

The logo consists of a red rectangle with the word "innodisk" in white lowercase letters. A small red square is positioned above the right side of the rectangle.

innodisk

2018

Innodisk

Corporate Social Responsibility Report



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Innodisk CSR Report Overview

- **The purpose of this annual CSR Report is to illustrate Innodisk's achievements regarding economic, environmental, societal and other aspects, as well as the determination and effort therein.**
 - The issues presented in this CSR Report have been substantially analyzed and authenticated. The issues are chosen, and their priority decided at the "Innodisk CSR" team meetings as well as the meetings with the company's stakeholders.
- **Range and statistics of the CSR Report**
 - This CSR Report covers Innodisk's performance regarding global corporate social responsibility from January 1st, 2018 to December 31st, 2018. The financial data within this report cover the operation performance of the parent company and all subsidiary companies, while the remaining content mainly focuses on the operation of the company's Xizhi headquarters, Xizhi factory, and Yilan factory, but do not fully cover data from all affiliated and overseas companies. In the future, we will gradually incorporate important information on our subsidiary companies to provide a more comprehensive disclosure of Innodisk's CSR influence and achievements.
 - Innodisk has long kept close watch on environmental issues. In 2012, we obtained ISO14001, QC080000, and ISO45001 certification in succession, all of which have been notarized by third parties. All figures regarding Innodisk's performance in environmental protection, safety, and health will be expressed through internationally recognized indicators. Notes will be added for chapters in which estimated values or assumption-based values are used.
- **Principles for Innodisk's CSR Report**
 - The contents and structure of Innodisk's CSR Report refer to the GRI Standard issued by the Global Reporting Initiative. This Report was compiled in accordance with GRI "core options" when disclosing Innodisk's main sustainability issues, strategies, goals, and implemented measures.
- **Time of Issue**
 - Innodisk continuously and periodically issues yearly CSR reports, with the reports also disclosed on Innodisk's official website.
 - Current Issuance Version: To be issued on June 2019
 - Next Issuance Version: Scheduled to be issued on June 2020
- **Contact Information**
 - Should you have any questions or suggestions regarding this CSR Report, please contact us. Our contact info is as follows: Innodisk Corporation
 - Address: 5F., No.237, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City, Taiwan
 - Tel.: +886-2-7703-3000
 - E-mail: InnodiskCSR@innodisk.com
 - Website: www.innodisk.com

- **Development**

- Founded in 2005, Innodisk has focused on embedded and cloud storage devices for more than a decade. The Company has accumulated a degree of market share in both domestic and foreign markets. In addition to seeking continuous development in IoT and cloud storage application markets, Innodisk engages in on-going preparation for its operational development in 3~5 years, i.e., strengthening our capabilities in researching and manufacture. Moreover, Innodisk has also established a research and manufacture center within Yilan Science Park in accordance the Company's operational and developmental plans. The research and manufacture center is about an hour drive from Innodisk's Xizhi headquarter. Innodisk's Yilan factory occupies an area of 4000 ping (Ping: A floor space calculation unit roughly equal to 3.306 m²), with the building itself consisting of four-stories, both meeting the standards of a Silver-tier Green Building. Innodisk is thus able to provide an excellent working environment for its employees.

- **Employee Benefits**

- Innodisk sees employees' health and life-work balance as an important part of its company culture. We value the physical and mental health of our employees and their families. At Innodisk, we hope that every single one of our employees can achieve a balanced development in every aspect of life. Starting from 2015, Innodisk has started providing employees with monthly health consultations with on-site doctors of the factories, biyearly medical examinations, sickness and accident care grants, annual company trips, and held events such as art activities, speeches and sports competitions, etc. Furthermore, Innodisk also works in cooperation with Aaeon Foundation to grant employees book-borrowing opportunities. Aside from taking care of our employees, Innodisk also looks after our employees' families by offering maternity grants superior to industrial standards. Innodisk's employees can thus work worry-free. The introduction of the ISO45001 certification on occupational safety and health is a testament to Innodisk's concerns for employees' "safety and health". Not only to we implement risk identification measures to target at the potential threats to safety and health in our working environment but also expect to achieve our accident-free goal when already complying with Occupational Safety and Health Act and other relevant laws.

- **Social Concerns**

- In 2015, the 10-year anniversary of Innodisk's establishment, Chairman Zhung-Liang Lee called upon the Board to pool resources into establishing the "Innodisk Education Foundation", based on our business philosophy of "sharing" and "taking up responsibilities". Believing that children are society's future, "Innodisk Education Foundation" devotes itself to helping underprivileged students complete their education and thereby become the foundation for society's stabilization and growth.

- **Environmental Protection**

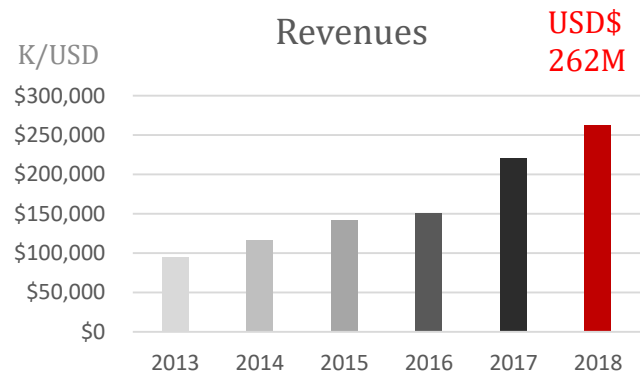
- Environmental issues are what derives from economic development. As we continue to pursue prosperity and a more materialistic civilization, our environment is paying a huge price. The natural environment, so essential to human survival is becoming increasingly polluted. At Innodisk, we believe that corporations should embrace their social responsibilities in contributing to society. For that reason, Innodisk has obtained the ISO14001, QC080000, and ISO45001 certifications in 2012. Being certified by these systems, we hope to prevent pollution and reduce energy consumption and carbon emission. Additionally, with the help our Energy Conservation and Carbon Reduction Team in Taiwan, Innodisk will review current measures and evaluate how we can further improve our environmental preservation strategies. Innodisk's goal is becoming a "green corporation" that will continuously strive to become a corporation that "lowers energy consumption, reduces carbon emissions and cares for our planet".



