si panels, and is currently the largest UHD 4K LTPS panel in the industry. Such a product is able to satisfy the customer's demand for ultra-high image quality and facilitate a high performance mobile product experience.	The Company conducts customer satisfaction questionnaire surveys on technology and innovation performance periodically in order to thoroughly examine issues. It continuously tracks results each time, reviews where there is room for improvement, and to uses systematic steps to find out root causes and strategies.	3.3.2.Innovation Design and Process Improvement	info@auo.com csr@auo.com
<b>Product Quality</b>				
To ensure the Company provides excellent product quality, the Company has established internal repair center service standards and the customer service system, such that during the product warranty period, for any issues related to improper quality, the service of repair and return/exchange can be applied for on the system. In addition, customer service personnel can also be contacted directly, and customer service personnel are able to arrange product return/exchange, repair and transportation matters immediately.	Customers can also use the customer service system to track the product return status based on the return number and preserve repair reports for the establishment of a Big Data system. Presently, there are no occurrences of customer losses due to product recall or quality issues.	We have activated CSS system improvements, maintained new versions of system mechanisms to simplify the upload operation/preserve repair reports, enhanced system configuration, improved real-time handling at the personnel end, such that for both the supply of repair materials or important component parts of panels, optimized and complete product after-sale service can be provided.	2.4.3 Customer Satisfaction	info@auo.com csr@auo.com



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How to Manage	Management Achievement	Management Improvement	Performance Outcome	Complaint Method
<b>Regulatory Compliance</b>				
<p>To ensure compliance with the local laws and regulations of the operation location, AUO establishes and updates various relevant regulatory compliance policies according to needs in order to use them as the employee basic behavior standards. The Company has established the Legal Department to be in charge of the planning and management of regulatory compliance effective execution, and the Company has also established the highest supervisor for anti-trust regulatory compliance. In addition, each business unit at the front line and the administrative unit assign representatives to form a regulatory compliance committee in order to convene meetings periodically and to provide assistance in the coordination, communication and execution of regulatory compliance affairs among all units.</p>	<p>AUO has also established an internal control mechanism according to the laws. The Auditing Unit is able to periodically evaluate Company risks and to establish an Audit Plan in order to perform relevant audits according to the Audit Plan as well as to report the audit results to the Audit Committee and Board of Directors periodically, such that the management level is able to understand the audit results and to achieve the purpose of management.</p>	<p>Cooperation with the Information Technology Department to increase the AI application software in order for it to be used as a tool for detecting potential risks and to improve the efficiency of supervision measures.</p>	2.2.4 Fair Competition	<p>info@auo.com csr@auo.com</p>
<b>Business Risk Management</b>				
<p>Each year, AUO evaluates the current situation of possible business risks, their frequency, impact and current control level according to the Deloitte risk identification table in order to understand the major risks of the Company and to implement controls thereof. In addition, the internal departments of the Company establish continuous operation management procedures and regulations in order to ensure that each type of sudden incident can be effectively controlled such that influences and impacts can be reduced and customer demands can be satisfied.</p>	<p>Through BCP drills, critical activities possibly affecting operational impacts can be enhanced, and operation can be recovered with minimized loss during the occurrence of incidents.</p>	<p>From the drill of simulated situations, after understanding the possible bottlenecks, the management aspect, equipment aspect, and personnel ability improvement aspect can be reviewed and improved in parallel.</p>	2.2.3 Business Risk Management	<p>info@auo.com csr@auo.com</p>
<b>Energy and Climate Change</b>				
<p>We have established climate change management strategies, including the aspects of information transparency, slow adaption, responsible participation, and cooperative development to be used for the risk and opportunity assessment as well as the basis for greenhouse gas reduction and the carbon asset management. Based on the concept of the product lifecycle, the Carbon 2020 plan of a five-year carbon reduction of 1 million tons has been established. From material design and selection, local purchases and recycling, energy-saving production, green transportation and low-consumption panel aspects, the targets thereof are implemented.</p>	<p>Each year, through the ISO 14064 greenhouse gas audit and ISO 50001 management energy-saving solutions, the reduction management performance is verified and evaluated. In addition, since 2007, the Company has participated in the disclosure of CDP. Furthermore, since 2013, the Company has been nominated as a Climate Disclosure Indicator Leading Enterprise for three years consecutively. Moreover, in 2017, the Company was honorably evaluated to be an A- Climate Leading Enterprise.</p>	<p>To effectively understand the greenhouse gas emission condition of the Company, green manufacturing has established ecological performance indicators, and reviews the use of materials per unit area and the greenhouse gas emission condition monthly in order to incorporate the same into the GP meeting tracking management items. Furthermore, in compliance with Scope 3 greenhouse gas audit standards, the value chain management scope is expanded continuously.</p>	<p>3.2.1 Energy Efficient Production 4.3.1 Greenhouse Gas Inventory</p>	<p>info@auo.com csr@auo.com</p>
<b>Community Care and Participation</b>				
<p>For community care and participation, AUO has established corporate social responsibility rules in order to evaluate impacts of the Company operation on the community and to employ local manpower from the Company operation location appropriately such that community recognition can be improved. Alternatively, through commercial activities, physical donations, corporate volunteer services or other social welfare services, the Company is able to participate in the social development and relevant activities of public organizations, charity groups and local government institutions in order to promote community development.</p>	<p>We use the LBG model to evaluate the contribution of the enterprise to society and to analyze the outputs and impacts of various types of investment resources in order to use the result thereof as the basis for review and establishment of objectives. London Benchmark Group - A global standard for measuring and benchmarking corporate community investment; operated by Corporate Citizenship, a corporate sustainability consultant.</p>	<p>For projects where LBG fails to reach the subject matter, relevant employees are called to conduct improvement reviews, and proposals are made in the supervisor meeting such that after the resolution of the supervisors, they can be implemented and performance can be reviewed.</p>	<p>5.1.2 Participation in Social Charity 5.3.2 Global Charity Events 5.4 Optoelectronic Science Education 5.5.1 Supporting Local Agriculture Produce</p>	<p>info@auo.com csr@auo.com</p>





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**GRI Index Table - General Standard Disclosure**

