

2017 CORPORATE SOCIAL RESPONSIBILITY REPORT

EINK HOLDINGS INC. 2017 CORPORATE SOCIAL RESPONSIBILITY REPORT



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Report Profile



Corporate Social Responsibility Report

● Editing Principles

This is the corporate social responsibility (CSR) report published by E Ink Holdings, Inc. (E Ink). Currently, it is published in Traditional Chinese and English. In addition to the paper version, an electronic version of this report is available for download from the CSR section of the E Ink corporate website. The boundary of disclosure covers in principle our Hsinchu Plant and Linkou Plant in Taiwan, which are our major points of operations in Taiwan. Information of the Yangzhou Plant in China and the USA Plant has been included in the report to enrich the report contents. With this CSR report, we hope to disclose our efforts to pursue sustainable development and fulfill corporate social responsibilities for the public to understand more and better about E Ink and its products. We also hope that the public can give us suggestions, so that we can maintain our sustainable development and develop toward a world-class enterprise. All amounts mentioned in this report are calculated with the New Taiwan Dollar (NT\$). Amounts expressed in other currencies will be remarked separately.

● Reporting Period

This report discloses the information regarding our CSR management approaches, material topics, responses, actions, and performance in fiscal year 2017 (January 1, 2017 to December 31, 2017). For readers to better understand relevant information, some contents have been traced back to 2013.

● Reporting cycle

E Ink publishes its CSR report on an annual basis. The Traditional Chinese version of the previous issue (CSR Report 2016) was published in June 2017. The English version was published in December 2017. The Traditional Chinese version of the current issue (CSR Report 2017) was published in June 2018. The English version was published in October 2018. The Traditional Chinese version of the next issue (CSR Report 2018) will be published in June 2019. The English version will be published in October 2019.

● Reference Guidelines

E Ink applies the reporting framework in the GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI) and adopts the Core disclosure principle.

● Report Assurance

The Chinese version of this report was externally reviewed by Deloitte & Touche and a Limited Assurance Report was obtained. The report accords with the core GRI Standards and the standards of the Assurance of Nonhistorical Financial Information Auditing/Review and Guidelines for the Compilation and Declaration of Corporate Social Responsibility Reports of Publicly Listed Companies in the assurance reporting standards of the Accounting Research and Development Foundation.

● Contact

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E Ink Corporate Website



Report Download Link



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Letter from the Chairman and CEO Frank Ko

Dear Stakeholders:

“Expanding contributions to social and environmental sustainability with the core value of products” is one of our main objectives to carry out corporate social responsibility (CSR) over time. With the continuous effort of all employees, we have progressively fulfilled CSR in aspects including social welfare, environmental sustainability, governance, and technology and product innovation. We are honored that our efforts to carry out CSR over time were eventually recognized. Our 2016 CSR Report won the Gold prize of the Corporate Sustainability Report Award, electronics manufacturers category, at the 10th Taiwan Corporate Sustainability Awards 2017. The prize was also the best positive reinforcement for employees to continue their efforts in CSR.

Support for social welfare in collaboration with stakeholders

In support of the Quality Education and Good Health and Well-Being goals of the 17 Sustainable Development Goals (SDGs) advocated by the United Nations, we launched our first large philanthropic program “e-Reader for Future”, an e-book mobile library program, in 2017. Starting from the core value of ePaper, we invited partners on the supply chain to donate 350 eReaders and 35,000 e-books to 16 elementary schools in Nantou County, Taiwan. Apart from broadening the horizons and enriching the knowledge of children with easy-on-the-eyes and comfortable e-reading experience, we hope that the program can help teachers to demonstrate teaching creativity with mobile reading.

2017 marked the fifth year for the Yangzhou Plant’s

support for the Maitian Program. Unlike the previous years, apart from constantly donating supplies and money to students of elementary schools in remote area in mainland China, the Yangzhou Plant and E Ink extended the “e-Reader for Future” program by donating 100 eReaders to these remote elementary schools. By pre-loading 500 books in each eReader, students can read books without connecting to the internet, enabling them to learn more from books. The knowledge brought by the books in these eReaders also helps bridge the education divide between urban and rural areas. As the best illustration of social inclusiveness, this program integrating various resources and collaborating with suppliers has demonstrated the corporate citizen spirit through real actions.

Support for environmental sustainability with real actions

In promoting the sustainability development of the environment, we have spared no effort to implement energy and water conservation and management. We have further reduced energy and water consumption through equipment renewal, system parameter optimization, and administrative measures to support environmental sustainability through real actions.

We began to expand the scope of renewable energy use by supporting green power subscription and renewable energy certificate (REC) trade since 2015. With respect to the statistics of the National Renewable Energy Certification Center, we have traded 448 RECs by February 13, 2018. So far, we are an enterprise with the most RECs. The Yangzhou Plant began the rooftop photovoltaic power station program in 2014 to supply electricity for the in-house production process. Along with other electricity conservation measures.

Practicing environmental sustainability with business core

The application of the Internet of Things (IoT) has been thriving in recent years, giving rise to different aspects of business and life, such as smart retail (new retail), smart manufacturing, smart healthcare, and smart city. With reference to Gartner’s IoT forecast, a total of 20.4 billion IoTs¹ will be erected by 2020. As the installation quantity increases, the concern for energy conservation and environmental protection also intensifies accordingly. The ultrahigh energy efficient, long standby time, and viewable under strong light features of ePaper meet the demand for eco-friendly, energy-efficient, and smart display.

In 2017, we proactively developed the technology and applications of ePaper in collaboration with the supply chain, customers, and partners in different fields. For example, retailers in Europe, the USA, and mainland China continue to implement the electronic shelf label (ESL) to accelerate smart retail development. By launching eNote of various sizes, we promote smart and paperless applications for education, offices, and professional fields. Based on the similarities between traditional papers and ePaper, such as the visual effect and viewable under sunlight, we continuously implement smart bus stop information signage to cultivate the transportation market.

In technology R&D, we proactively research and develop technologies relating to ePaper and handwriting to cultivate a new market for smart application scenarios, in order to achieve energy conservation, emissions reduction, and paper reduction to practice environmental sustainability with the end-product value of ePaper. While creating new user habits, we steadily promote organizational growth to persistently support CSR.

Looking out into the future, we will continue to carry out CSR to realize the “one for all and all for one” spirit in collaboration with all employees through the CSR Committee. By combining UN’s 17 SDGs and the organizational core value, we have identified five SDGs as the criteria for implementing CSR, in order to practice our corporate citizen responsibility. We will also continue to optimize technology and innovate product applications to diversify ePaper applications, in order to help build a smarter, eco-friendlier, and more beautiful environment.

元太科技董事長暨執行長
Frank Ko



¹ Gartner : Gartner Says 8.4 Billion Connected “Things” Will Be in Use in 2017, Up 31 Percent From 2016

【Sustainability Column】

A Smart and Sustainable Lifestyle with E Ink



In support of the 17 Sustainable Development Goals (SDGs) established by the United Nations (UN), we established our product development visions with six SDGs in 2016. With "Smart and Sustainable Lifestyle" as the theme, we will develop more unlimited possibilities with other SDGs based on this theme.

3 GOOD HEALTH AND WELL-BEING
Compared with other display technologies, our ePaper display (EPD) uses the full reflective display technology, contains no backlight and blue light to irritate and harm the human eyes. As a user-friendly display technology, the ePaper can be also be used in the medical field, such as blood sugar testers and smart drug dispensers.

4 QUALITY EDUCATION
The eReader is recognized as the best EPD so far. It can disseminate the knowledge and contents in paper books to all parts of the world to ensure the right to education of children in remote areas and thereby eliminate the education divide.

7 AFFORDABLE AND CLEAN ENERGY
ePaper is characterized by its extraordinary low power consumption. When displaying information for similar purposes, EPD can significantly reduce energy consumption and carbon emissions and the use and development of power installations to enhance energy efficiency.

9 INDUSTRY INNOVATION AND INFRASTRUCTURE
Upholding the innovation and sustainability concepts, we constantly develop various ePaper display (EPD) technologies and products for various applications. Through various advanced technologies, we offer revolutionary products, better user experience, and environmental efficiency. We are also committed to clean production through selection of eco-friendly materials to strengthen the sustainable value chain of the organization.

11 SUSTAINABLE CITIES AND COMMUNITIES
The lightweight, slim, rollable, energy-efficient, and viewable under sunlight features of ePaper enable the product to provide various possible solutions for the sustainable development, such as transportation, architecture, culture, art, and public information display, in a smart city. The ePaper can further be combined with detectors and cloud storage to display data and information to become one of the system solutions for IoT and big data.

13 CLIMATE ACTION
When replacing existing display technologies with EPD, the bistable characteristics featuring low power consumption and no power consumption for holdings an image (always on) of the ePaper can significantly reduce power consumption and carbon emissions and relieve the impact of global climate change caused by GHGs after long-term and extensive use. In addition, its "always on" feature makes EPD an ideal option for digital signage displaying disaster prevention and evacuation description, as the escape information can still be displayed even power is shut down after a disaster occurs.

E Ink Glory

2011-2017

The Yangzhou Plant was ranked one of the “Best Ten Tax-Paying Enterprises”, awarded the “Grade A Tax Credit”, awarded the “Special Contribution in Business Solicitation and Investment Introduction”, ranked one of the “Top 100 Industrial Enterprises”, ranked one of the “Best Ten Enterprises Above Designated Size”, awarded the “Model Unit for Integrity in Labor Protection”, awarded the “Demo Base for Circular Economy Education”, awarded the “Eco-Friendly Enterprise of Jiangsu”, awarded the “Enterprise Technology Center”, awarded the “Model Home for Employees”, and awarded the “Model Unit for Employment Promotion in Yangzhou City”.



2013

Best in Show of 2013 at the Society for Information Display International Conference.



The E Ink Triton™ color active matrix won the 16th Outstanding Photonics Product Award from the Photonics Industry & Technology Development Association.

2014

The E Ink Spectra™ tri-color EPD won the 17th Outstanding Photonics Product Award from the Photonics Industry & Technology Development Association.



2015

The wireless EPD won the “Outstanding Technology Award” at the 14th Gold Panel Awards organized by the Taiwan Display Union Association.



2016

The E Ink Spectra™ tri-color EPD won the Silver Award at the Taiwan Excellence Award organized by the Ministry of Economic Affairs, R.O.C.



The Hsinchu Plant was awarded with the “Perspective Enterprise Award” at the “Green Power Appreciation Award” event from the Bureau of Energy, Ministry of Economic Affairs for purchasing 1,000,000kWh green power in 2016, the third highest among all high-tech industries.



The Joan Meeting Room Assistant won the CES Best of Innovations Award at CES 2016.



The Wovin Wall of the E Ink Prism won the Best of NeoCon* award for its rollability and color display, making it an advanced technology material suitable architectural design.

Note: NeoCon is the most important exhibition for business interior architecture.



The E Ink Prism(eFlow) won the SEG D* Global Design Award for its rollability and random plasticity, making it an advanced technology material suitable architectural design.

Note: Society for Experiential Graphic Design (SEG D) of the USA is composed of members from 35 countries. The SEG D Global Design Award started in 1987 to focus on the expression of spatial and environmental design. It is an international award in the global design field.



2017

February

The 32-inch color EPD won the Taiwan Excellence Gold Quality Award from the Ministry of Economic Affairs, R.O.C.



September

The 6.1-inch non-geometric-shaped rollable wearable EPD won the Outstanding Product Award at the 2017 Gold Panel Awards organized by the Taiwan Display Union Association (TDUA) for demonstrating the plasticity of the rollable EPD.



October

Awarded the Asia IP Elite prize by the world-leading magazine Intellectual Asset Management for three consecutive years since 2015.



November

Won the Gold prize of the Corporate Sustainability Report Award, electronics manufacturers category, at the 10th Taiwan Corporate Sustainability Awards 2017 with the 2016 CSR Report.



Summary of Sustainability Performance 2017

Economic Aspect

Governance

Chapter 2
Visionary Leadership and Strategic Development

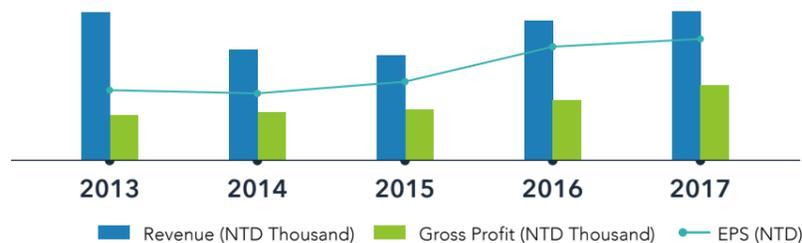
The Board of Directors (BOD) currently has nine seats, including **three independent directors** and **one female directors**. The average age of directors is 56 years old, and board meeting attendance in 2017 was **89%**.



Economic Performance

Chapter 2
Visionary Leadership and Strategic Development

- Compared to 2016, revenue increased by **8.5%**, gross profit by **22.7%**, EPS by **9.5%**.
- Global market share of E Ink's ePaper was over **90%**.



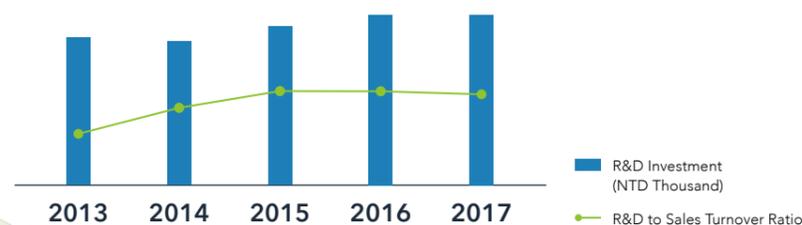
Product and Service

Chapter 3
Smart Applications and Innovative Experience

- E Ink ePaper electronic shelf labels (ESLs) and tags replaced traditional labels and tags in all US retail supermarkets to save up to **125,000** trees.



- Investment of R&D fund about NTD **1.936 billion**, up to **12.7%** of the sales turnover.



Supply chain management

Chapter 4
Green Operations and Green Partners

- Continuously expansion of the domains of ePaper applications through collaboration with the National Palace Museum, National Theater, and San Diego International Airport.

- Launch of the **world's first smart luxury good packaging box in collaboration with TEXEN**.

- Local procurement in 2017 reached **39%**.
- Performed CSR audits on **16** suppliers in 2017.

Environmental

Environmental Management System

Chapter 4 Green Operations and Green Partners

- Completed the version update of ISO 14001 for plants in Taiwan and obtained the third-party certificate.

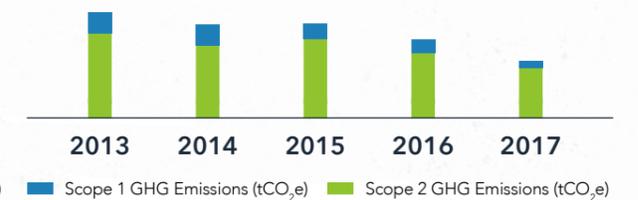
Energy Conservation and Emissions Reduction

Chapter 4 Green Operations and Green Partners

- Total energy consumption was **17.6%** less than last year.



- Total GHG emissions was **22.6%** less than last year.



- Purchased green power for three consecutive years during 2015-2017. Purchasing volume in 2017 was **16%** more than last year. In addition, a total of 184 RECs were purchased in 2017, commanding at **41%** of the total transaction volume.

- The solar system of the Yangzhou Plant generated up to **5.48 GWh** accumulatively.
- The 2017 energy conservation plan saved **6.77 GWh** of electricity.

Water Resources Management

Chapter 4 Green Operations and Green Partners

- Total water intake in 2017 was **6.3%** less than last year.



Waste Management

Chapter 4 Green Operations and Green Partners

- Waste recovery rate in 2017 was up to **42%**.
- The waste container reduction plan promoted at the Linkou Plant can reduce **1,774.5kg** of waste containers each year, accounting for **7%** of the plant's total hazardous waste.
- The Yangzhou Plant implemented the ePaper Revitalization Project and the repair process for recycling nonconforming products. The latter can reduce waste by about **40%**.

Social

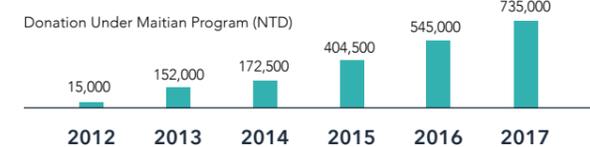
Social Participation

Chapter 6 Social Care and Value Sharing

- A total of **18 employees** applied for the volunteer leave under the volunteer leave system initiated in 2017, with a total length of **92** hours.

- A total of **35,000 e-books** pre-loaded in **350** eReaders, each 100 e-books, were donated under the e-Reading for Future program in Taiwan, creating a social return of investment (SROI) up to **2.63**.

- Under the Maitian Program, the Yangzhou Plant donated about **NTD 500,000** and **100** e-books containing over 500 children's readers.



- The Ad Hoc Philanthropic Committee (AHPC) of E Ink USA raised funds and supplies about **NTD 1.5 million** to support local communities.

Employee Cultivation and Care

Chapter 5 Talent Cultivation and Happy Workplace

- In 2017, we increased the contribution of employee welfare fund from 0.07% to **0.15%**.
- Proposals made at the employee communication meetings were **all** resolved.
- By the end of 2017, the accumulative zero work-related injury length was **5,133,147** hours at the Hsinchu Plant and **333,918** hours at the Linkou Plant.
- Over 70% of employees enrolled to E Ink University established by E Ink USA. The university was rated as one of the Top 15 Enterprise Universities in USA and won the 3rd prize of the Best Employee Training Award in Massachusetts.
- The total length of all types of training/education activities in 2017 was over **4,400** hours.



Chapter 1

Proactive Communication and Sustainability Practice

| Types of Stakeholders | Significance to E Ink |
|--|---|
| Government | E Ink complies with the related laws and regulations of the government and competent authorities and proactively cooperates with the government policies to fulfill our corporate social responsibilities. |
| Employees | Employees are an important asset that enables E Ink to engage in continual innovation and advancement and establishing a harmonious labor-management relationship is the only way to constantly create value. |
| E Ink Group | We maintain constant interaction with affiliates and follow related development policies. |
| Suppliers/Contractors | Suppliers/contractors are the most important partners of E Ink. Though persistent management, interaction, and cooperation, we hope to create a more sustainable value chain. |
| Shareholders/Investors | We respect the opinions of shareholders/investors and treat such opinions as an important reference for continuous progress. |
| Customers | By insisting on product quality and services, we hope to provide customers with the best solutions and grow with them together. |
| Associations (such as industry associations) | We continuously participate in the operation of industry associations, hoping to contribute our value in the industrial chain. |
| The Media | We proactively respond to the public through the media to achieve information transparency. |
| Local Communities/NGOs/Schools | By expressing persistent care about local communities, vulnerable groups, and schools, we demonstrate the corporate charity spirit and make constant, positive contributions to society. |

1-2 Identification and management of material topics

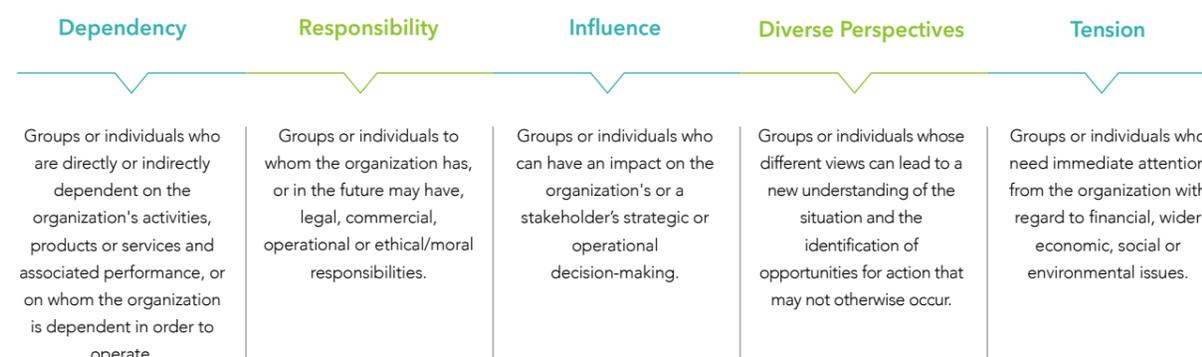
To identify the report boundary and to ensure that the information disclosed in this report can best cover the topics and aspects that concern stakeholders, we have identified material topics with regard to the stakeholder groups identified above. Based on the methods for defining report contents and the principles for determining material aspects in the GRI Standards, with “the significance of a topic’s economic, environmental, and social impacts on the organization” as the x-axis, and “the influence on stakeholder assessments and decisions of a topic” as the y-axis, representatives of E Ink departments assessed the topics that concern stakeholders with the questionnaire to discern the significance of a topic to stakeholders. Based on the questionnaire results, we summed up and distinguished the “core topics” of high sensitivity, “main topics” of medium sensitivity, and “supplementary topics” of low sensitivity. Information disclosures and future operational strategies in this report emphasize the response to the core and main topics and timely demonstrate the effectiveness of supplementary topics to fulfill the expectations on the part of stakeholders.



1-1 Identification of stakeholders

At E Ink, we identify stakeholders and material topics with respect to the AA 1000 Stakeholder Engagement Standard (AA 1000 SES), in order to understand the material environmental, social, and governance topics that concern stakeholders. The E Ink Corporate Social Responsibility Committee (CSR Committee) convened representatives of E Ink departments to a meeting to assess stakeholders in terms the following five aspects: dependency, responsibility, influence, diverse perspectives, and tension. Eventually, nine stakeholder groups were identified.

Attributes of Stakeholders



The matrix below shows the 26 material topics disclosed in our 2017 CSR report. After identification and prioritization, we have categorized them into seven core topics, four main topics, and fifteen supplementary topics.

In this report, we have disclosed all management approaches, strategies, and performance of core topics that are related to E Ink's key business items.

To fully respond to the needs of stakeholders, we have presented the relevant performance of supplementary topics.

A

Core Topics (seven)

- Topics with the most significant economic, environmental, and social impacts.
- Topics of higher stakeholder tension

| | |
|---|---|
| A01 Strategy for sustainable development | A05 Innovation and application expansion |
| A02 Business ethics and integrity | A06 Transparency of information disclosure |
| A03 Management performance and financial performance | A07 Governance |
| A04 Work environment safety and employee health | |

C

Supplementary Topics (fifteen)

- Topics with less significant economic, environmental, and social impact but still a concern on the part of stakeholders.

| | |
|--|--|
| C01 Product quality management | C05 Grievance channels and communication mechanisms |
| C02 Strategic cooperation and partnership | C06 Employee career planning and training/education |
| C03 Supply chain management | C07 Materials management |
| C04 Customer service and customer relationship management | C08 Social engagement and core competencies integration |
| C09 Labor/management relations | C10 Waste management |
| C11 Human rights and equality | C12 Management of energy and GHG emissions |
| C13 Social welfare and care | C14 Remuneration, benefits, and employee care |
| C15 Water resources management | |

In this report, we have disclosed all management approaches, strategies, and performance of core topics that are related to E Ink's key business items.

B

Main Topics (four)

- Topics with significant economic, environmental, and social impacts or of high stakeholder tension or at a medium level of both.

| | |
|--|-----------------------------------|
| B01 Compliance (legal) | B03 Product sustainability |
| B02 Management of corporate brand and market presence | B04 Risk management |



Cross Reference of Material Topics and Boundaries of Topics and Value Chain in GRI Standards

| Key Topics | GRI Material Topic | Significance of Material Topics to E Ink | Topic Boundary | | | | | | | | | | 對應章節 |
|---|--|--|-------------------------|--------------------------------------|-----------------------------|------------------------|------------|-----------------------|--|--------------|---|---|------|
| | | | Within the organization | | Outside of the organization | | | | | | | | |
| | | | E Ink Holdings Inc. | E Ink Holdings (including employees) | Customers | Shareholders/Investors | Government | Suppliers/Contractors | Associations (such as industry associations) | NGOs/Schools | | Local Communities | |
| Strategy for sustainable development | N/A | To ensure sustainable development, we have established related policies and made strategic planning, including setting short-, medium-, and long-term goals, and action plans in economic, environmental, and social aspects. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 2-3 Business ethics and integrity and sustainable governance | |
| Business Ethics | Anti-corruption and anti-competitive behavior | In recognition of the importance of business ethics and integrity, we uphold related principles, including establishment and abidance of the code of business ethics, internal control, insider trading, intellectual property management, and personal information protection. We also prohibit corruption and competitive behaviors. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 2-3 Business ethics and integrity and sustainable governance | |
| Management performance and financial performance | Economic performance | We are committed to making continual improvement of management performance and financial performance to fulfill the expectations of shareholders and investors. | ● | ● | ● | ● | ● | ○ | ○ | ○ | ○ | 2-4 Strategy focus and growth | |
| Work environment safety and employee health | Occupational health and safety | Employees are the most important asset to E Ink. To ensure employee health and safety, apart from formulating occupational health and safety (OHS) management measures and policies, we have passed OHSAS 18001 certification, aiming to maintain work environment safety and build a healthy workplace. | ● | ● | ○ | ● | ● | ● | ○ | ○ | ○ | 5-2 Building a healthy, positive, and beautiful workplace | |
| Innovation and application expansion | N/A | With ePaper as the principal product, innovating and expanding product applications in order to maintain continual revenue growth and build brand image has always been one of the core strategies of E Ink. Apart from inputting organizational resources for R&D to make continual innovation of products and technologies, we also expand the domains of product applications through collaboration with partners to continually cultivate and expand the market. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 3-2 Demonstration of Technology and Innovation Power | |
| Transparency of Information Disclosures | Marketing and labeling | To fulfill stakeholder expectations, we proactively establish an open and transparent information disclosure policy, with information covering business operations, financial performance, sales strategy, and product labeling. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 3-3 Quality persistence | |
| Governance | N/A | We firmly believe that governance spirit, well-established competencies of the board of directors (BOD), and reliable operation of functional committees can protect shareholder rights and interests and achieve governance at the same time. | ● | ● | ● | ● | ● | ○ | ○ | ○ | ○ | 2-3 Business ethics and integrity and sustainable governance | |
| Compliance (legal) | Social, economic, and legal compliance in relation to environmental protection | With legal compliance as the basic principle, we disclose and respond to punishments in relation to environmental regulations, product regulations, and labor regulations. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 2-3 Business ethics and integrity and sustainable governance 3-3 Quality Persistence 4-1 Environmental Protection Concept | |
| Management of corporate brand and market presence | Indirect Economic Impacts, Local Communities | We continuously invest in campaigns for brand and image promotion to communicate our business philosophy, value, and corporate culture to the public and thereby enhance the understanding and support of stakeholders. | ● | ● | ● | ● | ● | ○ | ○ | ○ | ○ | 3-2 Technical and innovation capacity 5-2 Building a Healthy and Positive Work Environment 6-2 Mobile care hand by hand | |
| Product sustainability | N/A | ePaper is the main product of E Ink. Compared to homogenous products, it is sustainable in terms of energy conservation and emissions reduction and consumer health protection. In the future, we will continue to include sustainability in product design to minimize the negative impacts of products. | ● | ● | ● | ● | ● | ○ | ○ | ○ | ○ | Sustainability column 3-1 User-centered brand-new experience | |
| Risk management | N/A | To timely respond to important trends and related risks, apart from identify, managing, and preventing various operational risks, we conduct business within the acceptable risk level to ensure steady operations. | ● | ● | ● | ● | ● | ● | ○ | ○ | ○ | 2-5 Risk response 4-1 Environmental protection concept 5-2 Building a healthy and positive work environment | |

Note: ● stands for direct impact; ○ stands for in director impact/business relationship.

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Stakeholder communication and engagement

Based on the stakeholder interaction in routine operations, E Ink departments identified and consolidated topics concerning stakeholders. In this report, we will respond to the concerns and expectations of stakeholders with respect to the related GRI Standards in respective sections. In addition, we will clearly disclose full information on special topics.

We have established individualized communication channels for different stakeholder groups and accept and respond to the concerns and requirements raised by stakeholders.

Channels for and effectiveness of stakeholder communication

| Stakeholders | Concerned Topic | Taiwan (E Ink Headquarters, Hsinchu Plant, and Linkou Plant) | | China (Yangzhou Plant) | |
|--------------------|---|--|--|---|---|
| | | Communication Channels and Frequency | 2017 Concrete Communication Results | Communication Channels and Frequency | 2017 Concrete Communication Results |
| E Ink Group | <ol style="list-style-type: none"> 1. Management performance and financial performance 2. Work environment safety and employee health 3. Labor/Management Relations 4. Grievance channels and communication mechanisms 5. Strategy for sustainable development | <ol style="list-style-type: none"> 1. Board Meetings 2. Higher level executive meetings (weekly) 3. Project meetings (irregularly) | Seven board meetings were held, with an average attendance of 89%. | Department head weekly meeting (Friday) | Held over 40 times L1 executive weekly meetings. |
| Employees | <ol style="list-style-type: none"> 1. Remuneration, benefits, and employee care 2. Business Ethics 3. Management performance and financial performance 4. Labor/Management Relations 5. Employee career planning and training/education | <ol style="list-style-type: none"> 1. Labor-management seminar between employees and the management (quarterly) 2. Labor-management meeting (quarterly) 3. Employee Welfare Committee meeting (regularly) 4. Annual performance evaluation (annually) 5. Internal mails and announcements (anytime) 6. Employee education/training (irregularly) 7. E Inker internal magazines 8. Talks and seminars (irregularly) 9. Employee suggestion box (irregularly) | <ol style="list-style-type: none"> 1. Two seminars were held for all employees. 2. Three labor-management meetings were held and consensus on 53 proposals was reached. 3. Four Employee Welfare Committee meetings were held and resolutions on nine proposals were made. 4. One annual performance evaluation was conducted. 5. One CEO message was announced. 6. A total of 150 employee education/training courses were organized. 7. One issue was published. 8. Six health talks were organized. 9. Resolved all 35 proposals received from the employee suggestion box. | <ol style="list-style-type: none"> 1. Labor-management seminar between employees and the management (quarterly). 2. Labor union meeting (regularly) 3. Performance evaluation (monthly, general evaluation is conducted annually) 4. Department head box, labor union suggestion box, audit box (anytime) 5. Internal mails and announcements (anytime) 6. Employee education/training (irregularly) 7. Labor Union Monthly (monthly) 8. Trainee welcome party/ farewell party (irregularly) 9. Employee health preservation knowledge promotion (quarterly) | <ol style="list-style-type: none"> 1. Four employee seminars were held. 2. Two performance evaluations were performed (once half-yearly). 3. Continuously gather employees opinions through the unit head's email, labor union's email, and audit unit's email. 4. Twelve issues of Labor Union Monthly were published. 5. Organized welcome/farewell parties irregularly. 6. Organized base-level reunions irregularly. 7. Continuously gathered and made timely response to employee opinions and published the replies on the notice board. 8. Organized 38 orientation training/education activities for newcomers. 9. Announced 33 items to be implemented by employees or for awareness education. |
| Customers | <ol style="list-style-type: none"> 1. Business Ethics 2. Customer service and customer relationship management 3. Materials management 4. Transparency of Information Disclosures 5. Risk management | <ol style="list-style-type: none"> 1. Visits by sales staff and higher-level officers (irregularly) 2. Business review meeting (weekly) 3. Quarter Business Review (QBR) (quarterly) 4. Customer Satisfaction Survey Form (annually) 5. In-house audit by customers (irregularly) 6. Customer questionnaire response (irregularly) 7. Purchase Order 8. Seminars and trade fairs (irregularly) 9. Corporate website (regularly) | <ol style="list-style-type: none"> 1. Twelve interviews between sales staff and higher-level executives to discuss issues in relation to technology development, shipping, and delivery time of key components. 2. Held three quarter business reviews (QBRs) for heavyweight customers, each with ten participants from both parties. Teleconferences/ onsite visits were held and paid weekly on important customers to timely discuss and improve quality related problems. 3. The response rate of the customer questionnaire was up to 88.2%, the average score was excellent. 4. The coverage of customer questionnaire was 100 %. | E Ink Taiwan took charge of customer communication. | |

| Stakeholders | Concerned Topic | Taiwan (E Ink Headquarters, Hsinchu Plant, and Linkou Plant) | | China (Yangzhou Plant) | |
|---|--|--|---|---|--|
| | | Communication Channels and Frequency | 2017 Concrete Communication Results | Communication Channels and Frequency | 2017 Concrete Communication Results |
| Government | <ol style="list-style-type: none"> 1. Management performance and financial performance 2. Work environment safety and employee health 3. Labor/Management Relations 4. Grievance channels and communication mechanisms 5. Strategy for sustainable development | <ol style="list-style-type: none"> 1. Documentary communication (irregularly) 2. MPOS (upload and disclose relevant contents by the law) 3. Pollution control awareness meeting, regulation presentations, in-plant audit and interview (irregularly) | <ol style="list-style-type: none"> 1. Participated in over 16 regulation presentations on environmental safety of Linkou, 2 regulation presentations on finance, and 24 regulation presentations on environmental safety of Hsinchu organized by government agencies. 2. Uploaded/disclosed information by the law. | <ol style="list-style-type: none"> 1. Documentary communication (irregularly) 2. Gathering information from government websites (quarterly) 3. Pollution control awareness meeting, regulation presentations, in-plant audit and interview (irregularly) 4. Routine/unannounced government inspections (irregularly) | <ol style="list-style-type: none"> 1. Participated in 15 regulation presentations/environmental safety management meetings organized by government agencies. 2. No severe non-conformance was reported in onsite government inspections. |
| Shareholders/ Investors | <ol style="list-style-type: none"> 1. Water Resources Management 2. Strategy for sustainable development 3. Compliance 4. Innovation and application expansion 5. Management of energy and GHG emissions | <ol style="list-style-type: none"> 1. Board Meeting (at least once quarterly) 2. General meeting of shareholders (annually) 3. Investor conference (quarterly) 4. Monthly revenue announcement (monthly) 5. Financial statement (quarterly) 6. Investor Relations section on the corporate website (irregularly) 7. Disclosed material information and financial statements (irregularly) on the Market Observation Post System. 8. Press release (irregularly) | <ol style="list-style-type: none"> 1. Held one annual general meeting (AGM) of shareholders, with a 81.29% attendance by share. 2. Held four investor conferences to debrief E Ink's financial and sales information. 3. Reported financial statements by the law four times. 4. Announced 102 material items by law. | E Ink Taiwan took charge of shareholder communication. | |
| Suppliers/ Contractors | <ol style="list-style-type: none"> 1. Supply chain management 2. Business Ethics 3. Strategic cooperation and partnership 4. Product quality management 5. Transparency of Information Disclosures | <ol style="list-style-type: none"> 1. Supplier audits and visits (irregularly) 2. QBR (regularly) and meeting (weekly) 3. General meeting of suppliers 4. Supplier guidance and audits (annually) 5. Production-marketing coordination meetings (weekly). 6. Cost Reduction Meeting (annually) 7. Procurement contracts, industrial safety training, in-house tour inspection | <ol style="list-style-type: none"> 1. Audited and visited over five suppliers every monthly. 2. Eight suppliers attended the QBR meeting. 3. Provide guidance for Performed 13 quality process audits. | <ol style="list-style-type: none"> 1. Supplier audits, working meetings, and business visits (irregularly) 2. QBR (regular) meeting (weekly) 3. Supplier guidance and audits (annually) 4. Production-marketing coordination meetings (weekly). 5. Cost Reduction Meetings (annually) 6. Routine security work discussion meetings (weekly) | <ol style="list-style-type: none"> 1. Visited more than three suppliers monthly. 2. Held the weekly quality meeting with six major suppliers and arranged safety training/education meetings for 12 construction contractors. 3. Provide guidance for Performed onsite quality process audits on six suppliers and documentary quality process audits on eight suppliers. |
| Associations (such as industry associations) | <ol style="list-style-type: none"> 1. Management performance and financial performance 2. Waste management 3. Work environment safety and employee health 4. Grievance channels and communication mechanisms 5. Materials management 6. Water Resources Management | <ol style="list-style-type: none"> 1. Taiwan TFT LCD Association (TLA) 2. Business association. | <ol style="list-style-type: none"> 1. Attended six TLA industrial safety and environment committee meetings. 2. Participated in over 12 industrial safety committee meetings and environmental protection committee meetings held by business associations and organizations. | E Ink Taiwan took charge of industry association communication. | |
| Local Residents/ Communities/ NGOs | <ol style="list-style-type: none"> 1. Social engagement and core competencies integration 2. Social welfare and care 3. Management of corporate brand and market presence 4. Management performance and financial performance 5. Business Ethics | <ol style="list-style-type: none"> 1. Report to government agencies (anytime) 2. Grievance line (anytime) | <ol style="list-style-type: none"> 1. Participated in the industrial safety and environmental activities organized by the HSP Bureau. 2. Received no complaint from neighboring/nearby residents. | <ol style="list-style-type: none"> 1. Report to government agencies (anytime) 2. Surveyed the opinion of nearby residents for construction projects (irregularly). | <ol style="list-style-type: none"> 1. Received no complaint from neighboring/nearby residents. |
| The Media (P/R) | <ol style="list-style-type: none"> 1. Strategy for sustainable development 2. Compliance 3. Transparency of Information Disclosures 4. Strategic cooperation and partnership 5. Labor/Management Relations | <ol style="list-style-type: none"> 1. Press release: Focused on ePaper technology and applications, business operation strategy and deployment, and financial statements. 2. Media activity: Investor conference (quarterly), AGM (annually), and exhibitions/shows/fairs (irregularly). 3. Media interview (irregularly). 4. Real-time media-requested services: Communication made chiefly through instant messenger (IM), telephone (landlines and mobiles) and addressed requests instantaneously (irregularly). | <ol style="list-style-type: none"> 1. Issued 20 press releases. 2. Organized seven media activities, including four investor conferences, one AGM, and two exhibitions/shows/fairs. 3. Received seven media interviews. 4. Real-time response to media-requested services. | E Ink Taiwan took charge of media communication. | |

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Appendix

Material topic management approaches

At E Ink, we have established processes or countermeasures for the routine management of various material topics. The table below shows these processes and countermeasures presented in accordance with relevant requirements in the GRI Standards. Please refer to the corresponding sections for the details of respective management approaches.

| Aspects | DMA's | Corresponding Sections | Page | |
|---------------|--|---|---|------------|
| Economic | Economic Performance | · Establish an Audit Committee. · Review the organization's economic performance regularly at business meetings and disclose complete information by the law in financial statements and annual reports. | 2-4 Strategy focus and growth | 31 |
| | Indirect Economic Impacts | · Plan social welfare engagement and cooperation with local NGOs and schools. | 6-1 Social inclusiveness 6-2 Mobile care hand by hand | 92-93 |
| | Anti-Corruption | · Establish the code of business conduct, reinforce awareness education, and include the code in the annual audit program for management. | 2-3 Business ethics and integrity and sustainable governance | 28-30 |
| | Anti-competitive Behavior | · Establishing reporting and grievance mechanisms. | | |
| Environmental | Compliance | · Keep track of legal requirements and update the relevant regulations periodically; and organize training/education activities. · Establish an environmental grievance mechanism based primarily on local laws and regulations. | 4-1 Environmental Protection Concept | 52-53 |
| Society | Occupational Health and Safety | · Establish the ESH policy and arrange employee health examinations, occupational hazard health examinations, and relevant talks, training/education activities. | 5-2 Building a Healthy and Positive Work Environment | 80-83 |
| | Local Communities | · Verify the impacts on local communities through environmental impact assessment and reinforce management. · Encourage employment of local employees. | 5-1 Team Overview 6-1 Social inclusiveness 6-2 Mobile care hand by hand | 71 · 92-93 |
| | Social, economic, and legal compliance | · Keep track of legal requirements and update relevant regulations periodically, and organize training/education activities. · Establishing reporting and grievance mechanisms. | 2-3 Business ethics and integrity and sustainable governance | 26 · 28-30 |
| | Marketing and labeling | · Conduct customer satisfaction periodically and include customer feedback as the reference for future planning. · Manage and verify the content of marketing communications with the internal audit mechanism. | 3-3 Quality Persistence 3-4 Customer relationship management | 47 · 50-51 |

1-3 CSR vision and missions

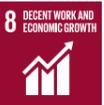
E Ink CSR Policy

As a specialist ePaper display (EPD) research and development, design, and manufacturing company, E Ink has undergone steady operations for years and several transformations before achieving today's success. Adhering to the "Transparency and Integrity, Environmental Protection and Sustainability, and Local Care" CSR missions, we have established four CSR policy directions as the foundation to maintain business sustainability, hoping to constantly improve the human life and create social value.