Chairman: Randy Chien

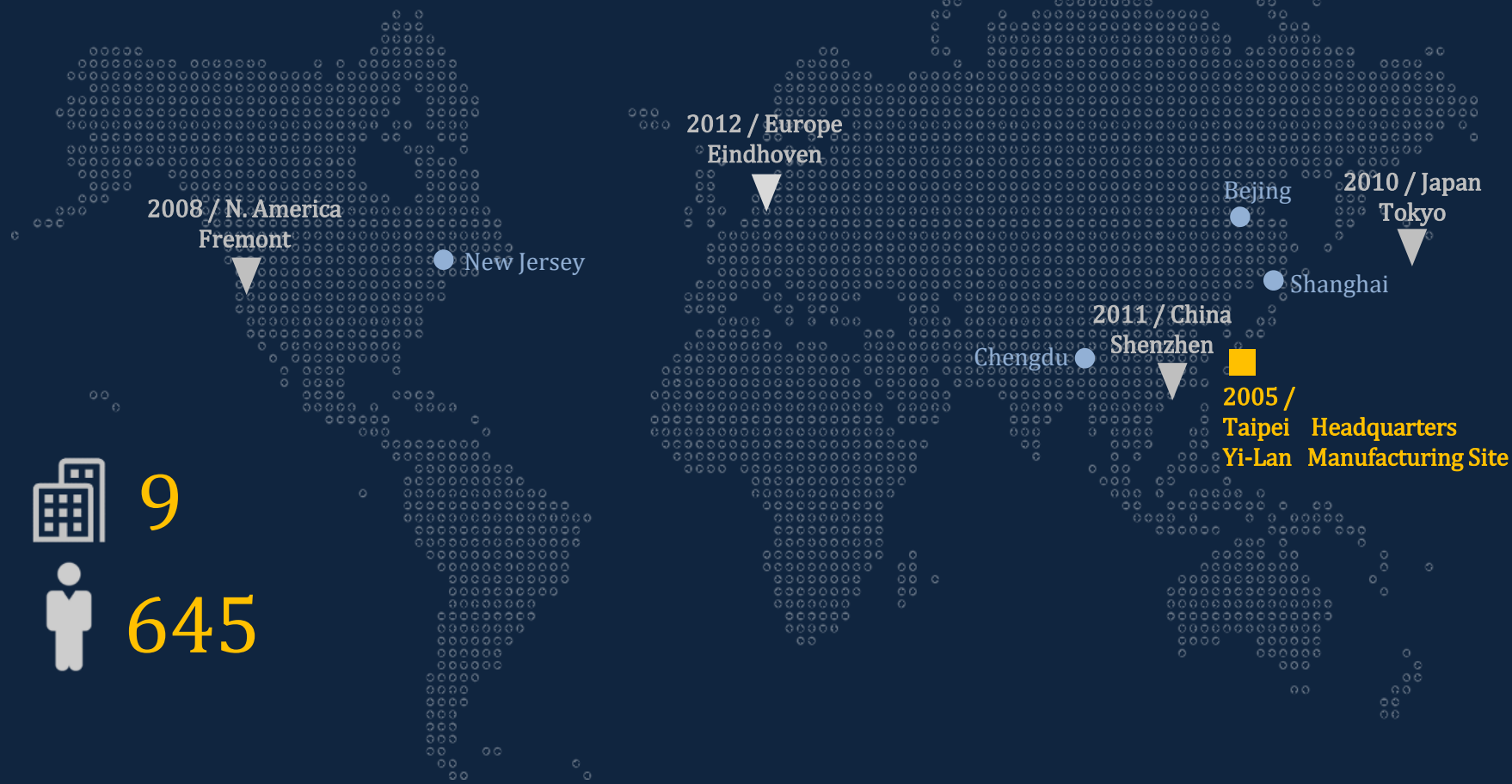


Founded	2005
Capital	USD \$25.4M (2018)
Revenue	USD \$262M (2018)
Patents	80
Production	1,200K / Monthly (2018)



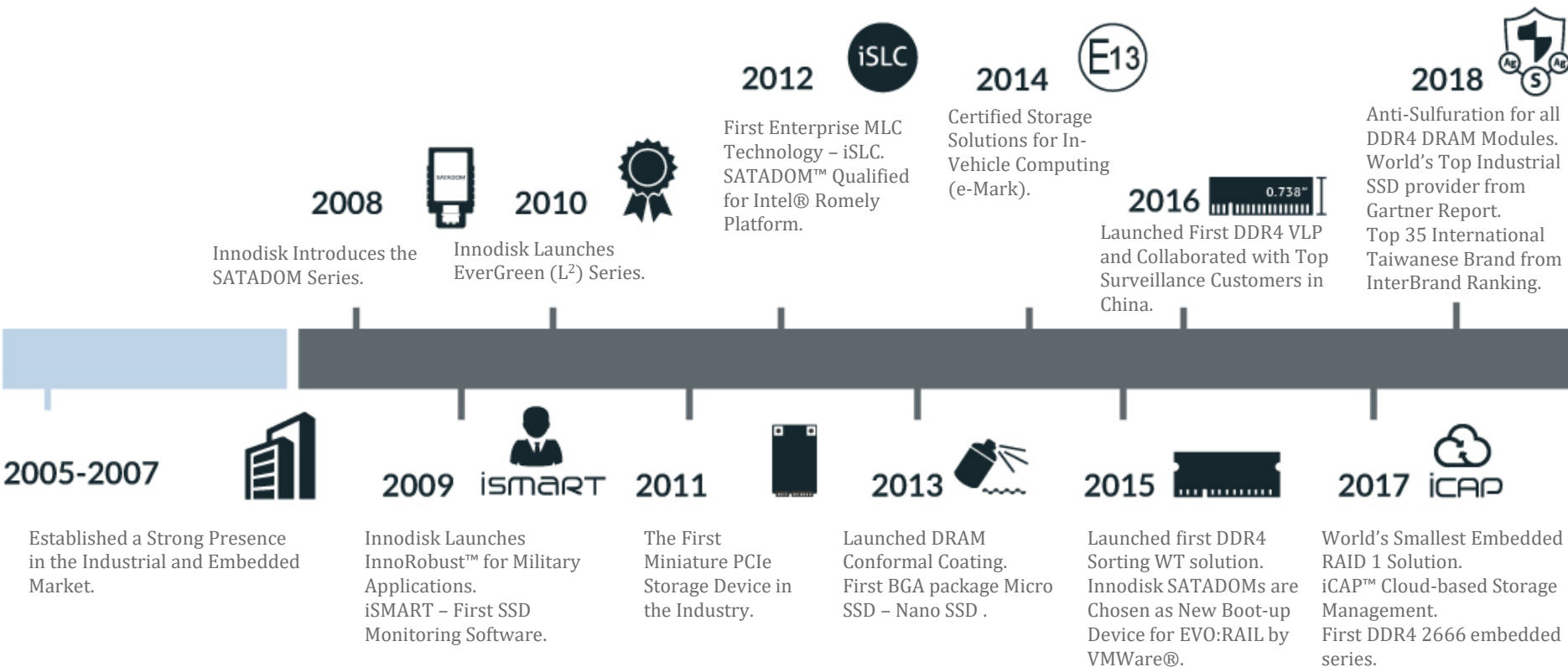
Worldwide Operations

innodisk

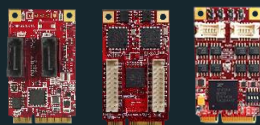


13 Years of Innodisk

innodisk



Business Coverage



IPA

mPCIe Storage / Communication /
Display Modules / RAID Cards /
Software Solution



DRAM

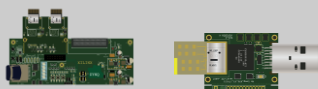
Embedded / Wide Temp./ Customized / Server
(Coating/ Side Fill/ Anti-Sulfuration)

innodisk



Flash

SATADOM / M.2 / PCIe



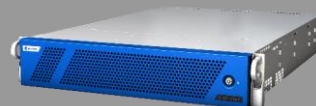
Millitronic

WiGig Wireless Communications



Antzer Tech

In-vehicle Communications



Accelstor

All Flash Array



Aetina

Industrial Graphic Cards



Logo of Innodisk

- The corporate logo currently used is designed in February 2013.
- The implication of our logo is the core corporate spirit of Innodisk –‘Absolute Service’. Not only to provide satisfactory service to customers, but also to exceed satisfaction.

Lowercase letters means
humble and willing to listen.

The square point is symbolizes a permanent
partnership with customers, and always
think a little more.