	Indicator	Indicator Description	Page
Organization Overview	102-1	Name of Organization	1.1 Company Background 8
	102-2	Main Brand, Product and Service	1.1 Company Background The Company does not sell any disputable products. 8
	102-3	Location of Organization Headquarters	1.1 Company Background 8
	102-4	Number of Countries and Country Names Where the Organization Operations are Located	1.1 Company Background 8
	102-5	Ownership Nature and Legal Format	1.1 Company Background 8
	102-6	Markets of Services Provided by Organization	1.1 Company Background 8
	102-7	Organization Scale	1.1 Company Background 8
	102-8	Information of Employees and Other Workers	6.1.1 Talent Distribution 100
	102-9	Description of supply chain of organization, including main factors related to the organization activities, main brands, products and services	2.5.1 Localized Purchase and Supply Chain Characteristic 2.5.2 Raw Materials Supplier and Outsourced Contractor" 56 58
	102-10	Any major changes related to the organization scale, structure, ownership or supply chain	No major changes in the Company and supply chain in 2017.
	102-11	Pre-warning Principle or Directive	2.2.3 Business Risk Management 40
	102-12	List the economic, environmental and social regulations, principles or polices signed and approved by the organization as well as established externally	4.1.2 Risk and Opportunity Appendix_UN Global Compact 77 146
	102-13	List the main member qualifications for the industries participated by the organization or member qualifications of other public associations and national or international promotion organizations.	1.2.1 Organization Membership 16
Strategy	102-14	Statement of Decision Maker	A Message from the President 3
	102-15	Critical impact, risk and opportunity	2.2.3 Business Risk Management 40
Integrity and Ethics	102-16	Description of values, principles, standards and behavior regulations of the organization	2.2.5 Integrity and Anti-corruption 48
	102-17	Recommendations related to ethics and mechanism for concerned matters	2.2.5 Integrity and Anti-corruption 48
Governance	102-18	Governance structure of the organization	2.1.1 Board of Directors 2.1.4 CSR Committee 33 37
	102-19	Procedure for the highest governance unit to authorize the senior management level and other employees to be responsible for the economic, environmental and social subjects	2.1.1 Board of Directors 2.1.4 CSR Committee 33 37
	102-20	a.Whether the organization commissions management level personnel to be responsible for the economic, environmental and social subjects; b.Whether the personnel report to the highest governance unit directly	2.1.1 Board of Directors 2.1.4 CSR Committee 33 37
	102-21	a. Procedure of the interested party to consult with the highest governance institution on the economic, environment and social subjects b. If the highest governance institution appoints an agent to perform consultation, then please describe the identity of such agent and how to provide feedbacks to the highest governance unit	2.1.4 CSR Committee 37

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	Indicator	Indicator Description	Page	External Confirmation	
Governance	102-22	Describe the highest governance institution and the formation of the committee in accordance with classification	2.1.1 Board of Directors	33	Assured by KPMG
	102-23	Whether the Chairman of the highest governance unit is also a member of the Operation Team	Since November 2015, the position of Chairman has been held by CEO, Shuang-Lang Peng.		
	102-24	Nomination and election process of the highest governance unit and the committee thereof	Elections system is established, but the CSR backgrounds of candidates are not yet considered.		
	102-25	Process for preventing and managing conflict of interests of the highest governance unit	2.1.1 Board of Directors	33	
	102-26	Development, approval and update of the principles, values or vision, strategies, and policies of the organization as well as the roles of the highest governance unit and senior management level in terms of the objectives related to the economic, environmental and social subjects.	2.1.4 CSR Committee	37	
	102-27	To develop and improve the measures adopted by the highest governance unit for the economic, environmental and social subjects based on group intelligence and knowledge.	2.1.1 Board of Directors	33	
	102-28	The evaluation process of the highest governance institution on the performance of the economic, environmental and social subjects, as well as explain the measures adopted to cope with the performance valuation conducted by the highest governance institution on the economic, environment and social subjects, which shall include at least changes of behaviors of members and the organization	Authorize the Corporate Sustainability Committee to execute; therefore, the highest governance unit does not directly accept the CSR performance evaluation		
	102-29	The roles of the highest governance unit for identification and management related to the economic, environmental and social subjects as well as impacts, risks and opportunities thereof include the role of the highest governance unit on the implementation of duty and responsibility of investigation.	The Risk Governance Team in the Sustainability Committee is responsible for identification and periodic reporting.		
	102-30	The roles of the highest governance team in the examination of effectiveness of risk management for the economic, environmental and social subjects	2.1.4 CSR Committee 2.2.3 Business Risk Management	37 40	
	102-31	The frequency with which the highest governance unit examines the economic, environmental and social subjects as well as the impacts, risk and opportunities	2.1.4 CSR Committee 2.2.3 Business Risk Management	37 40	
	102-32	The officially examined and approved organization Sustainability Report and Confirmation Report have already covered the highest committee or job positions of all major subjects.	The Corporate Sustainability Committee Chairman performs reviews and reports to the Board of Directors.		
	102-33	Procedures for communicating critical major events with the highest governance unit	2.1.4 CSR Committee	37	
	102-34	a. Communicating the nature and total number of critical major events with the highest governance unit b. System for handling and resolving critical major events	2.1.4 CSR Committee	37	
	102-35	a. Explain the remuneration policies of the highest governance unit and senior management level according to the types thereof b. The objectives of the highest governance unit and senior management level on the economic, environmental and social subjects, such as how to link the performance standards in the remuneration policies.	2.1.3 Remuneration Committee An elections system is established, but the CSR backgrounds of candidates are not yet considered	36	
	102-36	a. Process for remuneration determination. b. Whether there are remuneration consultants participating in the establishment of remuneration, and whether they are independent from the management level. c. Whether there are any other relationships between the remuneration consultants and the organization	2.1.3 Remuneration Committee	36	
	102-37	a. How to seek the opinions of the interested parties and to incorporate such opinions into the remuneration related considerations. b. If applicable, the remuneration policies and the voting results of proposals are taken into consideration.	The Company has established internal and external mailboxes, such as feedback of interested parties on the remuneration policy opinions and the remuneration of senior level of the remuneration committee.		
102-38	a. In each country of the main operation locations, the ratio between the annual total remuneration of the individual with the highest remuneration in the organization and the annual total remuneration of other employees (excluding the individual with the highest remuneration) of the organization in such country	2.1.3 Remuneration Committee	36		
102-39	a. In each country of the main operation locations, the ratio between the percentage of increase of the annual total remuneration of the individual with the highest remuneration in the organization and the median of the average of increase of annual total remuneration of other employees (excluding the individual with the highest remuneration) of the organization in such country	2.1.3 Remuneration Committee	36		