It is our commitment to investing in resources and making aggressive contributions and continual improvement in consideration of the following aspects, hoping to fulfill our corporate social responsibilities and uphold our determination to sustainable development.

| | |
|---------------------|---|
| CSR Vision | Implement local development and social care through innovative thinking and teamwork; and create globalized smart and eco-friendly products and comprehensive sustainable values. |
| CSR Missions | · Transparency and Integrity · Environmental Protection and Sustainability · Local Care |
| CSR Policy | <ul style="list-style-type: none"> · Implement ethical governance and abide by global laws and regulations. · Continue diversification and innovation and create sustainable value for products. · Implement environmental protection and optimize green process development. · Devote to talent cultivation and practice corporate citizen spirit. |

In response to our CSR vision and policy, we have drawn up related strategies, promotion approaches, and implementation plans. We have also reviewed the status of implementation regularly to progressively practice business sustainability in collaboration with the CSR Committee.

| SDGs | E Ink CSR Strategy | | 2017 Strategy Implementation Achievements |
|---|---|--|--|
| | CSR Mission | Medium/Long-Term Goal | |
|   | Transparency and Integrity | <ul style="list-style-type: none"> · Develop a corporate culture of ethics and integrity · Deepen the stakeholder dependency · Abide by global laws and regulations | <ul style="list-style-type: none"> · Completed training/education relating to anti-corruption for all newcomers. · Discerned the topics concerning the nine major stakeholder groups with questionnaire. · No non-conformance with environmental laws and regulations was reported in major production bases. |
|       | Environmental Protection and Sustainability | <ul style="list-style-type: none"> · Design low-carbon and sustainable products. · Enhance the efficiency of process energy resources · Implement supply chain management for sustainability and co-prosperity | <ul style="list-style-type: none"> · ePaper products are characterized by their total reflection, easy-on-the-eyes design, and low power consumption features to significantly reduce energy consumption to achieve energy conservation. · Compared to last year, total energy consumption reduced by 17.6%. · Materials were 100% environmentally compliant and qualified. · Performed CSR audits on 16 suppliers. |
|   | Local Care | <ul style="list-style-type: none"> · Build a workplace for adaptive development of talents. · Maintain a healthy and safe work environment. · Maintain community participation through core competency integration. | <ul style="list-style-type: none"> · Offered over 4,400 hours of various training/education courses for employees. · Compared to last years, the contribution for the employee welfare fund increased from 0.07% to 0.15% of the total monthly revenue. · By the end of 2017, the accumulative length of zero work-related injury of the Hsinchu Plant was 5,133,147 hours and the Linkou Plants 333,918 hours. · Donated a total of 35,000 books in 350 eReaders, each pre-loaded with 100 e-books, under the eReading for Future program to produce a SROI up to 2.63. |

CSR Committee

In early 2016, we established the CSR Committee to implement and realize sustainable development through organized management. To continuously enhance the awareness of sustainable development in seed employees, we continually promote internal training/education and arrange discussion of related tasks based on the duties of individual functional groups and plan and implement sustainable activities to constantly promote CSR and sustainable development work.



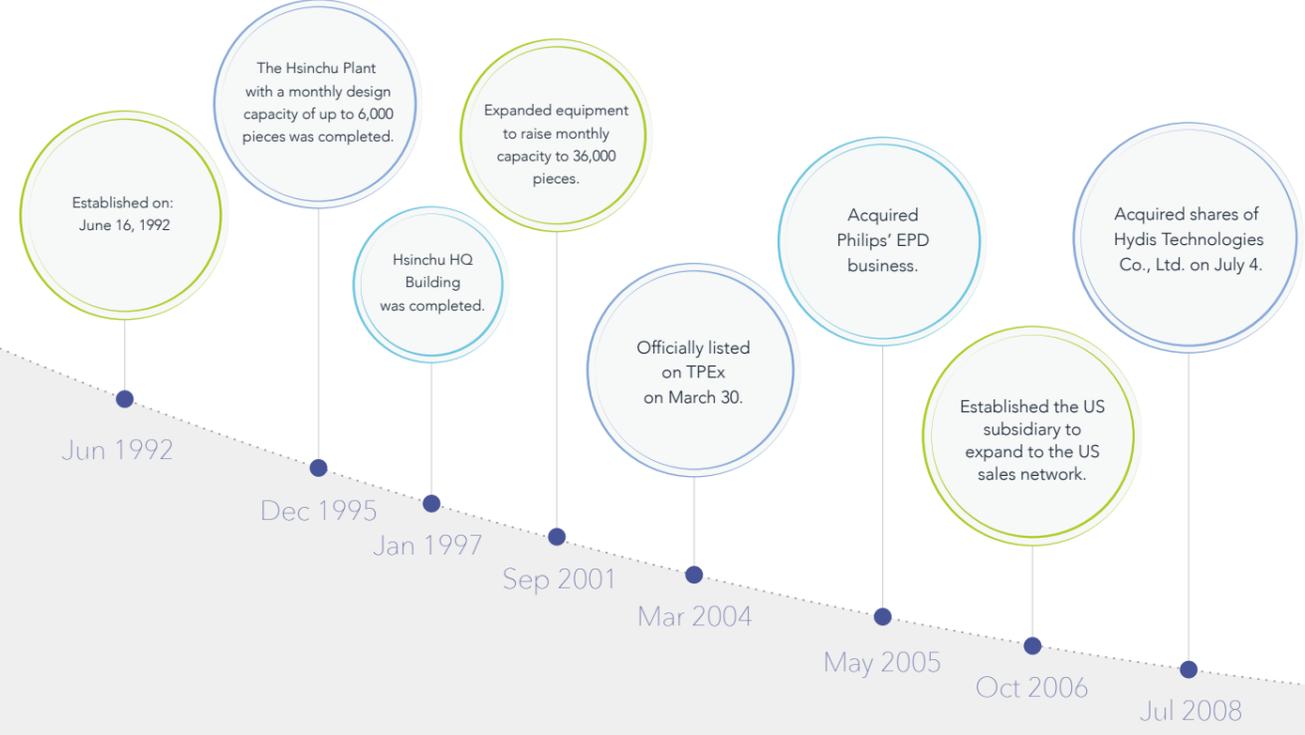


Chapter 2

Visionary Leadership and Strategic Development

2-1 E Ink Chronicle

History



2-2 Global deployment

Established in 1992, E Ink plays an important role in the global ePaper industry, with ePaper based on electrophoretic technology as the main product range. Its comprehensive applications include e-readers, electronic shelf labels (ESLs), e-notes, dual screen mobiles, sub-screens of flip mobiles, smart watches, smart cards, smart luggage tags, digital signage, smart pill dispensers, smart home remote controls, and even dynamic construction materials.

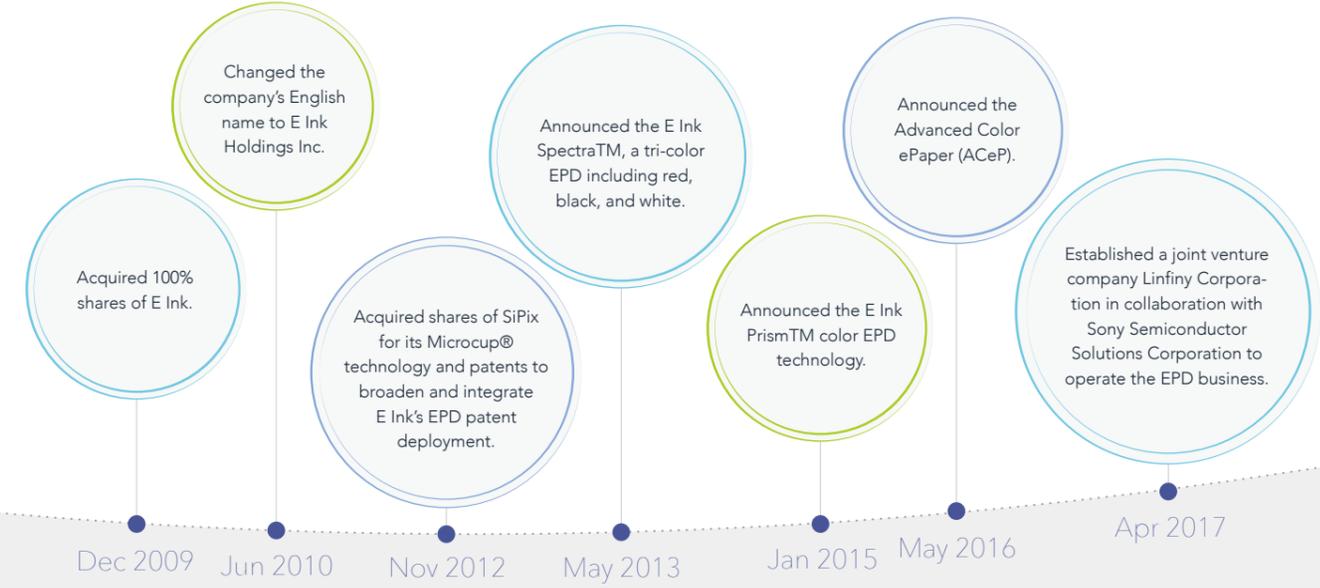
The rise of digital publishing in the 1990s that gradually declined traditional printing and writing paper for electronic devices and the paperless changed the way of cultural dissemination. As computers and portable electronic devices became increasingly popular in that time, more and more consumers began to browse and read information with computers and mobile terminal devices, the display would be an indispensable key component of all electronic devices and the principle next-generation carrier for text communication.

With this opportunity, we established Taiwan's first TFT-LCD manufacturer, E Ink, in Hsinchu Science Park and set producing superior displays to replace paper as the ultimate goal, in order to turn displays into the carrier of information communication. In view of the rising demand for TFT-LCD in 2002, we further established Transcend Optronics in Yangzhou, China, to specialize in the production and manufacture of panel modules. As the last line of the panel industry chain, Transcend Optronics insists on quality and a high yield rate to produce and manufacture display modules for terminal device manufacturers.

Following the development of digital content, the concept of a new-type of display—ePaper—thus arose. We have started a new trend across the world for its great number of useful characteristics: paper-like legibility, easy-on-the-eyes, energy efficient, long standby time, and viewable under sunlight. Foreseeing the future development of ePaper, we took the lead to start the research, development, and production of ePaper and acquired Philips' ePaper business in 2005 to become the world's largest ePaper manufacturer and supplier. Realizing that the existing capacity could no longer meet the future market demand, we acquired TFT-LCD manufacturer Hydys Technologies of South Korea in 2008. After acquiring US key e-ink technology proprietor E Ink in 2009, we have completed the integration of the ePaper production chain covering e-ink, ePaper panels, and ePaper module manufacturing through the professional division of labor among US E Ink, E Ink, and Transcend Optronics.

The continuous heat of e-readers has raised the market demand for ePaper. With leading edge technology, outstanding products, and mature mass production capacity, we continuously and steadily supply products to world-leading manufacturers, such as Amazon, Kobo, and Tolino. Currently, our EPD shares over 90% of the market, and Transcend Optronics is the manufacturer and supplier of ePaper modules used by e-readers of world leading brands.

After becoming a leader of e-readers, we began to progressively extend to other fields. Following the success of the three major inventions in 2015: color ePaper, rollable ePaper, and reference design (development and assessment kits), we turned to eNote, ESL/smart tag, and signage/architecture, our three core growth engines, in 2016 after related technologies were ready, in order to promote the steady business growth. In view of the ongoing development of the Internet of Things (IoT) in recent years, we continued to expand the scope of ePaper application to smart application in 2017 based on the three growth engines to extend ePaper to smart and paperless applications in business and daily life, covering smart retail, smart logistics, smart education, and smart city.





Three Major Inventions
Color
Rollable
Reference Design (development and assessment kits)

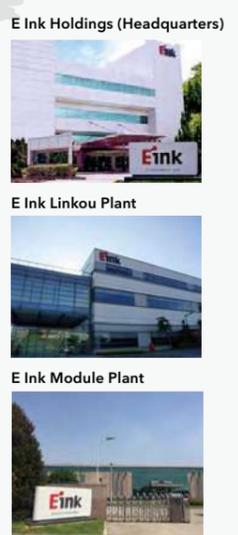
Three Core Growth Engines
eNote
ESL/Smart Tag
Signage/Architecture

In the future, we will uphold our advantages in leading edge technology, quality superiority, and abundant capacity to continuously release innovative, superior ePaper products and bring EPD into color, flexible, and touch domains to meet the market demand and lead the world to an innovative reading experience.

| | |
|--|---|
| Name of organization | E Ink Holdings Inc. |
| HQ location | Taiwan Hsinchu Science Park (HSP), No. 3, Lixing 1st Road, Hsinchu Science Park, Hsinchu City, Taiwan |
| Major product or service ranges | Research, development, manufacturing, and sale of materials and displays relating to ePaper, such as the FPL film and ePaper display (EPD). |
| Major countries or markets served | The USA, Europe (Germany and France), Russia, Japan, and China |
| Number and distribution of sales locations | We have eight sales locations, including Hsinchu and Linkou in Taiwan; Yangzhou and Shenzhen in China; Billerica and Fremont in the USA; Japan; South Korea. |
| Nature of ownership and legal form | E Ink Holdings is a company limited by shares founded in Taiwan in June 1992 and was officially listed on the Taipei Stock Exchange (TPEX: 8069) in March 2004. |
| Total number of employees | Taiwan: E Ink Holdings Headquarters (including E Ink Hsinchu Plant) (590) and E Ink Linkou Plant (309) Mainland China: E Ink Yangzhou Plant (1,322)* and E Ink Shenzhen Office-(15) South Korea-(24) USA-(381) Japan-(12) |

*Including staff and interns.

Worldwide Presence



ASIA

- E Ink Holdings (Headquarters)**
TFT Plant
HQ for R&D, sale, and application service.
No. 3, Lixing 1st Road, Hsinchu Science Park, Hsinchu City, Taiwan 300
- E Ink Linkou Plant**
Sales and application service office
No. 199, Hwaya 2nd Road, Kueishan District, Taoyuan City, Taiwan 33383
- E Ink Transcend Optronics**
Module Plant
No. 8, Wuzhou West Road, Yangzhou Economic and Technological Development Zone
- E Ink Shenzhen Office**
Sales and application service office
9F, Financial Service & Technological Innovation Building 1, Sci-Tech. Park. No.8, Kefa Road, Nanshan District, Shenzhen, Guangdong Province, PRC
- E Ink Japan Office**
Sales and application service office
6F, Shinjuku Mitsui Building No.2 3-2-11 Nishishinjuku Shinjuku-ku, Tokyo, 160-0023, Japan
- Hydis Technologies (South Korea)**
101-2406 Brown stone Seoul, 355 Jonglim-dong, Jong-gu, Seoul Korea



NORTH AMERICA

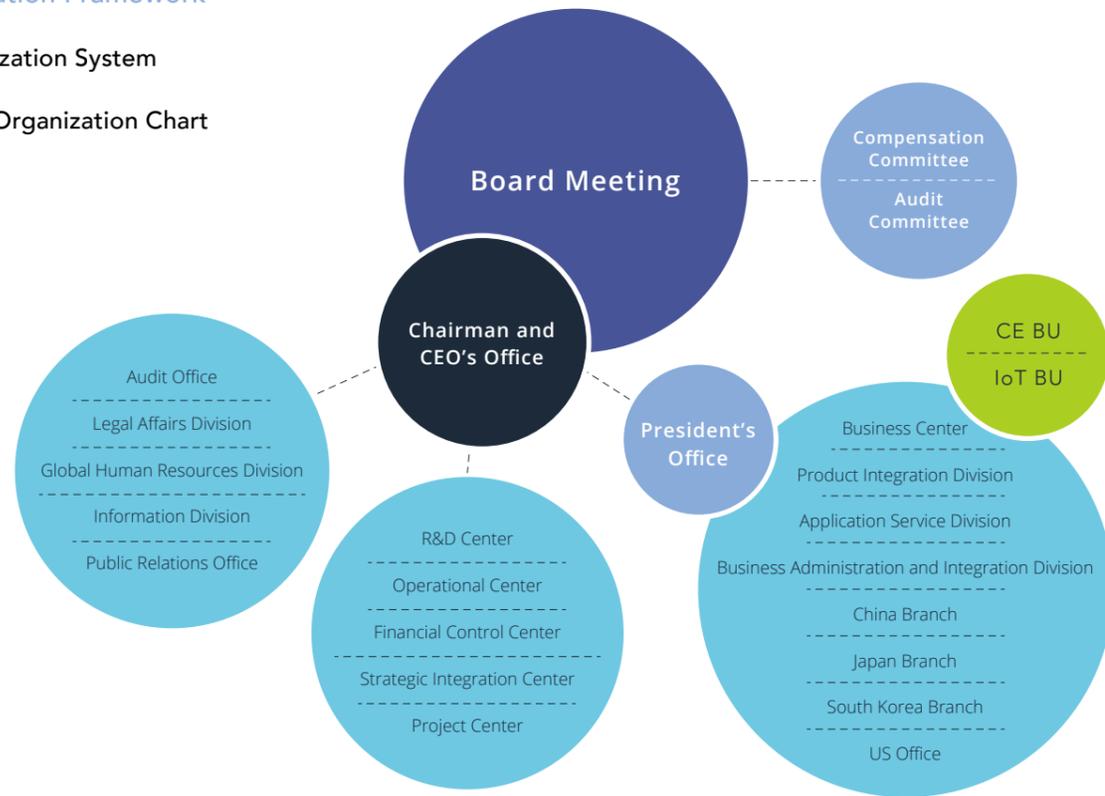
- E Ink Corporation (Billerica, MA USA)**
R&D, sales, and application service office
1000 Technology Park Drive, Billerica, MA 01821, USA
- E Ink S. Hadley Site**
North America Plant
7 Gaylord Street, South Hadley, MA 01075
- E Ink Fremont Site**
E&D Center
47485 Seabridge Drive Fremont, CA 94538, USA

2-3 Ethical management and sustainable governance

Organization Framework

1. Organization System

(1) E Ink Organization Chart



(2) Organizational Functions

· Chairman and CEO's Office (including the Audit Office, Legal Affairs Division, Global Human Resources Division, Information Division, and Public Relations Office)

Plan operational strategies and goals; plan and implement internal control; administer legal affairs and plan and manage document control; plan and implement human resources affairs and public affairs; plan IT deployment and implement new IT; develop market presence and contact the media; plan, implement, and supervise public affairs, such as international exhibitions and product promotional activities.

· President's Office (including the Product Integration Division, Application Service Division, Business Administration and Integration Division, Industrial Safety Department, and Environmental Protection Department)

Verify the specifications of new E Ink products; plan product management; implement the product management platform and plan and implement product projects; plan and promote product applications and business and integrate and optimize processes; and plan and implement industrial safety and environmental plans.

· R&D Center

Research, develop, and innovate ePaper-related technologies and products and implement mass production, including the R&D of new types of ePaper; patent deployment and planning; design of leading-edge panels and R&D of process technology; development of process technology for new platforms and modules; and introduction

of key materials, parts, and components. Provide reference designs of terminal application products for customers; develop e-paper system products; and assist customers on quick design for mass production.

· Operational Center

Plan, implement, and supervise the procurement of raw materials for products, equipment, and projects; plan raw material requirements and manage bonds and logistics; ensure the quality and reliability of raw materials and products; manage and implement production planning; analyze the product process in the product manufacturing process and plan and implement process management.

· Financial Control Center

Plan and implement finance, accounting and operational management.

· Strategic Integration Center

Verify the specifications of new products of all BUs; plan product management; implement the product management platform; plan and implement product projects; plan and promote product applications and user values; and plan supply chain strategies.

· Project Center

Plan and establish long-term development and strategic partnerships new product development platforms for the non-display application of products based on the internal materials, structures, and process technologies of the company's E Ink.

· Business Center (including CE BU, IoT BU)

Cultivate customers and markets for the eReader, eNote, mobiles & wearables, luggage tag, smart card, electronic shelf label, medical application, industrial application, and signage & architecture; analyze and resolve problems related to customer projects; and discuss, produce, and provide technical documents.

2. Board Members Basic Data

| Title | Nationality | Name | Elected (inaugurated) date | Term | First Elected Date | Major Experience/Education Attainment | Concurrent Post at E Ink and Other Companies |
|----------------------|-------------|---|----------------------------|---------|--------------------|--|---|
| Chairman | ROC | Frank Ko, representative of Aidatek Electronics Inc. | 2017.06.20 | 3 years | 2014.06.18 | VP, Technology and Strategic Development Office, AUO/PhD, Institute of EO Engineering, National Chiao Tung University. | CEO, E Ink Holdings Inc., and chairman or director of E Ink subsidiaries. |
| Director | ROC | Johnson Lee, representative of Aidatek Electronics Inc. | 2017.06.20 | 3 years | 2008.06.13 | BA/BS in Economics and Electrical Engineering, Tufts University, USA. | President, E Ink Holdings Inc. and chairman or director of E Ink subsidiaries/Chairman, Chengqi Investment Co., Ltd./Supervisor, Netronix, Inc./Executive Director, Shin Lung Natural Gas Co., Ltd./Director, UltraChip Inc./Director, Foongtone Technology Co., Ltd./Director, BoardTek Electronics Corporation/Director, Yilong Gas Co., Ltd. |
| Director | ROC | S. C. Ho, representative of Aidatek Electronics Inc. | 2017.06.20 | 3 years | 2002.06.20 | MS in Mechanical Engineering, University of Wisconsin, USA. | Chairman, SinoPac Holdings and director or supervisor of its subsidiaries/Director, Chung Hwa Pulp Corporation/Director, TaiGen Biotechnology Co., Ltd./Director, SHEN' s Art Printing Co., Ltd./Director of E Ink subsidiaries ¹ . |
| Director | ROC | Felix Ho, representative of Aidatek Electronics Inc. | 2017.06.20 | 3 years | 2002.06.20 | MA in Financial Management, MIT Sloan School of Management | Chairman of E Ink subsidiaries/ Director, Chung Hwa Pulp Corporation/Chairman of YFY Consumer Product Group/ Chairman of YFY Containerboard and Packaging Group/Director, SinoPac Holdings/Director or supervisor of YFY subsidiaries ¹ . |
| Director | ROC | Lloyd Cheg, representative of YFY Inc. Chuang-Chuang Tsai | 2017.06.20 | 3 years | 2008.06.13 | Professor, Department of Photonics and Institute of Display, National Chiao Tung University/ Senior VP, Quanta Display Inc./PhD, University of Chicago | CTO, E Ink Holdings/Independent Director, Radiant Innovation, Inc./ Director of E Ink subsidiaries |
| Director | ROC | Lloyd Cheng, representative of YFY Inc. Feng-yuan Gan | 2017.06.20 | 3 years | 2017.06.20 | PhD in Electrical Engineering, McGill University, Canada | Executive VP, Business Center, E Ink Holdings Inc. |
| Independent Director | ROC | Ten-Chung Chen | 2017.06.20 | 3 years | 2005.06.16 | President, Advantech America/ Director or supervisor of Advantech Co., Ltd./MBA, University of USA | Independent Director, YFY Inc. |
| Independent Director | ROC | Biing-Seng Wu | 2017.06.20 | 3 years | 2014.06.18 | Chairman, Himax Technologies, Inc./PhD, Institute of Electrical Engineering, National Cheng Kung University. | Chairman, Himax Technologies, Inc./chairman or director of its subsidiaries ¹ . |
| Independent Director | ROC | Chao-Tung Wen | 2017.06.20 | 3 years | 2014.06.18 | PhD in Urban and Environmental Management, Rensselaer Polytechnic Institute, USA./ Professor and Chairman, NCCU Graduate Institute of Technology, Innovation, and Intellectual Property Management/Director of EMBA, NCCU, and Dean, Center for Creativity and Innovation Studies, NCCU. | Independent Director, PharmaDax Inc./Independent Director, Tatung System Technologies Inc. |

¹ Please refer to E Ink Annual Report 2017 for details of concurrent posts.

3. Operation of the Board of Directors, Audit Committee, and Compensation Committee

Board Meeting

We uphold the spirit of governance and practice governance, insist on operation and information transparency, and care about shareholder interest. Therefore, we have established our articles of incorporation, governance framework, and code of practice in accordance with the Company Act, Securities and Exchange Act, the best practice principles for TWSE/TPEX listed companies, the law and regulation interpretations and rules of competent authorities such as the Financial Supervisory Commission, Taiwan Stock Exchange, and Taipei Stock Exchange. The board of directors has also established the rule of procedures for board meetings to define the duties and operation of the board meetings. The board of directors holds a board meeting at least once a quarter. Major duties include establishing organizational strategies and policies, resolving major business affairs, and selecting, supervising, and instructing the management. Board members are elected by the general meeting of shareholders and the board is formed by professionals in different fields. Each board member has rich experience in related industries and higher education attainment in related fields, such as technology, business, finance, accounting, and corporate operations. After the re-election of directors in the 2017 annual general meeting of shareholders, the board currently has nine directors, including three independent directors and one female director, with an average age of 56.22. The term of all current directors is three years, from June 20, 2017 to June 19, 2020.

Audit Committee

To optimize the audit and supervision functions and strengthen management adequacy, the Audit Committee assists the board of directors in implementing its supervision duty and exercising the authority specified in the Securities and Exchange Act, Company Act, and other laws and regulations. The Audit Committee communicates and exchanges with certified public accountants (CPAs) periodically and audits the selection, independence, and performance of CPAs. At the same time, internal auditors periodically submit summary audit reports to the Audit Committee based on the annual audit program. Audit Committee members also periodically assess the company's internal control system and internal auditors and their work.

The Audit Committee is formed by three independent directors who comply with the professionalism, independence, work experience, and the number of companies where they are also independent directors concurrently as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

The Audit Committee is operated to achieve the following supervisory goals:

- The fair presentation of the company's financial statements.
- Selection (dismissal), independence, and performance CPAs.
- The effective implementation of the company's internal control.
- The company's performance in legal compliance.
- The company's control over existing or potential risks.

Compensation Committee

The Compensation Committee is established to make a reasonable, impartial, and competitive compensation strategy according to the external competition environment of the industry, pay on the benchmark market, and operational performance by external professionals. This is done in order to strengthen management strategies, operational performance, and the internal audit system of the company, and co-supervise the reasonable remuneration for directors and higher level managers. In doing so, we hope to attract, retain, and encourage outstanding talents and thereby enhance the company's overall competitiveness.

Avoidance of Conflicts of Interest for Directors

We have included provisions regarding the avoidance of conflicts of interest in both the Rules of Procedure for the BOD Meeting and the Articles of Organization of the Audit Committee. When a director or the corporation he/she represents has a conflict of interest with a proposal discussed at a board meeting, and such a conflict of interest may harm the company's interest, this director must not participate in the discussion or voting of the proposal and vote for other directors.

Annual report
download link



The statistics on the avoidance of conflicts of interest at the 2017 board meetings are shown below (please refer to the 2017 Annual Report for details):

- Board of Directors: There were three times of avoidance of conflicts of interest involving five proposals in the seven board meetings held in 2017.
- Audit Committee: No avoidance of conflicts of interest was reported in committee meetings held in 2017.

The table below shows the number of meetings and attendances of the Board of Directors, Audit Committee, and Compensation Committee in 2017.

| | Board Meeting | Audit Committee | Compensation Committee |
|----------------------------|---------------|-----------------|------------------------|
| Number of Meetings in 2017 | 7 | 5 | 3 |

| Title | Name | Board Meeting Actual Attendance Rate (%) | Audit Committee ¹ Actual Attendance Rate (%) | Compensation Committee ¹ Actual Attendance Rate (%) |
|----------------------|--|--|---|--|
| Director | Frank Ko, representative of Aidatek Electronics Inc. | 100% | - | - |
| Director | Johnson Lee, representative of Aidatek Electronics Inc. | 71% | - | - |
| Director | S. C. Ho, representative of Aidatek Electronics Inc. | 57% | - | - |
| Director | Felix Ho, representative of Aidatek Electronics Inc. | 71% | - | - |
| Director | Chuang-Chuang Tsai, representative of YFY Inc. | 100% | - | - |
| Director | Le-Chun Chen, representative of YFY Inc. (Resigned on June 20, 2017) | 0% | - | - |
| Director | Feng-yuan Gan, representative of YFY Inc. (Inaugurated on June 20, 2017) | 100% | - | - |
| Independent Director | Ten-Chung Chen | 100% | 100% | 100% |
| Independent Director | Biing-Seng Wu | 100% | 100% | 100% |
| Independent Director | Chao-Tung Wen | 100% | 100% | 100% |

¹ Both the Audit Committee and the Compensation Committee are formed by independent directors (see the E Ink Annual Report 2017 for details).

² The Audit Committee replaced the supervisor system as of June 18, 2014.

4. Further Education of Directors

| Title | Name | Start Date | Length | Organizer | Course |
|--|--------------------|------------|--------|---|--|
| Representative of institutional director | Frank Ko | 2017/04/25 | 3.0 | Taiwan Corporate Governance Association | Understanding the Focus of Mergers, Acquisitions, and Contracts |
| | | 2017/11/28 | 3.0 | Taiwan Corporate Governance Association | How To Exercise The Due Care As A Director? |
| Representative of institutional director | S. C. Ho | 2017/11/29 | 3.0 | Taiwan Corporate Governance Association | How To Exercise The Due Care As A Director? |
| | | 2017/11/29 | 3.0 | Taiwan Corporate Governance Association | Trends and Challenges in Information Security Governance |
| Representative of institutional director | Feng-yuan Gan | 2017/08/15 | 3.0 | Taiwan Corporate Governance Association | How Can Directors and Supervisors Help Organizations To Handle Risks? |
| | | 2017/08/18 | 3.0 | Taiwan Corporate Governance Association | Issues On Strategy, Competitiveness, Risk And Crisis That Concern The Board |
| | | 2017/10/20 | 3.0 | Taiwan Corporate Governance Association | How To Exercise The Due Care As A Director? (including court decision analysis and best practices) |
| Representative of institutional director | Felix Ho | 2017/12/01 | 3.0 | Taiwan Corporate Governance Association | Legal Matters in Business Mergers and Acquisitions |
| | | 2017/09/28 | 3.0 | Taiwan Academy of Banking and Finance | Corporate Governance Training Course |
| Representative of institutional director | Johnson Lee | 2017/11/28 | 3.0 | Taiwan Corporate Governance Association | How To Exercise The Due Care As A Director? |
| | | 2017/08/25 | 3.0 | Taiwan Corporate Governance Association | Legal Matters in Business Mergers and Acquisitions |
| Representative of institutional director | Chuang-Chuang Tsai | 2017/11/24 | 3.0 | Taiwan Corporate Governance Association | Board Performance Evaluation from the Board's Point of View |
| | | 2017/09/12 | 3.0 | Taiwan Corporate Governance Association | Economic Crime in Enterprises: Case Analysis and Related Civil Liabilities and Criminal Penalties |
| Independent Director | Biing-Seng Wu | 2017/11/28 | 3.0 | Taiwan Corporate Governance Association | Trends and Challenges in Information Security Governance |
| | | 2017/11/14 | 3.0 | Securities and Futures Institute | Regulations Relating to Audit Committees and Practices |
| | | 2017/11/29 | 3.0 | Taiwan Corporate Governance Association | How To Exercise The Due Care As A Director? |

| Title | Name | Start Date | Length | Organizer | Course |
|----------------------|----------------|------------|--------|---|--|
| Independent Director | Ten-Chung Chen | 2017/04/07 | 3.0 | Securities and Futures Institute | Insider Trading and CSR Seminar 2017 |
| | | 2017/10/25 | 3.0 | Taiwan Corporate Governance Association | The 13th Corporate Governance International Forum |
| | | 2017/12/08 | 3.0 | Taiwan Corporate Governance Association | Issues On Strategy, Competitiveness, Risk And Crisis That Concern The Board |
| | | 2017/03/02 | 3.0 | Taiwan Corporate Governance Association | How Can Directors Lead A Company to Deal With Rapid Technological Changes? |
| Independent Director | Chao-Tung Wen | 2017/02/10 | 3.0 | Securities and Futures Institute | Business Considerations and Legal Risk Analysis for Operational Decision-Making of Enterprises |
| | | 2017/04/25 | 3.0 | Taiwan Corporate Governance Association | Understanding the Focus of Mergers, Acquisitions, and Contracts |

Ethical management

Ethics and integrity are the core values of E Ink. Upholding ethical business practices, we keep reminding ourselves of the importance of integrity, honesty, fairness, accuracy, and transparency while carrying out our promises and practices. Based on the framework of organizational codes and regulations, we establish relevant policies or guidelines in respect of legal compliance in different areas, including business ethics, sexual harassment prevention, financial statement production, internal control, insider trading, intellectual property management, and personal information protection. We believe that these defined policies and guidelines can help enhance operational efficiency and effectiveness, maintain regulatory consistency, and improve business ethics.

Code of Business Conduct

To maintain E Ink's core values, bribery, corruption, or violations of organizational regulations in any form are strictly prohibited. To create a transparent operating atmosphere and sound work order, we have established the "Code of Business Conduct Standard Operating Procedure" which also applies to subsidiaries and affiliates and allows employees to understand related requirements, in order to enable consistency in legal compliance between E Ink and its subsidiaries and affiliates.

In support of a culture featuring transparent and ethical practices, we have established various reporting channels for employees and outsiders to report corruption by email (), by letter, or over our website. After receiving a report, the Audit Office will conduct an investigation to verify the incident. If the reported unethical business practice is confirmed, we will take serious actions to handle the incident in order to eliminate corruption.

At the board meeting, we communicate and discuss policies and issues in relation to anti-corruption. In 2017, one director (11% of all board members) completed the further education relating to anti-corruption. In addition, apart from arranging education and training activities for employees, we request them to strictly comply with the code of conduct. In Taiwan, all newcomers are requested to receive education and training relating to anti-corruption, including the introduction and advocacy of the code of business conduct and whistleblowing regulations. By doing so, we aim to enable all employees to understand our operational management policy and reach a consensus. In 2017, we organized 20 sessions of orientation training/education for 20 groups of newcomers, with 188 newcomers completed related training. In addition, no corruption case was reported in 2017.

E Ink Code of Business Conduct

- 01 No fraud, corruption, or injury to character by exerting one's authority and that harms the corporate image and causes social criticism is allowed.
- 02 No spread of rumors and fallacies that harm the corporate image or the reput of specific employees or organizational harmony is allowed.
- 03 No offering or acceptance of bribes, corruption, nonfeasance/misfeasance/malfeasance to obtain undue or improper advantage by exerting one's authority (including soliciting kickbacks or other undue or improper advantages from suppliers or customers) is allowed.
- 04 No offense of laws relating to fair trade is allowed.
- 05 No conducting business with low-efficiency methods, falsification of financial reports, or unreasonable or unfair treatment is allowed.
- 06 No conversion or theft of organizational equipment or property is allowed.



Non-disclosure of Material Information

As a global leading brand of EPD technology, E Ink must maintain the value and keep absolute confidentiality of material information, in order to maintain corporate competitiveness. Therefore, we continued to verify and optimize the effectiveness of key technology and information, and technology inheritance and management, in order to provide optimal preservation for the best interest of the company, shareholders, employees, customers, and suppliers.

Currently, the following approaches are applied to ensure the appropriate and effective protection of confidential information.