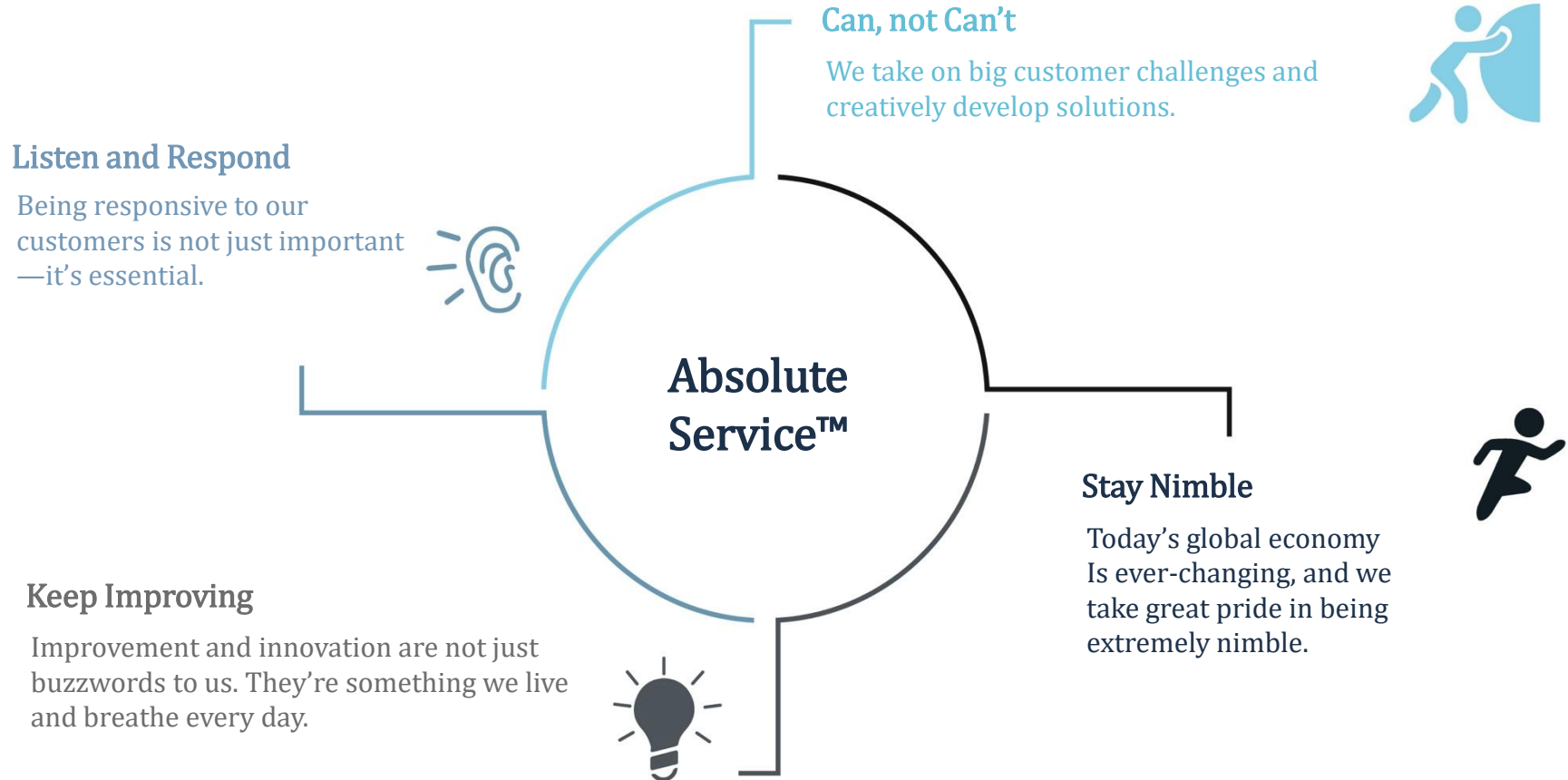
The red means the
passion of our services.

Rectangle means the seal of the Chinese. The
implication is the commitment to the customer.

- ◆ Interbrand Global Top 35 Taiwan Brand (2018)
- ◆ Gartner evaluate 2018 Global Industrial SSD high market share (2018)
- ◆ SATADOM 3ME4 - Taiwan Excellence Award (2017)
- ◆ ServerDOM™ - Taiwan Excellence Award (2015)
- ◆ InnoRobust II SATA SSD - Taiwan Excellence Award (2012)
- ◆ PCIeDOM II - Computex Best Choice (2011)
- ◆ EverGreen Series SSD - Taiwan Excellence Award (2010)
- ◆ nanoUSB Dual - Taiwan Excellence Award (2010)
- ◆ SATA DOM - Computex Best Choice (2009)
- ◆ nanoUSB - Taiwan Excellence Award (2009)



Company Culture and Values



Through years of innovation and research, we have accumulated multiple valid patents and yield key influence in the applications of industry automation control.



Global Patents

Innodisk's products are produced through our own production lines and factories, both of which comply with industrial standards. We possess equipment that have production techniques, while also ensuring that our products are under strict inspection before and after production.



Firmware R&D team

Our firmware researching team has many years of experience in customization, allowing us to rapidly and accurately respond to clients' needs and provide highly-reliable customized products.



Self-owned production lines and factories

Absolute Integration™

Absolute Integration™ is our envisioned path that moves toward a more interconnected world.

“To us, integration is not merely the combination of hardware, software and firmware; it is a philosophy that assimilates all relevant elements to create an optimal solution.”



Technical Aptitude by Design

Our advantage lies in our portfolio of hardware, software and firmware technology and how we arrange these basic building blocks into new works of innovation.

Deeply Rooted in the Market

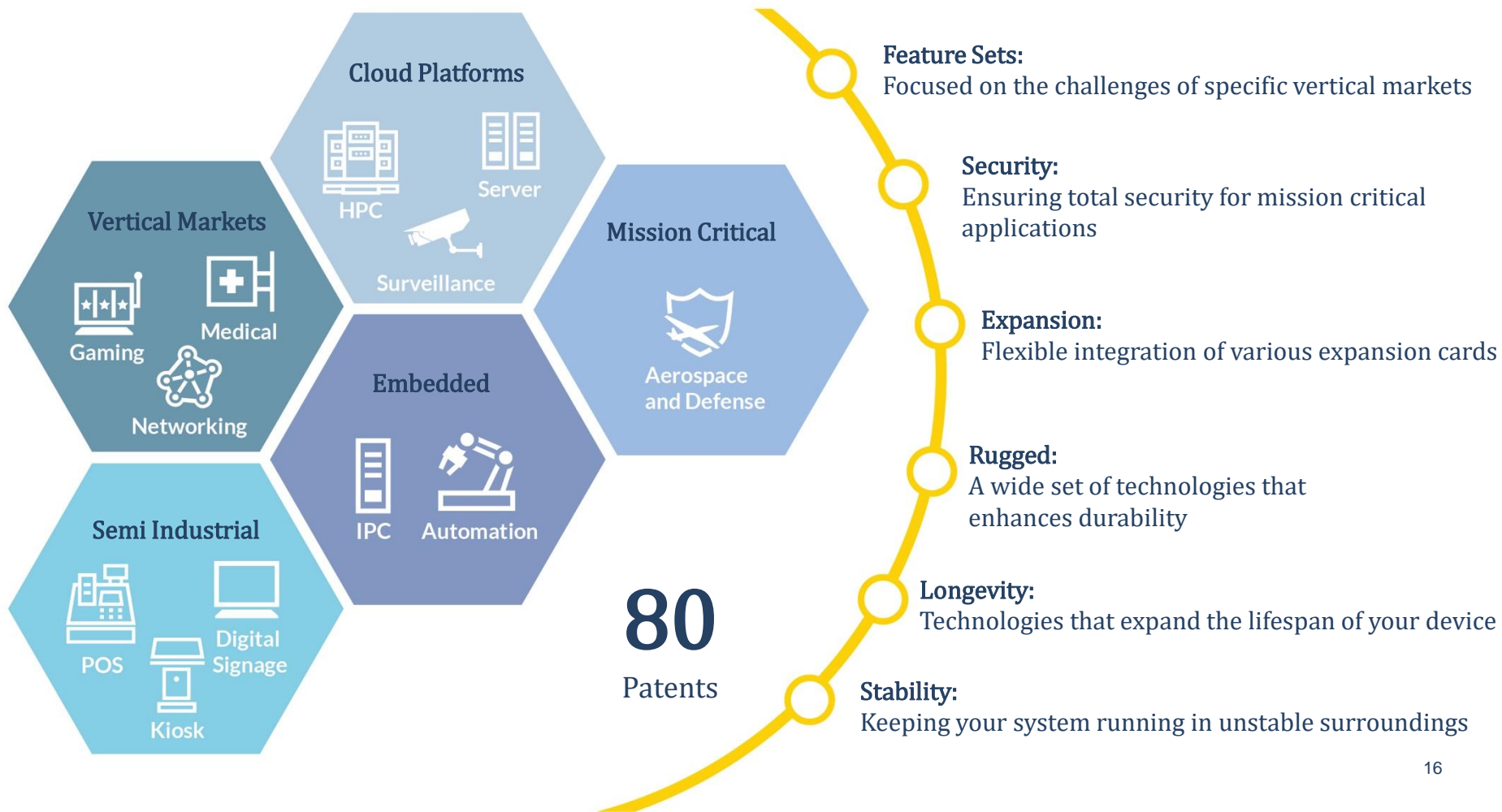
The awareness of the pit falls and opportunities of vertical markets allow us to view the full picture when crafting the optimal solution.