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	Indicator	Indicator Description	Page
Communication with Interested Party	102-40	List the interested party organizations communicating with the organization	1.3.1 Stakeholder Communication Platform 20
	102-41	The total percentage of employees covered by the collective agreement	Presently, only the Suzhou, Xiamen and Singapore plants have established unions; however, the collective negotiation agreements have not been signed. 18
	102-42	Basis for identification and selection of communication with interested parties	1.3. Stakeholder Issue Management 18
	102-43	The directives for communication with interested parties include the communication frequency according to different interested party groups and formats, and it is performed by indicating whether any communication procedure is made particularly for such report.	1.3.1 Stakeholder Communication Platform 2.4.3 Customer Satisfaction 20 25
	102-44	"Critical subjects and concerned matters proposed through communication with the interested parties include: a. How the organization responds to such critical subjects and concerned matters, including through reports; b. Propose interested party groups related to each critical subject and concerned matter"	1.3.1 Stakeholder Communication Platform 1.3.2 Issues of Stakeholders' Concern: Identification and Responses 2.4.3 Customer Satisfaction 20 24 55
Report Practice	104-45	"a.All physical subjects included in the Consolidated Financial Statement and equivalent documents of the organization b. Whether there are physical subjects in the Consolidated Financial Statement or equivalent documents not yet incorporated into this report"	About the Report 1
	104-46	a. Process for interpreting and defining the report content and subject boundaries. b. Interpret how the organization follows the report principles and defines the report content	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 24
	104-47	List all major subjects identified during the process of defining the report content	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 24
	104-48	Impacts of revision on any information provided in the previous reports and reasons thereof	Appendix 2016 AUO CSR Report Errata Sheet 127
	102-49	Major changes in the major subjects and subject boundaries in comparison with the ones in the previous reporting period	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 24
	102-50	Reporting period for the information provided	About the Report 1
	102-51	Last Report Date (if applicable)	About the Report 1
	102-52	Report Cycle	About the Report 1
	102-53	Contact persons related to the report and questions on the content thereof	About the Report 1
	102-54	In the declaration made by the organization, if the Report has been prepared in accordance with the GRI Standards, then: a. "This Report is in compliance with the GRI Standards: Core selections" b. "This Report is in compliance with GRI Standards: All of the selections"	About the Report 1
	104-55	GRI Index Content	Appendix GRI Standards Index 131
104-56	External Guarantee/Confirmation	About the Report 1	

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**GRI Index Table - Specific Standard Disclosure**

	Indicator	Indicator Description	Page	External Confirmation		
GRI 201: Economic Performance	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries	24 28	Assured by KPMG	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 4.1.2 Risk and Opportunity Appendix_Management Guideline	20 77 128		
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 4.1.2 Risk and Opportunity Appendix_Management Guideline	37 77 128		
	201-1 Direct Economic Values Generated and Distributed by the Organization	2.2.1 Economic Performance	38			
	201-2 Financial Impacts and Other Risks and Opportunities Generated by Climate Change	4.1.2 Risk and Opportunity	77			
	201-3 Define Welfare Plan Obligations and Other Retirement Plans	6.2.1 Compensation and Welfare	105			
	201-4 Obtain Financial Subsidy From the Government	The Organic Act of Science-Based Industrial Parks and the Statute for Upgrading Industry are applicable to the Company, such that the Company may choose to apply the tax preference of tax exemption or shareholder investment deduction to the original investment and previous capital increase for production and product sales respectively.				
	GRI 202: Market Position	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.1.1 Talent Distribution 6.2.1 Compensation and Welfare		24 28 100 105
			103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.1.1 Talent Distribution 6.2.1 Compensation and Welfare		20 100 105
			103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests		37 110
202-1 Percentage of Basic Personnel Standard Remuneration and Local Minimum Wage for Different Genders		2.5.2 Raw Material Suppliers and Production Contractors 6.2.1 Compensation and Welfare	58 105			
202-2 Percentage of Local Residents Employed at the Senior Management Level		6.1.1 Talent Distribution	100			





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	Indicator		Indicator Description	Page	External Confirmation	
GRI 203: Indirect Economic Impacts	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 5.1.2 Participation in Social Charity 5.4 Optoelectronic Science Education 5.5.1 Support of Local Agriculture	24 28 92 96 98	Assured by KPMG
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 5.1.2 Participation in Social Charity 5.4 Optoelectronic Science Education 5.5.1 Supporting Local Agriculture Produce Appendix_Management Guideline	20 92 96 98 128	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 5.1.2 Participation in Social Charity 5.4 Optoelectronic Science Education 5.5.1 Supporting Local Agriculture Produce Appendix_Management Guideline	37 92 96 98 128	
	203-1	Investment in Fundamental Facilities and Development as Well as Impact on Support Service	5.1.2 Participation in Social Charity	92		
	203-2	Obvious Indirect Economic Impacts	5.1 Charity Development Framework and Objectives 5.2 Nurturing Honest and Intelligent People 5.3 Care for Charity 5.4 Optoelectronic Science Education 5.5 Care for Nature	91 93 94 96 98		
GRI 204: Procurement Practice	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.5.1 Local Purchase and Supply Chain Characteristics	24 28 56	
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.5.1 Localized Purchase and Supply Chain Characteristics Appendix_Management Guideline	20 56 128	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 2.5.1 Localized Purchase and Supply Chain Characteristics Appendix_Management Guideline	37 56 128	
	204-1	Percentage of purchase expense from the local suppliers at the major operation locations	2.5.1 Localized Purchase and Supply Chain Characteristics	56		
GRI 205: Anti-corruption	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.2.5 Integrity and Anti-corruption	24 28 48	
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.2.5 Integrity and Anti-corruption	20 48	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 2.2.5 Integrity and Anti-corruption	37 48	