In addition, we have established codes for processing internal material information and communicate this message to all employees, managers, and directors to prevent insider trading due to violations of the Procedure for Handling Material Inside Information.

Anti-Competitive Behavior

As the global leader of ePaper technology, we are committed to complying with antitrust-related regulations across the world. Currently, we have begun planning and promoting our antitrust compliance policy and have arranged relevant education and education activities both regularly and irregularly to educate higher level managers and general employees on the basic code of conduct at work. Through education and training, we hope that employees can understand the concept of antitrust for them to comply with and further understand the relevant laws in order to prevent any alleged violation of law.

Transparency of Information Disclosures

At E Ink, we process and disclose material information in accordance with the relevant laws, orders, and the regulations specified by the Taipei Stock Exchange. We have also established the spokesperson system to disclose material information through the spokesperson or deputy spokesperson, except as otherwise specified by the law or regulation.

Apart from periodically reporting information regarding disclosures by the law, we hold an investor conference every quarter and a general meeting of shareholders every year. We further post the meeting data, handbook of meetings, minutes of meetings, annual reports, and financial statements on the Market Observation Post System(<http://mops.twse.com.tw>)for public access.

In product information disclosure, we participate in major shows at home and abroad every year to raise the visibility of E Ink products and technologies. We also organize product presentations and issue related press releases from time to time. Please visit our corporate website for details. Enquiries or suggestions are welcome. Please send them to our email at (ir@eink.com). We will reply to your enquiries or suggestions sincerely.

Compliance

We insist on ethical business practices in governance, therefore, legal compliance is our basic principle and spirit. In legal compliance, each E Ink unit carries out its duty according to the laws and regulations of the local competent authorities and internalizes them in the company's code of business practice and routine operations as guidelines for all business activities.

In addition, the internal audit unit conducts internal audits every year according to the relevant laws and regulations and the company's internal operating standards and promptly revises the scope and items of the audits to prevent illegal activities and thereby ensure E Ink's sustainable operations. After detecting any illegal activities, we will honestly disclose their cause(s) according to the regulatory requirements and codes of the competent authorities without hiding.

Punishment of E Ink and staff, major defects, and improvements in 2017

| Date | Reason | Improvements |
|--|---|--|
| 2017/03/10 2017/05/04 2017/05/05 | We were fined NT\$50,000 for failure to report the derivative transaction of three subsidiaries. We were fined NT\$100,000 for failure to report the capital lending of subsidiaries. So far, as the statutory representative of E Ink was the person liable to penalty, the total amount of fines was NT\$720,000. | We have already make supplementary report of such accounts and paid related fines. |
| 2017/06/22 | 1. Failure to disclose an E Ink director who was concurrently a director of Xing Yuan Investment Co., Ltd. 2. Error reporting of the capital ending and interest rate of subsidiaries. 3. Failure to report the subscription of the share of Green & Safe of our subsidiary Yong Yu Investment Co., Ltd. In the 2016 financial statements. We were fined about NT\$150,000 for the above offences. | We have make supplementary report, corrected the annual report, and paid the liquidated damages. |
| 2017/09/28 | We were fined NT\$80,000 for the failure of reporting stake anomalies by our staff. | Reinforce the awareness education of related laws and regulations for staff. |

Note: Please refer to the 2017 E Ink Annual report for details.

Performance in the 4th Corporate Governance Evaluation Outcomes 2017

To strengthen corporate governance in Taiwan, the FSC has included corporate governance evaluation as a key evaluation item in recent years, and corporate governance is also the goal we have been pursuing over the years. By establishing the Rules of Procedures for Board Meetings and the independent director post, we implemented decent board meeting operations. In 2014, we also established the Audit Committee which holds committee meetings periodically. The committee also invites CPAs and internal audit officers to the meeting to practically implement the committee's supervision functions in order to achieve corporate governance.

A total of 1,539 public companies participated in the 4th Corporate Governance Evaluation which evaluated those companies with six types of indicators.

We were ranked amongst the 51%-65% among all evaluated companies. Therefore, we will continue to assess the feasibility of future improvements for the defects and priority the following improvements:

- I. Disclose related shareholder data (AGM report, meeting notice, AGM manual, and AGM minutes) on the corporate website.
- II. Add the data of specific contacts and windows in the Investor Relations section of the corporate website.
- III. Disclose the name of major holders on the corporate website.
- IV. Disclose financial statements in Chinese and English versions (quarterly statements and related information and related information).

2-4 Strategy focus and growth

Business Strategy and Performance

1. Business strategy

A steady business growth was seen in 2017. Apart from continuously cultivating the eReader market, we focused on promoting the IoT applications for ESLs, smart luggage tags, smart cards, signage, mobiles and wearables to launch comprehensive ePaper applications for customers in different areas with the bi-stability and ultralow power consumption features of ePaper. Thanks to the continuous, quick popularization of new retail applications in Europe, the USA, and China, sales of ESLs grew steadily to become one of the core engine to boost organizational sales.

The ongoing thriving development of IoT in recent years has enabled the significant expansion of related applications to different types of business and different aspects of life, such as smart retail (new retail), smart manufacture, smart healthcare, and smart city. To demonstrate the value of IoT, it is necessary to integrate hardware and software to deploy innumerable low power-consuming terminal devices in different application scenarios. As most terminal devices require a display or sensing component to act as the human-machine interface, the ePaper with ultralow power consumption is the most ideal display for IoT applications.

Apart from combining organizational operations to expand the scope of ePaper applications with IoT as the focus of development, we employed our solid technology R&D and manufacturing capacities as the best support to drive sales growth in 2017. Furthermore, we actively launched strategic cooperation with the ecological chain of EPD for top-down integration of technology and resources and exploited the well-established ePaper supply chain to provide customers with resources and services including hardware and software systems, materials and components, manufacture, technology, and R&D to support the co-development and manufacture of comprehensive ePaper applications.

Foci of future operations and development

- 1 In business promotion, to develop products for consumer electronics (CE) and the Internet of Things (IoT), we will realize the application diversity of products, shorten the time from technology development to product launch and make constant innovation of ePaper market applications, build the ecosphere suitable for individual applications, and establish perfect partnerships.
- 2 In technology development, apart from completing the pilot preparation for the technological transfer and mass production of the advanced color ePaper (ACeP), we will move on to ACeP products and business application with another key technology for flexible display this year. Apart from continuously improving the technical functions of products, we will team up with suppliers to improve technology and raise productivity.
- 3 In operational management, apart from developing production automation to enhance production efficiency, we will continue to improve the management and cost control of the overall supply chain due to the potential supply shortage of a number of key raw materials, in order to provide customers with more satisfactory delivery service.

To extend the global acclaim of e-readers, we also realized natural writing habits in the eNote. Through cooperation with worldwide brands, we introduced the eNote with handwriting functions for applications in the education, office, and professional areas. Apart from bringing users with convenient, handy and easy to edit reading and writing experience, we have made the environmental benefit of paperless applications a reality. To further develop the handwriting application and the smart paperless application of ePaper, we established a joint venture company with Sony Semiconductor Solutions to plan, design, develop, manufacture, sell, distribute, and license EPD products and applications. We also provided total solutions for customers in different application fields to help customers to launch ePaper products more convenient and shorten their product launch time.

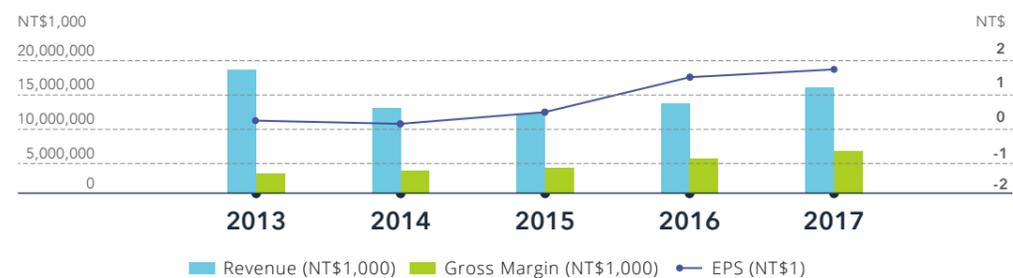
In addition to steady business and sales growth, our performance in the development of ePaper technology and application won global recognition in 2017. For example, our 32-inch color EPD won the Taiwan Excellence Gold Quality Award from the Ministry of Economic Affairs, ROC; and our 6.1-inch non-geometric rollable wearable EPD won the 2017 Gold Panel Awards organized by the Taiwan Display Union Association (TDUA).

2. Consolidated financial performance in 2017

The table below shows the consolidated financial performance of E Ink and subsidiaries. In 2017, the total equity of E Ink amounted to NT\$27,226,895,000. Revenue and gross margin increased in 2017 as a result of the operational policy adjustment, the sales increase of ESLs with higher gross profit, and the phase out of LCD sales with a lower gross profit.

Unit: NT\$1,000 (except for EPS/LPS which are expressed in NT\$1)

| Item \ Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------|------------|------------|------------|------------|------------|
| Operating Profit | 18,905,129 | 13,498,720 | 13,306,503 | 14,006,206 | 15,203,334 |
| Gross Margin | 3,018,681 | 3,049,866 | 4,148,730 | 5,120,546 | 6,284,416 |
| EPS (LPS) | 0.03 | 0.01 | 0.47 | 1.69 | 1.85 |



| Type | Item | Amount |
|-------------------------|---------------------------------------|---|
| | | NT\$1,000 (except for EPS/LPS which are expressed in NT\$1) |
| Economic Value Produced | Operating Profit | 15,203,334 |
| | Net Income (Loss) | 1,102,387 |
| | Other Income and Gain | 3,049,624 |
| | Other Expense and Loss | 814,000 |
| Economic Value Allotted | Operating Expenses | 14,100,947 |
| | Cash Dividend Per Share ¹ | 1.65 |
| | Shareholder's Cash Dividend and Bonus | 1,853,550 |
| | Income Taxes | 405,713 |
| | Employee Wages and Benefits | 3,368,411 |
| | Social Expense | 3,397 |
| Economic Value Retained | Retained Earnings | 5,621,362 |
| | Profit for the Period | 2,078,065 |

¹ Cash dividend per share was approved by BOD on March 27, 2018 and will be distributed after the AGM approval on June 22, 2018. Financial data is extracted from the 2017 Consolidated Financial Statement of E Ink Holdings Inc. and Affiliates and audited and verified by Deloitte Taiwan after auditing.

Based on the Regulations Governing Application for Tax Credits for Corporate Research and Development Expenditures, we applied for a tax credit amounting to NT\$195,499,435 in 2017.

The table below shows the financial assistance from government received by the Yangzhou Plant in 2017:

| Item | Subsidy Amount (CNY) |
|---|----------------------|
| 2017 Subsidy for Regular Jobs in Enterprises from the Labor Employment Service Center | 306,767 |
| Business Development Project Fund of the Yangzhou Economic and Technological Development Zone | 133,200 |
| Subsidy for High-Tech Skills Certification | 23,500 |
| Reward for Steady Growth of Foreign Investors | 333,000 |
| Total | 796,467 |

Memberships of Associations

We are one of the initiators of the Taiwan TFT LCD Association (TTLA) and have been a director and supervisor of the association to make positive contributions to the development of Taiwan's panel industry. TTLA is composed of a safety and environmental committee, technology committee, material committee, and equipment committee, and we have been making active involvement in all committees. In addition, we are also a member of The Allied Association for Science Parks, the Taiwan Display Union Association, and the Taiwan Electrical and Electronic Manufacturers' Association and attend relevant discussions and meetings.

To strengthen the development of ePaper technology and applications, we have also actively participated in international associations and organizations. In 2017, we participated in the Digital Stationery Consortium (DSC) to promote e-ink and handwriting recognition technology to optimize related technologies and aggressively establish common standards to accelerate the popularization of related technologies with other DSC members, in order to offer a better digital writing experience to users.

Furthermore, E Ink Corporation, our US subsidiary, is an SID member. To encourage the continual innovation and technology breakthroughs of the flat display panel (FDP) industry, E Ink Corporation is a standing sponsor of SID's I-Zone.

2-5 Risk response

Operational Risk Identification Results

To effectively strengthen risk management, we have established a complete risk management organization to establish standard operating procedures and standards; equip employees with the correct concept of risk management through the internal control system and education/training; and promote and enforce various risk management items in routine operations. With the internal audit system, we periodically audit the status of the implementation of various risk management regulations to ensure the normal operation of the risk management system. The table below shows the controls of identified and captured risks within the organization.

| Operational Risk Category | Item | Risk Description | Level of Impact (high/medium/low) | Frequency of Impact (high/medium/low) | Control Strategy |
|---------------------------|--------------------------------------|---|-----------------------------------|---------------------------------------|--|
| Financial Risk | Foreign Exchange Risk | This is because we use foreign currencies (mainly USD) in export trade. | High | Medium | 1. Keep track on the exchange rate change and enhance capital utilization efficiency. 2. Offset with income and expense for the short run, and make timely hedging for new capital demands with long-term foreign currency loans or forward exchanges. |
| | Interest Rate Rise | Long-term and short-term loans and financial derivatives. | Medium | Low | Set the acceptable criteria for interest rate risk for liabilities with floating interest rate. |
| | Credit Risk | Failure to capture the credit limit of customers may cause bad debt risk and affect the turnover of the company's operating capital. | Medium | Medium | Capture the credit limit of customers based on the company's credit regulations and the customer's financial and sales status. |
| | Group Capital Utilization Efficiency | 1. Cope with the potential fraud or untimely disclosure of financial status due to the financial structure and operational status of overseas affiliates. 2. Potentially ineffective fund dispatch or utilization among group members resulting from potential foreign exchange control or taxation consideration. | Low | Low | 1. Periodically analyze the financial structure of group members and set up a warning mechanism. 2. Monitor the value of the company's financial assets in real time to strengthen capital dispatch among the group members and enhance the capital utilization efficiency. |
| Manufactured Risk | Supply Risk | Supply risk from concentration of supply, such as supply shortages due to the under capacity of suppliers, accidents to the plant, or natural disasters. Currently, we have established the "Business Continuity Management Regulations." | Medium | Low | 1. Check the stock of various raw materials every week to determine optimal stock planning. 2. Carefully assess suppliers and aggressively cultivate supply sources. |
| | Production-Sale Imbalance | Stock cost and warehousing cost increase as a result of production-sales imbalances or loss of customers due to under production. | Medium | Low | Plan and simulate various production-sales situations based on purchase order estimation to dynamically adjust the production plan. |

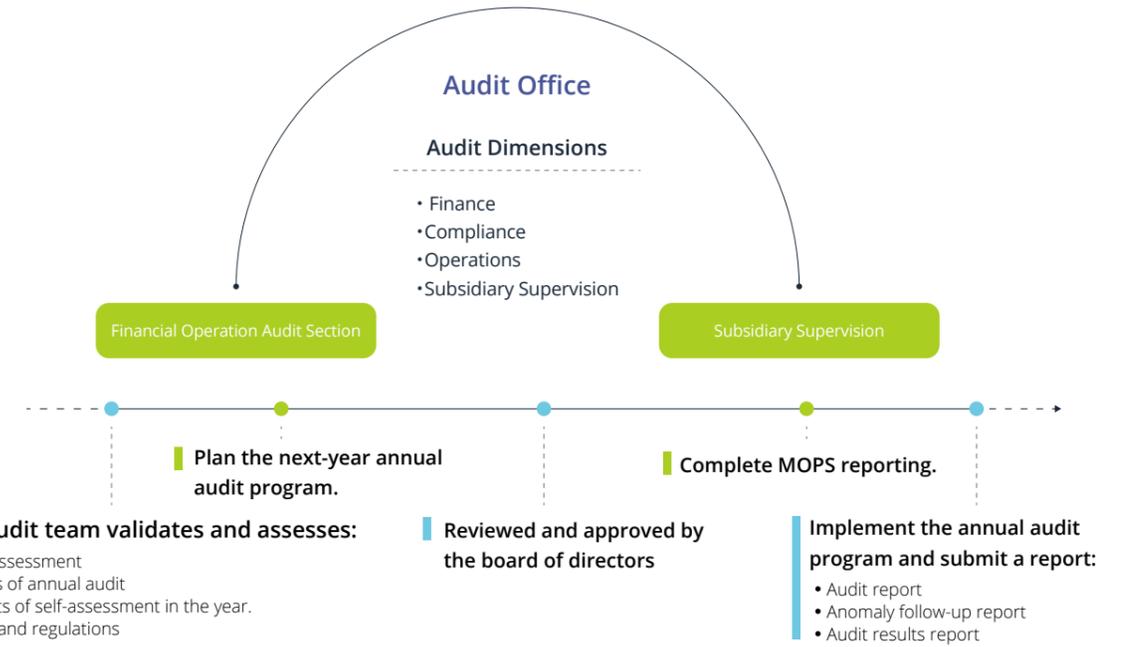
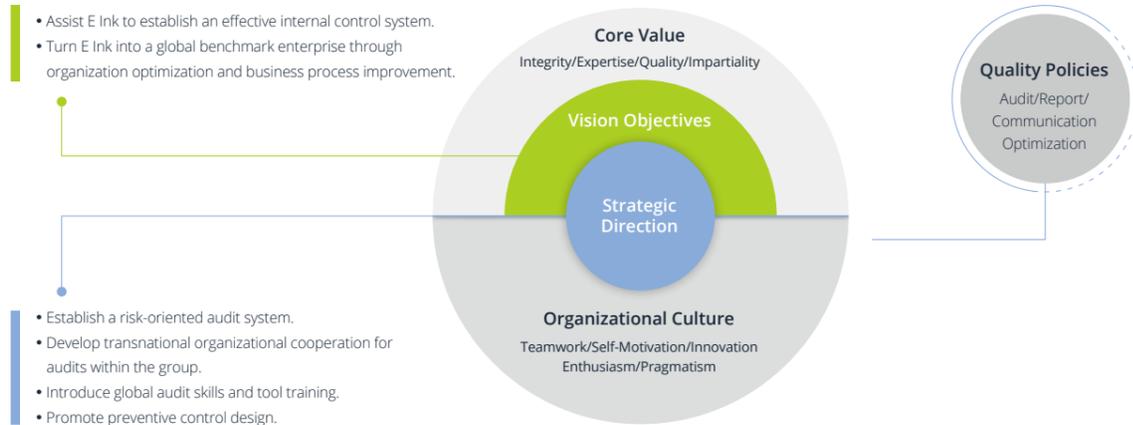
| Operational Risk Category | Item | Risk Description | Level of Impact (high/medium/low) | Frequency of Impact (high/medium/low) | Control Strategy |
|---------------------------|----------------------------------|--|-----------------------------------|---------------------------------------|--|
| Information System Risk | Information System Anomalies | Achieve business continuity and establish the information security management system. | Low | Low | 1. Standardization of information system operating procedures. 2. Strengthen the disaster prevention, information security, monitoring, reporting mechanism, anomaly management, and redundancy. 3. Establish the hardware redundancy, data backup and offsite backup mechanisms and build the offsite disaster recovery system for important systems. |
| | Confidential Information Leakage | Theft, tampering, damage, loss, or leakage of trade secrets, patents, and research and development data. | Medium | Low | Strengthen the security of IT equipment firewalls, anomaly management, and reporting and detection mechanism |
| ESH Risk | Disaster Risk | To prevent various disasters from causing critical business interruptions, we have established the "Business Continuity Management Regulations" and the disaster response team to achieve business continuity. | Medium | Low | 1. Establish standard operating procedures and arrange employee education and training periodically. 2. Update hardware protection and conduct inspections periodically. |
| | GHG Emissions Management | To comply with the national policy, laws, and regulations, and to achieve sustainable development of the ecology, relevant units should reduce the emission of various GHGs and promote environmental stewardship. | Medium | Medium | Update plant facilities, optimize operation and management, reduce chemical uses, control air-conditioning and lighting within the plant and of the office area. |
| | Environmental Stewardship | In addition, they should pay attention to the change in important policies and laws to adjust the company's internal system and business activities to ensure sustainable development of the ecology. | Low | Low | Reduce air pollutant emissions and wastewater discharge. Reinforce water saving and wastewater recovery. Control the use of recyclable materials. |
| | Tightening of Regulations | | Low | Medium | Ensure compliance with all environmental regulations by keeping up with new regulations. |

Status of Audit Mechanism Operation

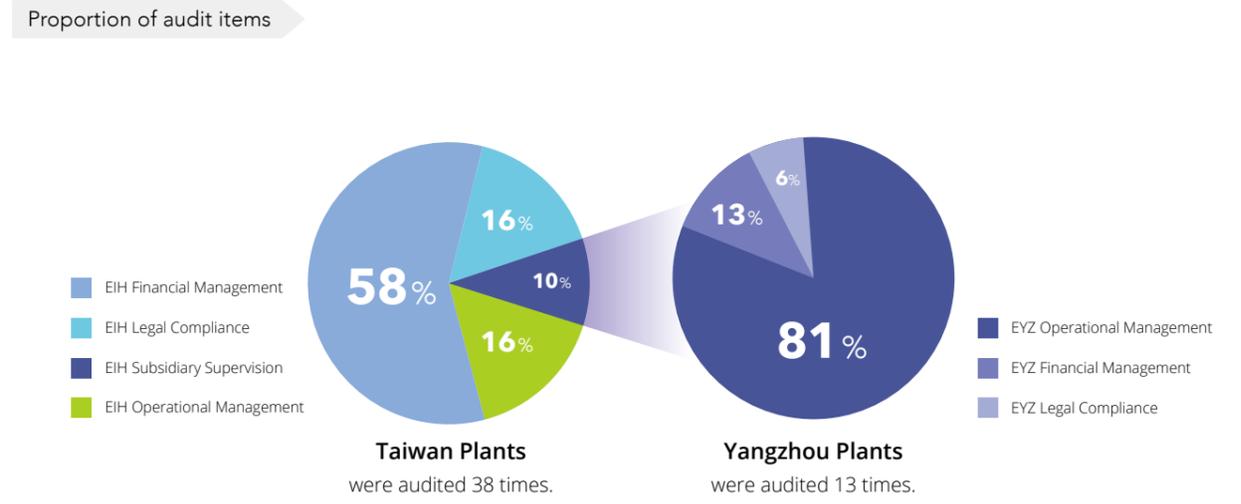
We have established a dedicated audit unit-Audit Office-to audit the financial and sales operational and management systems of E Ink and subsidiaries.

The Audit Office is led by the chief auditor. Apart from implementing the annual program according to the Regulations Governing Establishment of Internal Control Systems by Public Companies, the team conducts project audits as necessary to assess and detect potential defects in the internal control system in real time and to make recommendations for improvement. In addition, for the Yangzhou Plant, auditors should audit and supervise the entire process of large procurement projects; inventory returned finished and semi-finished products every quarter; and supervise the scrap of odd scraps to further reduce potential risks in the business process.

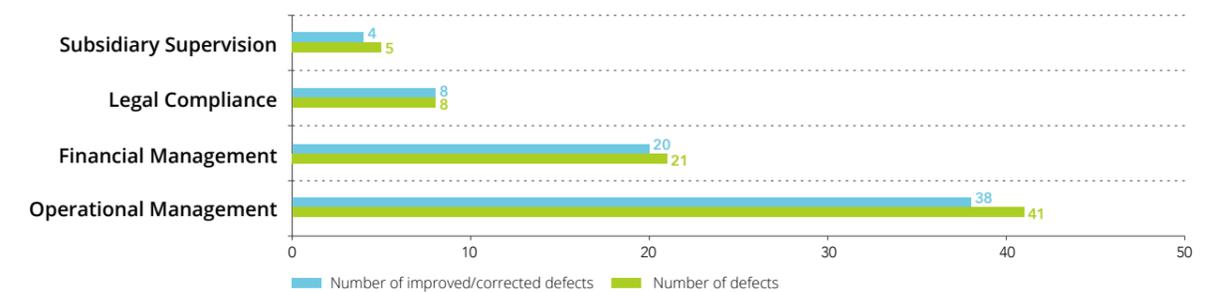
Apart from submitting the status audit report and audit results to the board of directors and Audit Committee periodically (quarterly), the team should produce a monthly report on audit findings to follow up and audit the improvement and upload such reports by the law.

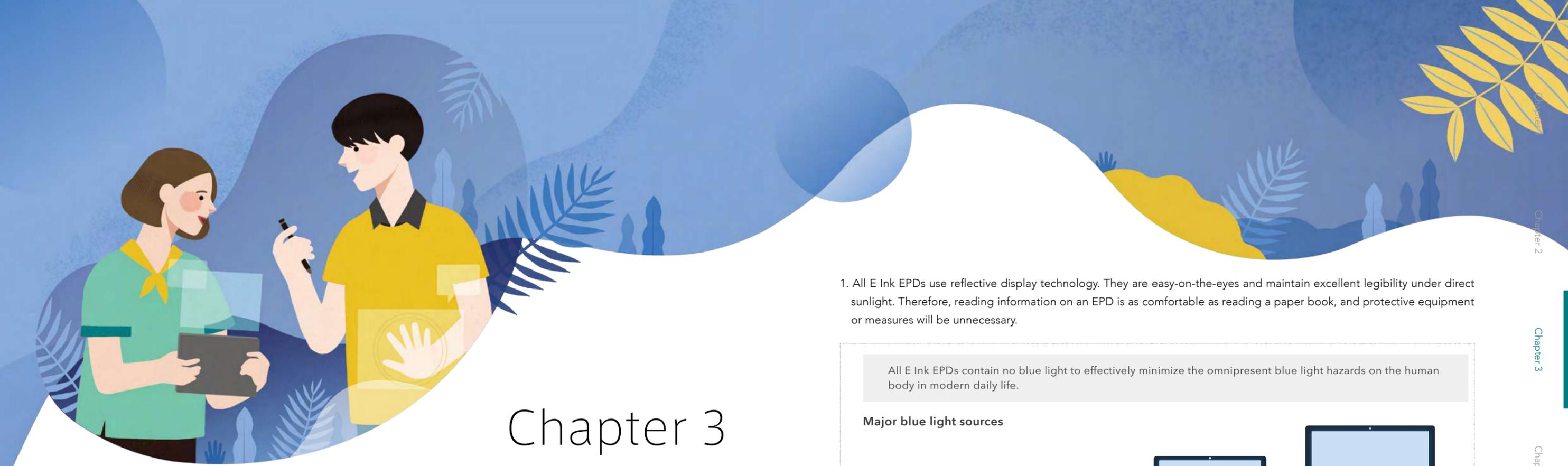


The charts below show E Ink's audit results of E Ink Taiwan plants and E Ink Yangzhou plants. By April 30, 2018, six items required improvement, and we will keep track of them.



Audited defects and improvement completion ratio (by April 30, 2018)





Chapter 3

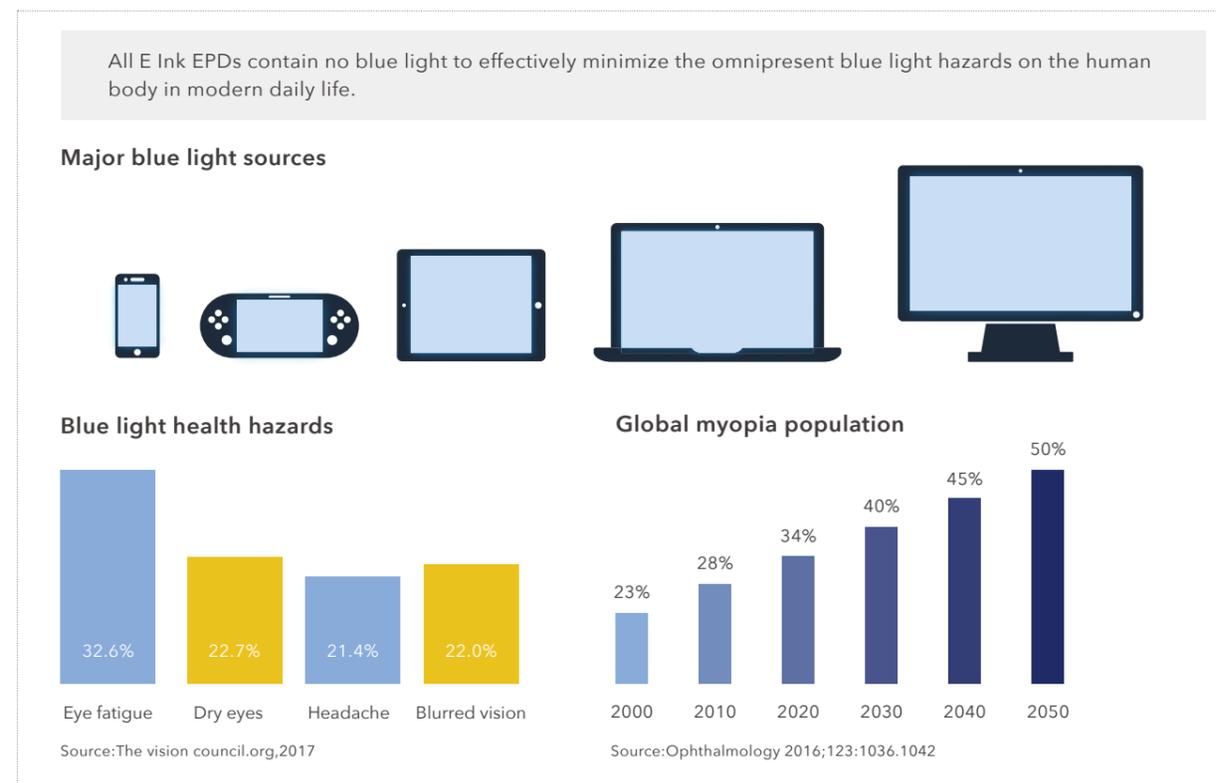
Smart Application and Innovative Experience

3-1 User-centered brand-new experience

ePaper is our key product, its characteristics include:



1. All E Ink EPDs use reflective display technology. They are easy-on-the-eyes and maintain excellent legibility under direct sunlight. Therefore, reading information on an EPD is as comfortable as reading a paper book, and protective equipment or measures will be unnecessary.



2. Using bistable technology, E Ink ePaper needs no power to retain an image on the display. By combining with solar energy, it can be used on digital signage erected in remote areas and even areas without power supply. In addition, for its energy-efficient characteristics, the E Ink ePaper can significantly lower power consumption to achieve energy conservation and reduce environmental impacts to mitigate global warming. Furthermore, ePaper can replace traditional paper to reduce harm of forest caused by logging.

Take supermarkets in the USA for example, there are currently over 38,000 supermarkets¹ using up to 1.28 billion pieces of paper labels. During promotional activities or when make item adjustment, supermarkets often need to change labels. If they change labels biweekly, the E Ink electronic shelf label (ESL) can help them save up to 33.5 billion pieces of paper labels a year. If each paper label is about 2.9 inches, the sum equals one billion pieces of paper in A4 size. That is, we can save 125,000 trees a year².

¹ Nielsen TDLinx, 2017

² Claudia Thompson, 1992. Recycled Papers: The Essential Guide, MIT Press, Cambridge, MA

E Ink's e-paper has extremely high application potential in different parts of everyday life. In addition to the paper-like legibility and lightweight, the e-paper has flexible and versatile use as an electronic display. In particular, as the IoT is thriving, the e-paper can bring people huge convenience in everyday life covering food, clothing, housing, transportation, education, and entertainment.

EPD Display Area, National Palace Museum

In addition to the visual effects comparable to traditional posters, ePaper can make dynamic display. We and our partner Netronix, Inc. have thus planned the first-ever ePaper exhibition in Taiwan through collaboration with the National Palace Museum. At The Making of a National Treasure: Select Masterpieces of Painting and Calligraphy in the Museum Collection, we displayed 72 classic national-treasure calligraphic and painting masterpieces by sliding in an area formed with 12 pieces of 32-inch color ePaper signage. Due to its ultralow power consumption, ePaper effectively reduced heat radiating from the panels to affect the storage temperature of exhibits in the exhibition venue. In addition, as ePaper requires no backlight and emits no blue light, viewers could enlarge the image to view the details of the national-treasure calligraphic and painting masterpieces to enjoy the cultural esthetics of exhibits in greater detail with more comfort.

Video:



ePaper Comic Books

In eNote and EPD promotion, besides the launch of EPDs with panels over 7 inches by major e-book customers, Progress Technologies of Japan duplicated the traditional comic reading habit on the EPD by combining two pieces of 7.8-inch EPD like a traditional book to publish the ePaper comics. Apart from publishing all 18 volumes of Fist of the North Star (北斗の拳) in one ePaper comic book, Progress Technologies has maintained the margins on the EPD as found in a paper comic book for users to experience



ePaper Installation Art: DAZZLE

DAZZLE is a large memorial public artwork created by made by E Ink, the San Diego International Airport, and Ueberall International, a world-leading experience design company. Consisting of over 2,000 individual photovoltaic (PV) bricks integrated with the E Ink Prism™ color changing ePaper, DAZZLE was erected on the exterior wall of the new car rental center of the San Diego International Airport in San Diego, California, USA. With the color changing ePaper technology, DAZZLE becomes a dynamic image art on a building wall.

Dazzle Video:



Smart Patch

We and Lohmann-Therapie Systeme AG (LTS), a transdermal therapeutic system (TTS) developer and manufacture, has successfully launched the prototype of Smart Patch. With the low-voltage EPD newly developed E Ink, Smart Patch can detect and display the condition of transdermal therapy to provide patients with convenient, reliable, and comfortable drug use experience.



Signage for Mall Application

The painting-like texture and non-emitting characteristics unique to ePaper enable the cultural field to demonstrate culture and arts in a dynamic and conformable visual texture to create unique spatial aesthetics by linking dramatic culture with modern technology. For these unique features, Theater Café located in the common area of the National Theater thus selected ePaper signage to display food menus and merchandise and show advertisements after remodeling. This combination of ePaper technology with cultural image and elements results in the shaping of a new type of cultural aesthetics by embedding ePaper signage in an environment filled with a strong dramatic culture atmosphere to enrich the technological and cultural texture of the overall dramatic environment.



Digital Music Score: GVIDO

The GVIDO is the first product applying the E Ink Carta ePaper on the 13.3-inch dual-screen E Ink Mobius™ flexible display. Based on the flexibility and durability characteristics of E Ink ePaper, Terrada Music Score has developed the GVIDO digital music score system that maintains the paper appearance and texture of traditional paper and enables musicians to use, store, and carry scores more conveniently. With the novel and fashionable digital technology, the GVIDO has redefined the reading, use, touch, and handling between musicians and scores.

Video:





Live Shipping Tracking for Smart Logistics

The UK and Ireland branches of the largest German semiconductor and display distributor Ineltek announced at the Embedded World 2017 held in Nürnberg the visionary and revolutionary live shipment tracking service ParcelLive developed by Hanhaa using E Ink ePaper technology. As a low-cost live shipment tracking service, ParcelLive enables users to keep track on the live location, condition, and safety of a parcel across the world. By putting a tracking device containing an EPD in the parcel, ParcelLive enables users to accurately keep track of 99% of the information of the shipping process.

Video:



Awards in 2017



February 2017

The 32-inch EPD won the Taiwan Excellence Gold Quality Award



Smart Packaging

In the ongoing trend of digitization of product and package design, ePaper that offers personalized communication interfaces has gradually become the prime display technology of increasing packaging solution providers. Through collaboration with TEXEN, a world-leading packaging solution provider of luxury goods and cosmetics, we launched the individualized smart cosmetics packaging solution. Without the need of electricity supply, users can leave their messages for recipients on the package using near field communication (NFC) from their mobiles. The bistable feature of ePaper enables persistent message display with zero power consumption. Along with its lightweight, slim, robust, and durable characteristics, ePaper allows brand owners to enrich the texture of packages without changing their original shape and design and become the leader of respective industries.



September 2017

The 6.1-inch non-geometric rollable wearable EPD won the 2017 Gold Panel Awards organized by the Taiwan Display Union Association (TDUA).

Show Participation in 2017



CES 2017 (International Consumer Electronics Show)

42-inch thin-film capacitive touch module EPD for pen and hand inputs



Society for Information Display (SID)

20-inch advance color ePaper (ACeP) display. With features including ultralow power consumption, paper-like legibility, and comfortable viewing in any lighting conditions, it displays a full color gamut of eight primary colors with color pigments.



Mobile World Congress Shanghai 2017 (MWC Shanghai 2017)

Based on the theme Creativity on Display, we displayed mobile and wearable devices for the creative and smart lifestyle, the eNote and EDP that digitize traditional reading and writing modes, the Smart Card that enhance consumption and security identification in the future, the e-luggage tag that changes the way of travel, outdoor signage, and the ePaper wall for dynamic display with color changes.