We Are in It Together

To reach the optimal solution, working together with our partner from day one is paramount. The best possible outcome can be managed by developing solutions jointly.

Applications and Technologies

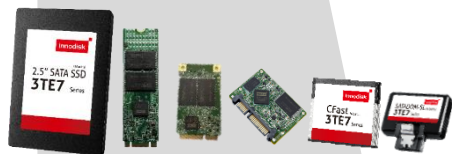


FLASH – Complete Storage Solutions

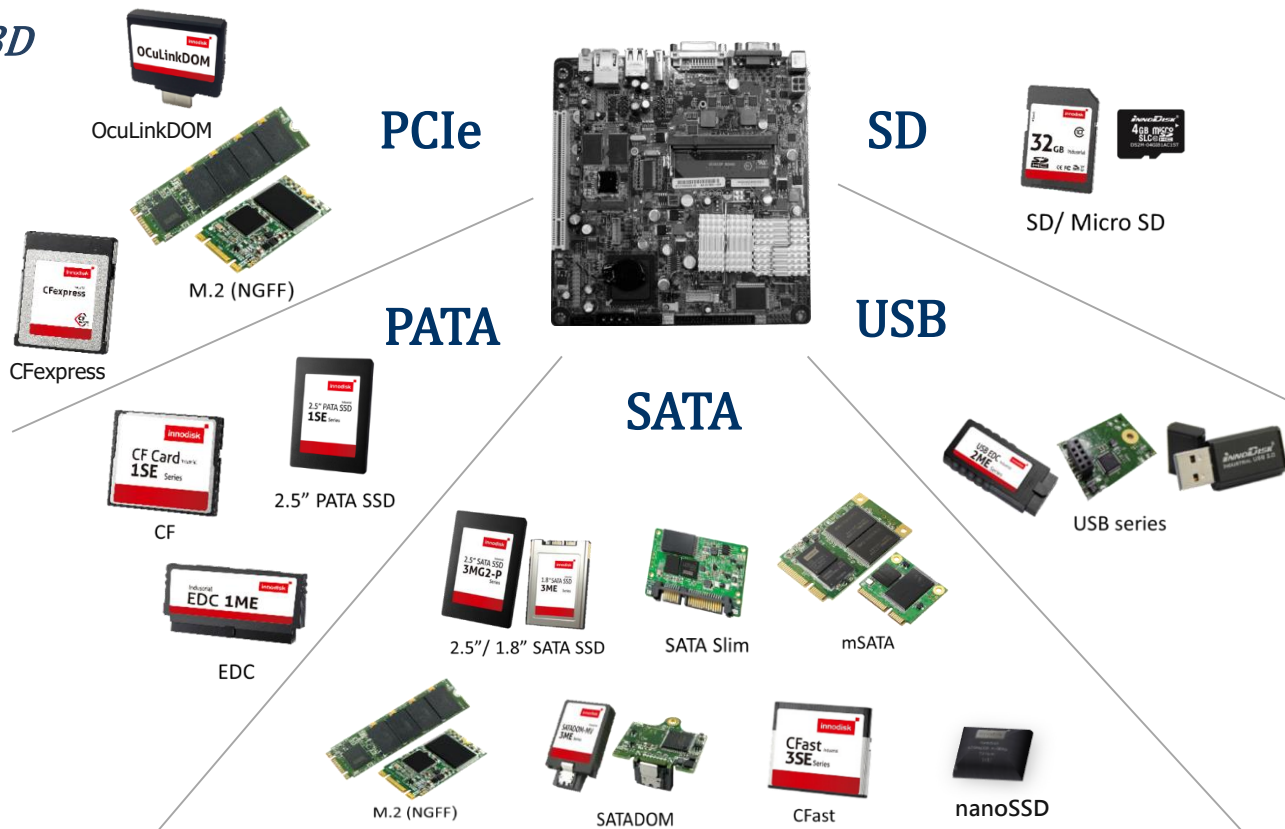
innodisk

*Truly industrial-oriented 3D
TLC solutions*

High Performance
w/DRAM Product



Reliable
DRAM-less Product



DRAM – Industrial Memory Modules

Embedded Memory

(DDR4 / DDR3 / DDR2 / DDR SDRAM)

Product:

- UDIMM
- SODIMM
- Very Low-profile

Feature:

- Only the highest quality Original IC
- Industry-first DDR4 2666 embedded memory

Wide Temp. Memory

(DDR4 / DDR3 / DDR2)

Product:

- WT UDIMM
- WT SODIMM
- WT Very Low-profile
- WT ECC DIMM
- WT Very Low-profile

Feature:

- Gold Finger 30μ"
- Original wide temp. IC
- Strict temperature testing

Server Memory

(DDR4 / DDR3 / DDR2)

Product:

- RDIMM
- Mini DIMM
- ECC UDIMM / SODIMM
- ECC Very Low-profile

Features:

- Implemented ECC function
- Stringently tested with the in-house designed testing tool iRAM



Customized Memory

(DDR4 / DDR3)

Product:

- XR-DIMM

Feature:

- Gold Finger 30μ"
- Mounting hole (Anti-vibration)
- Original wide temp. IC

EP – Complete I/O Expansion Solution

innodisk

2.5"

Communication

CANbus, PoE, Ethernet, Serial and Digital I/O



PCIe

Storage

SATA and USB



Display

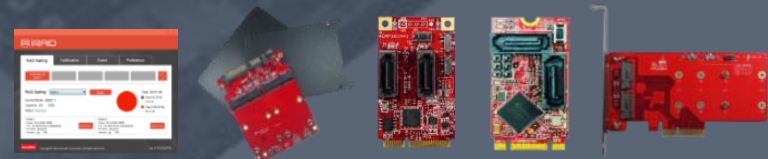
VGA, HDMI, DVI and LVDS



mPCIe

RAID

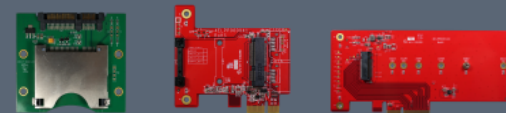
RAID0 and RAID1



M.2

Testing tool

mPCIe, mSATA, M.2, CFast, SATADOM and CF



Edge Utility



iSMART
Cloud Administration
Platform



iTracker
SD Card and USB
Management



iCover
System Recovery and
Backup



iOpal
Self-Encrypting
Drive Management

Cloud Management System



iCAP
Cloud Administration Platform

Partnership and Alliance

innodisk



2017

Microsoft officially supports SATADOM™ Boot-up Drive for Windows Server.



2016

Officially became Intel® IoT Solution Partner

Interbrand

2018

Top 35 International Taiwanese Brand



2016

SATADOM™ is qualified on the EVO:Rail platform

Forbes

2016

Innodisk was listed as one of Asia's 200 Best Companies Under A Billion in Forbes.

Gartner

2018

No. 1 Global Industrial Grade SSD

Production

1,200K / Monthly (2018)

Certifications

ISO9001 / ISO14001 / ISO45001 /
IECQ QC080000

Manufacturing

New Taipei City / Yi-Lan County

innodisk

ISO9001 X ISO14001 X ISO 45001 X IECQ QC080000

New Manufacturing Site at Yi-Lan

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Lot Size

10,000

Sq. Meter

Floor Area (4 floors)