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	Indicator		Indicator Description	Page	External Confirmation		
GRI 205: Anti-corruption	205-1	Operation Locations with Anti-corruption Risk Assessment Already Conducted	In 2017, 100% of business units have already conducted anti-corruption risk assessment; where the European plant sites use the self-evaluation written review method for such audits.		Assured by KPMG		
	205-2	Communication and Training of Anti-corruption Policies and Procedures	2.2.5 Integrity and Anti-corruption	48			
	205-3	Anti-corruption Incidents Already Confirmed and Actions Adopted	2.2.5 Integrity and Anti-corruption	48			
GRI 206: Anti-competition	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.2.4 Fair Competition	24 28 46		
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.2.4 Fair Competition	20 46		
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 2.2.4 Fair Competition	47 46		
	206-1	Legal Actions for Anti-competitive Practices, Anti-trust and Monopoly Actions	2.2.4 Fair Competition	46			
GRI 301: Materials	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries	24 28		
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform	20		
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee	37		
	301-1	Weight or Volume of Materials Used	3.1.1 Materials and Emission	62			
	301-2	Regenerated Materials Used	3.1.1 Materials and Emission	62			
	301-3	Recycled Products and Package Materials Thereof	4.2.2 Action Plan	80			
GRI 302: Energy	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.1 Energy Efficient Production 4.2.1 Objective 4.2.2 Action Plan	24 28 64 80 80		
				103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.2.1 Energy Efficient Production 4.2.1 Objective 4.2.2 Action Plan Appendix_Management Guideline	20 64 80 80 128
						103-3	Accreditation of Management Directives



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	Indicator		Indicator Description	Page	External Confirmation
GRI 302: Energy	302-1	Internal Energy Consumption Amount of the Organization	3.1.1 Materials and Emission	62	Assured by KPMG
	302-2	External Energy Consumption Amount of the Organization	2.3 Governance of Subsidiaries	50	
	302-3	Energy Density	3.2.1 Energy Efficient Production	64	
	302-4	Reduction of Energy Consumption	3.2.1 Energy Efficient Production 4.2.2 Action Plan	64 80	
	302-5	Reduction of Product and Service Energy Demands	4.2.1 Objective 4.2.2 Action Plan	80 80	
GRI 303: Water	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.2 Water Efficient Production	24 28 65
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.2.2 Water Efficient Production	20 65
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 3.2.2 Water Efficient Production	37 65
	303-1	Allocate Obtained Water Amount Based on the Source	3.1.1 Materials and Emission	62	
	303-2	Water Sources Affected Significantly Due to Obtaining of Water	There are no impacts on the water sources at the production site of the Company.		
	303-3	Recycled and Reused Water	3.1.1 Materials and Emission	62	
	GRI 304: Biodiversity	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.2 Water Efficient Production
103-2			Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.2.2 Water Efficient Production	20 66
103-3			Accreditation of Management Directives	2.1.4 CSR Committee 3.2.2 Water Efficient Production	37 66
304-1		Environmental protection areas where operation locations owned, leased or managed by the organization or surrounding areas thereof are located or other areas with high biodiversity value.	3.2.3 Wastewater Management	66	
304-2		Significant Impacts of Activities, Products and Services on the Biodiversity Aspect.	3.2.3 Wastewater Management	66	
304-3		Protected or Restored Habitats	Not Applicable		
304-4		Habitats affected by the operation already listed on the red list of IUCN and species of national protection list.	Not applicable		



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	Indicator	Indicator Description	Page	External Confirmation	
GRI 305: Emissions	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 4.1 Climate Change Governance 4.2 GHG Emission Reduction 4.3 Carbon Footprint in Value Chain	24 28 77 80 86	Assured by KPMG
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.1.2 Environmental Accounting 4.1 Climate Change Governance 4.2 GHG Emission Reduction 4.3 Carbon Footprint in Value Chain Appendix_Management Guideline	20 63 77 80 86 128	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 4.1 Climate Change Governance 4.2 GHG Emission Reduction 4.3 Carbon Footprint in Value Chain Appendix_Management Guideline	37 77 80 86 128	
	305-1 Direct (Scope 1) Greenhouse Gas Emissions	4.3.1 Greenhouse Gas Inventory	86		
	305-2 Indirect Energy (Scope 2) Greenhouse Gas Emissions	4.3.1 Greenhouse Gas Inventory	86		
	305-3 Other Indirect (Scope 3) Greenhouse Gas Emissions	4.3.2 Scope 3 Inventory	88		
	305-4 Greenhouse Gas Emission Density	4.3.1 Greenhouse Gas Inventory	86		
	305-5 Greenhouse Gas Emission Reduction	4.2.1 Objective 4.2.2 Action Plan	80 80		
	305-6 Emission of Destructive Substances Damaging the Ozone	3.1.1 Materials and Emission	62		
	305-7 Emission of Nitrogen Oxides, Sulfur Oxides and Other Major Gases	3.1.1 Material and Emission Management Persistent Organic Pollutants (POP) and Hazardous Air Pollutants (HAP) are restricted substances in the company	62		
GRI 306: Sewage and Waste	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.3 Waste Water Management 3.2.5 Reuse of Waste	24 28 66 69	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.1.2 Environmental Accounting 3.2.3 Waste Water Management 3.2.5 Reuse of Waste Appendix_Management Guideline	20 63 66 69 128	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 3.2.3 Waste Water Management 3.2.5 Reuse of Waste Appendix_Management Guideline	37 66 69	





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GRI 306: Sewage and Waste	306-1	Plan the Water Drainage Amount According to the Water Quality and the Purpose of Drainage	3.1.1 Material and Emission Information 3.2.3 Waste Water Management	62 66	Assured by KPMG
	306-2	Plan Waste According to Types and Treatment Methods	3.2.5 Reuse of Waste	69	
	306-3	Major Leakage	A major leakage of the Company is defined as " chemical leakage reaches more than 1 ton" . In 2017, there were no major leakage incidents.		
	306-4	Waste Transportation	3.2.5 Reuse of Waste	69	
	306-5	Water Mass Affected by the Drainage and Other (surface) Flow Discharge	The self-draining sites of the Company, including the Huaya Plant and Longke Plant, comply with the water quality standards for such areas.		
GRI 307: Regulatory Compliance of environmental Protection Related Laws	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.5 Reuse of Waste	24 28 69
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.1.2 Environmental Accounting 3.2.5 Reuse of Waste	20 63 69
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 3.2.5 Reuse of Waste	37 69
	307-1	Violation of Environmental Protection Laws	3.2.5 Reuse of Waste	69	
GRI 308: Supplier Environment Assessment	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.5.2 Raw Material Suppliers and Outsourced Contractors	24 28 58
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.5.2 Raw Material Supplier and Outsourced Contractor Appendix_Management Guideline	20 58 128
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 2.5.2 Raw Material Suppliers and Outsourced Contractors Appendix_Management Guideline	37 58 128
	308-1	Use Environmental Standards to Select New Suppliers	2.5.2 Raw Material Suppliers and Production Contractors	58	
	308-2	Negative Impacts of Supply Chain on the Environment, and Actions adopted	2.5.2 Raw Material Suppliers and Production Contractors	58	
GRI 401: Employment Relationship	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.1 Compensation and Welfare 6.3.6 Parental Leave	24 28 105 116
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.1 Compensation and Welfare 6.3.6 Parental Leave	20 105 116