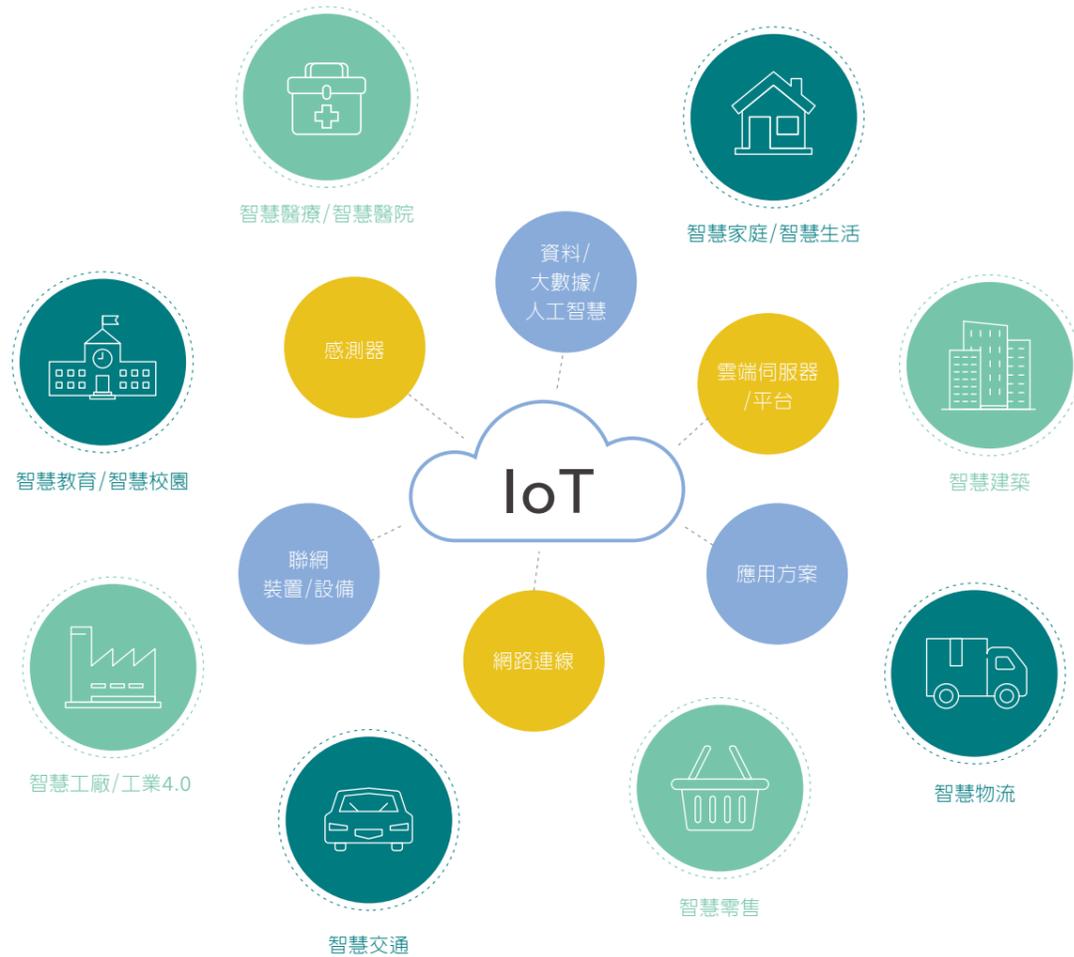


Touch Taiwan 2017 (Display International 2017)

First appearance of the 84-inch large-size ePaper signage patched with four pieces of 42-inch EPD, suitable for use by museums, art galleries, and outdoor advertising. Demonstrate our achievements in large-size EPD development.

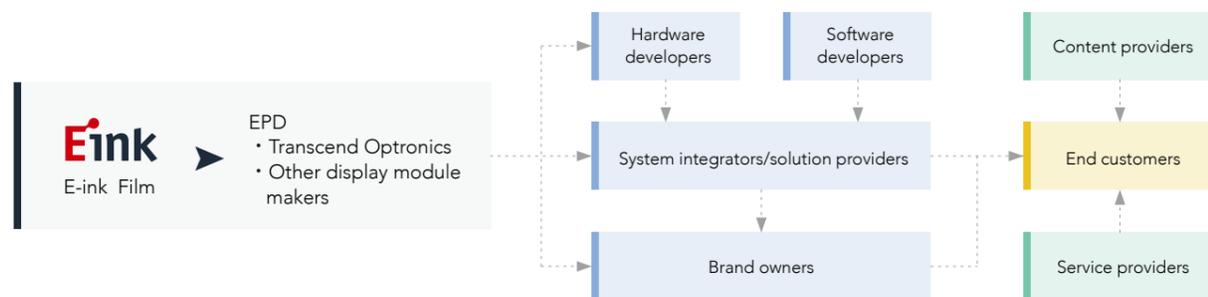


First appearance of the 10.3-inch foldable ePaper at Touch Taiwan. The foldable ePaper will surely bring brand-new experience to users and make e-books easier to carry.



Following the IoT boom, manufacturers in different fields have joined IoT without hesitancy to make related technologies mature and apply them in various smart application fields.

While power consumption and outdoor application requirements are more stringent to IoT applications in different scenarios, and low power consumption, wireless power transfer technology, and viewability under sunlight are the strengths of ePaper, we have aggressively teamed up with hardware and software developers and the top-down supply chains of all application industries to develop the ePaper ecosystem, in order to accelerate resolve problems faced by end customers and diversify the smart applications of ePaper to create a smart lifestyle.

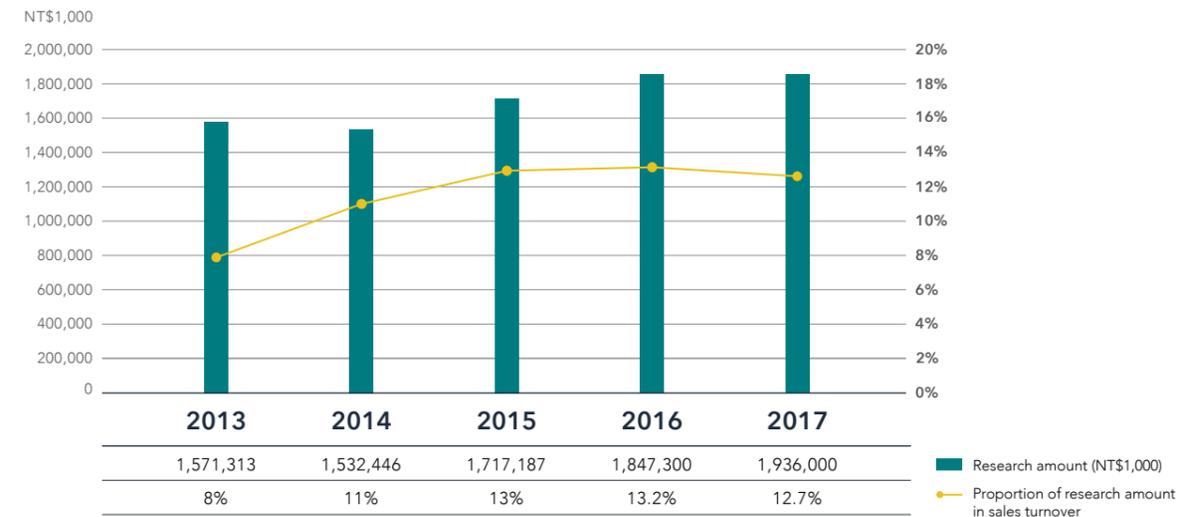


With leading technology, excellent products, and mature mass-production capacity, we continuously and steadily provide products and services. Out of pragmatism and faith in our products, we never exaggerate or mislead the public or willfully hide things from or swindle consumers in sales and marketing advertisements. In addition, we have never produced disputed products or products banned from sale in other places. In 2017, no incident of non-compliance with laws and regulations resulting in a fine or penalty due to the provision and use of our products and services was reported.

3-2 Technical and innovation capacity

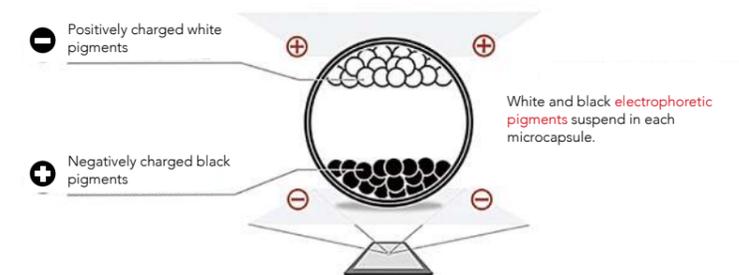
Product and Technology Innovation

In 2017, we continued to research and develop ePaper-related products and technology. Apart from continuously optimizing the original black and white ePaper module, we aggressively engaged in commodifying color ePaper applications by combining with ESL, flexible display, rollable display, and touch functions. Increasing new products in the ePaper field have won good market feedback. In addition, by actively expanding the capacity to fortify our leadership in the ePaper market, we managed to maintain sustainable and leading development in the highly competitive display industry. In 2017, we invested about NT\$1.936 billion in R&D, commanding 12.7% of the company's sales turnover. This suggests that technology innovation and product development are very important to E Ink. We understand that only incessant injection of R&D energy can achieve our goal of sustainable development.



1 E-ink technology

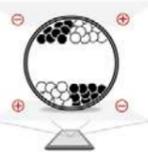
The E-ink is composed of millions of microcapsules or microcups, each measured equivalent to the diameter of a piece of human hair. Each microcapsule contains positively charged white pigments and negatively charged black pigments suspending in a liquid. Based on the unlike charges attraction theory, when the ink is electrified, the white or black pigments in a microcapsule will move to the top in corresponding blocks for users to see the white or black color. By coating a layer of e-ink on a plastic film and then mounting a thin film transistor (TFT) circuit, we can form pixel graphics with a driver IC to create an electronic paper display (EPD).



The control of pigments in multiple colors is achieved with a single substrate and material and waveform driving technology. To meet the need for various applications, in addition to the dual color ePaper CartaTM containing black and white pigments, we have developed the three-pigment SpectraTM, ePaper using pigments in three colors (black, white and red or black, white and yellow), and the four-pigment Advanced Color ePaper (ACeP) using pigments in four colors: (cyan, magenta, yellow, and white). ACeP is even the first EPD that can achieve full color gamut display with filters of different colors through colored pigments, in order to significantly reduce the brightness reduction problems of color filters to present sharper colors, marking a new milestone in the reflective EPD. If you are interested in more about our e-color technology, please visit our website.

元太科技電子墨水技術



| Name of ePaper | Carta | Spectra | ACeP |
|-------------------|--|--|---|
| E-ink |  |  |  |
| Product Photo |  |  |  |
| Color | Dual color | Three colors | Color |
| Pigment Color | Black and white | Black, white, and red Black, white, and yellow | Cyan, magenta, yellow, and white. |
| Features | <ul style="list-style-type: none"> Highest reflection rate Quick response High contrast | <ul style="list-style-type: none"> High contrast One more new color | <ul style="list-style-type: none"> Resolve light attenuation without using filters Full color gamut |
| Major Application | Any applications requiring dynamic display <ul style="list-style-type: none"> eReader Mobile devices Electronic shelf label (ESL) Wearables Signage | Any applications requiring eye-catching effects <ul style="list-style-type: none"> Electronic shelf label (ESL) Logistics tags Storefront advertisements Medical application | Any applications requirement color display <ul style="list-style-type: none"> Signage |

2 Color changing ePaper

E Ink applies innovative EPD technology to building surfaces to revolutionize the appearance of existing displays and demonstrate the dynamic cortex of buildings for buildings to present the imagination of the public. In short, it is an EPD product from aggressive application diversification with promising development potential in the future.

The E Ink Prism™ is the latest display material that can dynamically change colors. It is suitable for static display without consuming electricity or sensing external motions for dynamic display to change the display space into a unique interactive environment.

Three key features of E Ink Prism™:

- Fully Programmable**: Gives greater freedom of creation to content providers and designers
- Fully Reflective**: Delivers a printing-like or painting-like appearance and a natural visual experience and effect.
- Low Power Consumption**: Consumes very little electricity only when changing visual effects, making receptacles unnecessary.



An ePaper house composed of 32 pieces of large EPD.



A dynamic display column (Roller Coaster) using the E Ink Prism™ color programmable EPD.

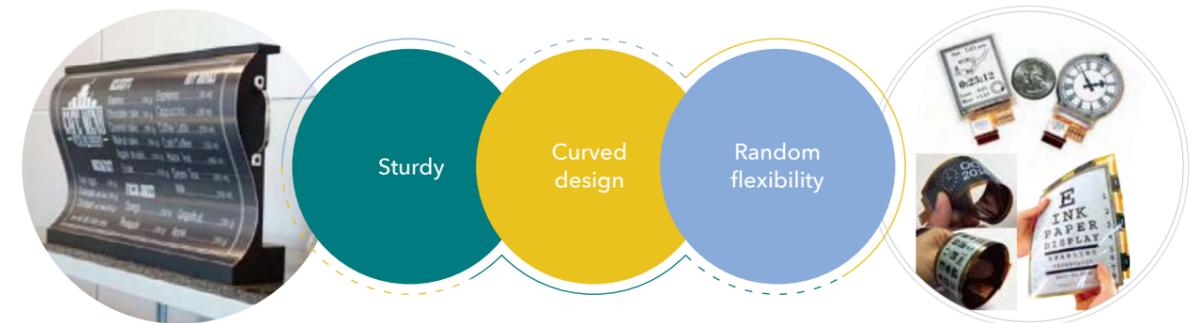
This epoch-breaking pioneer undertaking enables architects and designers to exert their talent by presenting space and the surroundings in a unique way. The E Ink Prism™ revolutionizes the way of building surface presentation and gives architects and designers greater flexibility and more freedom. With the automatic color change of E Ink Prism™, users can significantly enhance their visual sensation for commercial buildings, hotel lobbies, airport transit stations, or arenas.

In 2017, we continued to cultivate dynamic signage and the building design market in collaboration with customers by presenting dynamic image and information displays with E Ink Prism to replace general static publicity materials and thereby create higher product value for customers.

3 Rollable EPD

The E Ink Mobius™ is a flexible EPD from E Ink. It integrates the design experience and process technology of amorphous silicon or organic transistors with flexible substrates and modules, as well as the stacking stress of plastic materials. It is a flexible, lightweight, sturdy, and portable plastic display that makes lightweight and sturdiness a reality. Flexible EPDs enable customers to add conformal elements to product designs to give products a unique appearance design and functionality. Therefore, they have been widely used in the market.

Currently, we are aggressively cooperating with world-leading manufacturers by supplying them the Mobius module using plastic substrates for product mass production. Their products have won immediate critical acclaim after release. In 2016, we announced the 32-inch Curved Mobius EPD at SID. Its flexible, lightweight, and low energy consumption features are considered the best alternative solution for signage systems using paper or plastic substrate.



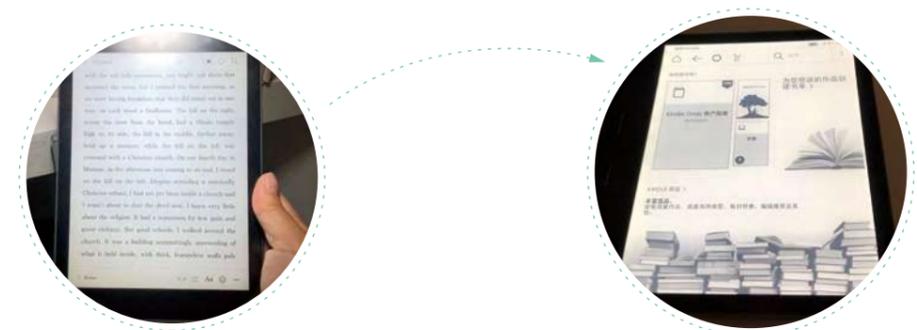
4 Foldable ePaper

In response to the portable convenience electronic devices, through slimming, stress simulation, and shell mechanism design, we have developed the foldable ePaper for folding ePaper as large as a table into a mobile size to significantly enhance the portability of EPD to combine large display area and portability. In addition, the foldable EPD is equipped with the touch/pen function for use on eReaders or eTablets.



5 Frontlight display and touch EPD technologies

Reading comfortably at night and in dim environments has always been an e-book requirement. By applying a frontlight display to EPD mass production, we make reading e-books comfortably at night and in dim environments a reality. In addition, the independently developed frontlight technology with cold and warm color adjustments for consumers to better enjoy the convenience brought by e-books has been used in mass production by customers. The frontlight technology also diversifies ePaper application.



(Left) The dot-based light source of earlier e-books irritates the eyes and makes lighting uneven. (Right) With the flat frontlight optical system design, lighting becomes even and soft to make reading much more comfortable. In addition, it is eco-friendly and energy saving.

In touch EPDs, besides the commonly used capacitive touch technology, we aggressively co-develop different types of touch modules with manufacturers in order to improve product functions and extend its applicability. In addition, we have developed the ePaper module combined with the active touch pen technology. Apart from the paper-like reading effect, users can easily write and mark documents in the ePaper to replace paper books and enhance user convenience.



6 Wireless power transfer EPD technology

The wireless power transfer EPD is a perfect combination of ePaper and the wireless transfer technology. Based on the ultralow power consumption feature of ePaper and using the micro power generated by wireless transfer, the technology supplies power to drive the EPD to change display. The wireless power transfer EPD technology is suitable for all applications. In NFC application, the technology can be used in ePaper greeting cards, ePaper labels, and even ePaper identity card together with the NFC reader to realize powerless display diversity.



Future R&D plans and estimated R&D funds

In the next five years, we will continue the current R&D direction: size expansion, color increase, weight reduction, touch, writability, and rollability. In addition, we will engage in the R&D of other display technologies, including active matrix organic TFT (OTFT) components and substrates, and oxide TFT, in order to combine the advantages of different display technologies to meet the needs of our niche customers and thereby enable E Ink to maintain sustainable development in the highly competitive display industry.

Apart from continuing the development of applications and related technologies of ePaper products for e-readers, expanding the scope of EPD applications will be an important research direction of our R&D team. Currently, our ePaper achievements in e-tags are evident. And the R&D team will launch new products according to the market demands to cope with the rapid development of the e-tag domain. Other applications of ePaper, such as the eNote system, IoT devices, smart cards, dual screen phones, and digital signage, are in active progress.

Future Trend of Technology Development and Applications

Based on E Ink's present status of development, the trend falls into four directions:

1. Draw up new product development plans for ePaper modules based on market feedback to fulfill customer demands and promote fields of application.
2. Reinforce products for specialty applications, such as IoT displays, mobile devices, intelligent homes, and industrial displays.
3. Develop and implement new materials and new processes; develop new applications or add new functions to or improve existing products to meet market demands to raise product competitiveness.
4. Fortify international cooperation to co-invest in technology and process resources to develop new-generation low-cost and low-power consumption display technology as the foundation for sustainable operations.

3-3 Quality persistence

Quality Policy

“ Through Continual Innovation and Improvement to Provide High Quality Products and Services to Meet Customer Needs. ”

Our Hsinchu Plant has been certified with quality-related systems or customer audits including ISO 9001, ISO/TS 16949, SONY GP, and Amazon. By establishing respective quality management systems and operating these systems through the PDCA cycle, we assure product quality and fulfillment of customer requirements. After establishing quality policies and objectives with regard to the framework of these QMSes, we implemented them throughout the organization for all employees to understand and follow the relevant regulations in order to provide customers with quality products and services.

Product Environmental Quality Policy

- 01 To optimize and promote the product environmental quality assurance organization and earnestly maintain and improve product environmental quality.
- 02 To abide by environment-related laws, regulations, protocols, and customer requirements and implement total quality management of materials, parts and secondary materials used on products from product design, material procurement, product manufacturing, and shipping to ensure products contain no environment-related substances to be controlled in products as requested by customers.
- 03 To comply with the customer's product environmental quality requirements by establishing a product environmental assurance system for all processes, covering product design, procurement, material warehouse management, manufacturing, and finished product warehouse management.
- 04 To add the operating quality assurance system to the product environmental quality management system and establish countermeasures as the scope of implementation of quality assurance.
- 05 To verify the product environmental quality system through internal audits in order to make continual improvement of the management system.
- 06 To improve the employee's awareness and support of product environmental quality and support activities for product environmental quality assurance.



▲ ISO 9001 Certificates
(From left to right: E Ink Holdings, SiPix Technologies, and Transcend Optronics).

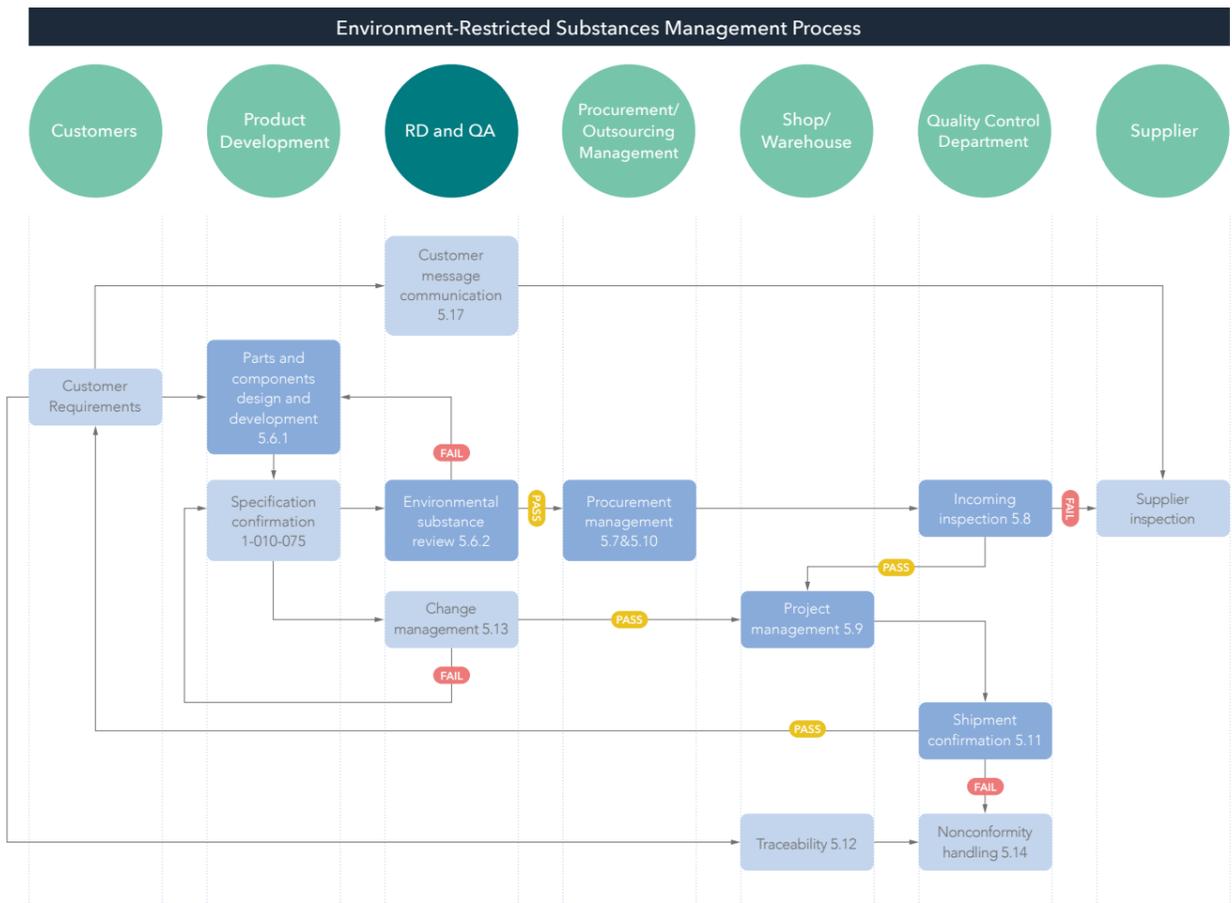


▲ ISO/TS 16949 Certificates
(From left to right: E Ink Holdings and Transcend Optronics)

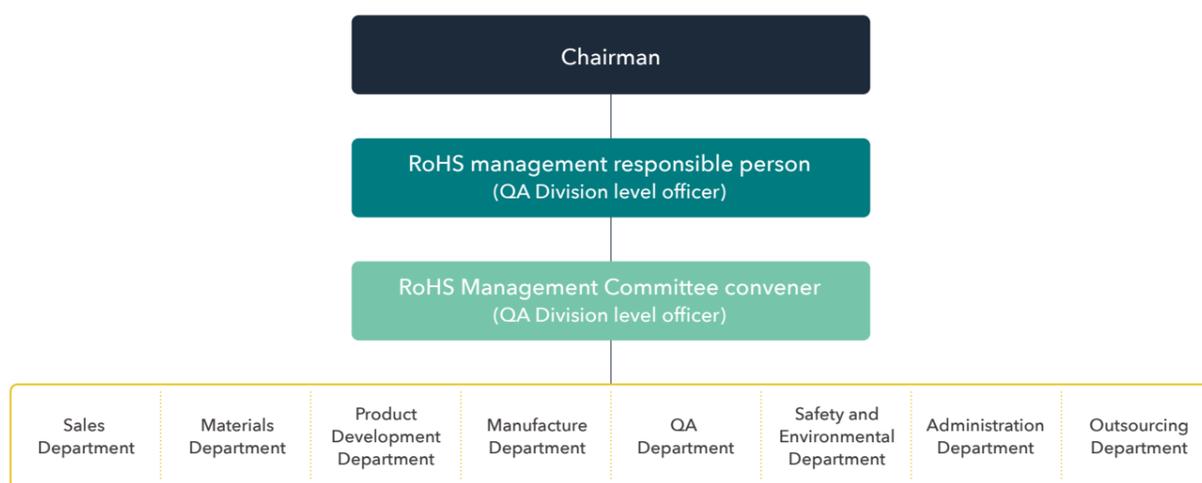
Management of Restricted Substances

To ensure the parts, raw materials, packing materials, and components we use on products do not contain environment-related substances to be restricted in products; to comply with the current laws and codes; to meet customer requirements; to protect the Earth and the environment, and to reduce the impact on ecosystems, we request suppliers to supply materials that comply with our environmental and quality policies right at the beginning of developing new parts and components for products. We also request suppliers to supply products that are free of conflict minerals and submit an RBA/GeSI Conflict Minerals Report which ensure suppliers. Currently, suppliers are requested to make a declaration of non-use of conflict minerals. We also request suppliers to assume full responsibility for compensation for supplying materials containing environmental control substances as specified in the restricted substances. Currently, materials supplied by suppliers conform with the restricted substance requirements.





In addition, to implement RoHS in system operation, we have established the “Environment-Restricted Substances Management Committee” under the following framework:



In 2016, the Environment-Restricted Substances Management Committee added a responsible person to the Linkou Plant. In 2017, it integrated all plants in Taiwan to hold a review meeting once a year to verify the status and requirements of our green products (GPs). After a change or amendment of customer or international GP specifications, we will send notices to inform all units to perform internal assessment and adjustment of control standards and operating models. By cooperating with said complete restricted substance, product quality, and environmental management systems, we are capable of supplying customers with quality green products and protecting the Earth and the environment.

Continuous Improvement of Production Performance

Apart from making reference to customer feedback and promoting various product quality improvement programs, we discuss quality-related problems at the customer's premises, and hold SBR meetings with key customers half-yearly to discuss issues relating to business practice, design, and quality in order to maintain a good cooperation relationship with customers through close communication. We also encourage employees to make proposals in order to locate all latent factors affecting production efficiency, product quality, and workforce and resource utilization in routine operations and manufacturing processes, and draw up effective plans to pursue production optimization.

The Yangzhou Plant established the Continual Improvement Plan (CIP) in October 2014 to advocate the ARCI (accountable, responsible, consulted, and informed) model to encourage employees to find problems in the production process and propose possible corrective actions, in order to develop the systematic and analytical thinking, problem-solving, and work abilities, as well as a corporate culture for voluntary problem correction. In 2017, the plant continued to promote CIP campaign and added the quality control circle (QCC) campaign to raise the proportion of employee involvement in quality improvement. CIP and QCC proposals can be made by individual or by team, with focus on quality improvement, yield rate elevation, efficiency enhancement, process optimization, and cost reduction. After internal assessment, the plant selected and reward the Accountable Star and Accountable Team and implemented related proposals. In 2017, a total of 15 CIP proposals and 10 QCC proposals were received, and the result was outstanding.

Feedback of Yangzhou Plant Employees

Both the CIP and QCC campaigns enable employees to express their opinions without reservation. By freely asking questions and proposing corrective actions, we can build a happy work environment and improve team cohesion, optimizing understating among employees. Through quality improvement and material/energy conservation, we can save more for organizational development. In the future, we will join related activities more actively to share work experience to others while demonstrating our enthusiasm in performance. I hope more partners can join these campaigns in 2018.



— Employee of Manufacturing Division

Feedback of 2017 Accountable StarJao

“To create a future with better development for people with substantial social contributions with one’s own strength is always the most meaningful and valuable thing in life.” This was the confession of late Taiwanese entrepreneur Yung-ching Wang, known as the God of Business in Taiwan, an adage of the big boss of Taiwan’s industry who started his career as an apprentice of a rice supplier at age 15. In fact, accountability is key to his success. I came in contact with “accountability” in 2015 at the Accountable Management course organized by the company. Gradually, I realized the need to become accountable at work and in life. It is the same to the Yangzhou Implementation Team. Formed with member from different departments, the team upholds the “One Team One E Ink” concept and the “One More Ounce” accountable spirit to account for responsibility with a common aim and a common goal. Started from ground zero, we made fruitful results in a few months, including the digitization and industrialization

implementation, the Jiangsu Province smart workshop, the Yangzhou City Sci-Tech Outcomes Transfer Project, and the Jiangsu Digitization and Industrialization Demo Project; and winning the Yangzhou City District Executive Quality Award. Pursuant to accountability, we did everything to our best at every step of our work. From nothing to something, from something to excellence, from excellence to perfection, in the future, we will make even more satisfactory results.



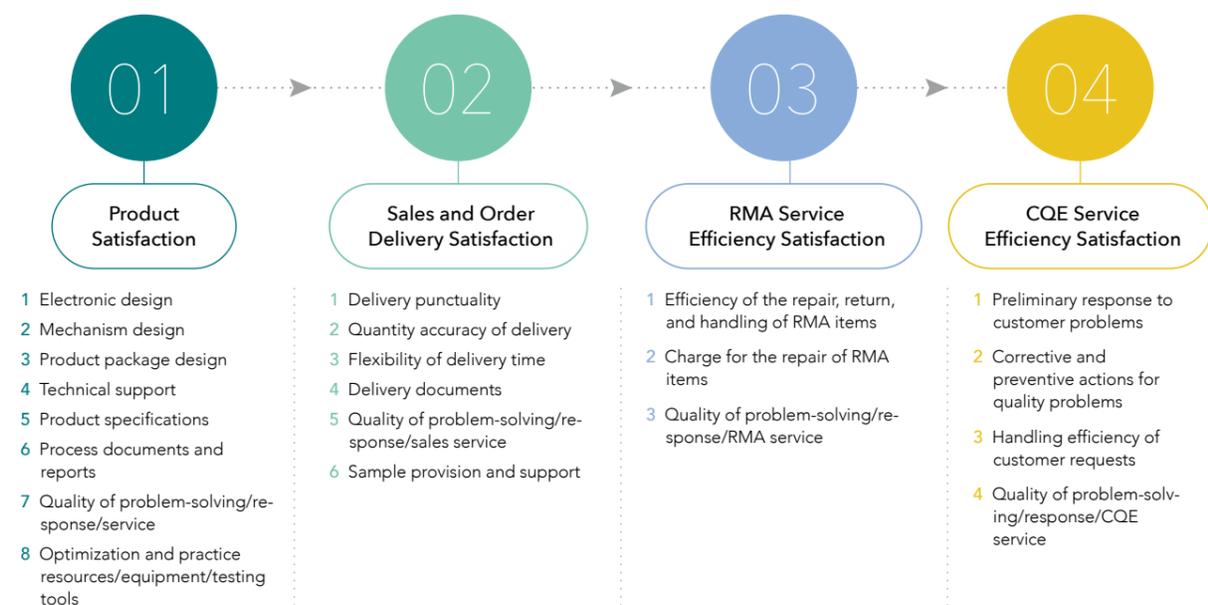
— Tianting President’s Office, Yangzhou Plant

3-4 Customer relationship management

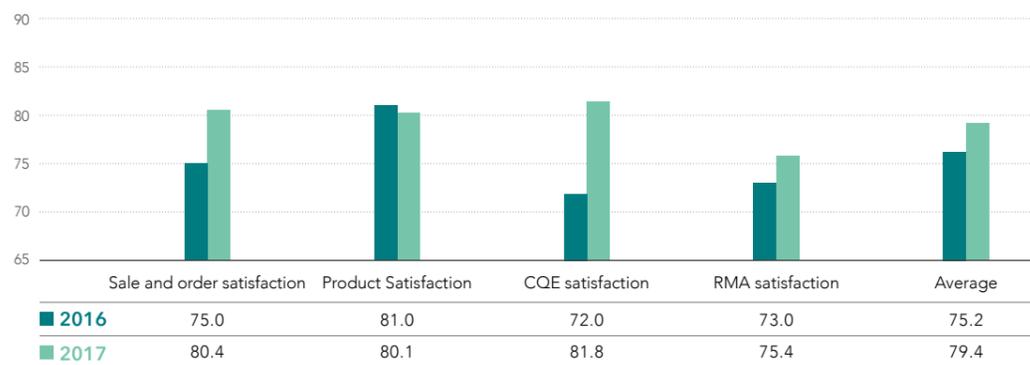
Customer Satisfaction

We fully understand that customer demand and satisfaction are the key to business operations. Therefore, we provide quality customer service and maintain sound customer relationships to boost sales achievements. In addition, through close and complementary interaction with customers, we aim to improve operational performance for both parties. At E Ink, we are committed to ensuring customer satisfaction with our products and services through high-quality management, process planning, continuous review, continual improvement, passage of relevant inspections and certification, and follow-up of customer satisfaction.

We have been voluntarily promoting customer satisfaction survey over time. Based on the sales turnover of customers of each business center, we perform a customer satisfaction survey on customers with high contributions or high developmental potential every year. The survey is conducted over the phone, by email, fax, or onsite communication with respondents with items covering four main dimensions: product satisfaction, sale and order delivery satisfaction, RMA service efficiency satisfaction, and CQE service efficiency satisfaction. We also survey customer satisfaction by product type: CE and IoT.



After receiving the response to our customer satisfaction survey form from customers, the QA Division will assess the proportion of satisfactory and unsatisfactory items. QA will also use relevant management charts as necessary to capture the centralization of satisfactory and unsatisfactory items to take countermeasures after in-depth investigation of their causes. QA also analyzes compliance with product requirements, the characteristics and trend of processes and products (including preventive actions), and suppliers; locates the main trends related to customers and their correlations; and makes decisions and long-term planning after reviewing and improving the present condition. As the valid response rate of the 2015 survey



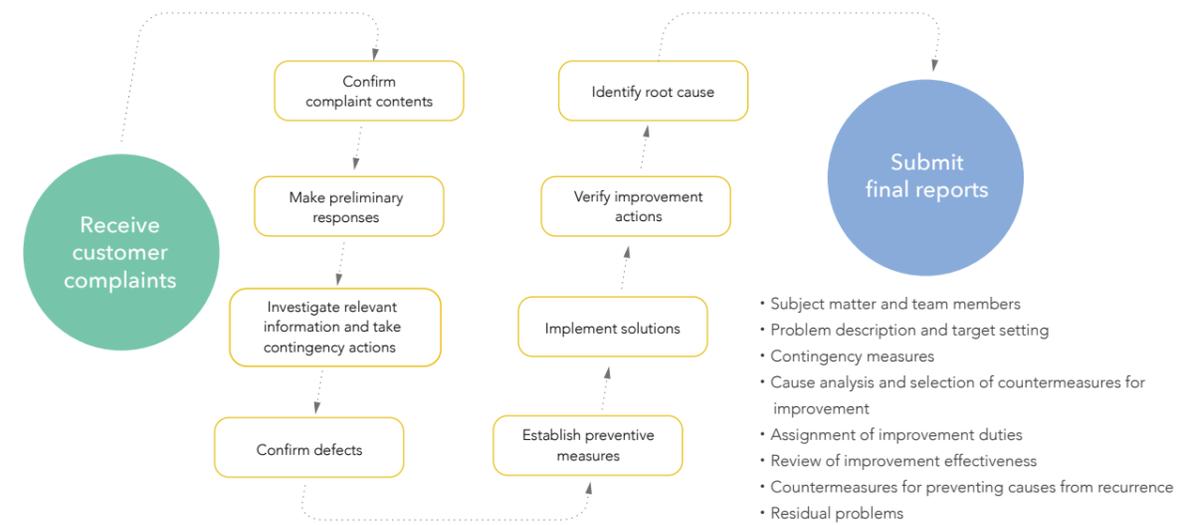
is and the average score of each item is excellent, these suggest that we have gained high customer satisfaction and recognition in both product quality and customer service.

No significant difference in customer satisfaction is observed between 2016 and 2017. Although overall product satisfaction escalated significantly, product satisfaction fell slightly. However, the overall satisfaction maintained at 80%.

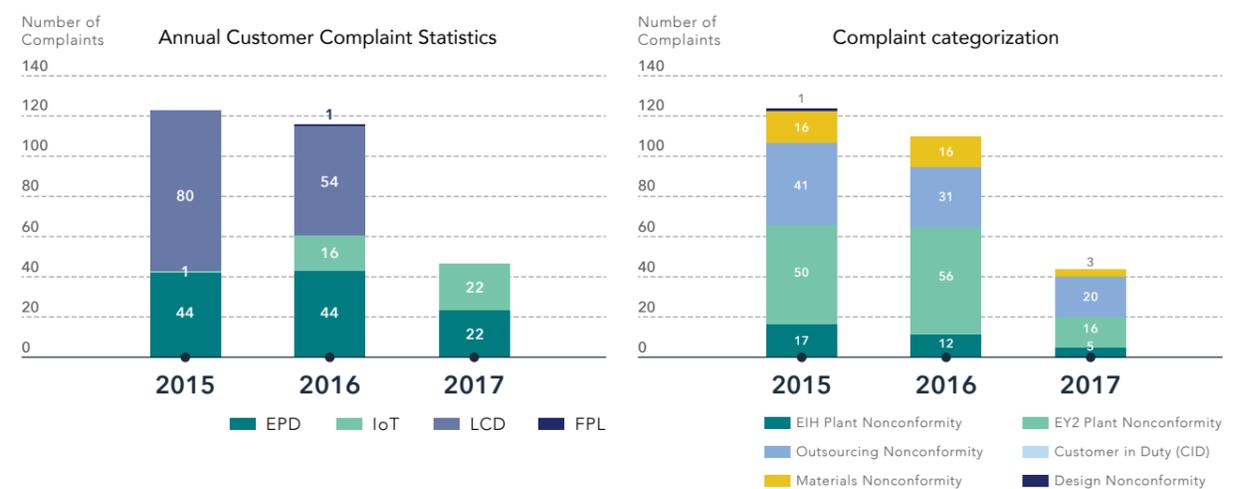
After analyzing the satisfaction survey results, we deliver the outcomes to respective units and submit them to management review. Customers with an average satisfaction score below 70 marks will be discussed at the management review meeting, and related windows, including the sales and product satisfaction, sale and order delivery satisfaction, RMA service efficiency satisfaction, and CQE service efficiency satisfaction, to assist on the investigation of the cause(s) of dissatisfaction. Risk assessment is also conducted on the potential problem(s) fed back by customers to confirm if the customer problems are properly addressed.