12,000

Sq. Meter

2018 Capacity

450K

SMT x 3

Maximum Capacity

1,800K

SMT x 12

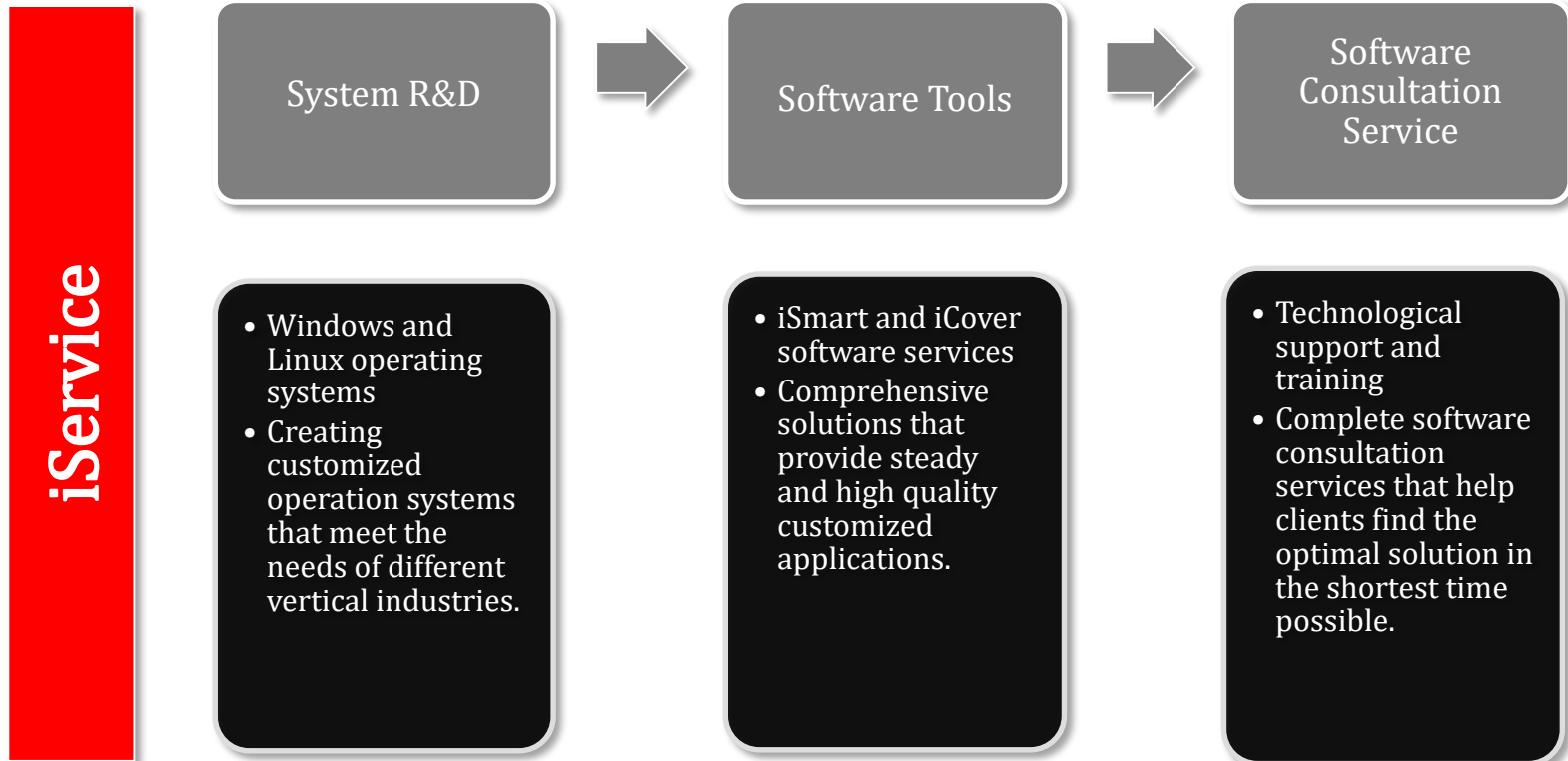


Information Security/Product durability

Customize/Long-term and stable supply/Bill of materials control/Firmware technology

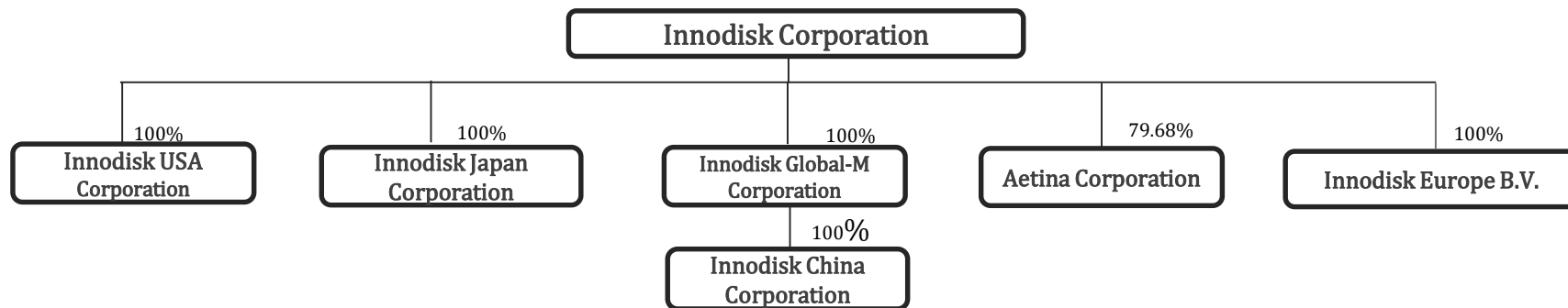
Function and durability of product

- iService™ Software Value-adding Service Designed for Industry Automation Control



Subsidiary Company of Innodisk

innodisk



• Cross Holding of Shares Companies

2018/12/31; unit: stock/NT thousand

Subsidiary Company	Relationship with Innodisk	How much Innodisk's shareholding does subsidiary have.			How much subsidiary's shareholding does Innodisk have.		
		Shares held	Shareholding (%)	investment amount	Shares held	Shareholding (%)	investment amount
Innodisk Global-M Corporation	subsidiary company	-	-	-	615,000	100.00%	18,659
Innodisk USA Corporation	subsidiary company	-	-	-	2,046,511	100.00%	140,499
Aetina Corporation	subsidiary company	-	-	-	2,470,000	79.68%	24,700
Innodisk Japan Corporation	subsidiary company	-	-	-	196	100.00%	3,533
Innodisk Europe B.V.	subsidiary company	-	-	-	1	100.00%	332
Innodisk China Corporation	Sub-subsidiary company	-	-	-	Note	100.00%	18,168

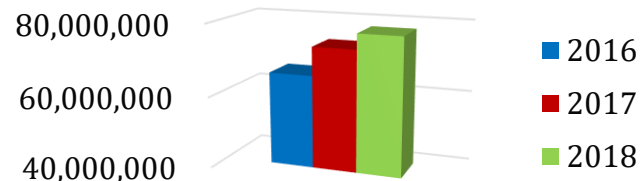
Note: Unissued Stock °

Share Capital Source

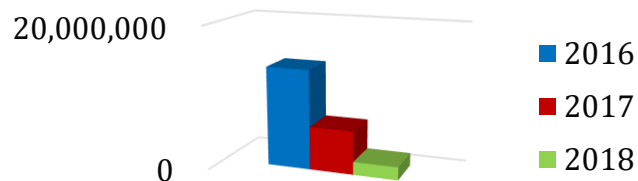
Authorized stock (Common Stock)								
Outstanding Capital Stock			Unissued Capital Stock			Total		
2016	2017	2018	2016	2017	2018	2016	2017	2018
65,940,980	73,879,097	78,166,129	14,059,020	6,120,903	1,833,871	80,000,000	80,000,000	80,000,000

- 2016~2018
– Stock circulation.