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GRI 401: Employment Relationship	GRI 103: Management Directives	103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	Assured by KPMG
	401-1	New Employees and Resigned Employees	Number of new employee hires and turnover	147	
	401-2	Welfare Provided to Full-time Employees (excluding temporary and part-time employees)	6.2.1 Compensation and Welfare	105	
	401-3	Parental Leave	6.3.6 Parental Leave	116	
GRI 402: Employment Relationship	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 118	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	402-1	Minimum Early Notice Period Related to Operation Changes	The major operation change notice period of the Company is handled according to the local laws and regulations.		
GRI 403: Occupational Safety and Health	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.5.2 AUO Safety Culture	24 28 122	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.5.2 AUO Safety Culture Appendix_Management Guideline	20 122 128	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.5.2 AUO Safety Culture Appendix_Management Guideline	37 122 128	
	403-1	Working Representatives in the Safety and Health Committee Jointly and Officially Formed by Employees and the Employer	6.5.2 AUO Safety Culture	122	
	403-2	Injury Types, Injuries, Occupational Diseases, Number of Days Lost, Absence Percentages, and Total Number of Death Accidents Due to Official Affairs	6.5.1 Disabling Injuries In 2017, there were no occurrences of occupational disasters based on the calculation of FR and SR. Presently, AUO has not yet established a system to statistically analyze the site access time of contractors completely, and at the current stage, the finger vein system still cannot effectively control the number of people accessing the site and accessing period statistics	121 147	
	403-3	Workers with Occupations Related to a High Occurrence Rate and High Risk	6.3.4 Risk Management of Employees with Occupational Diseases	115	
403-4	Health and Safety Related Issues Incorporated into the Official Union Agreements	Presently, only the Suzhou, Xiamen and Singapore plants have established unions; however, the collective negotiation agreements have not been signed.			



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GRI 404: Training and Education	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.4 Education and Training	24 28 117	Assured by KPMG
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.4 Education and Training	20 117	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.4 Education and Training	37 117	
	404-1	Average Training Hours Accepted by Each Employee per Year	6.4.1 Learning and Development	117	
	404-2	Improve Employee Occupational Skills and Transition Assistance Solution	6.4.1 Learning and Development	117	
	404-3	Percentage of Employees Periodically Accepting Performance and Occupational Development Evaluations	6.4.3 Performance Management	120	
	GRI 405: Diversity and Equality in Employment	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.1.1 Talent Distribution 6.2.1 Compensation and Welfare	
103-2 Management Directives and Elements Thereof			1.3.1 Stakeholder Communication Platform 6.1.1 Talent Distribution 6.2.1 Compensation and Welfare	20 100 105	
103-3 Accreditation of Management Directives			2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
405-1		Governance Unit and Diversity of Employees	6.1.1 Talent Distribution 2.1.1 Board of Directors	100 33	
405-2		Ratio of Basic Salary with Salary Increment Between Women and Men	6.2.1 Compensation and Welfare	105	
GRI 406: Non-discrimination		GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 100
			103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110
	103-3 Accreditation of Management Directives		2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	406-1	Discrimination Incidents and Improvement Actions Adopted by the Organization	6.2.2 Employee Rights and Interests	110	



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GRI 407: Freedom of Association and Group Negotiation	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	Assured by KPMG
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	407-1 Operation Locations or Suppliers Subject to the Possibility of Facing Risks to Freedom of Association and Group Negotiation	2.5.2 Raw Material Suppliers and Outsourced Contractors 6.2.2 Employee Rights and Interests	58 110		
GRI 408: Child Labor	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	408-1 Operation Locations and Suppliers With Major Risks of Using Child Labor	2.5.2 Raw Material Suppliers and Outsourced Contractors 6.2.2 Employee Rights and Interests	58 110		
GRI 409: Forced or Compulsory Labor	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	409-1 Operation Locations and Suppliers With Major Risks of Forced and Compulsory Labor Incidents	2.5.2 Raw Material Suppliers and Outsourced Contractors 6.2.2 Employee Rights and Interests	58 110		
GRI 411: Rights of Aborigines	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	





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GRI 411: Rights of Aborigines	411-1	Incidents Involving the Infringement of the Rights of Aborigines	6.2.2 Employee Rights and Interests	110	Assured by KPMG	
GRI 412: Human Rights Evaluation	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests		24 28 110
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests		20 110
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests		37 110
	412-1	Operation Activities for Accepting Human Rights Review or Human Rights Impact Evaluation	In 2017, 100% of business units have already conducted human rights reviews; where the European plant sites use the self-evaluation written review method for such audits			
	412-2	Employee Training on Human Rights Policies and Procedures	6.2.2 Employee Rights and Interests	110		
	412-3	Important Investment Agreements or Contracts Including Human Rights Clauses Therein or Associated with Already Performed Human Rights Reviews	Appendix_Management Guideline	128		
	GRI 413: Local Community	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof		1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.2.3 Waste Water Management
103-2			Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.2.3 Waste Water Management		20 66
103-3			Accreditation of Management Directives	2.1.4 CSR Committee 3.2.3 Waste Water Management		37 66
413-1		Operation Activities Passing Community Communication, Impact Evaluations and Development Plans	Impact evaluation and communication negotiation have been conducted for the production locations of the Company.			
413-2		Operation Activities Having Significant, Actual or Potential Negative Impacts on the Local Community	3.2.3 Wastewater Management	66		
GRI 414: Supplier Social Assessment	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.5.2 Raw Material Suppliers and Outsourced Contractors		24 28 58
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.5.2 Raw Material Suppliers and Outsourced Contractors Appendix_Management Guideline	20 58 128	
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GRI 414: Supplier Social Assessment	414-1	New Suppliers are Selected with the Use of Social Standards		2.5.2 Raw Material Suppliers and Production Contractors	58	Assured by KPMG
	414-2	Negative Social Impacts in the Supply Chain and Actions Adopted		2.5.2 Raw Material Suppliers and Production Contractors	58	
GRI 415: Public Policies	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries	24 28	
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform	20	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee	37	
	415-1	Political Donations		In 2017, there were no political donations.		
GRI 416: Customer Health and Safety	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 3.3.1 Hazardous Substance Management	24 28 71	
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 3.3.1 Hazardous Substance Management	20 71	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee 3.3.1 Hazardous Substance Management	37 71	
	416-1	Evaluate the Impacts of Product and Service Types on Health and Safety		3.3.1 Control of Hazardous Substance	71	
	416-2	Incidents Violating Health and Safety Regulations Related to Products and Services		All of the products researched, developed and manufactured by the Company comply with relevant laws and regulations such that there are no penalties due to violation of regulations.		
GRI 417: Marketing and Labeling	GRI 103: Management Directives	103-1	Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries	24 28	
		103-2	Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform	20	
		103-3	Accreditation of Management Directives	2.1.4 CSR Committee	37	
	417-1	Product and Service Information and Labeling Requirements		* Product Parts and Composition: All products shall indicate the main parts and material numbers in the specifications. * Substances with an Impact on the Society and Environment: All display products are attached with the ROHS and lead-free labels. * Product Subsequent Handling: Since display products are not end products, there are no relevant labels. Solar products qualifying for IEC and ETL Listed certifications are labeled on the Shipping Label. All of the products are under the Management System according to the international regulations or customer demands. (Recycle and UL, Green Product, NARK)		
	417-2	Incidents Not Complying with the Information and Labeling Regulations for Products and Services		In 2017, the company had no violations against any regulations or voluntary regulations.		
417-3	Incidents Not Complying with Marketing and Promotion Related Laws		In 2017, the company had no violations against any regulations or voluntary regulations			