Response to Customer Feedback

At E Ink, customer satisfaction with our products and services is extremely important to us. Aside from surveying customer opinions with the said customer satisfaction survey, we arrange business visits on, hold business meetings with, send emails to, or make calls to customers from time to time to ask for feedback and make immediate management and responses to their feedback. Customer complaint handling flowchart.



In 2017, we received 44 customer complaints, 71 less than 2016. (The LED business ended in 2017 was not included.)





Chapter 4

Low Carbon Operations and Green Partners

4-1 Environmental protection

Since 2002, our plants have passed ISO 14001 certification (environmental management system, EMS) one after another. Further in 2017, our plants in Taiwan passed the third-party external verification and acquired the new certificate with reference to the version change to ISO 14001:2015.

ESHE Policy

- Environment Prioritization
- Safety Supremacy
- Total Participation
- Sustainable Operations

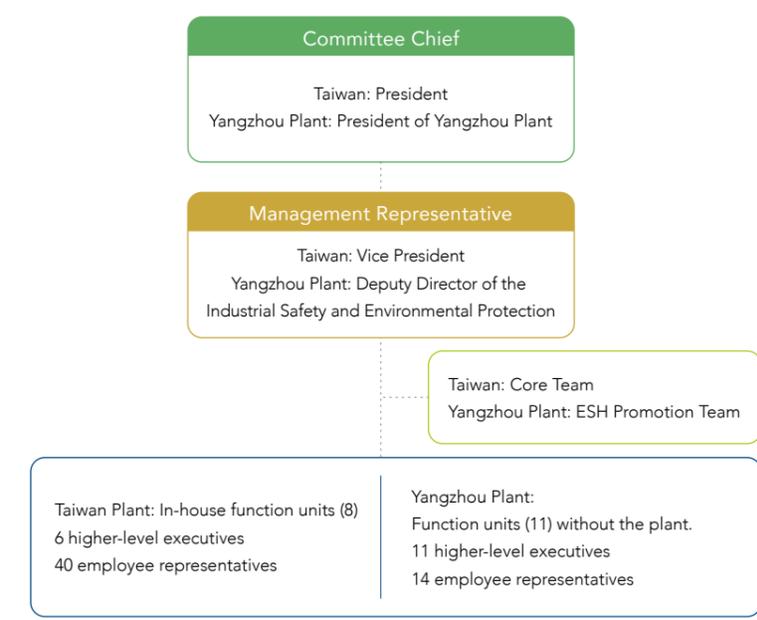
As a leading developer and supplier of ePaper products based on electrophoretic technology, we offer revolutionary products, better user experience, and create higher environmental efficiency through developing various advanced technologies. At E Ink, management of all levels concern about employee health and safety and care about environmental protection and energy issues. We also believe that safety and health, environmental protection, and energy considerations are indispensable to business operations. By measuring health and safety, environmental protection, and energy with appropriate tools, we plan and implement management plans in routine operational control to achieve occupational safety, clean production, environmental protection, and energy conservation in order to realize sustainable development.

For these reasons, we are committed to making continual improvement to:

- 1 comply with local ESHE-related laws and regulations, build a healthy and safe work environment, prevent occupational injuries and diseases, and realize corporate social responsibilities.
- 2 implement risk management, pollution control, and energy conservation by administrators of all levels and all employees and encourage total participation through communication and coordination.
- 3 provide adequate and necessary education, training, and resources and introduce new international ESHE concepts in order to improve the ESHE awareness and ESHE management performance of employees.
- 4 research and develop new processes and use new equipment, new materials that pass ESHE assessments to minimize hazards, risks, environmental impacts, and energy consumption.
- 5 manage hazardous chemical substances in compliance with international protocols and customer requirements to follow global environmental trends and enhance product competitiveness.
- 6 reinforce process waste reduction, energy savings, risk control, and hazard prevention to improve ESHE performance.
- 7 conduct GHG inventories and verifications in compliance with international standards and take effective controls to minimize GHG emissions.
- 8 uphold balanced ESHE and organizational development to achieve sustainable operations.

Composition of E Ink ESH Management System Promotion Organizations

To effectively promote and implement ESH management, we establish the ESH Management System Promotion Committee in Taiwan and the ESH Promotion Team in the Yangzhou Plant, China, to take charge of ESH promotion, ESH communication and coordination among departments, and ESH management.



Since 2005, the Hsinchu Plant and the Yangzhou Plant acquires the annual certificate of assurance for GHG inventory and external verification based on ISO 14064-1. Although the Linkou Plant is not a compulsory GHG inventory reporting business of the Environmental Protection Administration, it has voluntarily conduct GHG inventory and internal verification to review the effectiveness of in-house energy conservation and emissions reduction for the reference of continual improvement.



E Ink ISO 14001 Certificate Transcend Optronics ISO 14001 Certificate E Ink ISO 14064 Verification Statement

4-2 Address to climate change

Energy Consumption Management

In view of global warming and the structure adjustment of domestic power supply, energy management, energy conservation, and emissions reduction have become popular topics in society and the key issues of enterprises. In addition to pursuing sustainable business, we spare no effort to practice environmental protection, in order to create a better future for the Earth, the environment, and future generations.

The Hsinchu Plant passed a third-party external verification for the ISO 50001 Energy Management System (EnMS). We further extended the implementation experience of the Hsinchu Plant to the Linkou Plant, which also passed a third-party external verification at the end of 2017. We will progressively implement EnMS to all E Ink plants to demonstrate our determination and efforts to implement energy conservation and emissions reduction.

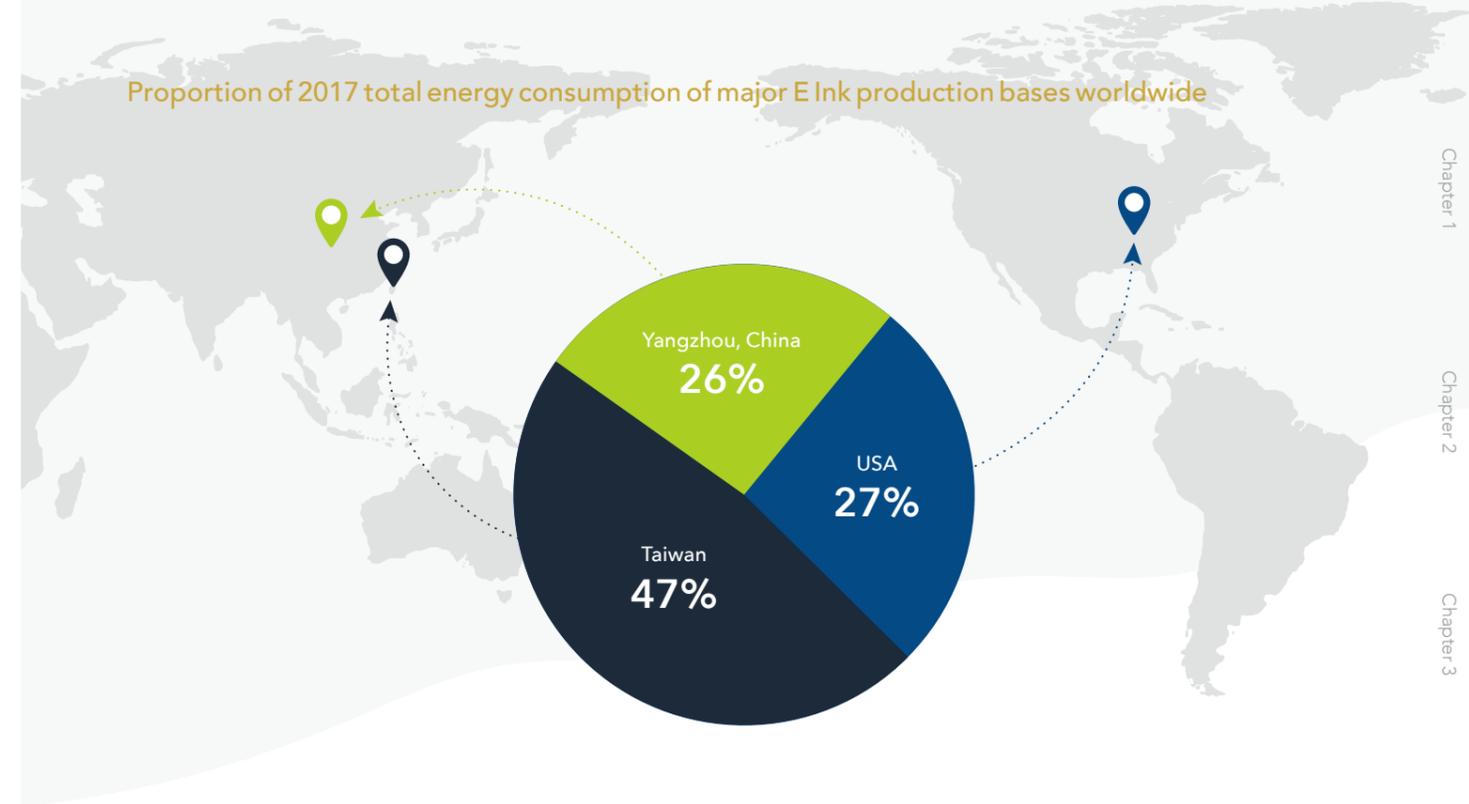
In support of the government's energy policy, the Hsinchu Plant will reduce electricity consumption by 1% each year on average during 2015-2019, and the Linkou Plant will reduce the unit product energy consumption by 1%.

The total 2017 energy consumption of our major production bases worldwide was 319,870.78 GJ. Production mainly consumes electricity, commanding at over 79% of total energy consumption.



ISO 50001 Certificate

Proportion of 2017 total energy consumption of major E Ink production bases worldwide

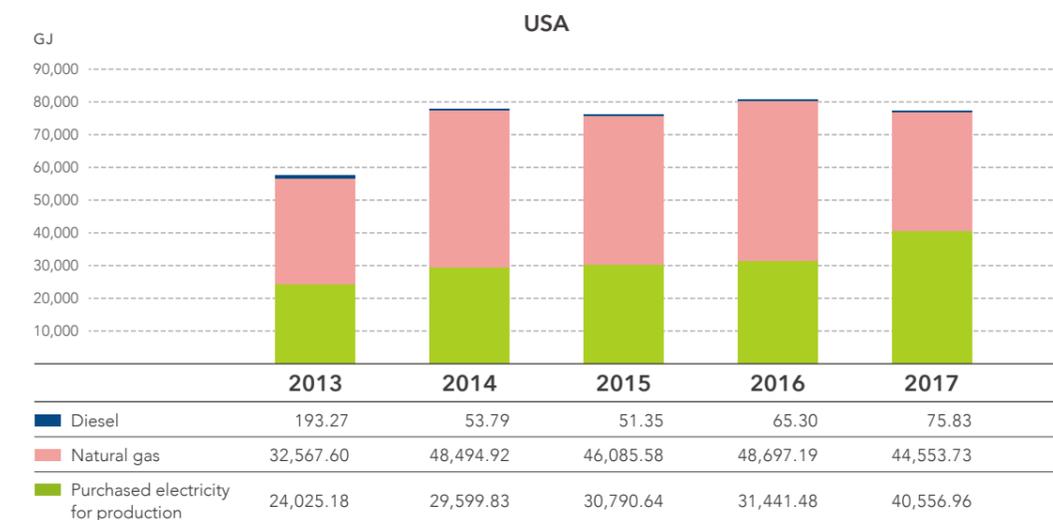
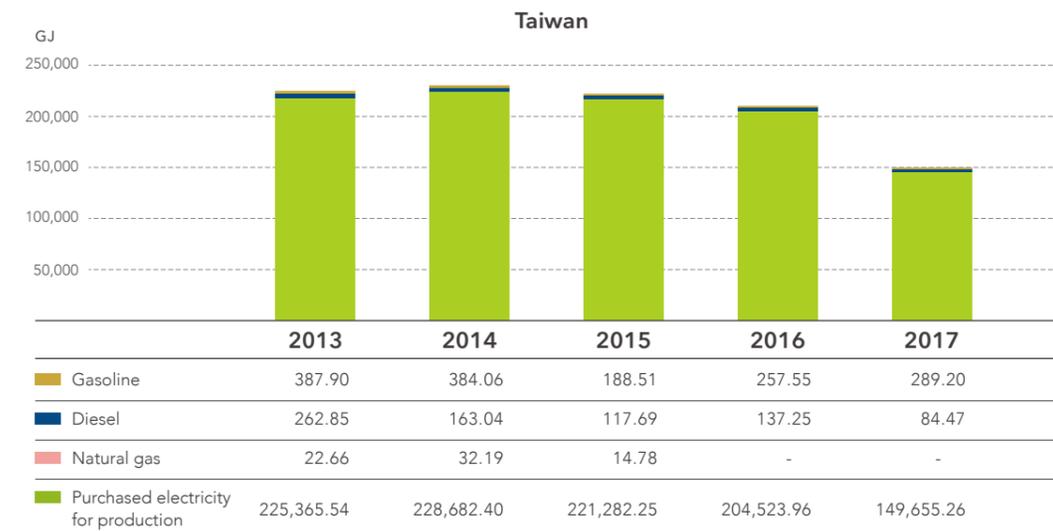


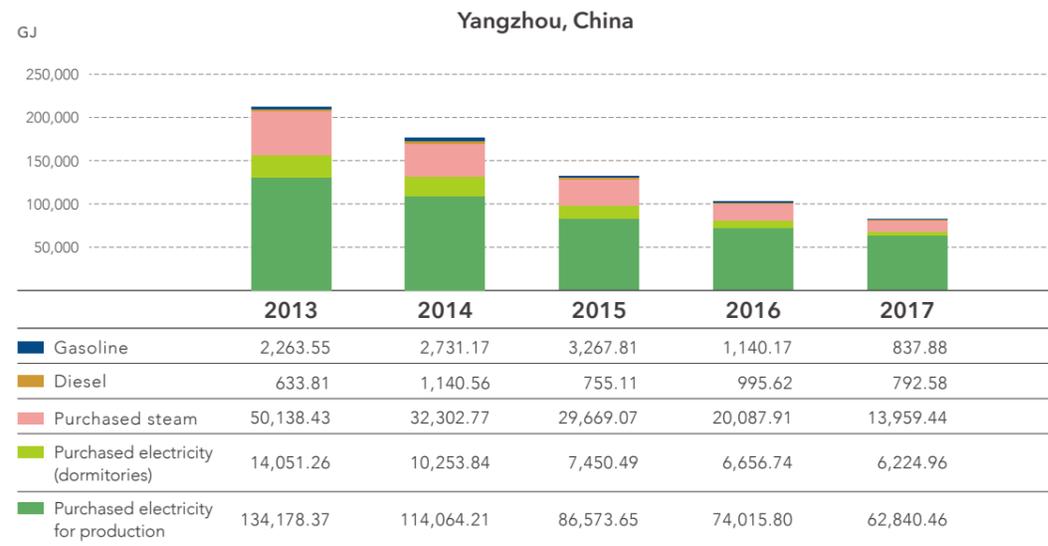
E Ink Energy Consumption Statistics

| Energy Type | Original Unit | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Purchased electricity for production (GWh) | 106.60 | 103.48 | 94.11 | 86.15 | 70.33 |
| Purchased electricity (dormitories) (GWh) | 3.91 | 2.85 | 2.07 | 1.85 | 1.73 |
| Purchased steam (ton) | 17,876.00 | 11,517.00 | 10,578.00 | 7,162.00 | 4,977 |
| Natural gas (m ³) | 973,657.32 | 1,449,782.39 | 1,377,281.57 | 1,454,863.37 | 1,331,074.61 |
| Diesel (L) | 27,829.37 | 32,894.92 | 22,503.27 | 29,092.49 | 23,132.91 |
| Gasoline (L) | 64,410.32 | 75,143.71 | 81,603.91 | 34,348.80 | 19,442.63 |

| Energy Type | Conversion to GJ | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Purchased electricity for production | 383,569.10 | 372,346.44 | 338,646.54 | 309,981.24 | 253,052.69 |
| Purchased electricity (dormitories) | 14,051.26 | 10,253.84 | 7,450.49 | 6,656.74 | 6,224.96 |
| Purchased steam | 50,138.43 | 32,302.77 | 29,669.07 | 20,087.91 | 13,959.44 |
| Natural gas | 32,590.26 | 48,527.12 | 46,100.37 | 48,697.19 | 44,553.73 |
| Diesel | 1,089.93 | 1,357.39 | 924.14 | 1,198.17 | 952.89 |
| Gasoline | 2,651.45 | 3,115.24 | 3,456.32 | 1,397.72 | 1,127.08 |
| Total | 484,090.41 | 467,902.79 | 426,246.93 | 388,018.96 | 319,870.78 |

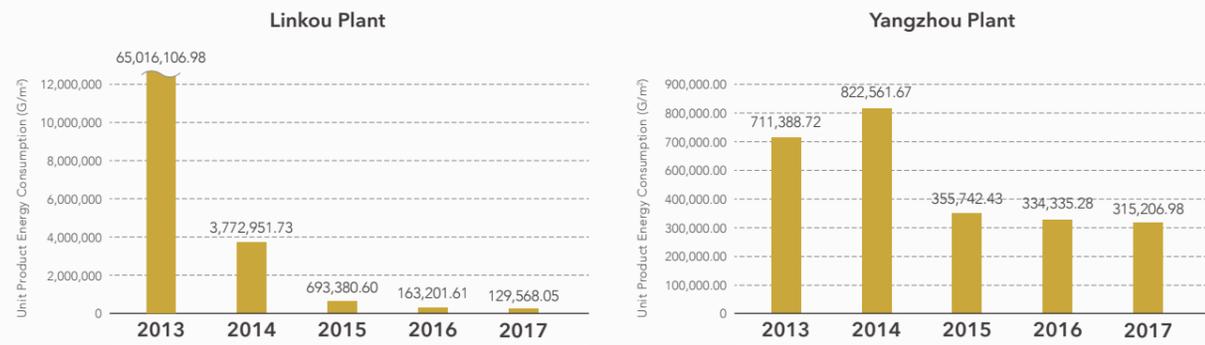
Note 1: Electricity consumption was calculated based on the electricity bill, while fuel consumption was calculated by actual consumption.
 Note 2: The conversion coefficient was subject to the energy heating value coefficient.





Intensity of product energy consumption (GJ/m²)

*The intensity of product energy consumption is calculated based on product energy consumption, including electricity and steam consumption for production.



At E Ink, we implement midstream-downstream vertical integration for integrated production. The Linkou Plant and the USA Plant produce e-ink and the Yangzhou Plant assembles terminal module products. Therefore, the intensity of product energy consumption varies significantly due to product structure.

In 2017, we completed the transformation of the Hsinchu Plant from manufacturing front-end display panels into a production line experimentation base. Therefore, product energy consumption and GHG emission intensity of the Hsinchu Plant will not be calculated anymore.

Moreover, the shipping volume of the Linkou Plant reduced in 2013 as the plant mainly engages in new product development and trial production. Although shipping volume increased in 2014, most part was for trial production, and mass production did not begin until 2016. Therefore, the intensity of energy consumption of the Linkou Plant was comparatively high in 2013 and 2014 as product outputs were extremely low. Mass production of the Linkou Plant began in 2017 with part of the energy conservation measures. Although total electricity consumption increased, product energy consumption and GHG emission intensity reduced significantly.

While various energy management plans have been initiated in the Yangzhou Plant since 2015 in pace with productivity rise, the intensity of energy consumption reduced significantly than 2014, and reduction continues every year ever since.

GHG Emissions

Reduction of GHG emissions has become an important trend of environmental protection across the globe. To implement GHG management, it is necessary to first understand the company's GHG emissions. Identification and quantification of GHG emissions are the most fundamental work for GHG inventory.

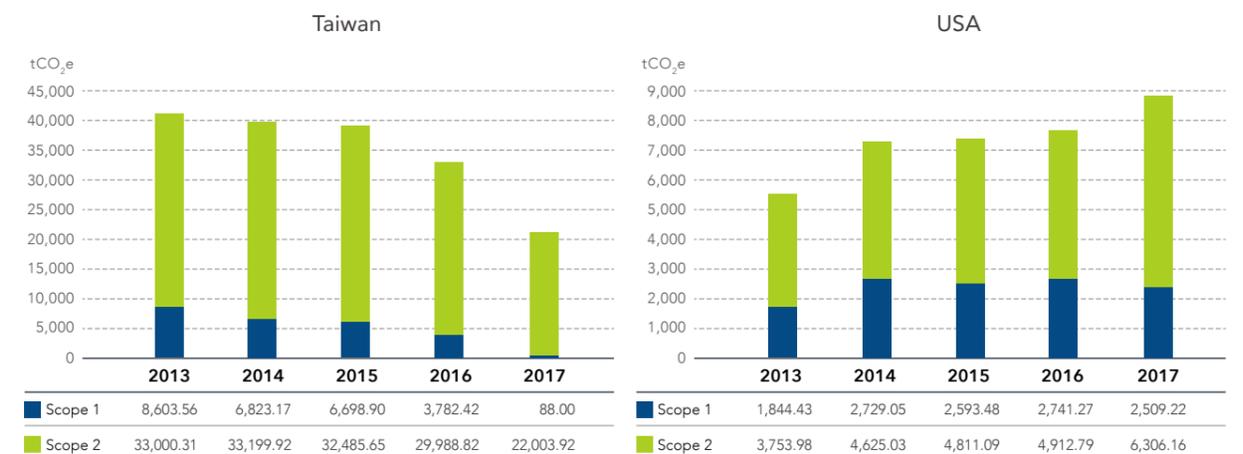
Both the Hsinchu Plant and Yangzhou Plant began GHG inventory in 2005 and has conducted third party verification according to ISO14064-1 in the same year, while the Linkou Plant implemented GHG inventory and external verification voluntarily. In 2013, the Hsinchu Plant became the first group of public and private fixed pollution sources announced by EPA to report GHG emissions. Currently, it completes registration and reporting every year.

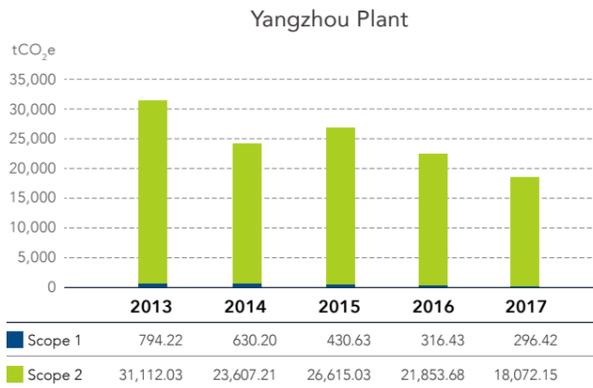
As purchased electricity as specified in Scope 2 is still the main source of GHG emissions of all plants, both the pattern and trend of the unit product GHG emissions and intensity of product energy consumption of each plant are alike. As module assembly, the back-end process of panels, is the main task of the Yangzhou Plant, both the unit product GHG emissions and intensity of product energy consumption of the Yangzhou Plant are significantly lower than that of plants in Taiwan. Furthermore, the GHG emission of the Hsinchu Plant has reduced significantly since the end of 2016 after the transformation into a plant for experimentation.

Unit: tCO₂e

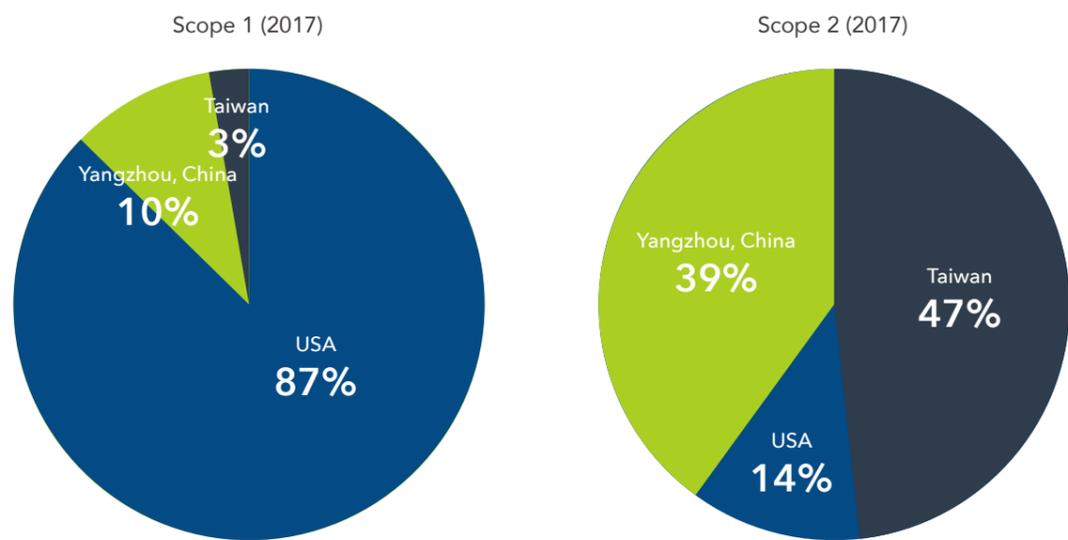
| Region | Scope | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------|--------------------|-----------|-----------|-----------|-----------|-----------|
| Taiwan | Scope 1 | 8,603.56 | 6,823.17 | 6,698.90 | 3,782.42 | 88.00 |
| | Scope 2 | 33,000.31 | 33,199.92 | 32,485.65 | 30,065.99 | 22,003.92 |
| | Emissions subtotal | 41,603.87 | 40,023.10 | 39,184.55 | 33,848.41 | 22,091.92 |
| USA | Scope 1 | 1,844.43 | 2,729.05 | 2,593.48 | 2,741.27 | 2,509.22 |
| | Scope 2 | 3,753.98 | 4,625.03 | 4,811.09 | 4,912.79 | 6,306.16 |
| | Emissions subtotal | 5,598.41 | 7,354.07 | 7,404.57 | 7,654.05 | 8,815.39 |
| Yangzhou, China | Scope 1 | 794.22 | 630.20 | 430.63 | 316.43 | 296.42 |
| | Scope 2 | 31,112.03 | 23,607.21 | 26,615.03 | 21,853.68 | 18,072.15 |
| | Emissions subtotal | 31,906.25 | 24,237.41 | 27,045.66 | 22,170.11 | 18,368.57 |

1. The GHG inventory of plants in Taiwan was subject to the combined volume of the Hsinchu and Linkou plants: The data of the Hsinchu Plant has undergone third-party verification; and third-party verification began at the Linkou Plant in 2015.
2. The GHG inventory outcomes of the Hsinchu Plant and Yangzhou Plant have passed third-party verification.
3. The GHG inventory outcomes of the USA Plant are estimated based on energy consumption.
4. We adopt IPCC-AR4 data for GHG emission potential
5. GHG emissions were consolidated subject to the operational control method.
6. The following seven groups of GHGs were included in the inventory: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃.
7. Scope 2 emissions were calculated with the location-based approach.

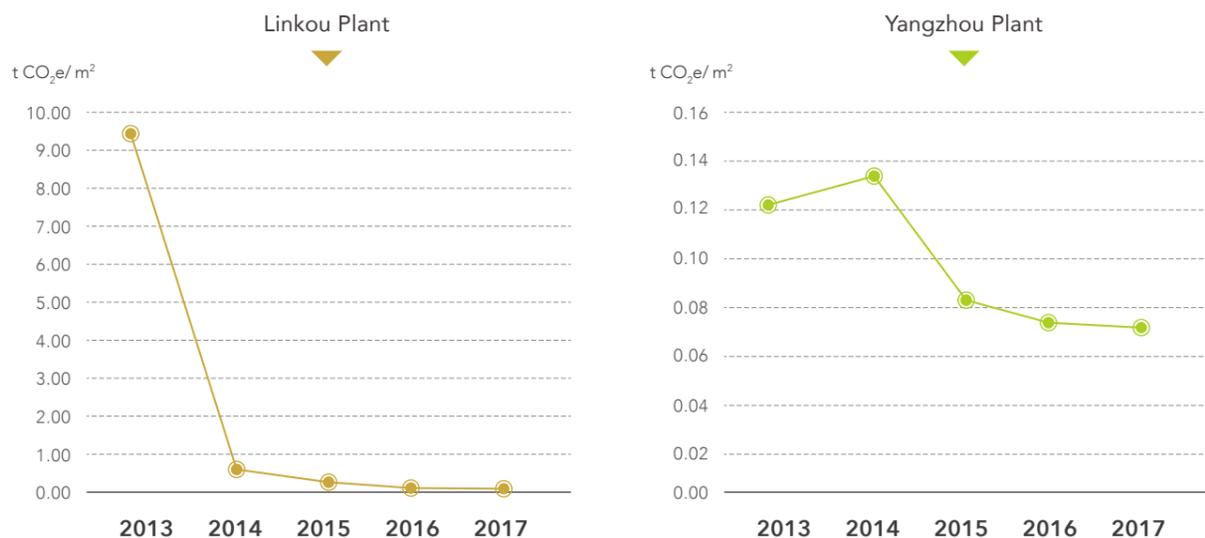




Proportion of 2017 GHG emissions of major E Ink production bases worldwide



Product emissions intensity (t CO₂e/m²)

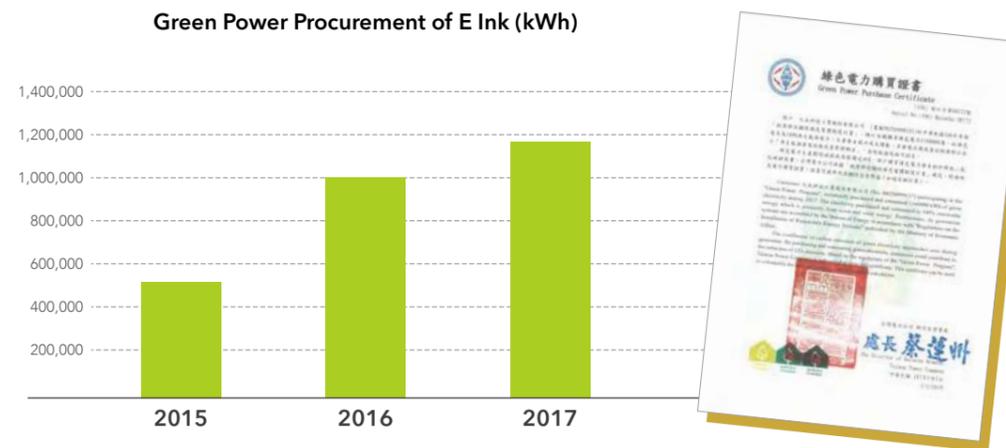


Management of Energy Saving and Emissions Reduction

In recent years, we have made much effort in energy management. For example, we implemented many energy saving and efficiency improvement plans on relevant plant facility systems, clean rooms, and office areas. Through equipment updates, system parameter optimization, and administrative measures, we have gradually reduced energy consumption and GHG emissions in recent years and maintain them within a controllable range.

1 Increasing renewable energy use

In support of the environmental stewardship and the government's green energy development policy, we purchased green power for three consecutive years during 2015-2017. The procurement volume in 2017 was 16% more than the previous year. The accumulative volume green power purchased over the three years was 266kWh.



In addition, in support of the renewable energy certificate (ERC) trade promoted by the government, we purchased a total of 184 ERCs in 2017. With respect to the ERC transaction statistics of the National Renewable Energy Certification Center, we have traded 448 RECs by February 13, 2018. So far, we are an enterprise with the most RECs, commanding at 41% of the total.

About Renewable Energy Certificate

The Renewable Energy Certificate (REC) is an identity card of green power issued by a third party after verifying the equipment and generation capacity of green energy. Currently, world leading enterprises including Google, Apple, and Facebook have promised to use 100% green power, and REC is an equivalent to the proof of green energy use.

Q&A

What are the benefits for industries of using renewable energy?

- A : 1.Improve the corporate environmental image and promote the international competitiveness of low-carbon products.
- 2.Increase the output value of green energy generation products to incentivize the investment of green power developers.
- 3.Serve as a reference for bank financing and insurance to thrive green power market development.

Please refer to the National Renewable Energy Certification Center for details.



In addition, we began to build solar panels on the roof of the Yangzhou Plant in 2014. Currently, the total installed capacity is up to 2,392KW. The 2017 generation capacity was over 2.14 million kWh for in-house consumption. Along with other energy conservation measures, this capacity commands about 12.3% of the plant's total consumption. Apart from effectively reducing the Scope 2 GHG emissions, this can lower electricity bills to create a win-win situation for environmental and economic aspects. Furthermore, the Yangzhou Plant was rated as an excellent, high-salary, and environmental enterprise that was allowed to directly purchase power of lower carbon emissions from power plants in 2016 to further reduce environmental impacts.



| Year | Total output capacity (kWh) | Total electricity bill saved (NT\$) |
|-------|-----------------------------|-------------------------------------|
| 2014 | 2,202,462 | 1,520,000 |
| 2015 | 3,275,241 | 1,590,000 |
| 2016 | 2,143,751 | 1,267,000 |
| 2017 | 2,143,136 | 1,377,000 |
| Total | 5,477,703 | 5,754,000 |

* Total amount of electricity bills saved was calculated based on the electricity purchasing price of the Yangzhou Plant and the RMB exchange rate.

2 Process Energy Management

Through process equipment replacement, machine operation optimization and management, and installing LED lighting inside the factory building, we endeavor to minimize energy consumption in the production process and thereby achieve the goal of energy saving and emissions reduction.

1. Implementing LED Lamps

The Yangzhou Plant has replaced all T8 fluorescent tubes with LED lamps to reduce electricity consumption. The actual efficiency is as follows:

- ✓ Estimated energy conservation efficiency: Power saved by 16,510 kWh/year.
- ✓ Cost saved: Approx. NTD145,100/year.

2. Re-engineered Hsinchu Fab to reduce the number of basic machines to enhance operation efficiency:

- ✓ Enhance the operation efficiency of the Hsinchu Fab by reducing the number of fans in operation and modifying VOCs treatment equipment.
- ✓ Estimated energy conservation efficiency: 6,743,214 kWh/year
- ✓ Cost saved: approx. NT\$18,881,000/year

3. Replacing lighting with automatic sensor LED lamps

- ✓ Reduce electricity consumption of the basement parking garage at the Linkou Plant and the control room of the wastewater treatment plant of Hsinchu Fab by replacing T8 fluorescent tubes with automatic sensor LED lamps.
- ✓ Estimated energy conservation efficiency: 5,563 kWh/year
- ✓ Cost saved: approx. NT\$15,300/year

Note: The energy conservation efficiency of each project is estimated based on the specifications and operating time of equipment before and after improvement.



3 Air pollution control

To comply with the increasingly stricter environmental regulations, the Yangzhou Plant installed additional active charcoal absorption equipment at vents of organic exhausts in 2017 to reduce VOCs in the exhaust.

Through the above environmental protection, renewable energy development, and energy conservation enhancement projects, we contribute to energy reduction, emissions reduction, and Earth protection in real action. In the future, we will continue to plan various solutions for energy conservation and energy efficiency enhancement upon our goal for sustainable development to achieve a win-win situation for business development and energy-saving and carbon emissions.

4-3 Resource recycling management

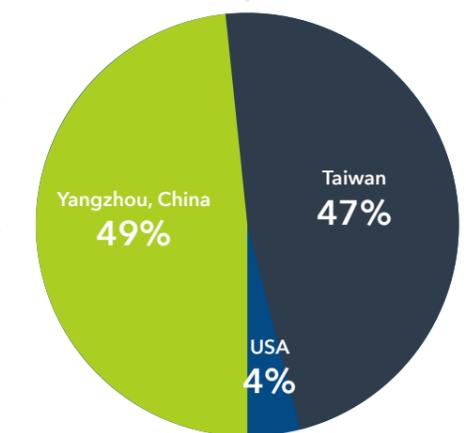
Water Resources Management

Taiwan is a mountainous island with short and rapidly flowing rivers, making it difficult to effectively store precipitation. In addition, extreme weather events have become increasingly frequent in recent years as a result of climate change, resulting in droughts and torrential rain coming in succession one after another. Floods and droughts have also occurred frequently in China in recent years. Therefore, water resource management has become increasingly important in Taiwan, China, and even across the world. To business operations, how to cope with the crisis from water shortages has become exceptionally important in the past few years.