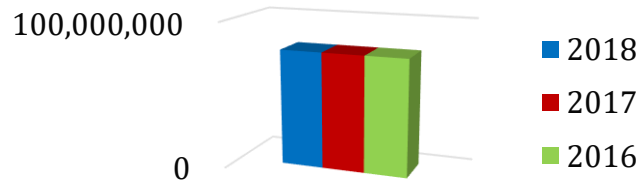
Outstanding Capital Stock



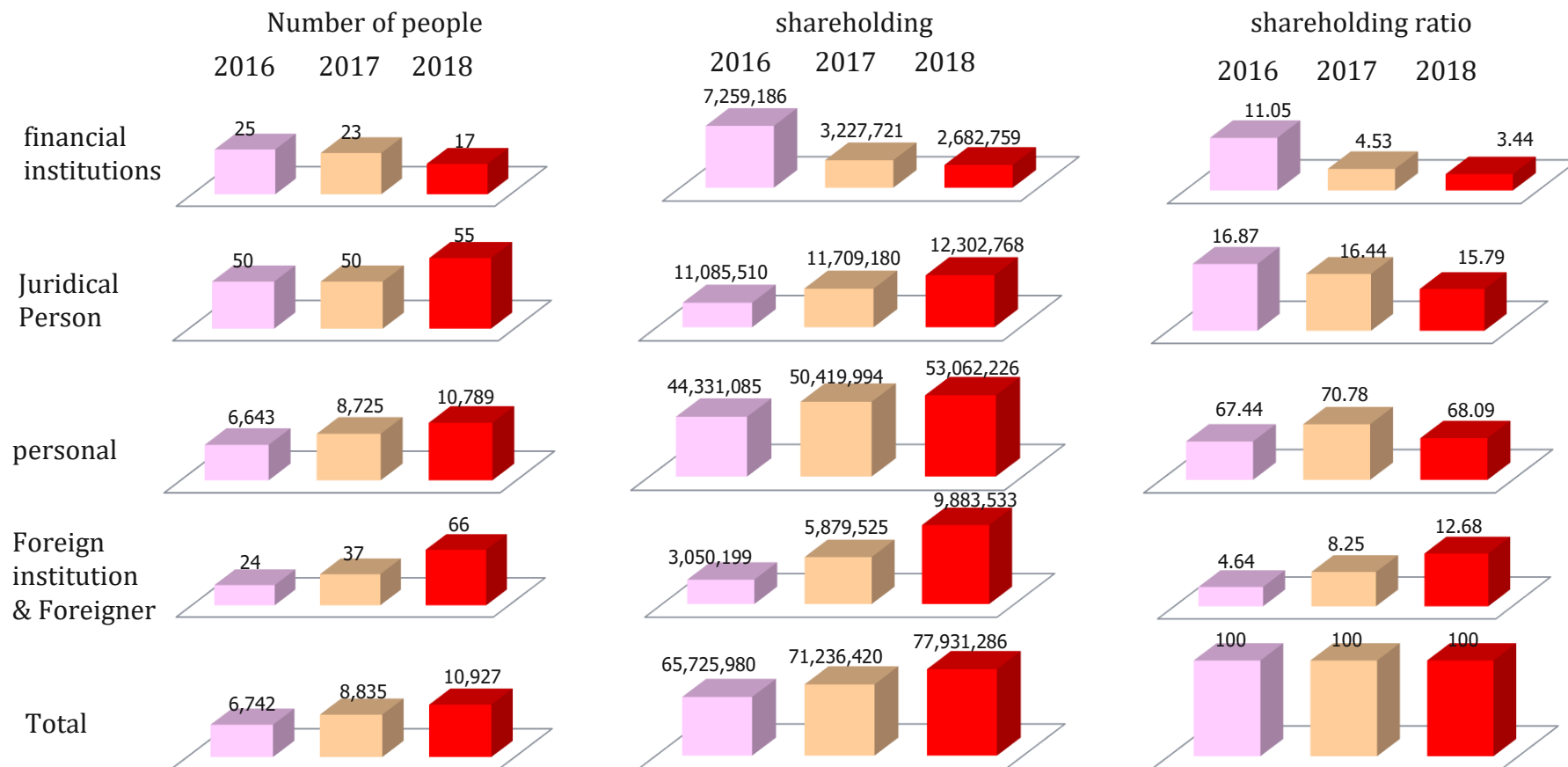
Unissued Capital Stock



Total



Shareholding Structure



List of Major Shareholders

2018/09/05 Unit: Stock

Name	Stock	shareholding	shareholding ratio
Ruei-Ding invest Corp.		5,470,029	7.02%
HSBC NT Asia Fund investment account		3,480,467	4.47%
Pi Ke Zhu investment Corp.		1,990,387	2.55%
Richard Lee		1,814,400	2.33%
Ching-Chung, Chu		1,387,316	1.78%
Randy Chien		1,250,238	1.60%
Hua Nan Securities Co., Ltd.		875,093	1.12%
Cathy United Bank		861,709	1.11%
Chin-Tsung, Huang		846,980	1.09%
CTBC Bank investment account		826,241	1.06%

Financial Information



- Innodisk's Financial Condition Innodisk's operating income in 2018 was NTD\$7,866,250,000, which was 20% higher than that of the previous year. The net profit attributable to the parent company is NTD\$849,774,000 with an earning of NTD\$10.87 per share, maintaining a strong and steady profitability. The accounts receivable balance towards the end of the year increased by a slight NTD\$ 33,345,000 comparing to 2017. To respond to the supply and market price drop in the second half year, Innodisk actively reduced its inventory in the fourth quarter, with the year end inventory being less than that of 2017 by NTD\$ 380,650,000. As the construction of the Research Center in Yilan was completed, the value of real estate, factories, and equipment have increased by NTD\$245,451,000. Most of the CB issued in 2015 have been converted into common stock last year, and for that reason, the debt ratio has dropped from 27% in the 2017 to 24% towards the end of 2018. The financial structure is sound and the financial balance normal. For detailed operational performance and financial information, please refer to the Innodisk's 2018 annual report.

– For more details, please visit:
<http://mops.twse.com.tw/>

- Three-year consolidated summary income statement: NTD\$'000

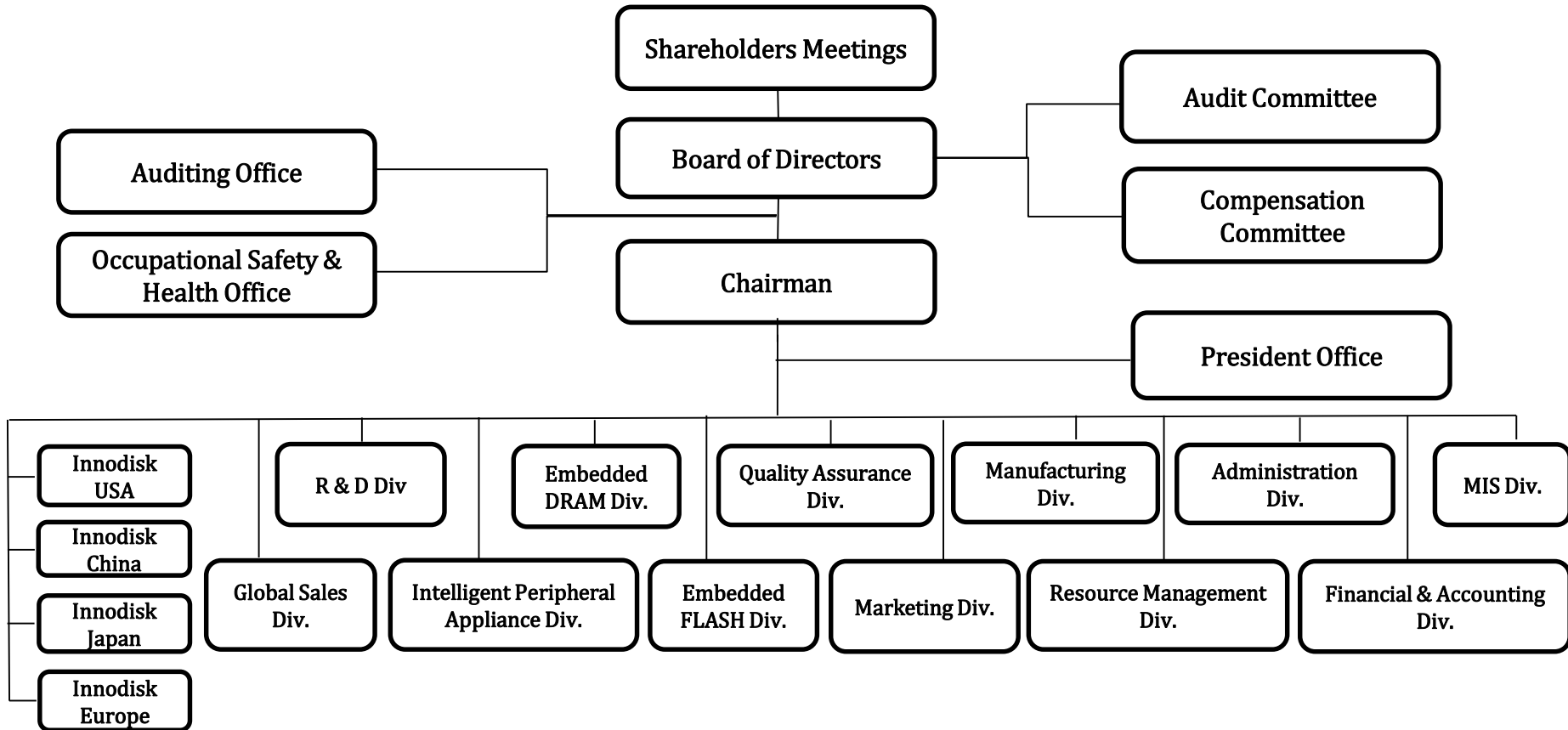
	2016	2017	2018
Operating Income	4,645,526	6,544,206	7,866,250
Gross Profit	1,264,324	1,773,701	1,940,466
Profit and Loss	550,648	996,236	1,109,255
Non-operating Income & Expenses	-19,002	-78,308	-10,733
Pre-tax Income	531,646	917,928	1,098,522
Net Income of Operating Sections	405,884	730,861	850,450
Loss of Non-operating Sections	-	-	-
Net Income (Loss)	405,884	730,861	850,450
Other Comprehensive Income (Net)	-4,025	-7,410	6,690
Comprehensive Income Sum	401,859	723,451	857,140
Net Profit Attributable to Parent Company	463,582	767,880	843,084
Net Profit Attributable to Non-controlling Interest	-57,698	-37,019	7,366
Comprehensive Income Sum Attributable to Parent Company	459,557	760,470	849,774
Comprehensive Income Sum Attributable to Non-controlling Interest	-57,698	-37,019	7,366
Earning Per Share	6.73	10.86	10.87