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GRI 418: Customer Privacy	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.2.3 Business Risk Management	24 28 40	Assured by KPMG
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.2.3 Business Risk Management	20 40	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 2.2.3 Business Risk Management	37 40	
	418-1 Complaints Verified to Infringe on Customer Privacy or Loss of Customer Information	In 2017, there were no actual complaints of the Company in violating customer privacy rights or loss of customer information.			
GRI 419: Social Economic Regulatory Compliance	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 6.2.2 Employee Rights and Interests	24 28 110	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 6.2.2 Employee Rights and Interests	20 110	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 6.2.2 Employee Rights and Interests	37 110	
	419-1 Violation of Laws and Regulations in the Social and Economic Fields	The Company periodically identifies applicable rules, and defines them in the operation procedures. In 2017, there were 3 labor inspection defects, and the total amount of fines was NT\$ 190 thousand dollars.			
Technology and Innovation	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries	24 28	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform Appendix_Management Guideline	20 128	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee Appendix_Management Guideline	37 128	
Product Quality	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.4.1 Structure of Quality Management 2.4.2 Quality Management 2.4.3 Customer Satisfaction	24 28 53 54 55	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.4.1 Structure of Quality Management 2.4.2 Quality Management 2.4.3 Customer Satisfaction Appendix_Management Guideline	20 53 54 55 128	



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	Indicator	Indicator Description	Page	External Confirmation	
Product Quality	103-3	103-3 Accreditation of Management Directives	2.1.4 CSR Committee 2.4.1 Structure of Quality Management 2.4.2 Quality Management 2.4.3 Customer Satisfaction Appendix_Management Guideline	37 53 54 55 128	Assured by KPMG
Business Risk Management	GRI 103: Management Directives	103-1 Interpretation of Major Subjects and Boundaries Thereof	1.3.2 Issues of Stakeholders' Concern: Identification and Responses 1.3.3 Material Issues and Boundaries 2.2.3 Business Risk Management	24 28 40	
		103-2 Management Directives and Elements Thereof	1.3.1 Stakeholder Communication Platform 2.2.3 Business Risk Management Appendix_Management Guideline	20 40 128	
		103-3 Accreditation of Management Directives	2.1.4 CSR Committee 2.2.3 Business Risk Management Appendix_Management Guideline	37 40 128	

**UN Global Compact**

	10 Principles	Chapter	Page
<b>Human Rights</b>	Corporations will respect and maintain various human rights approved internationally.	6.2.2 Employee Rights and Interests	110
	Ensure corporations do not participate in any actions disregarding or abusing human rights.	6.2.2 Employee Rights and Interests	110
<b>Labors</b>	Corporations will maintain freedom of association, and guarantee the rights of negotiation between employees and the employer.	6.2.2 Employee Rights and Interests	110
	Corporations will completely erase any forms of compulsory labor.	6.2.2 Employee Rights and Interests	110
	Corporations will effectively eliminate any child labor.	6.2.2 Employee Rights and Interests	110
	Corporations will eliminate any discriminatory actions in terms of employment and work.	6.2.2 Employee Rights and Interests	110
<b>Environment</b>	Corporations will perform preventive planning on environmental hazards.	3.2 Green Production	64
	Corporations will exploit and bear greater environmental liabilities.	3.2 Green Production 4.2 GHG Emission Reduction	64 80
	Corporations will encourage the development of environmentally friendly technologies.	3.3.2 Innovation Design and Process Improvement	72
<b>Anti-corruption</b>	Corporations will restrict any forms of corruption, including any extortion and bribery.	2.2.5 Integrity and Anti-corruption	48





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Number of Resignations/Resignation Rate

(Number of resigned local employees of the age and gender / Total number of local employees in the current year)

Age	Taiwan		Mainland China		Other Asia Regions		Europe		Americas		Total	
	Count	Rate	Count	Rate	Count	Rate	Count	Rate	Count	Rate	Count	Rate
Under 29	229	0.96%	2,797	13.87%	43	3.97%	54	10.44%	-	-	3,123	6.85%
Between 30-49	420	1.77%	516	2.56%	27	2.49%	75	14.51%	4	13.33%	1,042	2.29%
Over 50	13	0.05%	1	0.00%	-	-	12	2.32%	-	-	26	0.06%
Under 29	458	1.93%	6,589	32.67%	52	4.80%	90	17.41%	-	-	7,189	15.77%
Between 30-49	872	3.67%	1,020	5.06%	56	5.17%	120	23.21%	4	13.33%	2,072	4.55%
Over 50	9	0.04%	2	0.00%	4	0.37%	26	5.03%	1	3.33%	42	0.09%
Total	2,001	8.42%	10,925	54.16%	182	16.80%	377	72.92%	9	29.99%	13,494	29.61%