In recent years, we have spared no efforts to save and reclaim water, thus reducing the water consumption of each plant, and the unit product water consumption has also reduced. However, as the Hsinchu Plant in Taiwan was previously a display substrate fab and was transformed into an experimental plant in 2017, the total reclaimed water volume increased, and unit product water consumption was not accounted for anymore. Furthermore, while household water consumption unrelated to production dominated most part of water consumption of the Linkou Plant, the unit product water consumption was not accounted for anymore in 2017. While the operation of the pure water system and regeneration system reduced at the Yangzhou Plant as productivity was lowered, the reclaimed water volume also reduced as a result.

| Region | (m ³) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------|-------------------------------|---------|---------|---------|---------|---------|
| Taiwan | Water Taking Volume | 316,650 | 298,190 | 287,765 | 252,429 | 255,765 |
| | Reclaimed Water Volume | 396,873 | 409,527 | 382,106 | 304,881 | 184,942 |
| | Reclamation Proportion | 125% | 137% | 133% | 121% | 72% |
| | Effluent Volume | 220,568 | 251,718 | 232,506 | 210,307 | 193,972 |
| USA | Water Taking Volume | 19,843 | 22,300 | 23,794 | 26,934 | 29,851 |
| | Reclaimed Water Volume | - | - | - | - | - |
| | Effluent Volume | 8,124 | 10,408 | 10,339 | 10,443 | 8,871 |
| Yangzhou, China | Process Water Taking Volume | 266,477 | 312,208 | 236,009 | 166,005 | 140,834 |
| | Household Water Taking Volume | 279,573 | 192,573 | 123,316 | 122,907 | 104,387 |
| | Purchased hot water | 17,942 | 32,591 | 23,813 | 22,846 | 22,818 |
| | Total Water Taking Volume | 563,992 | 537,372 | 383,138 | 311,758 | 268,039 |
| | Reclaimed Water Volume | 57,299 | 43,466 | 34,586 | 35,093 | 4,984 |
| | Reclamation Proportion | 10.2% | 8.1% | 9.0% | 11.3% | 1.8% |

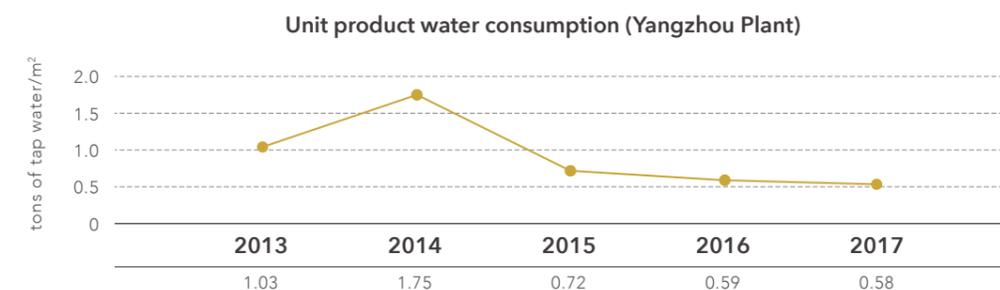
Proportion of 2017 total water consumption of major E Ink production bases worldwide



Note 1: Only tap water was taken.

Note 2: Water consumption is based on the records in water bills.

Note 3: With respect to the GRI Standards, the proportion of reclaimed water has been changed from reclaimed water volume/total water consumption (water taking volume + reclaimed water volume) into reclaimed water volume/total water taking volume, and the value of 2013-2016 was adjusted accordingly.



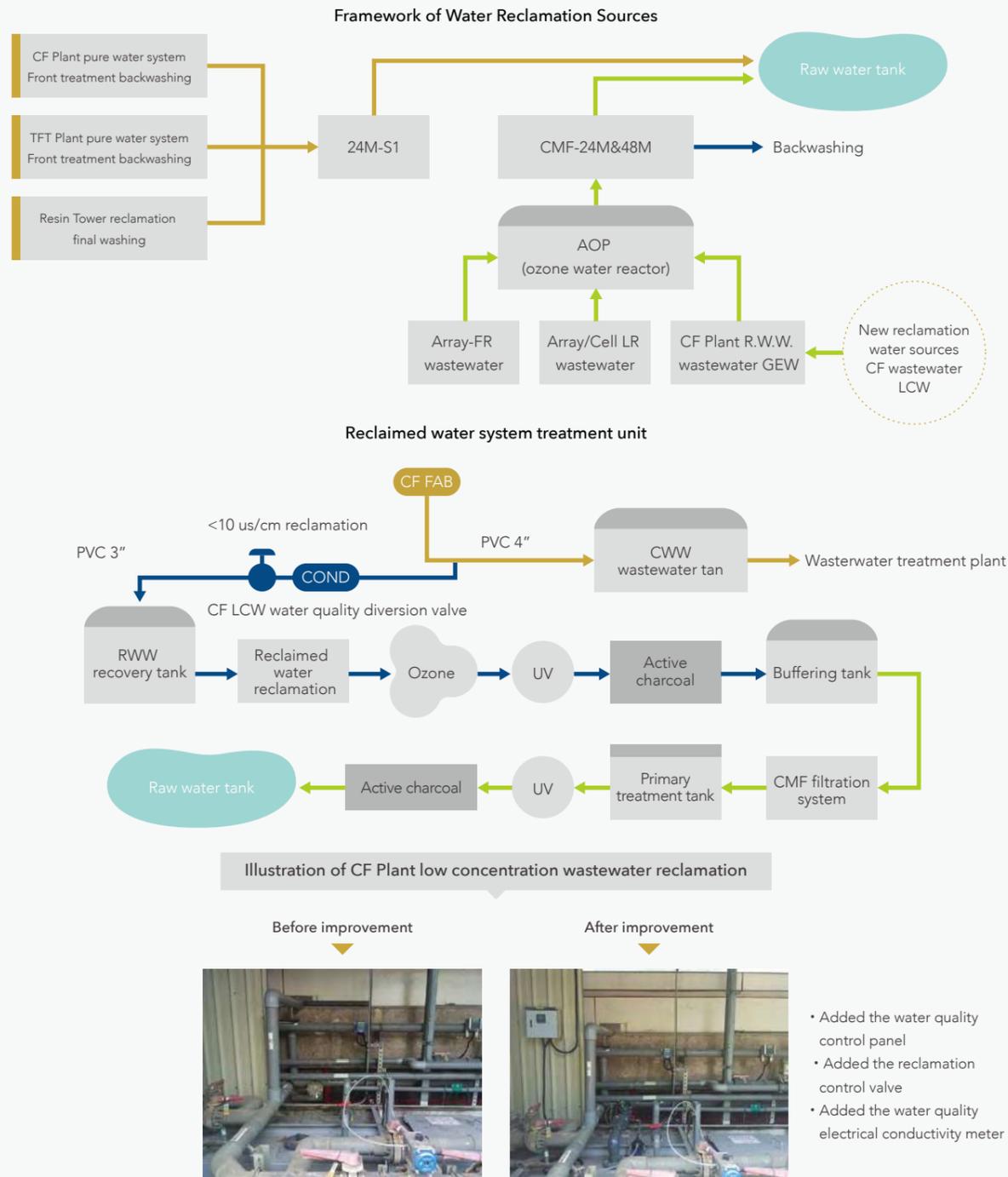
Over the years, we have been making different efforts to save water and have implemented various water saving plans to reduce tap water consumption and wastewater output every year and maintain a high reclaimed water rate. This suggests that our water resources management and water saving efforts are effective. Furthermore, to cope with the potential water shortage crisis in Taiwan every year, apart from seeking other usable water sources, we reduce water consumption in the process and of public facilities. We further lower the water reclamation threshold to recover more process wastewater for reuse to reduce water demand.

Highlights of 2017 Water Saving Plans

Reclamation of cleanroom low-concentration wastewater of the Hsinchu Plant

Added the electrical conductivity diversion and screening reclamation in cleanroom water drainage. When the pure water demand is low, the ultrapure water spilled from the reclamation system will eventually enter the reclamation system for treatment and reuse.

- ✓ Annual water consumption at 30,554 t.
- ✓ Benefits from reclamation up to NT\$ 617,199/year.



In the future, we will continue to improve water resources management and plan a series of water saving and water efficiency enhancement plans based on the sustainable development spirit.

Wastewater Quality Management

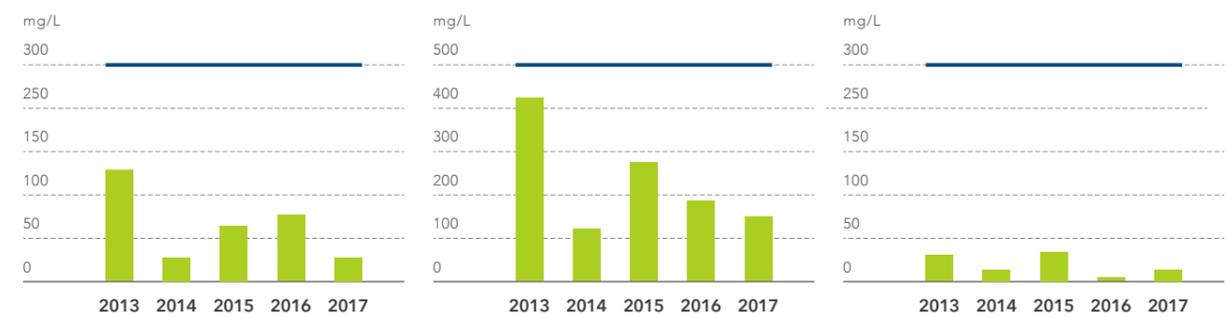
Complying with the legal requirements is the basic principle of process wastewater treatment at E Ink. Therefore, we implement wastewater treatment and effluent quality inspections, periodic monitoring and adjustment of wastewater discharge according to relevant legal requirements. In recent years, the quality of effluents has met the effluent standard of the locations where plants are operated.

| Item | Plant | 2013 | 2014 | 2015 | 2016 | 2017 | Controlled Water Quality Standard | Discharge Destination |
|----------------------------------|----------------|---------|---------|---------|---------|---------|-----------------------------------|---|
| BOD (mg/L) | Hsinchu Plant | 125.3 | 26.9 | 63.5 | 72.5 | 23.8 | 300 | Hsinchu Plant: After confirming that wastewater complies with the controlled water quality standard, we transport it to the HSP sewage treatment plant for processing. Yangzhou Plant: After confirming that wastewater complies with the effluent standard, we discharge it to the Yangzhou City urban sewer network. |
| | Yangzhou Plant | | | | | | | |
| COD (mg/L) | Hsinchu Plant | 427.5 | 121.3 | 273.0 | 190.5 | 131.0 | 500 | |
| | Yangzhou Plant | 114.0 | 73.5 | 77.0 | 53.5 | 75.0 | 500 | |
| SS (mg/L) | Hsinchu Plant | 27.6 | 12.3 | 31.1 | 2.3 | 16.2 | 300 | |
| | Yangzhou Plant | 62.0 | 16.0 | 48.7 | 26.5 | 29.5 | 400 | |
| Wastewater Discharge Volume (m3) | Hsinchu Plant | 220,568 | 251,718 | 232,506 | 210,307 | 193,972 | - | |
| | Yangzhou Plant | 213,182 | 249,766 | 188,807 | 346,851 | 214,431 | - | |

Note 1: As the Linkou Plant did not produce process wastewater, relevant data is based on the wastewater from the Hsinchu and Yangzhou plants.

Note 2: The wastewater drainage of the Hsinchu Plant was calculated based on the flow meter readings. The wastewater drainage of the Yangzhou Plant was 80% (wastewater drainage coefficient) of the water taking volume.

Note 3: Please refer to the external examination reports for wastewater quality.



BOD-Hsinchu Plant

■ BOD
— Controlled Standard

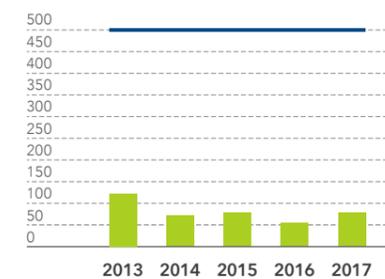
COD- Hsinchu Plant

■ COD
— Controlled Standard

SS- Hsinchu Plant

■ SS
— Controlled Standard

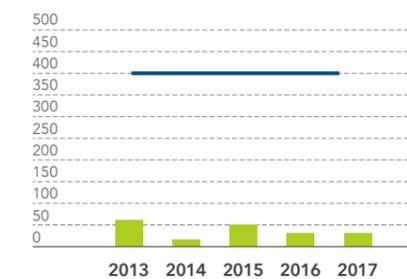
mg/L



COD-Yangzhou Plant

■ COD
— Controlled Standard

mg/L



SS-Yangzhou Plant

■ SS
— Controlled Standard

In addition, the Yangzhou Plant replaced organic solvents with pure water for substrate cleaning after process optimization at the end of 2010. After water quality evaluation, the quality wastewater discharged from the plant is superior to all indicators of the effluent standard. In January 2011, the Yangzhou City environmental protection authority approved the Yangzhou Plant to shut down the wastewater treatment facility to reduce operating costs and the secondary pollution caused by wastewater treatment. The original wastewater storage tank has since been used as fishing ponds and for hydroponics.

Aquaponics in the Yangzhou Plant

Aquaponics is a compound plantation system featuring a new type of eco-balance. Through a clever eco-design, aquaponics achieves scientific symbiosis by integrating aquaculture with hydroculture to realize raising fish without changing water and worrying about water quality and cultivating plants in water without fertilizing and worrying about their growth.

In an aquaponic system, aquatic animals are sent to a water cultivation system where hydrogen nitride (ammonia) in water is decomposed into nitrate for nitrifying bacteria to further decompose it into nitrates as nutrients for plants.

In aquaponics, aquatic animals, aquatic plants, and microbes maintain a harmonious eco-balance for a sustainable recyclable zero-emission low-carbon production model.

The production wastewater tank was shut down in 2011, and the two abandoned sedimentation tanks can be used for raising fish. A closed loop model is applied. Water in the fish pond is filtered by microbes in a loop before flowing into the hydroculture section. After absorbing and filtering by organisms at the root of vegetable, the treated wastewater will flow back to the fish pond to form a closed loop among the fish pond, filtration trough, and vegetable trough.

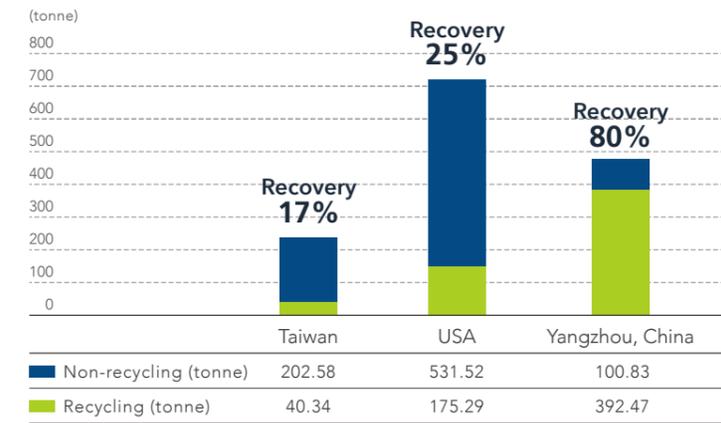


Proper waste management.

At E Ink, legal compliance and disposal costs are the prime concerns for waste management. Therefore, the priority of waste management is: recovery of recyclable waste to achieve waste to resources and material conservation; outsourced incineration of unrecyclable waste after central storage; and landfill when incineration is impossible. Many kinds of in-house solid waste are recoverable and recyclable. By reinforcing garbage classification, we reduce the output of general industrial waste for garbage reduction and waste to resources.

2017 E Ink Waste Volume and Treatment

| Category | Disposal Method | Taiwan | USA | Yangzhou, China |
|-----------------|----------------------|--------|--------|-----------------|
| General Waste | Total output (tonne) | 189.74 | 597.68 | 462.81 |
| | Incineration (tonne) | 146.33 | 362.27 | 0 |
| | Landfill (tonne) | 18.29 | 20.43 | 0 |
| | Recycling (tonne) | 24.80 | 173.69 | 392.47 |
| | Others (tonne) | 0.32 | 41.29 | 70.34 |
| Hazardous waste | Total output (tonne) | 53.19 | 109.12 | 30.49 |
| | Incineration (tonne) | 35.35 | 66.23 | 0 |
| | Landfill (tonne) | 0 | 0 | 0 |
| | Recycling (tonne) | 15.54 | 1.60 | 0 |
| | Others (tonne) | 2.30 | 41.29 | 30.49 |
| Total | Total output (tonne) | 242.93 | 706.80 | 493.30 |
| | Incineration (tonne) | 181.68 | 428.50 | 0 |
| | Landfill (tonne) | 18.29 | 20.43 | 0 |
| | Recycling (tonne) | 40.34 | 175.29 | 392.47 |
| | Others (tonne) | 2.61 | 82.58 | 100.83 |



The total waste output of the Hsinchu Plant tends to reduce as a result of transformation. In recovery and recycling, the plant refines electronic grade chemicals for reuse in the process. This suggests that our material management and waste management policies are effective. As the Linkou Plant mainly produces and coats semi-finished materials, it uses organic chemicals that will produce organic waste liquids. Waste in the Linkou Plant has increased in recent years as the output rose gradually. For waste produced in the plant, some production waste is mainly plastics, is treated in-house for final disposal (incineration or physical), and some is recovered for recycling, except for household waste. We also continuously advocate the waste sorting policy to employees and equip kitchens and employee rest areas with trash cans for different types of garbage: paper waste, plastics, aluminum foil packages, glass, and metal cans. We even label each trashcan in both Chinese and English for local and foreign employees to identify them in order to enhance the recovery and recycling rate of household garbage.

Container Waste Reduction Project

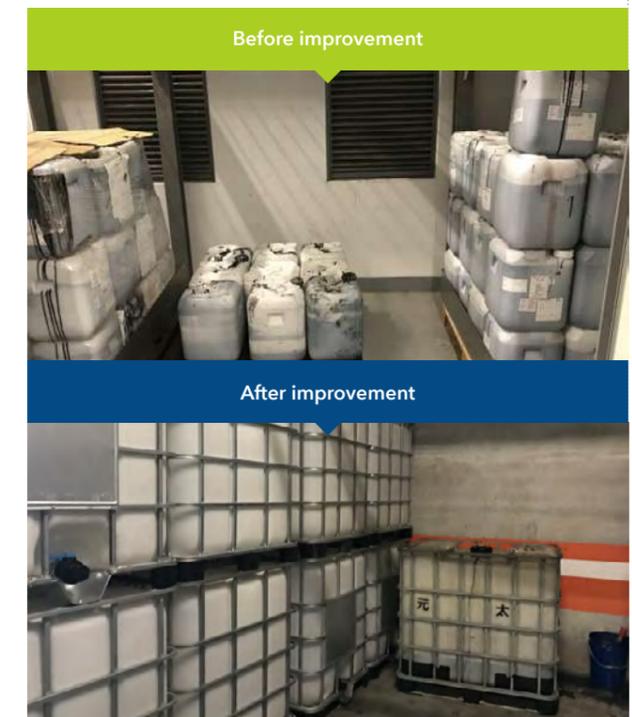
To support environmental protection, the Linkou Plant began to replace 20L waste liquid containers to 1t containers since 2016.

This is because we used to dispose of waste liquid with 20L containers that cannot be recovered and will increase the weight to waste. After further discussion with waste disposers, we have changed the container from 20L to 1t to facilitate recover and reuse.

✓ Actual environmental benefits: Reduced waste container weight by 1774.5 kg/year, commanding at about 7% of all hazardous waste of the Linkou Plant.

✓ Saved treatment cost: approx. NT\$72,062/year.

Furthermore, the 1t container is less likely to be felled than the 20L container, stackable for storage to save space, and make work environment cleaning easier. When handling with machinery, this can reduce human hazards and save time from handling to lower occupational accidents and enhance work efficiency.



To establish a complete waste management mechanism, the Yangzhou Plant began keeping a full record of waste outputs in 2015 for the management reference. Recyclable packaging materials, such as paper and plastics, are the main types of waste. The 2017 recovery rate was up to 79%. The Yangzhou Plant also encourage employees to make proposals for cutting expenses in the production process, including machine efficiency enhancement, waste reuse, used paper recovery and recycling, and use frequency enhancement of consumables.

Process Waste Recovery and Recycling

To reduce waste, the Yangzhou Plant has added the maintenance and repair process to recover and reuse nonconforming products. In practice, scraps are dismantled to recover the reusable parts, such as glass panel, for reuse in the production process. This process can reduce about 40% of waste and the quantity of hazardous waste and improve the effectiveness of resource recycling and reuse.

Dangerous Waste Management of Yangzhou Plant

An independent dangerous waste storage area is established with warning signs posted around and related operating procedures.



EPD Revitalization Project

Apart from a wide scope of application, EPD is lightweight, handy, energy efficient, anti-breaking, and reusable. To improve product features and reduce in-house waste, the Yangzhou Plant has established an EPD Revitalization Project team to gather feasible plants and discuss then regularly. The team also publishes the outcomes on the E Inker Monthly to promote product use diversification, in order to make “minimizing depletion by replacing paper with EPD” part of our corporate culture. Implemented cases including ID cards, bus timetables, and ESL/tag.



4-4 Building a sustainable supply chain

In Taiwan, our major sales locations include Taiwan’s Hsinchu Science Park and SiPix Technologies, an E Ink subsidiary located in Hwa Ya Technology Park (HYTP) in Linkou. In China, our major production base is located in Yangzhou City, Jiangsu Province. E-paper and LCD panels are our core products. In addition to the own manufactured LCD panels and FPLs, we also need other key parts and components, including optical glass, TFT driver ICs, touch panels, light bars, optical clear adhesives, optical films, FPCs, various electronic grade chemicals, and various other raw materials, parts, and accessories, to manufacture ePaper or LCD panel modules. Therefore, suppliers have always been our major partners.

To fulfill the commitment for local procurement and cope with the production cut of consumer LEDs of Japanese suppliers, we will adjust our procurement strategy to expand the scale of local procurement. To cope with the display demand of aviation and home control, we have added high hardness protective glass and special printing supplied by qualified local suppliers to work out the ideal of local co-prosperity.

Proportion of Local Procurement in 2017

| Item | Materials | | Parts and Accessories | | Machines and Equipment | | Total Purchase | |
|---|-----------|------------|-----------------------|---------|------------------------|--------|----------------|------------|
| | Taiwan | China | Taiwan | China | Taiwan | China | Taiwan | China |
| Local procurement amount (NT\$1,000) | 3,933,783 | 2,140,949 | 9,178 | 189,788 | 41,239 | 28,558 | 3,984,200 | 2,359,295 |
| General procurement amount (NT\$1,000) | 4,327,267 | 11,543,304 | 11,337 | 191,558 | 45,591 | 31,408 | 4,384,195 | 11,766,269 |
| Percentage of local procurement amount (%) | 90.91% | 18.55% | 80.95% | 99.08% | 90.45% | 90.93% | 90.88% | 20.05% |
| Number of Suppliers | Taiwan | China | Taiwan | China | Taiwan | China | Taiwan | China |
| Number of local procurement suppliers | 78 | 41 | 76 | 42 | 37 | 17 | 191 | 100 |
| Total number of local procurement suppliers | 138 | 82 | 82 | 44 | 40 | 20 | 260 | 146 |
| Percentage (%) of procurements from local suppliers | 56.52% | 50.00% | 92.68% | 95.45% | 92.50% | 85.00% | 73.46% | 68.49% |

*Plants in Taiwan purchase from Taiwanese suppliers, while plants in China purchase from Chinese suppliers.

Compared to 2016, local procurement in mainland China dropped significantly because E Ink plants in China directly procured from suppliers in Taiwan in 2017. Although the suppliers were not considered as local Chinese suppliers, materials were delivered to E Ink plants in China directly from the plants in mainland China of those Taiwan-based suppliers. Therefore, E Ink maintains the same cooperation model with local suppliers. After all, maintaining co-prosperity and co-development with local suppliers is our business strategy.

Supply Chain Cooperation

As most customers purchase custom products from us, we need to co-develop most raw materials, parts, and accessories with customers and suppliers in order to pursue a business model for long-term cooperation and sustainable development.

We support local suppliers through co-design and co-development to improve their production techniques, technical standards, and product quality in order to promote the overall development of the optronics industry. In 2015, we launched cooperation with large touch panel suppliers in Shenzhen to co-develop large-size interactive displays and with optical film suppliers in Taiwan to increase the number of suppliers. In 2016, we furthered our collaboration with leading Taiwanese TFT LCD manufacturers for the in-depth development of TFT substrates with their TFT equipment and R&D resources, in order to achieve the “technology in Taiwan” commitment. In 2017, we reinforced strategic cooperation with suppliers in response to the new application trend of products, to improve quality and raise the yield rate, and increase productivity to gain market leadership.

Material Suppliers

Through co-development with material suppliers, we replace the imported from USA model with local supply for the plastic materials required for EPD produced at the Linkou Plant to progress realize local procurement, shorten the derivative carbon footprint (CFP), and create local job opportunities in Taiwan.

Component Suppliers

The base materials of flexible electronic components are lightweight, thin, unbreakable, impact resistant, and compatible with mass production in rolls, making flexible electronic components a recent focus in the market. We have invested in a flexible PCB bonding plant in Taiwan in collaboration with suppliers. Apart from strengthen SCM and increasing local job opportunities, we maintain the mutual trust and reciprocity spirit to create an innovative and healthy supply chain and a star industry with revenue over ten million dollars. Through mutual understanding, we have helped suppliers to develop and implement the new processes and capacity in the shortest time to fulfill our EPD applications and products, in order to provide customers with more flexible options.

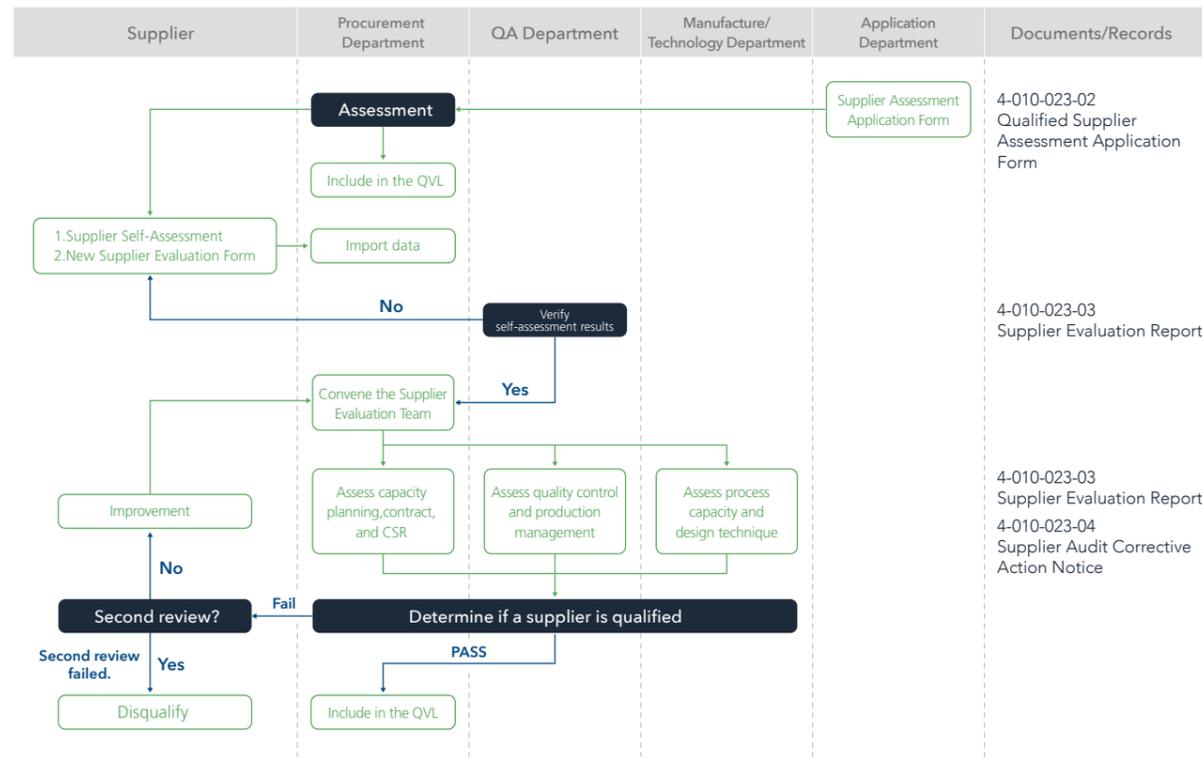
Display Panel Suppliers

We have leased factory buildings from small and medium size panel manufacturers in Taiwan and revitalized exiting equipment and capacity through reciprocity and cooperation to realize co-development with local material suppliers.

Supplier Evaluation Process

At E Ink, we have established a complete set of procedures for supplier evaluation to select quality suppliers through these procedures in order to fulfill our requirements for production and business operations.

Supplier Evaluation Flowchart



Supplier CSR Audit Items

| Category | Audit Items |
|-----------------|--|
| Environmental | <ul style="list-style-type: none"> Environmental management system and relevant certification Management, education, training, and audit of environment-related substances to be controlled in products Impacts on local environments |
| Labor Practices | <ul style="list-style-type: none"> Status of implementation of occupational safety training Status of implementation of work-related training |
| Human Rights | <ul style="list-style-type: none"> Non-compliance with freedom of association and collective bargaining Compliance with local overtime work regulations |
| Society | <ul style="list-style-type: none"> Clean Transaction Commitment Internal grievance mechanisms |

2017 Supplier Audit Results

| Year | Supplier Type | Environmental Assessment | Human Rights Assessment | Labor Practices Assessment | Supplier assessment with social criteria |
|------|------------------------------|--------------------------|-------------------------|----------------------------|--|
| 2017 | Number of New Suppliers | 3 | 3 | 3 | 3 |
| | Number of Existing Suppliers | 13 | 13 | 13 | 13 |

Note: All new suppliers have passed the Supplier assessment with social criteria and environmental criteria screening.

Supplier Feedback Channels

In supplier feedback channels, apart from business visits and exchange and the supplier evaluation process, the Yangzhou Plant arranges auditors to participate in large procurement projects to provide impartial and objective feedback channels to fortify cooperation relationships with suppliers.

Supplier Environmental Assessment

- We request suppliers to supply products that comply with RoHS and the Level 1 requirements of SONY SS-00259; to make commitment on no use of conflict minerals; and enforce recovery and recycling of packaging materials to achieve resource recycling and waste reduction. In machines, equipment, and instruments, we request suppliers to supply products that comply with radiation testing standards.
- We also list the requirements and standards for green products and environmental stewardship in the remarks and points for notice of each purchase order.
- In new supplier selection, an ISO 14001 certification is a prerequisite. We also conduct on-site inspection as necessary to ensure if an environmental management system is in place and if on-site operation complies with the legal requirements for environmental management.
- In 2017, no termination of cooperation with new or existing suppliers for non-conformance with environmental regulations was reported.

Supplier assessment with social criteria

- We abide by the requirements for ethics and integrity of world-class customers, therefore, we also request upstream suppliers to comply with the same requirements. In addition, we make large posters to express our concerns about anti-corruption and intention incessantly raise the ethical standard of suppliers.
- We have established the "Clean Transaction Commitment" for all suppliers to clearly understand our standard and principle. We also explicitly define the scope of related party and undue or improper advantage. In the remarks column of every purchase order, we concisely mark the grievance methods.
- In the periodic screening or rating of suppliers, we explicitly disclose the negative impacts on society (such as corruption, fraud, and monopoly) of suppliers in the evaluation form. Such results will also be the reference for transactions and audits of respective suppliers.
- In 2017, no termination of cooperation with new or existing suppliers for non-conformance with social regulations was reported.

Supplier Sustainability Assessment

Supplier Labor Practices Assessment

- While the occupational safety, sound labor-management harmony, and basic education and training of suppliers' employees will directly affect the stability of supply and quality of products, we request suppliers to comply with the labor requirements of local governments.
- With the Supplier Evaluation Report, we continuously remind suppliers of the importance of occupational safety in order to reduce the safety risk of suppliers and thereby secure the quality of products supplied. We also request suppliers to arrange occupational safety and duty-related education and training for employees to ensure their employees are equipped with skills adequate to carry out their duties and safety awareness.
- In 2017, no termination of cooperation with new or existing suppliers for non-conformance with labor practices was reported.

Supplier Human Rights Assessment

- We abide by the requirements in the "Standard and Code of Supplier Responsibility" of world-class customers, we also make large posters to express our care for supplier human rights and explicitly indicate our determination to ban child labor, discrimination, and forced or compulsory for people within and outside of the organization to understand the exact items and approaches of indicators in the human rights sub-category.
- In the periodic screening or rating of suppliers, we explicitly disclose in the Supplier Evaluation Form the non-compliance with human rights resulting in a fine or penalty by local labor affairs unit of suppliers. Such results will also be the reference for transactions and audits of respective suppliers.
- In 2017, no termination of cooperation with new or existing suppliers for non-conformance with human rights was reported.



Chapter 5 Talent Cultivation and Happy Workplace

5-1 Management overview

2017 Employee Distributions

| Employment Type | Taiwan (Hsinchu Plant and Linkou Plant) | | | China (Yangzhou Plant)** | | | USA | | |
|--------------------|--|----------------|------------|--------------------------|----------------|--------------|------------|----------------|------------|
| | Male | Female | Subtotal | Male | Female | Subtotal | Male | Female | Subtotal |
| Official Employees | 563 | 331 | 894 | 443 | 445 | 888 | 262 | 113 | 375 |
| Contract Employees | 1 | 4 | 5 | 249 | 185 | 434 | 7 | 6 | 13 |
| Total | 561 | 335 | 899 | 692 | 630 | 1,322 | 269 | 119 | 388 |
| Employment Type | Executives | Non-Executives | Subtotal | Executives | Non-Executives | Subtotal | Executives | Non-Executives | Subtotal |
| Official Employees | 150 | 749 | 899 | 23 | 865 | 888 | 103 | 272 | 375 |

*Executives are managers or officers of higher levels.

**The Yangzhou Plant actively promotes industry-academia partnership programs to recruit many interns every year for in-house practicum and offers interns with training/education on related professional skills. The internship usually lasts from three to six months, and all are direct labor. In 2017, the Yangzhou Plant hired 2,854 interns, including 1,372 males and 1,482 females.

In addition, we respect the right of employment for people with disabilities and abide by the laws and regulations. In 2017, we hired visually impaired masseurs at a proportion greater than Taiwan's statutory requirements. Currently, we have hired three full-time masseurs with severe visual impairments.

Number of New Official Employees

| | Gender | | Age | | | | Total | Percentage |
|-------------------|-----------|------------|--------------|-----------|-----------|-------------|------------|------------|
| | Female | Male | 30 and under | 31-40 | 41-50 | 51 and over | | |
| Taiwan | 68 | 118 | 75 | 80 | 30 | 1 | 186 | 21% |
| Yangzhou, China | 28 | 62 | 79 | 8 | 2 | 1 | 90 | 10% |
| Total | 96 | 180 | 154 | 88 | 32 | 2 | 276 | 15% |
| Percentage | 5% | 10% | 9% | 5% | 2% | 0.1% | 15% | - |

Number of Resigned New Official Employees

| | Gender | | Age | | | | Total | Percentage |
|-------------------|-----------|-----------|--------------|-----------|-------------|-------------|-----------|------------|
| | Female | Male | 30 and under | 31-40 | 41-50 | 51 and over | | |
| Taiwan | 16 | 25 | 14 | 20 | 7 | 0 | 41 | 5% |
| Yangzhou, China | 3 | 13 | 14 | 1 | 0 | 1 | 16 | 1% |
| Total | 19 | 38 | 28 | 21 | 7 | 1 | 57 | 3% |
| Percentage | 1% | 2% | 2% | 1% | 0.4% | 0.1% | 3% | - |

Number of Resigned Official Employees

| | Gender | | Age | | | | Total | Percentage |
|-------------------|------------|------------|--------------|------------|-----------|-------------|------------|------------|
| | Female | Male | 30 and under | 31-40 | 41-50 | 51 and over | | |
| Taiwan | 50 | 85 | 31 | 76 | 25 | 3 | 135 | 15% |
| Yangzhou, China | 101 | 135 | 184 | 42 | 10 | 0 | 236 | 27% |
| Total | 151 | 220 | 215 | 118 | 35 | 3 | 371 | 21% |
| Percentage | 8% | 12% | 12% | 7% | 2% | 0.2% | 21% | - |

Plants in Taiwan underwent an operational transformation in 2016. After adjusting the mode of production, the employee turnover rate was stabilized. In addition, the headquarters recruited more R&D staff in 2017 to enrich our R&D energy, in order to focus on the research and development of ePaper core technology. We also increased the capacity of the Linkou Plant by hiring 5% more technical workers compared to 2016. Our 2017 profitability also outperformed that of 2016. Employees agreed more with the organizational goals and work stability also rose, lowering the employee turnover rate significantly.

In the case of the Yangzhou Plant, as returning home for the Spring Festival (Lunar New Year) is a custom in mainland China. Some employees will stay and change their job, thus raising the employee turnover rate. As the Wage Reform Program is under progress at the Yangzhou Plant, the employee turnover rate has reduced significantly after the average wage and benefits of employees were raised and increased, and employee satisfaction also rose as shown in the survey.

In Taiwan, we hire members of the upper management locally. For the Yangzhou Plant in China, although expatriates from Taiwan fill most posts in the upper management, we hire as many locals as possible in the medium management to effectively communicate and implement operational performance.

In employee recruitment, we continue to recruit employees over human resources websites and through campus recruitment activities to diversify recruitment channels.

5-2 Building a Healthy, Positive and Beautiful Workplace

Respect for Human Rights

Apart from abiding by the Labor Standards Act and relevant laws and regulations, we are committed to showing respect for human rights in the employment, management, and development of employees. In Taiwan, we arrange training/education activities on human rights related policies in the orientation. In 2017, 20 hours of related training/education were given to all 188 newcomers.

Non-discrimination

- Abide by the Labor Standards Act and relevant laws and regulations.
- Committed to not engaging in discrimination based on race, color, age, gender, sexual orientation, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training. All these should be based on the work capacity of employees.

No Forced/Compulsory Labor

- Abide by the Labor Standards Act and relevant laws and regulations.
- Committed to, declare, and enforce freely chosen employment. Employees can exercise their rights to terminate the employment contract in accordance with the Labor Standards Act.
- Prevent forced labor by the internal audit system.

E Ink Code of Business Conduct

Workplace Harmony

- Establish the "Measures and Regulations for the Prevention, Grievance, and Punishment of Sexual Harassment" to build a harmonious work environment.
- Not forcing or allowing employees to take biased medical examinations.

No Child Labor

- Abide by the Labor Standards Act and relevant laws and regulations in the employment, management, and development of employees.