- Innodisk is committed to live up to the highest ethical standards and maintain an effective accountability system. We believe good corporate management provides a steady and strong foundation for the Company's operations, provides high-quality products and services to the market while increasing the long-term value of the corporation itself. Innodisk's management policies are in compliance with "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and other relevant regulations. Innodisk also set measures related to corporate management as follows:

1. Regulations for the Board of Directors' Meeting	6. Procedures for Endorsements and Guarantees	11. Organizational Regulations for Compensation Committee	16. Procedures for Suspension or Resumption of Transactions
2. Regulations for Shareholder Meeting	7. Measures for Board Election	12. Procedures regarding Financial and Business between Affiliated Companies	17. Procedures for Handling Material Internal Information
3. Internal Control System	8. Procedures Ensuring Operational Integrity and the Code of Conduct	13. Trading Procedures for Related Parties of Enterprise Group and Specific Companies	18. Procedures for Handling Requests of the Board
4. Procedures for Obtaining or Disposing Assets	9. Code of Ethics	14. Regulations on the Duties of Independent Directors	
5. Procedures for Lending of Capital	10. Organizational Regulations for the Audit Committee	15. Procedures for Handling Internal Material Information	

- In addition to the audit committee checking and tracking of the internal control and internal audit, all of the Company's departments should also conduct self-evaluations. The Board of Directors and the management shall conduct annual reviews on the self-evaluation results by each individual department as well as the audit reports compiled by the Auditing Department, and draft an internal control statement in reporting to the competent authority.

Innodisk Org Chart



- **Board of Directors:**

- **Board of Directors and Their Duty**

Innodisk's Board of Directors consists of 9 directors (including 3 independent directors) with a three-year tenure. To emphasize the independence and diversity, members of the Board of Directors include a Chairperson, Directors, and Independent Directors, consisting a total of 8 gentlemen and 1 lady. All members of the Board are dedicated to fulfilling their duties and exercise due care of good administrators, while exercising their authority with great self-discipline and prudence.

- **Competency of the Board**

Innodisk's Board operates and manages the Company in compliance with the "Regulations for the Board of Directors' Meeting" and "Procedures Ensuring Operational Integrity and the Code of Conduct". Board meetings are routinely held every quarter (A total of 7 meetings were held in 2018, please refer to Innodisk's 2018 Annual Report - Operation of the Board for more details: <http://mops.twse.com.tw>) and benefiting from any interest-related resolutions is avoided. All the current Directors are loyal to the duties of their position and every Director are given the opportunity to fully express their opinions on the Company's operations, thereby helping the Board of Directors reach an agreement. Resolutions made by the Directors are executed by the Management, with the Directors continuing to supervise the effectiveness of the execution, fulfilling their duties as Directors of the Company.

- **Independent Directors**

Since 2012, Innodisk has established Independent Director positions within its Board, effectively enhancing its operations. Independent Directors are professional individuals who are subject to restrictions concerning shareholding and part-time jobs. The Independent Directors shall remain independent within the scope of their operating duties and shall not directly or indirectly benefit from the Company's operations. This allows the functions of Independent Directors to be further enhanced, which contributes to the transparency of the Company's financial statements, ensures the rights of shareholders, and elevates the Company's overall value, achieving the goal of being a sustainable business.

Board of Directors

Title	Name	Gender	Main Experiences/Education	Current Concurrent Position
Chairman	Randy Chien	Male	Mechanical and Electro-Mechanical Engineering, Tamkang University. Department of Mechanical Engineering, National Central University, Master. NCCU Department of Business administration. Chairman of Innodisk.	General Manager of Innodisk Chairman of Innodisk China Corporation Director of Innodisk USA Corporation Representative Director of Innodisk Japan Corporation Director of Innodisk Europe B.V. Director of Mauritius Innodisk Global-M Juridical Person Director of Aetina Corporation Juridical Person Director of AccelStor Ltd. Juridical Person Director of MILLITRONIC. Co, Ltd. Juridical Person Director of Antzer Tech, CO., LTD. Independent Director of Anpec Electronics Corp.
Director	Richard Lee	Male	Department of Management Science, National Chiao Tung University Department of Management Sciences, Tamkang University, Master. General Manager of Power Quotient International Co., Ltd.	Chairman of Ruei-Ding invest Corp. Chairman of Innomedia Technology Corp.
Director	Vincent Lo	Male	Department of Management Science, National Chiao Tung University Drexel University MBA Director of ThinFlex Technology Corporation	Chairman of Li-Luen invest Corp. Director of Innodisk USA Corporation Legal representative director of AccelStor Ltd. Supervisor of Millitronic Co., Ltd,

Board of Directors

Title	Name	Gender	Main Experiences/Education	Current Concurrent Position
Director	Ruei-Ding invest Corp. Representative: Su-Fen, Huang	Female	Department of Business Administration, Tung Hai University. Tamkang University, Master.	Director of Ruei-Ding invest Corp.
Director	Ching-Chung, Chu	Male	Department of Management Science, National Chiao Tung University Department of Management Science, National Chiao Tung University, Master. General Manager of Kobayashi Optical Co.,Ltd.	Supervisor of Innomedia Technology Corp.
Director	Shan-Ko, Hsu	Male	Department of management science, national Chiao Tung University NCCU Department of Business Administration, master degree. Deputy Executive Manager of Yu-Lon Group. Chairman of Shin-Yang Management Consulting Co.	Chairman of Yi-Chung Technology Corp. Independent director of Institutional Banking Corp. Independent director of Nuvoton Technology Corp. Director of Parpro Technology Corp. Director of Acme Electronics Corp. Chairman of Hestia Power Inc. Independent director of Winbond Electronics Corp. Chairman of AccelStor Ltd.