New Employees/New Recruit Rate

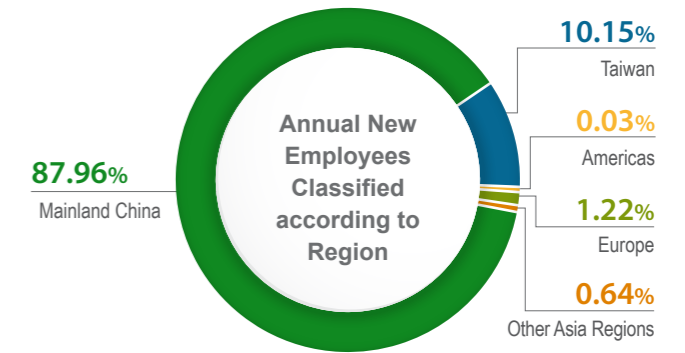
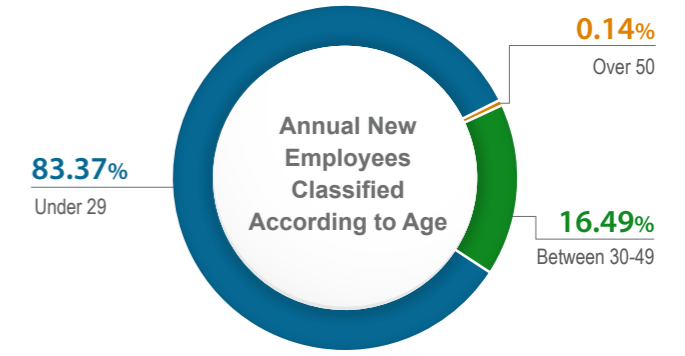
(Number of new local employees of the age and gender / Total number of local employees in the current year)

Age	Taiwan		Mainland China		Other Asia Regions		Europe		Americas		Total	
	Count	Rate	Count	Rate	Count	Rate	Count	Rate	Count	Rate	Count	Rate
Under 29	1,367	5.75%	17,273	85.63%	90	8.31%	55	10.64%	-	-	18,785	41.22%
Between 30-49	868	3.65%	2,721	13.49%	54	4.99%	51	9.86%	5	16.67%	3,699	8.12%
Over 50	4	0.02%	-	-	1	0.09%	18	3.48%	1	3.33%	24	0.05%
Under 29	547	2.30%	6,557	32.51%	32	2.95%	107	20.70%	-	-	7,243	15.89%
Between 30-49	384	1.62%	910	4.51%	24	2.22%	129	24.95%	2	6.67%	1,449	3.18%
Over 50	-	-	-	-	-	-	21	4.06%	-	-	21	0.05%
Total	3,170	13.34%	27,461	136.14%	201	18.56%	381	73.69%	8	26.67%	31,221	68.51%

Annual Disabling Injury Condition

	Taiwan		Mainland China		Singapore		Europe		Entire Company	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Disabling Injury Frequency (number of disabled injury cases/200 thousand working hours)	0.14	0.04	0.05	0.03	0.14	0	0	0	0.08	0.04
Disabling Injury Severity Rate (loss of working days and hours/200 thousand working hours)	1.6	1.29	0.91	0.38	0.42	0	0	0	1.16	0.72

Male Female





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ISO 26000 Article Comparison Chart

	Issues	Report Chapter	Page
Governance Organization	Decision and Implementation System for Execution of Objectives	2.1.1 Board of Directors	33
Human Rights	Compliance Audit	6.2.2 Employee Rights and Interests	110
	Risk Situation of Human Rights	6.2.2 Employee Rights and Interests	110
	Complicit Relationship Prevention - direct, interested and implied complicit relationships	2.1.1 Board of Directors	33
	Resolve Labor Complaints	6.2.2 Employee Rights and Interests	110
	Discriminated and Disadvantaged Groups	6.2.2 Employee Rights and Interests	110
	Citizen and Political Rights	6.2.2 Employee Rights and Interests	110
	Economic Society and Culture Rights	6.2.1 Compensation and Welfare 6.2.2 Employee Rights and Interests	105 110
	Basic Rights of Working	6.2.2 Employee Rights and Interests	110
Labor Practices	Employment and Employment Relationship	6.2.1 Compensation and Welfare	105
	Working Criteria and Social Protection	6.2.1 Compensation and Welfare 6.2.2 Employee Rights and Interests	105 110
	Social Dialogue	5.3 Care for Charity	94
	Work Health and Safety	6.5 Work Safety	121
	Personnel Development and Training	6.4 Education and Training	117
Environment	Pollution Prevention	3.2.3 Waste Water Management	66
		3.2.4 Air Pollution Management	68
		3.2.5 Reuse of Waste	69
	Sustainable Resource Utilization	3.2.5 Reuse of Waste	69
	Lessening and Adapting to Climate Change	4.1 Climate Change Governance	80
Protection and Restoration of the Natural Environment	3.2.3 Wastewater Management	66	

	Issues	Report Chapter	Page
Fair Operation Practices	Anti-corruption	2.2.5 Integrity and Anti-corruption	48
	Responsible Political Participation	No participation in political activities in the report year.	
	Fair Competition	2.2.4 Fair Competition	46
	Promote Social Responsibility of Influential Groups	2.3 Governance of Subsidiaries	50
	Respect Intellectual Property Rights	2.4 Customer Relations	53
Consumer Issues	Fair Marketing, Information and Contract Practices	2.2.4 Fair Competition	46
	Protect Health and Safety of Consumers	3.3.1 Control of Hazardous Substance	71
	Sustainable Consumption	3.1 Green Performance	62
	Consumer Service, Support, Complaint and Dispute Resolution	2.4 Customer Relations	53
	Consumer Data Protection and Privacy	2.4 Customer Relations	53
	Provide Necessary Services	2.4 Customer Relations	53
Social Participation Development	Education and Awareness	3.3.1 Control of Hazardous Substance	71
	Community Participation	5.3 Care for Charity	94
	Education and Culture	5.4 Optoelectronic Science Education	96
	Create Job Opportunities and Technological Development	1.1 Company Background	8
		6.1 Talent Formation	100
	Technology Development	1.1 Company Background	8
Create Wealth and Income	2.1 Governance	38	
Health	5.3 Charitable Concerns	94	
Social Investments	5.1 Charity Development Framework and Objectives	91	