¹ 高階管理階層台灣為副總經理以上；大陸揚州廠為處長級以上。台灣僱用當地居民為高階管理階層所佔的百分比為100%，大陸揚州為9%。

Handling Sexual Harassment

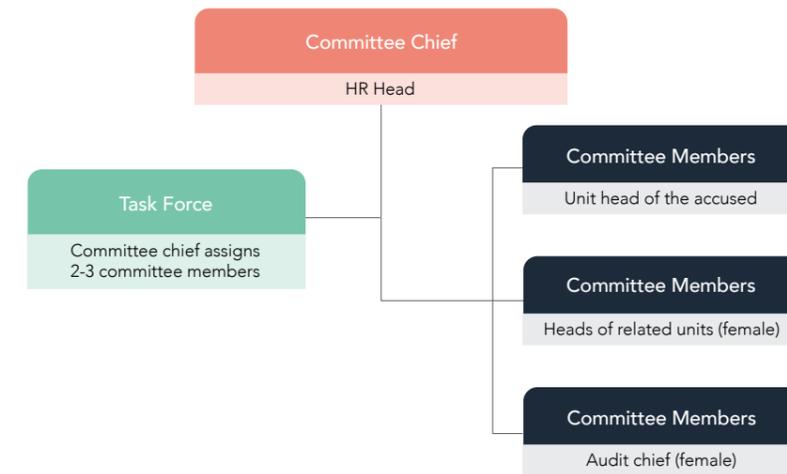
To effectively handle all sexual harassment grievances and reliably protect the rights and interests of complainants and the accused, we have specifically established the Sexual Harassment Grievance Handling Committee (SHGHC) to take charge of grievances, investigations, and the resolution of sexual harassment.

When holding a committee meeting, SHGHC may notify the victim (or complainant) or related parties to testify at the meeting. SHGHC may also invite people with relevant knowledge and experience to give assistance.

Members of the Sexual Harassment Grievance Handling Committee:

- The HR head shall be the committee chief.
- Plant managers, division heads, or officers of higher ranks shall be committee members.
- The auditing staff shall be committee members.
- Female committee members shall be no less than half of all committee members. When there are insufficient female committee members, the committee chief may appoint appropriate female committee members.

Organization of the Sexual Harassment Grievance Handling Committee



Response to material topic: Hydis Incident

As a result of rapid business growth in 2008, we were in desperate need of TFT panel capacity. We thus acquired the controlling shares of Hydis from the bankruptcy court of South Korea to make Hydis an E Ink subsidiary. From 2008 to the end of 2014, as the accumulative deficit from Hydis' royalties exceeded US\$230 million, it was no longer competitive on the LCD market. To keep Hydis running and protect the right to work of its employees, the Hydis management team and parent company E Ink aggressively sought potential buyers in South Korea and overseas to discuss capacity rental and even a merger or acquisition. However, it was in vain as the cost was too high, leading to low competitiveness.

The board of directors of Hydis thus decided to close the plant, as it did not have any choice. On March 31, 2015, Hydis officially shut down all production lines according to the law of South Korea. Then, apart from offering one month of the salary to employees with one year of service length as the statutory redundancy pay, Hydis introduced the preferential retirement plan and education allowance better than that of the business to reduce the impacts on employees. Nearly 300 out of a total of 377 employees accepted the preferential retirement plan and preferential pension, which were paid to them within two months. Hydis also paid employees choosing the statutory redundancy pay within the same time.

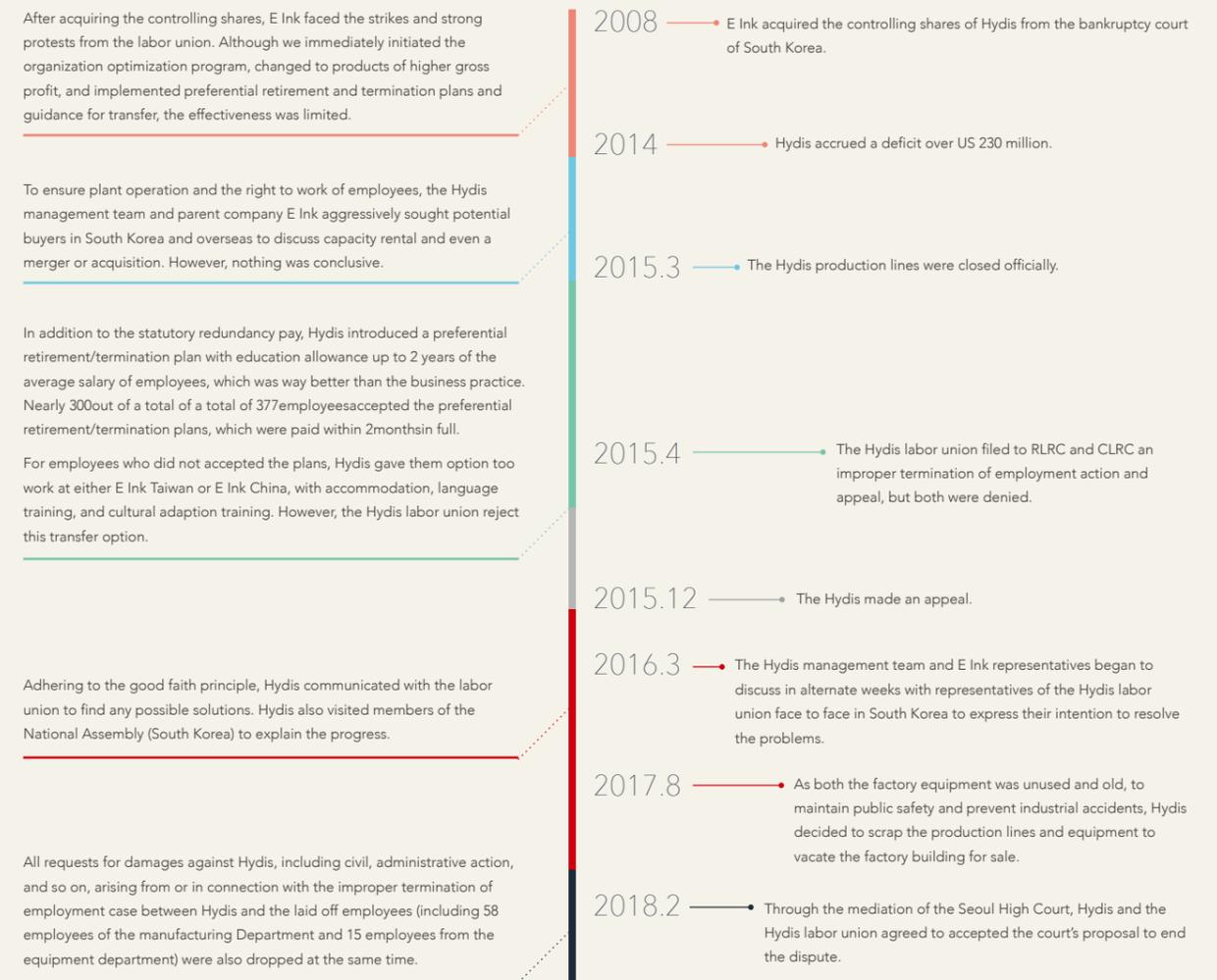
After Hydis announced its closure in 2015, it has since been keeping communication with employees with all efforts. Even though Hydis' offer was better than the statutory requirements and the business practice in South Korea, Hydis' labor union kept on protest and even filed an improper termination of employment action and appeal to the Regional Labour Relations Commission (RLRC) of Gyeonggi Province and the Central Labour Relations Commission (CLRC) of South Korea. Although local courts denied all actions and appeals, the labor union appealed to the Administrative Court in South Korea in 2015.

Then, based on the principle of good faith and mutual trust, the Hydis management team and E Ink representatives kept communicating with the labor union to express our intention to help resolve related problems. When E Ink representatives and the labor union were discussing finding a potential buyer for Hydis, labor union representatives insisted on re-opening the plant to hire employees who had been laid off. As a result, no understanding was reached.

As the plant has been closed in 2015, even Hydis kept seeking potential buyers at full stretch in order to protect the right to work of employees, no one was interested in the offer as the production equipment was old and the disputes with the labor union remained unsettled. To maintain public safety and prevent industrial accidents, Hydis decided to scrap and dispose of the production lines and equipment to vacate the factory building for sale in August 2017.

The closure and labor-management dispute of Hydis have been settling through the local judicial authority, administrative procedures, or various other legal and reasonable communication channels in South Korea. Apart from continuing virtuous communication with stakeholders and the labor union, Hydis attempted to convince the labor union to resolve to find reasonable and legal solutions with Hydis in a practical way.

Through persistent efforts over time, both the management and the labor union of Hydis eventually accepted the proposition for mediation recommended by the Seoul High Court in early February 2018 to smoothly end up this labor-management dispute over termination of employment. All requests for damages against Hydis, including civil, administrative action, and so on, arising from or in connection with the improper termination of employment case between Hydis and its labor union (including 58 employees of the manufacturing Department and 15 employees from the equipment department) were also dropped at the same time. Ending up the long-term labor-management confrontation and looking out into the future positively put an end to this labor-management dispute.



Wages and Benefits

At E Ink, we built a friendly workplace with a good wage system, thoughtful benefits, and a quality environment for employees to balance work and everyday life properly.

We emphasize an organizational culture featuring innovation, discipline, and teamwork and value the efforts of each employee. Based on local laws and regulations and market standards, we review our wage and benefit policies regularly to connect with the market. We also design a competitive compensation system competitive on the market based on the role and responsibility of employees in order to attract and retain outstanding talents.

We pay new employees better than the local minimum wage. Most importantly, we ensure equal remuneration for employees regardless of gender, ethnicity, religion, political affiliation, marital status, and union membership.

Upon the principle of profit sharing, we offer performance and year-end bonuses based on the company's business performance and the employee's own performance.

In addition to offering labor and national health insurance by the law, we arrange group insurance for employees who can also include their family at own expense in order to extend coverage to their family. Apart from complying with the local minimum wage requirements, we provide employee salaries according to their education attainments, expertise, and service length. We also give them competitive compensation based on the market standard in order to attract outstanding talents to join E Ink. Furthermore, we pay base-level employees better than the local minimum wage to enhance organizational competitiveness and improve employee's organizational cohesion.

In 2016, the Yangzhou Plant started the "Wage Reform Program". Based on the principles of encouragement, economic applicability, and fairness, after discussing with the management more than ten times, the program was ready for implementation in January 2017, hoping for external fairness and competitiveness and thereby attract more outstanding talents of join E Ink.

- Sep 2016: Implemented the new attendance evaluation rules and DL wage system.
- Nov 2016: Completed the redefining and annual promotion of the IDL grade.
- Jan 2017: Completed the redefining IDL wage structure and annual raise.

Comparison between the Standard Wage of Base-Level Employees (Workers) and Local Minimum Wage

| Item | Taiwan | China |
|--------|--------|-------|
| Male | 1.04 | 1.1 |
| Female | 1.04 | 1.1 |

Female-to-male wage ratio

| Employee type | Male:Female (Taiwan) |
|----------------|----------------------|
| Non-unit heads | 1:0.81 |
| Unit heads | 1:0.8 |
| Workers | 1:1.2 |

* Note: As most upper executives are male, the wage ratio in the unit head category is diverse.

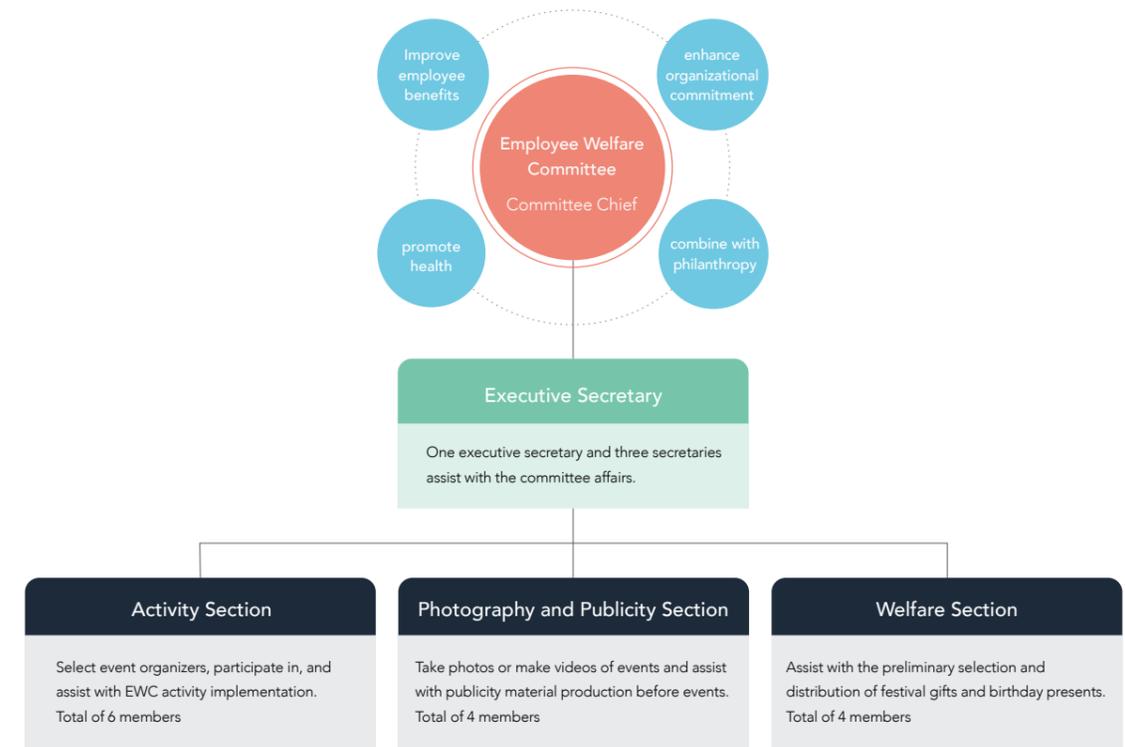
Every month we contribute the employee retirement reserve and the labor pension fund with regard to the Labor Standards Act and the Labor Pension Act to ensure employees will not need to worry about their later life after devoting their efforts to E Ink.

In addition to offering employees a comfortable, safe and humanized work environment, we care about employee health. Therefore, we organize regular health examinations for employees and organize various cultural and intellectual talks, employee travel, family day, and comprehensive clubs for employees to enjoy quality life after work.

| List of Employee Benefits of E Ink Taiwan | Wage and Bonus System | <ul style="list-style-type: none"> • Well-established salary structure • Employee bonus and employee stock ownership plan (ESOP) | <ul style="list-style-type: none"> • Annual performance rewards • Patent rewards |
|---|----------------------------------|--|---|
| | Medical Insurance and Healthcare | <ul style="list-style-type: none"> • Employee group insurance • Employee health examinations | <ul style="list-style-type: none"> • Travel insurance • Occupational Accident Insurance • Labor Insurance • National Health Insurance |
| | Thoughtful Benefit System | <ul style="list-style-type: none"> • Staff discount for E Ink products • Subsidies for birth, injuries and diseases, hospitalization, emergency assistance, marriage, and funeral. | <ul style="list-style-type: none"> • Birthday/festival vouchers and gifts • Annual travel subsidy • Pre-planned special leave scheme • A wide variety of employee restaurants and meal subsidy • Massage house |

*ESOP, annual performance rewards, and patent rewards are for staff only.

E Ink Employee Welfare Committee (EWC)



Increase 0.15% of the total monthly revenue as EWC contributions

Our operating profit margin eventually became positive in 2016, and the profit from ePaper was eventually gained for the first time in Q1 of 2012. To reward the efforts of all employees, plants in Taiwan adjusted the EWC contributions from 0.07% to 0.15% of the total monthly revenue in August 2017 to increase the fund dispensable by EWC to increase benefits for employees.



2017 Family Day Wei Chuan Pushin Ranch

E Ink invites employees and their family to the carnival-like Family Day for the families of employees to understand more and better about E Ink's work environment and to develop a higher sense of involvement and enhance employees' organizational cohesion and loyalty in order to retain employees. The 2017 Family Day was held in October 2015 at Wei Chuan Pushin Ranch in Taoyuan, with nearly 1,500 participants. The program included YOYO Family performance, clown performance, orchestral performance, jogging, large air mat, mini super sport car, painting DIY, and all kinds of static and dynamic activities. This one-day event enabled both adults and children to enjoy a joyous family day.



25th Anniversary Meadow Concert

In addition to the 25th anniversary of E Ink and the 20th anniversary of E Ink USA, 2017 was also the 15th anniversary of the Yangzhou Plant and Transcend Optronics in mainland China. A meadow concert was held at the Linkou Plant in Taiwan for employees to enjoy fine foods and great music in a cool autumn evening after busy work.



2018 Annual Party

The event theme was designed in the style of the Universiade Taipei for E Ink to demonstrate "union power, innovation power, and explosive power"



▼ Yangzhou Plant 2017 Annual Party



Employee Clubs and Societies in Taiwan

- Academic: Photography Club, Craft Club, and Zen Club
- Service: Volunteer Service Club
- Sports: Yoga Club, Badminton Club, Mulan Hiking Club, Table Tennis Club

▼ Yoga Club



▼ Muscular Club



▼ Mulan Hiking Club



Employee activities of the Yangzhou Plant in 2017



Fundraiser for emergency assistance

Every E Ink employee has empathy and enthusiasm to reach out to every member of E Ink and give them timely assistance. In 2017, three E Inkers from plants in Taiwan and plants in Yangzhou required assistance for family reasons or personal reasons. During three timely fundraisers, we recruited a total of NT\$1,558,220 to help employees in need for them to feel the support and from E Inkers.



· Letter of appreciation for fundraisers from the Yangzhou Plant



· Year-end visits on employees with difficulties

Our employees in the US Plant attended the 2017 Tuckerman Inferno Race



Statistics on Parental Leave of Absence

| Item | Taiwan | | | Yangzhou, China | | |
|--|--------|------|-------|-----------------|------|-------|
| | Female | Male | Total | Female | Male | Total |
| A: Total number of applicants in 2017 | 5 | 2 | 7 | 0 | 0 | 0 |
| B: Number of employees to be reinstated in 2017 | 2 | 2 | 4 | 1 | 0 | 1 |
| C: Actual number of employees reinstated in 2017 | 2 | 1 | 3 | 0 | 0 | 0 |
| D: Number of employees reinstated or applying for extension in 2017 | 0 | 1 | 1 | 0 | 0 | 0 |
| E: Number of employees continuing service after reinstating from parental leave of absence in 2016 | 4 | 0 | 4 | 0 | 0 | 0 |
| F: Number of employees to be reinstated in 2016 | 5 | 0 | 5 | 0 | 0 | 0 |
| Reinstatement rate %= C / (B-D) | 100% | 100% | 100% | 0% | 0% | 0% |
| Retention rate %= E / F | 80% | 0 | 80% | 0% | 0% | 0% |

Note 1: Full-time employees in Taiwan qualified for the parental leave of absence may apply for the leave.

Note 2: Women employees working for more than two years at Yangzhou Plant with children under one year old may apply for the leave.

Health and Safety

While employee safety and health are exceptionally important to us, we build a healthful, safe, and comfortable work environment, make continuous improvement of the work environment, and minimize the opportunity of incidence of occupational diseases. In addition, enterprises must put environment, safety, and health (ESH) first in order to pursue sustainable operations. With appropriate assessment tools, we propose management plans and implement them in everyday work to uphold the balance between ESH and corporate development in order to achieve sustainable operations.

The Hsinchu Plant and the Yangzhou Plant passed OHSAS 18001 (occupational health and safety management system) certification in 2002. The Hsinchu Plant further passed TOSHMS (Taiwan Occupational Safety and Health Management System, now CNS 15506) in 2010. Every year, we perform external audits to maintain the effectiveness of our ESH system to ensure employee work safety and plant operations. The Linkou Plant completed the preparations for OHSAS 18001 certification in 2016 and passed CNS 15506 certification in 2017. In response to the version change of ISO 18001 into ISO 45001 in March 2018, we are expected to pass certification in 2019.



E Ink OHSAS 18001 Certificate



Transcend Optronics OHSAS 18001 Certificate



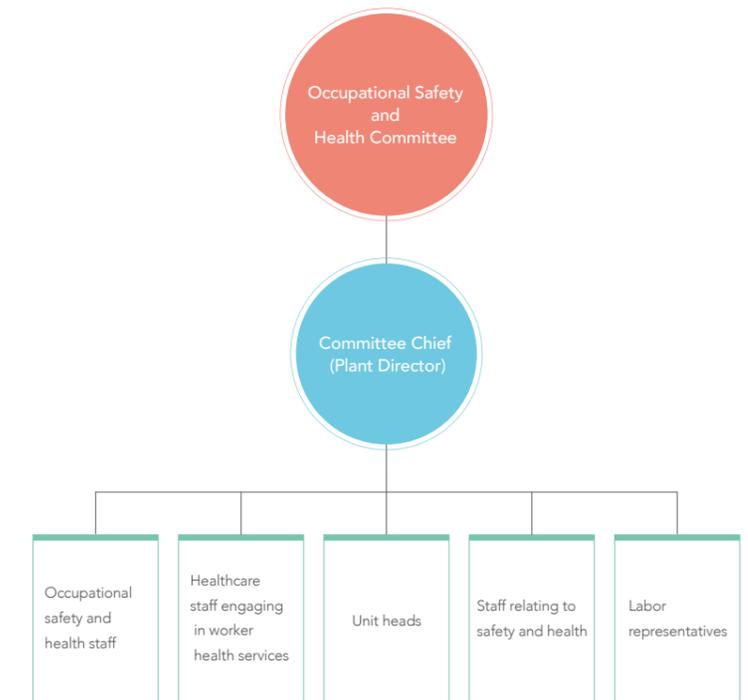
E Ink CNS 15506 (TOSHMS) Certificate

Plans and Expenses for Promoting OHS Management System in Taiwan in Last 3 Years

| Item | 2015 | 2016 | 2017 |
|----------------------------|------|------|------|
| Completed Management Plans | 3 | 5 | 11 |
| Total fund/NT\$10,000 | 93 | 243 | 209 |

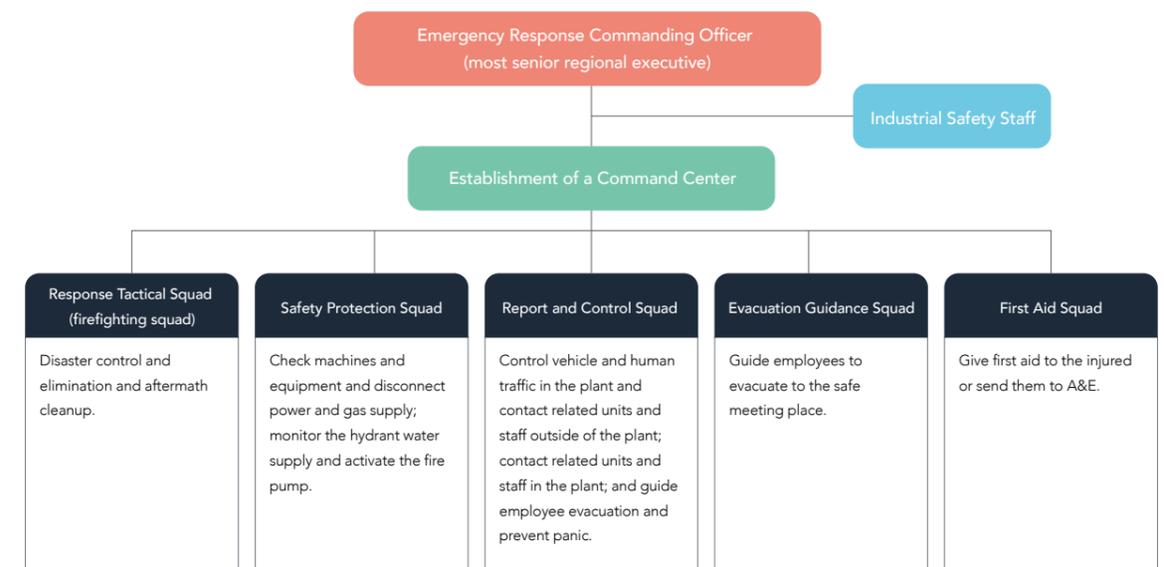
We have established an OHS committee by law in each plant, and the committee holds a meeting every quarter. The Occupational Safety and Health Committee meeting is chaired by the plant manager. Attendees include occupational safety and health staff, department heads, engineering staff relating to occupational safety and health, healthcare staff

engaging in worker health services, and labor representatives. At the meeting, they discuss affairs relating to occupational safety and health, including education and training programs, plans for improving the work environment, safety and health management performance, contractor management, and health promotion. After a meeting, a report will be sent to the most senior executive of the plant, responsible units, and labor representatives. In 2017, the OSH Committee meeting of the Hsinchu Plant was attended by 32 labor representatives, commanding 56% of all attendees, and the OSH Committee meeting of the Linkou Plant was attended by 17 labor representatives, commanding 52% of all attendees. Through the quarterly committee meeting, we review the plant's management approach, compliance, and effectiveness, aiming to build a good work environment for employees to work away from worries.



Emergency Response Process and Exercises

We have established an emergency response process and organized all kinds of exercises every year according to the law for all employees to get familiar with the emergency report, emergency response, and emergency evacuation processes in order to reduce the significance of impacts when an accident breaks out.



| | Taiwan | China (Yangzhou Plant) |
|--|--------|------------------------|
| Personnel evacuation drill | 2 | 1 |
| Exercise for fire emergency response and fire equipment use | 6 | 7 |
| Emergency response exercise for leakage of toxic gases/chemicals/gas | 3 | 3 |
| Traffic Safety | - | 1 |

Statistics on Industrial Safety Incidents

Accumulative zero-accident hours at Hsinchu Plant (2014/09-2017/12) **5,133,147** hours

Accumulative zero-accident hours at Linkou Plant (2017/05-2017/12) **333,918** hours



Accumulative zero-accident days in the USA (by the end of 2017) **104** days

| Region | Type | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------|---------------------------------------|------|------|------|------|------|
| Taiwan | In-house | 5 | 3 | 0 | 0 | 1 |
| | Outside of plant (traffic accidents) | 7 | 9 | 14 | 6 | 17 |
| | Subtotal | 12 | 12 | 14 | 6 | 18 |
| Yangzhou, China | In-house | 18 | 17 | 18 | 5 | 7 |
| | Outside of plant (traffic accidents) | 2 | 3 | 6 | 4 | 7 |
| | Subtotal | 20 | 20 | 24 | 9 | 14 |
| USA | In-house | 5 | 1 | 2 | 2 | 4 |
| | Outside of plant (traffic accidents)* | - | - | - | - | - |
| | Subtotal | 5 | 1 | 2 | 2 | 4 |

*As only in-house incidents were accounted for in the USA Plant, no data on traffic accidents outside of the plant were recorded.

2017 Occupational Injury Statistics: Staff

| | | Occupational Accidents | | Working days lost | Number of occupational injuries | Injury rate | Lost day rate | Total absentee days | Absentee rate |
|-----------------|--------|------------------------|----------------------|-------------------|---------------------------------|-------------|---------------|---------------------|---------------|
| | | Number of injuries | Number of fatalities | | | | | | |
| Taiwan | Female | 6 | 0 | 17 | 6 | 0.30 | 1.08 | 854.03 | 760.85 |
| | Male | 12 | 1 | 6,056 | 12 | 0.30 | 0.59 | 651.33 | 580.26 |
| | Total | 18 | 1 | 6,073 | 18 | 0.60 | 1.67 | 1,505.36 | 1,341.11 |
| Yangzhou, China | Female | 9 | 0 | 197.1 | 9 | 2.37 | 45.60 | 138.9 | 257.07 |
| | Male | 4 | 0 | 126.4 | 4 | 1.06 | 30.72 | 30 | 58.33 |
| | Total | 13 | 0 | 323.5 | 13 | 1.71 | 38.34 | 168.9 | 160.15 |

Note:

Taiwan Plants: Among all 18 occupational incidents, one was in-house accident, and 17 were traffic accidents occurred to employees coming to work or going home after work, including one fatality.
 Yangzhou Plant: Among all 13 occupational incidents, six were traffic accidents occurred to employees coming to work or going home after work and seven were in-house accidents.

Note 1: IR = (Number of Injuries / Total Actual Hours Worked) x 200,000

Note 2: LDR = (Occupational Injury Days Lost / Total Hours Scheduled) x 200,000

Note 3: AR = Absentee Lost Days / Total Hours Scheduled) x 200,000

Note 4: Absenteeism includes sick leave, menstrual leave, personal leave, family care leave, special personal leave, annual personal sick leave, occupational sickness leave.

Note 5: 2017 ODR is 0%.

2017 Occupational Injury Statistics: Other Workers (such as contractors and interns)

| | | Occupational Accidents | | Number of occupational injuries | Injury rate |
|-----------------|--------|------------------------|----------------------|---------------------------------|-------------|
| | | Number of injuries | Number of fatalities | | |
| Taiwan | Female | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 |
| Yangzhou, China | Female | 0 | 0 | 0 | 0 |
| | Male | 1 | 0 | 1 | 3.30 |
| | Total | 1 | 0 | 1 | 2.00 |

Note:

Yangzhou Plant: One traffic accident occurred to employees coming to work or going home after work.

From the above table, it is clear that most accidents in Taiwan between 2012 and 2017 occurred outside of the plant. In terms of accident type, most accidents outside of the plant were traffic accidents during employee commutes, while cuts, pinches, and falls were the common in-house accidents. Traffic accidents were the main cause of off-plant occupational incidents of the Yangzhou Plant in 2017, while contusion or sprain caused by operation negligence were the main causes of in-house occupational incidents.

For traffic accidents, we have arranged traffic safety education for new employees and victim employees to raise their awareness of driving and road safety in order to reduce employee traffic accident rates. In operational negligence, we will continuously reinforce equipment safety improvement, strengthen protective features, safe operation awareness education, and on-site management to reduce the frequency and severity rates of accidents.

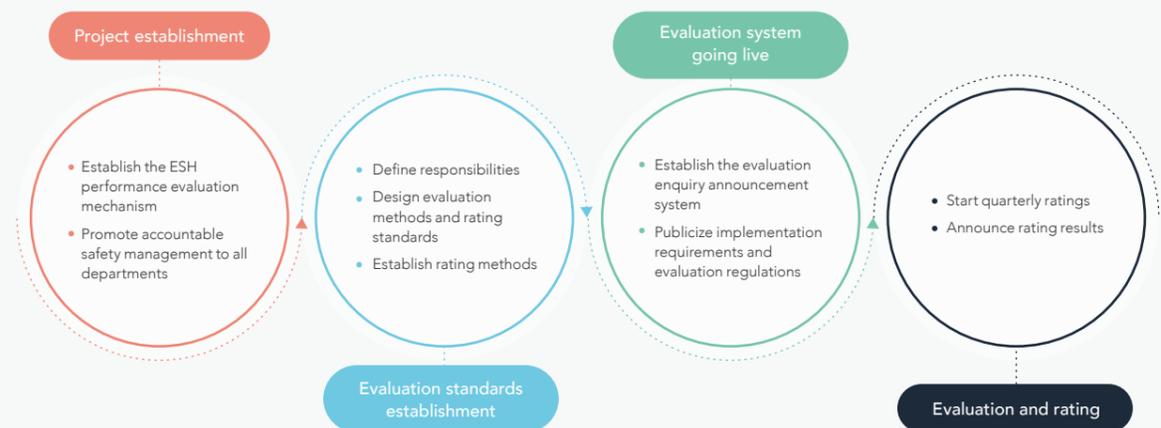
Yangzhou Plant Occupational Safety Promotion Project

To enhance the occupational safety awareness of employees, the Yangzhou Plant arranges awareness education for employees regularly through emails, in-house presentation, notices, and keynote seminars. Contents of awareness education include laws and regulations, case study, operating standards, and traffic accident handling procedures. The Yangzhou Plant also arranges orientation training on operation safety rules for employees of all stations. All employees started operations after passing level 3 safety training sessions.



To further enhance workplace safety awareness of employees, the Yangzhou Plant has installed additional safety grating on production equipment as foolproof measures and protection baffles to reduce the risk of work-related injuries. In addition, the Yangzhou Plant added the automatic robotic arms to the production process to reduce manual handling work and optimized process jigs make assembly more convenient, in order to enhance production efficiency.

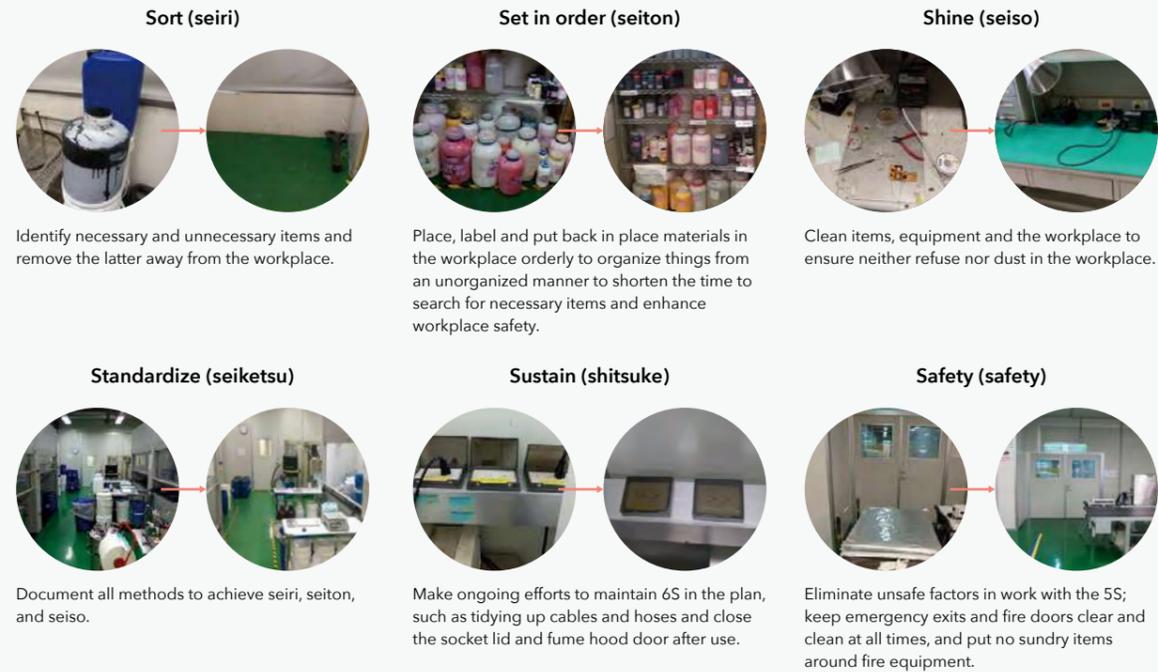
In 2017, the Yangzhou Plant also designed the tour inspection system conducted by department heads and the interdepartmental rating mechanism to perform plant ESH evaluation regularly. Furthermore, manufacturing departments are requested to perform self-inspection every week and offices every month.



Lastly, the Yangzhou Plant also reinforced ESH training for constructors before they undertook projects in the plant in 2016. The training contents for 15 constructors included: working at height, hoisting and lifting, and open fire operations. In 2017, the Yangzhou Plant updated the contractor management manual by adding the need to sign a safety agreement and the promotion of occupational safety.

6S Management for Linkou Plant in 2017

The productivity of the Linkou Plant has been rising progressively in recent years after transformation from experimental production to mass production. As a result, more space is required to store the increasing material stock in the limited room. The Industrial Safety Department thus implemented the 6S management in the plant, i.e. the 5S plus safety: sort (seiri), set in order (seiton), shine (seiso), standardize (seiketsu), and sustain (shitsuke), and safety. Apart from enabling more effective use of in-house space, 6S management protects safety in the work environment and space by maintaining workplace orderliness and cleanliness, enhancing work efficiency, and reducing accident risks.



Management Improvement Project of Linkou Plant in 2017

By implementing ESH management systems (ISO14001, OHSAS 18001, and TOSHMS), identifying in-house legal compliance, and assessing the hazard risk of every department, we prioritized legal non-compliance matters and high-risk items in the annual management improvement plan to eliminate and reduce OHS risks.

Dispersion of Ball Mills and Installation of Protective Equipment

While the ball mill is prone to crushing, and protective equipment, such as covers and enclosures, are required by the Occupational Safety and Health Facility Regulations, the ball mill was an illegal and high-risk item that should be prioritized for improvement. After communication and coordination between user units and the facility department, and in consideration of regulatory requirements and safety, protection space and safety interlocking devices were designed and installed to enhance the safety of ball mills to prevent crushing caused to workers having direct contact with the machine.



AP Noise Reduction and Ozone Intensity Reduction

Noise and ozone risks are found in the coating process performed in the cleanroom of the Linkou Plant. As the actual noise level was up to 92.2 dBA and ozone intensity was 0.09 ppm, both were considered illegal and high-risk items that should be prioritized for improvement.

In this improvement project, engineering improvement was applied to insulate noise sources and isolate no hazard sources to trap noise and ozone limited space to reduce the area and time of employee exposure. After the improvement, the noise level reduced to 77.2 dBA and the ozone intensity to 0.03 ppm.

In addition, access control is implemented in the noise working area to allow only qualified employees to enter the area and work according to noise-related regulations, in order to achieve effective prevention and control of noise hazards.



The 2013 disabling injury severity rate (SR) of plants in Taiwan soared as a result of a single accident which caused more days charged for disabling injuries, and FR reduced continuously in 2014 and 2015. In 2017, both FR and SR in Taiwan were 2.05 and 18.42 respectively, while they were 1.74 and 14 respectively in Yangzhou, China. We continuously arrange safety education for employees to raise their awareness of safety. In Q4 2014, the Hsinchu Plant even challenged the “Zero Accident Work-Hours” campaign to express their determination to eliminate occupational injuries. By the end of 2017, it has accumulated 5,133,147 zero accident man-hours. The Linkou Plant joined the “Zero Accident Work-Hours” campaign in Q3 2016. Despite the restart of the calculation after an accident in 2017, the zero accident hours worked accumulated to 333,918 hours by the end of 2017.

In work environment management, we periodically detect toxic substances in the environment by the law and provide workers with appropriate personal protective equipment (PPE) to ensure employees work in a comfortable and healthy environment.