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## Abbreviation List

	English Full Name
AAC	AUO Action Camp
ABC	AUO Bravo Camp
AFR	Annual Field return
AGS	AUO Green Solution
AHVA	Advanced Hyper-Viewing Angle
ALC	AUO Learning College
ALCD	Altra Liquid Crystal Display
AMOLED	Active- matrix Organic Light Emitting Diode
APC	AUO Power
a-Si TFT	a-Si Thin-Film Transistor
B2B-E2E	Back to the Basics, Execute to Excellence
BCP	Business Continuity Plan
BOD	Biochemical oxygen demand
BOM	Bill of Material
CDLI	Climate Disclosure Leader Index
CDP	Carbon Disclosure Project
CO <sub>2e</sub>	CO <sub>2</sub> Equilivant
COD	Chemical Oxygen Demand
COP	Conference of the Parties
CSR	Corporate Social Responsibility
CSS	Customer Service System
DJSI World Index	Dow Jones Sustainability Indexes
eABC	executive AUO Bravo Camp

	English Full Name
ECAs	Enterprise Carbon Accounting System
EEIs	Eco-efficiency Index System
EICC	Electronic Industry Code of Conduct
EnMS	Energy Management System
EPC	Engineering, Procurement, and Construction
ES	Engineering Service
GB/T 2331-2009	
GHG	Greenhouse Gas
HCC	Half-cut cell
HDR	High Dynamic Range
ICAO	International Civil Aviation Organization
ISO 14046	International Organization for Standardization 14046
ISO 14064-1	International Organization for Standardization 14064-1
ISO 50001	International Organization for Standardization 50001
ITC Electronic Equipment	Instruments & Components Electronic Equipment
iTP	In-cell Touch Panel
LEED	Leadership in Energy and Environmental Design
LTPS	Low Temperature Poly-Silicon
MFCA	Material Flow Cost Accounting
MVA	Multi-domain vertical alignment

	English Full Name
NDC	Nationally determined contribution
NYSE	The New York Stock Exchange
OLED	Organic Light Emitting Diode
oTP	On-cell Touch Panel
PAS 2050	PUBLICLY AVAILABLE SPECIFICATION 2050
PAS 2060	PUBLICLY AVAILABLE SPECIFICATION 2060
PFCs	Perfluorinated Compounds
PPI	Pixels Per Inch
RoHS	Restriction of Hazardous Substances Directive
RTO	Recovery Target Objective
SA8000	Social Accountability 8000
SDGs	Sustainable Development Goals
SS	Total Suspended Solids
TFT-LCD	Thin Film Transistor Liquid Crystal Display
TTLA	Taiwan TFT LCD Association
TWSE	Taiwan Stock Exchange Corporation
UHD	Ultra High Definition Television
UNFCCC	The United Nations Framework Convention on Climate Change
VOCs	Volatile Organic Compounds
WEF	The World Economic Forum
WLC	Work Life Coaching
WQHD	Wide Quad High Definition



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## ISO14064 Greenhouse Gas Verification Statement

DNV·GL

### VERIFICATION STATEMENT OF GREENHOUSE GAS ASSERTIONS

Statement No.: 0002-2018-05-1799      Issue date: 27 April, 2018      Page 1 of 3

This is to verify In/Site reporting of Greenhouse Gas Inventory Management Report (2017) of

#### AU Optronics Corporation

**Scope of Verification**  
DNV GL Business Assurance (DNV GL) has been commissioned by AU Optronics Corporation to perform a verification of the greenhouse gas assertion of Greenhouse Gas Inventory Management Report (2017) (hereafter the "Inventory Report") with respect to the sites listed in Appendix.

**Verification Criteria and GHG Programme**  
The verification was performed on the basis of ISO 14064-1:2006 and CNS 14064-1:2006, as well as IPCC 2006 Tier 2b methodology for fluorinated GHG emissions inventory, given to provide for consistent GHG emission identification, calculation, monitoring and reporting.

**Verification Statement**  
It is DNV GL's opinion that with reasonable assurance the greenhouse gas assertion of the Inventory Report of March 13, 2018 is free from material discrepancies in accordance with ISO 14064-1:2006 and CNS 14064-1:2006. DNV GL thus requests the registration of the Inventory Report as a GHG inventory demonstration project.

Chun-Huei Lin  
GHC Verifier

For the issuing office:  
DNV GL Business Assurance Co., Ltd.  
22F, No. 293, Sec 2, Hsinshui Rd.,  
New Taipei District, New Taipei City 220,  
Taiwan

Place and date:  
Taipei, 27 April, 2018

Management Representative

Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.  
This Verification Statement is based on the information made available to us and the engagement conditions detailed above. Hence, DNV GL cannot guarantee the accuracy or completeness of the information. DNV GL cannot be held liable for any party relying on data other than the Verification Certificate.  
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DNV·GL

Statement No.: 0002-2018-05-1799      Page 2 of 3  
Place and date: Taipei, 27 April, 2018

#### Supplement to Statement

**Process and Methodology**  
The reviews of the Inventory Report and the subsequent follow-up interviews have provided DNV GL with sufficient evidence to determine the fulfillment of stated criteria. The Inventory Report correctly complies with the requirement of ISO 14064-1:2006 and CNS 14064-1:2006.

**Quantification of Greenhouse Gas Emission**  
The Inventory Report covering the period 1<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017, it is DNV GL's opinion that the Inventory Report results in quantification of GHG emissions that are real, transparent and measurable.

**Organizational Boundary of Verification**  
 Financial Management Control  Operational Management Control  Equity Share

**GHGs Verified**  
 CO<sub>2</sub>  CH<sub>4</sub>  N<sub>2</sub>O  HFCs  PFCs  SF<sub>6</sub>  NF<sub>3</sub>

Total Direct Emissions: 316,618.80 tonnes CO<sub>2</sub>e  
Total Energy Indirect Emissions: 3,040,019.25 tonnes CO<sub>2</sub>e

The Indirect Emissions was calculated based on 2016 electricity emission factor of 0.529 kg CO<sub>2</sub>e/kwh, which was announced by Bureau of Energy, Ministry of Economic Affairs. The Global Warming Potential (GWP) defined in IPCC AR4 (2007) has been chosen and correctly referred by the Organization.

The fluorinated greenhouse gases ("F-Gases" defined by 2006 IPCC Guidelines) emissions in year 2017 with implementing abatement equipment was calculated as 170,366.325 tonnes CO<sub>2</sub>e, and was self-declared 1,377,109.137 tonnes CO<sub>2</sub>e emission reduction, according to the Tier 2b method referred to 2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 3 Industrial Processes and Product Use, Chapter 6 Electronics Industry Emissions.

**Verification Opinion**  
 Verified without Qualification  
 Unable to Verify

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## ISAE 3000 Limited Assurance Report of Independent Accountants



# AUO



MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM



**ROBECOSAM**  
Sustainability Award  
Gold Class 2018