Health talks on special work giving by occupational medicine specialist.

$$FR = \frac{\text{Number of disabling injuries} \times 10^6}{\text{Total hours worked}}$$

$$SR = \frac{\text{Number of days lost} \times 10^6}{\text{Total hours worked}}$$

In addition, based on the tasks involving special health hazards as specified in the “Rules for Worker Health Protection” in Taiwan, there are two tasks with special health hazards: ionizing radiation and lead. Therefore, we arrange special physical examinations for employees before hiring them for and transferring them to such tasks. At the end of each year, we also arrange special health examinations for them. For workers requiring grade 2 or higher-grade control or with anomalies shown in the results, we will refer them to the infirmary for regular follow-up. We also arrange one-on-one interviews with occupational medicine specialists during the in-house service for workers with health anomalies to understand the content and environment of their work, their daily life habits, and family history for occupational medicine specialists to give them and the company advice for improvement. We also arranged occupational medicine specialists to give health education for employees engaging in special work to understand more about the health risks in related work. Besides caring for workers in the high-risk group, we encourage all employees to participate in health promotion activities.

In the China region, in addition to health examinations for potential occupational hazards (chemical substances, noise, and dust), as some workers may be allergic to chemical substances related to work, we implement allergy surveillance for workers working in departments involving chemical substances, and we also take actions to relieve their allergic symptoms.

The results of the 2017 occupational health hazard examination for 349 employees of the Yangzhou Plant show that work-related health hazards were found on 1.15% of employees, and follow-up was also arranged.

The Yangzhou Plant also arranged free gynecological tests and related health education for female workers.

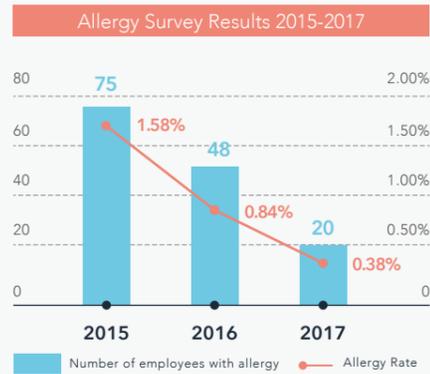
Allergy Survey Results of the Yangzhou Plant

We surveyed the allergic symptoms of employees having contact with chemical substances related to work with questionnaires, and the allergy rate has been controlled to a certain range.

The overall employee allergy control was quite good. After taking effective measures between 2011 and 2013, the allergy incidence rate dropped and maintained steadily.

Major Controls :

1. Improve process to reduce direct contact with allergens (chemicals).
2. Continuously educate employee the need to wash hands.
3. Provide protective gloves at points of use for workers to timely replace damaged gloves.
4. Conduct allergy surveys quarterly to keep track of the allergy condition.
5. Timely report allergy situation and draw up control measures.
6. Assess transfer possibilities for workers suffering from severe and recurrent allergies.



Environment Improvement

We plan rest areas, chairs, and adequate toilets inside each plant to make the work environment more comfortable for workers to relieve tiredness in order to enhance work efficiency and thereby prevent occupational accidents.

Workplace Health Care for Women

Plants in Taiwan arrange cancer screening and ultrasonogram for female workers every year for them to check their physical health even with heavy workload. In workplace maternal health care, by organizing the good pregnancy campaign and arranging pregnant women's parking, we enable pregnant employees to feel our blessings and warmest wishes. We also arrange environmental assessments and health interviews with each pregnancy employee and provide

health consultation and work care before and after pregnancy. In order to build a worry-free work environment for workplace mothers, we set up a breastfeeding room in the infirmary to provide mother employees with a comfortable space for breastfeeding and organize irregular experience sharing activities for mothers to improve friendship and exchange experience.



Health Promotion Plan of Plants in Taiwan 2017

We care about employee health. Therefore, we organized health and LOHAS activities and encouraged employee participation in 2017. Apart from the 5-in-1 body fat check and the Farewell to Fatty Liver Disease health talks, we arranged the rubber tubing workout for employees to enjoy exercise joyfully in a healthy atmosphere.



In addition, the Yangzhou Plant is also committed to improving the living environment of the employee dormitory and organizing activities to provide employees with a more convenient dormitory life and relaxation after work, so as to balance work and life.

| | | |
|---|---|--|
| Infirmary Equipped with two senior physicians to offer general practice services for employees. | Supermarket Provides all kinds of articles for daily life use and foods. | Automatic delivery pick-up locker |
| Beauty salon Apart from relaxing employees, we added yoga and aerobics courses in 2017. | Ballgame venues Including table tennis, basketball, and badminton. | |
| Reading room | Temporary dormitory For the accommodation of employees who cannot go home due to overtime work or severe weather. | Free EV charging station |

Highlight Story: Organic Dishes at the Employee Cafeteria of the Yangzhou Plant. A grade A restaurant rated by the health authority.

We equipped the Yangzhou Plant with employee cafeterias. Besides offering employees free meals during working time, we especially require suppliers to provide organic dishes and design menus according to nutrition needs for employees to enjoy healthy and balanced diets. By doing so, we aim to take care of employees in all aspects.

To ensure that all organic dishes of the employee cafeteria are made of organic ingredients and hygienic, the Yangzhou Plant implements spot checks on ingredient examination reports, hygiene inspections (through inspectors from local food supervisory authorities), and weekly inspection of ingredients and tableware sterilization for employees to enjoy safe, delicious, hygienic, and healthy foods. Rated as a grade A restaurant by the Yangzhou City Public Health Department in 2017.



Ingredients must come from processing plants passing Hazard Analysis and Critical Control Point System (HACCP) certification as specified by the Food Safety Control System.

The Yangzhou Plant has also established an organic ingredients quality control laboratory to examine the residual pesticides and microbes of each batch of incoming vegetable to ensure only qualified ingredients are warehoused. The laboratory also conducts residual detergent and grease tests on the tableware regularly to ensure employee health.

Highlight Story: Yangzhou Plant Living Quality Improvement

To beautify the plant area and to make employees feel happier, the Yangzhou Plant optimized various common areas in 2017. For example, the azalea trail, cherry blossom trail, and creative planters were built in the plant for employees to get closer to nature while shuttling through factory buildings, offices, and cafeterias and to enjoy flowers blossoming on both sides during the flowing season. In addition, apart from renovating and repainting the interior walls in the employee dormitory, the plant maintained the air-conditioners in the dormitory to improve the overall living environment of the dormitory and to enhance the dormitory satisfaction of employees.



5-3 Development diversity and growth of employees

At E Ink, we value employee cultivation and development. Therefore, we shape an organizational learning culture by encouraging employees to engage in continuous learning and self-growth. Apart from creating a positive work atmosphere and environment, we fuse accountability with the organizational culture and emphasize, emphasize the demonstration of the “One More Ounce” spirit, and treasure the value and effort of each employee. We firmly believe that fruitful results come from the concerted efforts of all units and employees. We also believe that new employees can optimize our system, bring new ideas, make products more creative, and make the organization more energetic.

In 2017, we continued the “One Team, One E Ink” spirit and focused on the three growth momenta of the company. Through the Global Leader Summit (GLS), we lead the strategic thinking of globalization and focus on the reformation and transformation of core technologies to maintain innovation and growth.



Training Courses

To systematically improve employee quality and enhance organizational competitiveness, we specifically planned the E Ink Training Road Map to establish a complete training framework, hoping to stimulate organizational creativity and thereby enhance overall competitiveness with comprehensive and abundant learning resources.

In executive training, in order to improve management performance and drive organizational transformation and growth, we have organized many executive training plans, hoping to promote talent development and technology breakthroughs within the organization and improve organizational competitiveness and profit-making momentum through improvement of management performance. Among all, the smoothness and effectiveness of horizontal communication within the organization can help sales units capture the movement of core technologies and accurately communicate product value and importance to customers. To achieve this, we organized a series of training programs for sales staff and link the communication, discussion, and information sharing between the R&D and sales units. In addition, we also added etiquette and expression courses in the training programs to help sales staff to face customers with greater confidence.

Following our technology improvement and growth, project management competency has become increasingly important. With lectures given by professional consultants and case study, project management courses can adequately help employees achieve their missions, earning them credits and acclaim from different units.

In professional competency training, based on business needs, each unit proposes professional training, spreads and shares knowledge and skills within the organization to improve the professional competencies of employees to enhance performance.



Training/Education Achievements 2017

| Average Training/Education Time (hours/person) | | Taiwan | | | | | | Yangzhou, China | | | | | |
|--|---------------------------|--------|------|---------------------------|-----------------------------|------------|----------------|-----------------|------|---------------------------|-----------------------------|------------|----------------|
| | | Female | Male | Direct Production Workers | Indirect Production Workers | Executives | Non-Executives | Female | Male | Direct Production Workers | Indirect Production Workers | Executives | Non-Executives |
| Course Type | Physical Training Courses | 5.3 | 7.9 | 10.0 | 6.3 | 0.7 | 10.9 | 2.62 | 2.59 | 1.84 | 3.65 | 3.33 | 2.59 |
| | e-Learning course | 0.6 | 0.5 | 0.4 | 0.6 | 0 | 0.6 | 0.05 | 0.10 | - | 0.18 | - | 0.08 |
| | External Training Courses | 2.5 | 2.3 | 2.1 | 2.4 | 0.1 | 2.8 | 1.23 | 0.39 | - | 1.92 | 7.74 | 0.62 |
| Average Length | | 8.4 | 10.7 | 12.6 | 9.3 | 0.8 | 14.3 | 3.90 | 3.08 | 1.84 | 5.76 | 11.07 | 3.29 |

| Average Training/Education Time (hours/person) | | USA | | | | | |
|--|---------------------------|--------|------|---------------------------|-----------------------------|------------|-----------------|
| | | Female | Male | Direct Production Workers | Indirect Production Workers | Executives | Non- Executives |
| Course Type | Physical Training Courses | 9.8 | 8.3 | 1.4 | 12.4 | 7.0 | 9.9 |
| | e-Learning course | 5.5 | 3.7 | 1.3 | 5.7 | 8.8 | 2.7 |
| | External Training Courses | 3.8 | 5.2 | 3.9 | 5.4 | 4.3 | 5.2 |
| Average Length (hours) | | 19.1 | 17.2 | 6.6 | 23.5 | 20.1 | 17.8 |

| Course Type | Taiwan | | | Yangzhou, China | | | USA | | |
|---|-------------------|------------------|---------------|-------------------|------------------|---------------|-------------------|------------------|---------------|
| | Employees trained | Course frequency | Length (hrs.) | Employees trained | Course frequency | Length (hrs.) | Employees trained | Course frequency | Length (hrs.) |
| Orientation & Generation Education Training | 658 | 37 | 173.5 | 90 | 38 | 270 | 137 | 23 | 113.5 |
| Professional Skill Training | 1,620 | 91 | 210 | 410 | 21 | 918 | 71 | 54 | 184.4 |
| Quality Training | 331 | 9 | 30 | 65 | 3 | 113.5 | - | - | - |
| Management Competency Training | 193 | 6 | 43 | 187 | 6 | 468.5 | 34 | 11 | 550 |
| Industrial Safety/Regulation Training | 1,114 | 22 | 39 | 83 | 15 | 1,330 | - | - | - |

Based on the organizational goal, training roadmap, global trend, and product R&D status, we will continue plan and expand the variety of courses in the future. In 2018, we will implement competency-focus human resources development to provide employees with more opportunities for growth and development.

E Ink University

We have established the E Ink University in the USA Plant to provide employees with multidimensional training/education activities to help them acquire new skills to improve work performance, to secure the continuous organizational growth, and retain excellent talents. At the E Ink University, apart from taking courses, employees can exchange with and learn and teach from one another. In addition, we also survey course quality and gather the feedback of employees and their supervisors with the questionnaire, in order to continuously optimize the overall effectiveness of training. In 2017, over 70% of employees went to the E Ink University.

Physical Training Courses

- Instructors are either employees or experts outside of the company.
- There are over 100 courses, including technology, safety, legal regulations, and core skills.
- Over 1,000 employees have taken these courses.

e-Learning

- A wide variety of courses are offered through cooperation with the leading US e-learning service providers, such as Lynda.com.
- e-Learning courses from famous universities (e.g. Emeritus Institute of Management and Stanford Lead) are arranged.
- In 2017, our USA Plant sent four employees with outstanding performance to the Standard Lead Program.



E Ink University was also rated as the top 15th enterprise university in the USA and the 3rd Best Employee Training Award of Massachusetts in 2017.

Sharing of USA employees

“E Ink University provides a platform for continuing learning and skill sharpening. It also keeps me focus on display optimizing engineering work. Thanks E Ink for giving me such an opportunity for free extension education. Without a doubt, my influence in the comply will be raised.” - Dan Kisiewicz, engineer

Part of what makes me an effective engineer is my inclination to constantly learn and improve upon my existing skills. Professionals are often pushed towards deciding between continuing their education and excelling at their positions. E Ink University has provided me with a platform to continue learning and sharpen skills that have become dull and inert WITHOUT hindering my focus on my core responsibilities as a Display Optimization Engineer.

The critical thinking skills in these courses forces me to look closer at how we solve problems and what we can do to be more proficient at responding to issues. I look forward to the change of pace from my day to day activities to exercise my mind in a different setting. I am appreciative towards E Ink for the opportunity to do so without any personal expense and have no doubt that this contributes heavily towards my impact on the company.

“To those who have finished their first-year service at E Ink, the courses offered by E Ink University are innumerable. They help me learn and progress in the company” - Eric Duchaine, engineer

As an employee, just passing the one year mark with E Ink, the availability of the classes at E Ink University have been invaluable. The classes offered have help immensely to support my learning and growth within the organization. I look forward to taking more E Ink University classes and further bettering myself and my usefulness to E Ink.

“Those who have attended E Ink University courses found that the opportunities to interact and exchange different opinions with employees from other departments is the biggest value.” - Analisa Lattes, scientist

E Ink U is a very well organized run program. The classes are well advertised, it is easy to sign up and the description of the content of the classes is generally accurate. Everybody agrees that a great value of the classes is to have a chance to meet people from other groups and to listen to different points of view.



Chapter 6

Social Welfare and Value Sharing



6-1 Social inclusiveness

Social Inclusiveness

Upholding the spirit: Contributing what is taken from society to society, we are committed to developing energy-efficient e-paper technologies that benefit health and social development and optimizing governance and business management to pursue sustainable operations. We will continue to invest labor and funds to fortify the environmental facility maintenance and minimize impacts on the environment. Apart from complying with local laws and regulations, we hope to reawaken public concern for the natural environment through product and technology development.

Volunteer leave

To encourage employees to join volunteer services, we introduced the paid volunteer leave for one day (8 hours) in 2017. In 2017, a total of 18 employees applied for the leave, with a total length of 92 hours. Employees applied for the leave to participate in the “eReader for Future” eReader mobile library program. We hope that employees can make the best use of the volunteer leave in the future to contribute themselves to philanthropic activities after work to engage in more comprehensive social services.

6-2 Mobile care hand by hand

In support of the Quality Education and Good Health and Well-being goals in the 17 SDGs announced by the UN, and in view of the dilemma between “e-reading ability cultivation” and “child eye care maintenance”, we initiated the eReader for Future eReader mobile library program in collaboration with our supply chain partners Netronix, Inc. and Readmoo, hoping to bring the best e-reading platform to campuses in Taiwan to benefit students and to an eReader mobile library for elementary schools. Apart from broadening the horizons and enriching the knowledge of children with easy-on-the-eyes and comfortable e-reading experience, we hope that the program can help teachers to demonstrate teaching creativity with mobile reading.



Origins

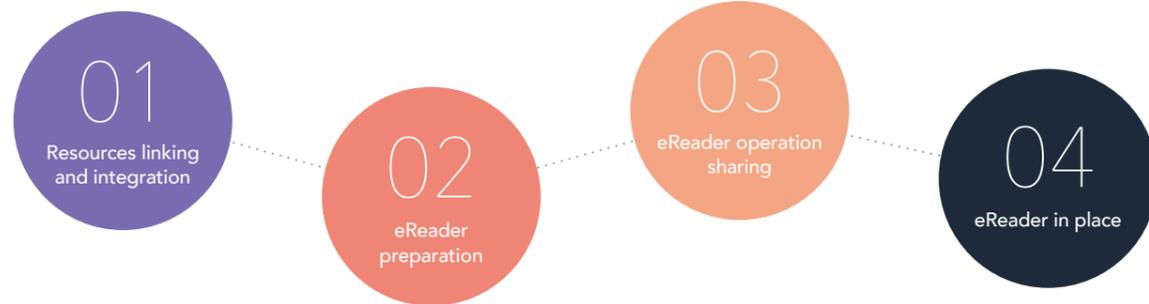
- Reading is the origin of knowledge acquisition, and e-reading will become a natural trend as technology thrives.
- Through reading, we can acquire knowledge in different fields and improve our cognitive, linguistic, analytical, inferential and other competencies. Following the integration of digital technology and education, e-reading will become a natural trend.
- Despite its thriving and positive development, digital technology brings negative impacts on the growth and learning of children.
- Internet connection devices such as desktops, tablets and smartphones have become part of our daily life, and students are attracted to the diversity and spread of video, game, and real-time dynamic information.
- According to the data of the Ministry of Health and Welfare (MOHW)¹, the blue light emitting from LCD displays will stimulate human eyes to produce free radicals through long-time use of computers, communications and consumer electronics products at a short distance, thus causing harm to the retinal cells.

Aim

- Contribute to society in collaboration with supply chain partners, contribute to E Ink core value, promote positive social development.
- Build quality e-book carriers by combining the features of ePaper (see Chapter 3 for details) with eReaders to demonstrate the characteristics from combining digital technology and eyecare and provide children with attentive and comfortable reading experience.

¹ 衛生福利部國民健康署：3C藍光 影響兒童視力 戶外活動遠離3C

"Read for the Future" in collaboration with ecosphere partners and in combination with the Reading Together of the Nantou County Government



Stage 1: Resources linking and integration

In the eReader for Future eReader mobile library program launched by E Ink, we integrated the corporate resources of Netronix, Inc. and Readmoo.

E Ink: Provides EPD modules.

Netronix, Inc.: Provides eReader hardware system.

Readmoo: Assists with software interface provision and the content licensing, procurement, and management of e-books for eReaders using Traditional Chinese interfaces.

We voluntarily contacted the Nantou County Government to join their Reading Together campaign of the Nantou County Government. With the partnership of the Nantou County Government, we brought a total of 350 eReaders containing 35,000 e-books to 16 elementary schools in the country to build an eReader mobile library.

Stage 2: eReader preparation

By demonstrating the technical strengths of each company, we integrated the hardware, software, and firmware of eReaders to the best condition. After continuous testing and debugging, we reduced the potential damage and repair needs of eReaders for students and teachers use them without worries.

For students and teachers to use eReaders most conveniently, we have assigned a unique account to each eReader. E Ink volunteers even entered the account to each of the total of 350 eReader and pre-loaded 100 e-books donated for each eReader to users to read more easily.



Stage 3: eReader operation sharing

At the "Read for the Future - Mobile eLibrary" donation ceremony held on September 29, 2017, we donated such digital technology resources to the Nantou County Government.

We also arranged the eReader Education and Training on that day. Apart from introducing the operation of the eReader hardware and software interface to the eReader seed teachers in those 16 elementary schools in Nantou, volunteers of all three companies helped those teachers to solve their problems and questions in using the eReader.



Stage 4: eReader in place

After seed teachers returned to their schools, they showed the operation of eReaders to other teachers in the school and led students to surf across e-reading in all classes and enjoy the fun of reading.

All 350 eReaders were activated in 16 elementary schools of Nantou Elementary School on September 29, 2017. In addition, our project team maintains contacts with teachers every two months to understand the status of eReaders in each school.



The three companies participated in the "Read for the Future" donated a total of **350 eReaders** and pre-loaded **100 e-books** in each eReader, totaling **35,000 e-books**.



Note 1: The funds and volunteers invested in the program, and the resources donated are the sum of all three companies: E Ink, Netronix, Inc., and Readmoo.

Note 2: The contribution value was calculated based on the market price of eReaders and e-books donated.

Sharing of eReader for Future

My New eReader Experience

I have been reading with the tablet for some time. Without a doubt, reading with a tablet is much more convenient than with a book. Just a tiny piece can store innumerable number of books and allows users to enjoy reading ubiquitously. As time goes by, some indescribable regrets arose.

Coincidentally, my school received some eReaders donated by E Ink, Netronix, Inc., and Readmoo. After getting familiar with it, the indescribable regret has become describable: comfortable to read! That is what I have been looking for. With the same storage space, the eReader is more energy-efficient and much more comfortable to read. This is the way reading should be!

Despite the slower response time, less shaped colors, the absence of networking function, and support for software installation compared to a smartphone, the eReader using ePaper can keep students focus on reading for its simple functions. To children who are easily be distracted, this simplicity becomes an advantage.

If you ask me how to attract children to read, eReader will surely be the answer!



Pinghe Elementary School
Hung-che Li, Director of Academic Affairs

The e-book is magical and convenient!

In a reading class on one Friday, the teacher introduced the e-book to us.

It saves us from many troubles because it can contain a lot of books. Therefore, we will not need to bring a lot of books to school in order to read books that interest us.

However, e-books are expensive and the screen is only black and white, making it less popular. However, it still attracts many users for its convenience.

In my opinion, the e-book is magical and convenient. I want to thank the school for giving me this opportunity to use this magical and convenient product. I hope I can use it more often in the future.



Pinghe Elementary School
Yi-chiao Wang, Student

Scenes of Interviews



Self-determined social contribution projects are the long-term goal of eReader for Future



Outcomes of preliminary SROI assessment

To discern the influence of the e-books donated to 16 elementary schools in Nantou County, we calculated the social return on investment (SROI) based on the standard announced by Social Value International. After interviewing major stakeholders: headmasters/headmistresses, teachers, and students, understanding the value created for them by e-books, and confirming the project influence, we monetized the value and influence and calculated ROI based on the cost invested. As the project period was rather short, only the short-term influence at the beginning of donated was considered, and an SROI at NT\$2.63 for each dollar invested was obtained. In the future, we will continue to monitor the medium-term and long-term influence of the program, hoping to create more positive benefits to society.

Certificate of Appreciation



SROI calculation process



Care for Local Communities

As a member of society, we uphold the spirit: Contributing what is taken from society to society and continuously investing labor and funds to contribute to the construction of a quality society and the natural environment.

Synergism = Employee Activities + Charity



On E Ink Family Day, apart from giving performance, children of the Yu An Children's Home in Miaoli, a charity we have been sponsoring over time, joined the barbecue and other fun activities to enjoy the fun with E Ink employees.

At the 2018 year-end party, we invited singers with visual impairment to sing for employees and children of the Yu An Children's Home to give performance to share the fruit of pleasure.

Social Involvement Highlight Project of the Yangzhou Plant: Maitian Project



In 2012, the Yangzhou Plant began cooperation with Maitian Education Foundation of Guangdong Province in China. By sponsoring supplies and organizing volunteer services, we hope to help improve the education condition of children in remote rural areas.

About Maitian Education Foundation of Guangdong Province, China

Established in June 16, 2005, the Maitian Project officially registered with the Department of Civil Affairs of Guangdong Province as the Maitian Education Foundation of Guangdong Province in September 2010. By establishing a nationwide volunteer team, the foundation launched a number of projects, including donation for education, interest courses, and talent extension, aiming to improve the education and living conditions of children living in poverty in mountain areas and migrant children in cities. Currently, the foundation has established 77 Maitian service teams and 52 funding points to serve over 100 communities across the country.

2012

The Yangzhou Plant donated about NT\$15,000 to Paimen Elementary School (Maitian 14th Elementary School) in Miliang Township, Fenghuang County, Xiangxi Tujia and Miao Autonomous Prefecture, Hunan Province, to refurbish the school into a cement structure.

Little Bookbags, Big Dreams

Employees donated about NT\$152,000 to purchase 304 bookbags (including sports shoes, pencils, drawing books, and watercolor pens) as the present for the students of Maitian 14th Elementary School and children of nearby villages on June 1 Children's Day.



2013

The Yangzhou Plant donated about NT\$9,000 to purchase 122 raincoats as presents for students in the new semester.

"Never-Ending Charity": Let Love Make the World Cooler

The Yangzhou Plant and employees donated about NT\$163,500 to purchase 167 technical jackets as the winter uniform for students of Maitian 14th Elementary School.



2015

E Ink: Love Relay

The Yangzhou Plant and employees donated about NT\$204,500 to purchase 132 down jackets and snow boots as the winter clothes for students of Maitian 14th Elementary School.

Love from E Ink: Youth Club

E Ink donated about NT\$200,000 to Miliang Elementary School in Miliang Township, Fenghuang County, Xiangxi Tujia and Miao Autonomous Prefecture, Hunan Province, to build the Youth Club (multimedia classroom).



2016

"E Ink Warmth Reloaded"

We donated 430 rainbow pockets (including watercolors, oil painting sticks, pencils, brushes, and painting papers) to all students of Maitian 14th Elementary School (112 students) and Miliangyuan Elementary School (305 students). The total amount of donation was over NT\$200,000, including NT\$61,000 from E Ink and NT\$148,000 from E Ink employees.

Love from E Ink: Youth Club

EIH HQ donated about NT\$336,000 to two schools in Hunan Province to build youth clubs.



Love Classroom

Voluntary art and craft related courses were offered at two completed youth clubs.

2017

"Uniform Dream Program"

In 2017, we raised about NT\$300,000, including about NT\$100,000 (CNY24,100) from employees and about NT\$200,000 (CNY42,550) from management, to purchase a total of 430 school jackets for students of the Laoxing Elementary School of Xiangxi and the Jindian Elementary School of Huaihua City in Hunan Province.



Love from E Ink: Youth Club & eBook Library

We donated about NT\$220,000 (CNY50,000) to two elementary schools in Hunan Province to build the youth club. We also donated 100 ebooks with over 500 children's readers for children to read. The total value of donation approximated NT\$200,000 (CNY43,136).



"Love Classroom"

Volunteers revisited Laoxing Elementary School and gave the reading open course at Wuxi Elementary where the Youth Club was with the 2016 donation.

Volunteers devoted 280 hours of volunteer work for the Maitian Project in 2017.

Feedback from Beneficiary

"I was surprised to see students smiling so joyfully for the first time! Then I thought how wonderful it would be if they could learn with smile every day and how fortunate it would be if there were more teachers like them...It was also the first time for students to see and feel learning in the outside world could be like that."

"Volunteers from Maitian have become unforgettable 'distant relatives' that live deep in their hearts. To my surprise, I also behaved like a child who couldn't help looking outside, as if I were expecting some distant relatives."

"Because of the Maitian Project, students understand there are love and warmth everywhere. Thanks to Transcend Optronics, students realize they can read books this way."

"Thank you. Thanks for giving such a beautiful dream to those left-behind children who were once lonely and indifferent..."

Chien WANG, Headmaster, Laoxing Elementary School



• Appreciation from Students

Philanthropic Operations of E Ink USA

Employees of E Ink USA have independently formed the Ad Hoc Philanthropic Committee (AHPC) which organizes fundraisers and donation activities among employees to finance local communities. In 2017 AHPC raised capital and supplies amounting to about NT\$1.5 million.

AHPC also supported charitable activities organized by non-governmental organizations (NGOs) in 2017, such as



AHPC began encouraging employees to donate pre-owned clothes to the famous US pre-owned clothes recovery company "Goodwill" for reuse in 2003. In 2017, AHPC donated over 1,100 kg of pre-owned clothes.



AHPC also supported the donation program organized by The Marine Toys for Tots Foundation.

Employees of E Ink USA even participated in Ride to Defeat ALS event held by The ALS Association. All income from the event will be used to help and support ALS patients.



AHPC also launched cooperation with local healthcare centers to encourage employees to donate blood since 2009. In 2017, E Ink USA employees donated nearly 38L of blood accumulatively.



participating in the charitable activities organized by The Greater Boston Food Bank to which employees assisted with food classification, packaging, and delivery.

Appendix

Cross Reference with GRI Standards Reporting Indicators

| General Disclosures | | Corresponding Sections (including omitted descriptions) | Page |
|--------------------------------------|--|---|-------------|
| Organization profile (2016) | | | |
| 102-1 | Name of the organization | 2-2 Global deployment | 23 |
| 102-2 | Activities, brands, products, and services | 2-2 Global deployment | 23 |
| 102-3 | Location of headquarters | 2-2 Global deployment | 23 |
| 102-4 | Location of operations | 2-2 Global deployment | 21-23 |
| 102-5 | Ownership and legal form | 2-2 Global deployment | 23 |
| 102-6 | Markets served | 2-2 Global deployment | 23 |
| 102-7 | Scale of the organization | 2-2 Global deployment 2-4 Strategy focus and growth | 23 32 |
| 102-8 | Information on employees and other workers | 5-1 Team overview The total hours worked by intern commanded at 58% of the total hours worked by direct labor in 2017 | 70 |
| 102-9 | Supply chain | 4-4 Building a sustainable supply chain | 66 |
| 102-10 | Significant changes to the organization and its supply chain | 5-1 Team overview | 71 |
| 102-11 | Precautionary Principle or approach | 2-5 Risk response | 33-34 |
| 102-12 | External initiatives | E Ink did not sign any externally developed economic, environmental and social charters, principles, or other initiatives to which we subscribe or which we endorse. | - |
| 102-13 | Membership of associations | 22-4 Strategy focus and growth | 33 |
| Strategy (2016) | | | |
| 102-14 | Statement from senior decision-maker | Letter from the Chairman and CEO Frank Ko | 04-05 |
| 102-15 | Key impacts, risks, and opportunities | 2-5 Risk response | 33-34 |
| Ethics and integrity (2016) | | | |
| 102-16 | Values, principles, standards, and norms of behavior | 2-3 Ethical management and sustainable governance | 28 |
| Governance (2016) | | | |
| 102-18 | Governance structure | 1-3 CSR vision and missions 2-3 Ethical management and sustainable governance | 19 26-27 |
| Stakeholder engagement (2016) | | | |
| 102-40 | List of stakeholder groups | 1-1 Response to stakeholders | 12-13 |
| 102-41 | Collective bargaining agreements | E Ink Taiwan does not have a labor union. All official employees are protected by the employment contract. The Yangzhou Plant in China has established a labor union and all employees are union members. | - |
| 102-42 | Identifying and selecting stakeholders | 1-1 Response to stakeholders | 12-13 |
| 102-43 | Approach to stakeholder engagement | 1-2 Identification and management of material topics | 16-17 |
| 102-44 | Key topics and concerns raised | 1-2 Identification and management of material topics | 13-17 |

| General Disclosures | | Corresponding Sections (including omitted descriptions) | Page |
|----------------------------------|--|--|----------|
| Reporting practice (2016) | | | |
| 102-45 | Entities included in the consolidated financial statements | Report profile | 01 |
| 102-46 | Defining report content and topic boundaries | Report profile 1-2 Identification and management of material topics | 01 15 |
| 102-47 | List of material topics | 1-2 Identification and management of material topics | 14 |
| 102-48 | Restatements of information | No such thing was reported this year. | - |
| 102-49 | Changes in reporting | No such thing was reported this year. | - |
| 102-50 | Reporting period | Report profile | 01 |
| 102-51 | Date of most recent report | Report profile | 01 |
| 102-52 | Reporting cycle | Report profile | 01 |
| 102-53 | Contact point for questions regarding the report | Report profile | 01 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Report profile | 01 |
| 102-55 | GRI content index | Appendix: Cross Reference with GRI Standards Reporting Indicators | 100-103 |
| 102-56 | External assurance | Appendix: Report Assurance Statement | 104-107 |

| Management Approach (2016) | | | |
|-----------------------------------|--|--|----|
| 103-1 | Explanation of the material topic and its Boundary | 1-2 Identification and management of material topics | 15 |
| 103-2 | The management approach and its components | 1-2 Identification and management of material topics | 18 |
| 103-3 | Evaluation of the management approach | 1-2 Identification and management of material topics | 18 |

| Economic Aspect | | Corresponding Sections (including omitted descriptions) | Page |
|--|---|--|-------------|
| GRI 201: Economic Performance (2016) | | | |
| 201-1 | Direct economic value generated and distributed | 2-4 Strategy focus and growth | 32 |
| 201-3 | Defined benefit plan obligations and other retirement plans | 5-2 Building a healthy, positive and beautiful workplace Please refer to our financial statements for details. | 76 |
| 201-4 | Financial assistance received from government | 2-4 Strategy focus and growth | 32 |
| GRI 202: 市場地位(2016) | | | |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 5-2 Building a healthy, positive and beautiful workplace | 75 |
| 202-2 | Proportion of senior management hired from the local community | 5-1 Team overview | 71 |
| GRI 203: Indirect Economic Impacts (2016) | | | |
| 203-2 | Significant indirect economic impacts | 6-2 Care e-actions | 93-99 |
| GRI 204: Procurement Practices (2016) | | | |
| 204-1 | Proportion of spending on local suppliers | 4-4 Building a sustainable supply chain | 67 |
| GRI 205: Anti-corruption (2016) | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | 2-3 Ethical management and sustainable governance 4-4 Building a sustainable supply chain | 28 68-69 |
| 205-3 | Confirmed incidents of corruption and actions taken. | No such thing was reported this year. | - |
| GRI 206: Anti-competitive Behavior (2016) | | | |
| 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | Two lawsuits involving anti-competitive behavior, anti-trust, and monopoly practices were reported. The suit filed by CopyTele has been dropped. No further legal actions have been taken in suit against Hydys. | - |

| Environmental Aspect | | Corresponding Sections (including omitted descriptions) | Page |
|--|---|---|-------|
| GRI 302: Energy (2016) | | | |
| 302-1 | Energy consumption within the organization | 4-2 Address to climate change | 54-56 |
| 302-3 | Energy intensity | 4-2 Address to climate change | 56 |
| 302-4 | Reduction of energy consumption | 4-2 Address to climate change | 60 |
| GRI 303: Water (2016) | | | |
| 303-1 | Water withdrawal by source | 4-3 Resources recycling and management | 61 |
| 303-3 | Water recycled and reused | 4-3 Resources recycling and management | 61 |
| GRI 305: Emissions (2016) | | | |
| 305-1 | Direct (Scope 1) GHG emissions | 4-2 Address to climate change | 57-58 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 4-2 Address to climate change | 57-58 |
| 305-4 | GHG emissions intensity | 4-2 Address to climate change | 58 |
| GRI 306: Effluents and Waste (2016) | | | |
| 306-1 | Water discharge by quality and destination | 4-3 Resources recycling and management | 63 |
| 306-2 | Waste by type and disposal method | 4-3 Resources recycling and management | 64-65 |
| GRI 307: Environmental Compliance 2016 | | | |
| 307-1 | Non-compliance with environmental laws and regulations | No non-compliance with environmental laws and regulations was reported this year. | - |
| GRI 308: Supplier Environmental Assessment (2016) | | | |
| 308-1 | New suppliers that were screened using environmental criteria | 4-4 Building a sustainable supply chain | 68-69 |

| Social Aspect | | Corresponding Sections (including omitted descriptions) | Page |
|--|---|--|-------|
| GRI 401: Employment (2016) | | | |
| 401-1 | New employee hires and employee turnover | 5-1 Team overview | 70-71 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 5-2 Building a healthy, positive and beautiful workplace | 80 |
| 401-3 | Parental leave | 5-2 Building a healthy, positive and beautiful workplace | 76-79 |
| GRI 403: Occupational Health and Safety (2016) | | | |
| 403-1 | Workers representation in formal joint management-worker health and safety committees | 5-2 Building a healthy, positive and beautiful workplace | 81 |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 5-2 Building a healthy, positive and beautiful workplace | 82 |
| 403-3 | Workers with high incidence or high risk of diseases related to their occupation | 5-2 Building a healthy, positive and beautiful workplace | 85-86 |
| GRI 404: Training and Education (2016) | | | |
| 404-1 | Average hours of training per year per employee | 5-3 Multiple development and growth for employees | 90 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | All employed have received performance evaluation | - |
| GRI 405: Diversity and Equal Opportunity (2016) | | | |
| 405-2 | Ratio of basic salary and remuneration of women to men | 5-2 Building a healthy, positive and beautiful workplace E Ink does not pay employees differently by gender | 75 |

| Social Aspect | | Corresponding Sections (including omitted descriptions) | Page |
|---|--|--|-------|
| GRI 406: Non-discrimination (2016) | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | No such thing was reported this year | - |
| GRI 407: Freedom of Association and Collective Bargaining (2016) | | | |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | No such thing was reported this year | - |
| GRI 408: Child Labor (2016) | | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | No such thing was reported this year | - |
| GRI 409: Forced or Compulsory Labor (2016) | | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | No such thing was reported this year | - |
| GRI 411: Rights of Indigenous Peoples (2016) | | | |
| 411-1 | Incidents of violations involving rights of indigenous peoples | No such thing was reported this year | - |
| GRI 412: Human Rights Assessment (2016) | | | |
| 412-2 | Employee training on human rights policies or procedures | 5-2 Building a healthy, positive, and beautiful workplace | 71 |
| GRI 414: Supplier Social Assessment (2016) | | | |
| 414-1 | New suppliers that were screened using social criteria | 4-4 Building a sustainable supply chain | 68-69 |
| GRI 415: Public Policy (2016) | | | |
| 415-1 | Political contributions | No such thing was reported this year | - |
| GRI 416: Customer Health and Safety (2016) | | | |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | No such thing was reported this year | - |
| GRI 417: Marketing and Labeling (2016) | | | |
| 417-2 | Incidents of non-compliance concerning product and service information and labeling | No such thing was reported this year | - |
| 417-3 | Incidents of non-compliance concerning marketing communications | No such thing was reported this year | - |
| GRI 418: Customer Privacy (2016) | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | No such thing was reported this year | - |
| GRI 419: Socioeconomic Compliance (2016) | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | No non-compliance with laws and regulations in the social and economic area was reported this year | - |



Corporate Social Responsibility Report