Board of Directors

Title	Name	Gender	Main Experiences/Education	Current Concurrent Position
Independent director	En-Min, Cho	Male	Department of Economics, Tung-Hai University. Rochester University, MBA. Chairman of Phison Electronics Corp. Chairman of Powertech Technology Inc.	Director of Cosmos Vacuum Technology Corp. Director of EnzyTek Technology Inc. Chairman of Da Feng Communication Technology Corp.
Independent director	Tsung-Te, Lin	Male	NCCU Department of Business Administration, MBA. Chairman of Genesys Logic Inc. Vice General Manager of Advantech Co., Ltd. General Manager of AVerMedia Technologies, Inc.	Vice General Manager of Global Graphene Group. Chairman of Bai-Cheng Capital Managemnet Consulting Corp. Supervisor of Arise Biotech Corp.
Independent director	Kuang-Pin, Li	Male	Management of Technology, National Chiao Tung University Ph.D. degree. International Business, National Taiwan University, EMBA. NCCU Department of Business Administration Vice General Manager of Shin Kong Global Venture Capital Corp. Vice General Manager of Shin Kong Capital Fund SPC.	Director of Asia Neo Tech Industrial Co., Ltd. Legal representative director of Flygotravel Travel Sevices LTD. Director of VENUE Corp. Director of Wegames Corp.

- **Operating with Integrity:**

- The main purposes of Innodisk’s “Regulations for the Board of Directors’ Meeting” are to establish a good management system, to improve the supervision of the Company’s operations, and to strengthen management measures. Unless otherwise regulated by relevant laws or regulations, the Board of Directors shall act in compliance with the “Regulations for the Board of Directors’ Meeting”. When a Board meeting is held, the unit of agenda designated by the Board shall prepare relevant information for the Directors’ reference and shall notify non-board-member management of relevant departments to participate in the meeting based on the content of resolutions. Accountants, attorneys, and other professionals may also be invited to the meeting when needed.
- Innodisk’s “Procedures Ensuring Operational Integrity and the Code of Conduct” clearly prohibits bribery, unlawful political donations, inappropriate charity donations or funding, providing or accepting gifts, treats, or other improper benefits, infringement of trade secrets, trademarks, patents, copyrights, and other intellectual property rights, engaging in unfair competition, and directly or indirectly harming the rights, health, and safety of consumers or other stakeholders during the research, procurement, or manufacturing of products and services.

- **Audit Committee**










- The objective of the Audit Committee is to assist the Board in performing their supervising duties and assume the tasks regulated by the Company Act, the Securities and Exchange Act, and other relevant laws. Audited matters include: the Company’s financial statements, company audits, accounting policies and procedures, internal control systems, possible conflicts of interest, trade of major assets or derivatives, the offering or issuance of securities, appointment, dismissal, or compensation of certified public accountants, appointment and dismissal of financial, accounting, or internal audit supervisors, etc. In accordance with the provisions of the Organizational Regulations for Audit Committee, the Audit Committee is authorized in conducting any audits and investigations within its scope of responsibility, and has direct access to communicating with the Company’s internal auditors, certified public accountants, and all other employees. The Audit Committee also has the right to hire attorneys, accountants, or other consultants to assist in the performance of its duties. The Audit Committee holds at least four meetings a year (A total of 6 meetings were held in 2018, please refer to Innodisk’s 2018 Annual Report - Audit Committee Operation for more details: <http://mops.twse.com.tw>) and consists of three independent directors.

- **Compensation Committee:**

- To assist the Board in implementing and evaluating the compensation policies of the Company as well as the compensation of Directors and Management. Innodisk’s Compensation Committee should hold a minimum of 2 meetings a year (A total of 3 meetings were held in 2018, please refer to Innodisk’s 2018 Annual Report – Operation of the Compensation Committee for more details: <http://mops.twse.com.tw> and consists of three independent directors).

Workforce Structure

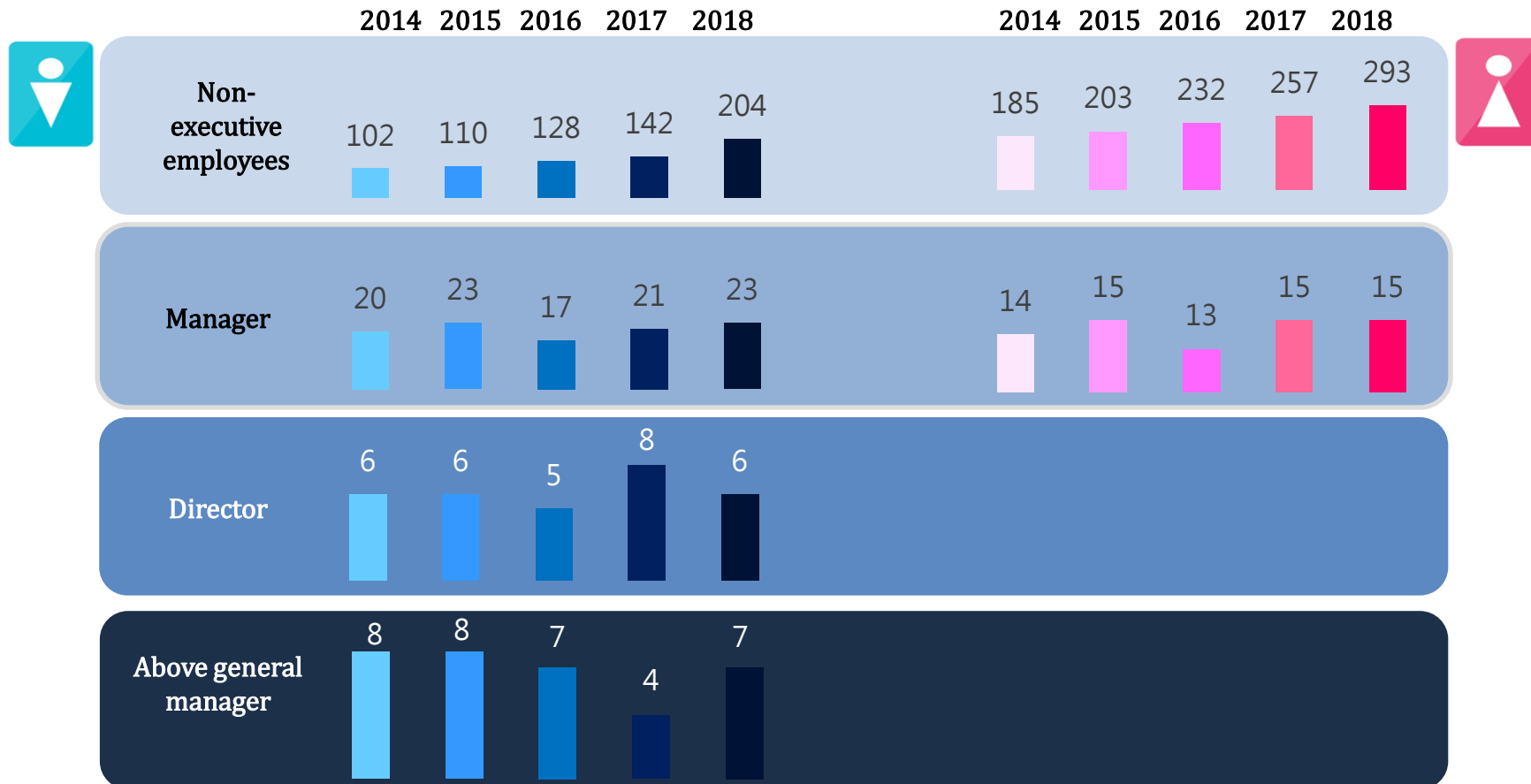
- Workforce structure of Innodisk.

Year	Non-executive employees		Manager		Director		Above general manager		Disabled employees
Gender									
2018	204	293	23	15	6	0	7	0	4
2017	142	257	21	15	8	0	4	0	5
2016	128	232	17	13	5	0	7	0	3
2015	110	203	23	15	6	0	8	0	3
2014	102	185	20	14	6	0	8	0	4

- Innodisk had 548 employees at headquarters in 2018, including 240 male employees and 308 female employees. Female employees accounted for 56.2% and female managers accounted for 29.41%.

Workforce Structure – by Ranking

Number of employees

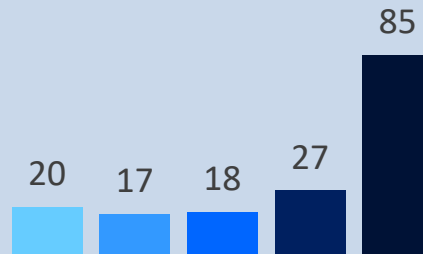


Workforce Structure – by Direct/Indirect Labor



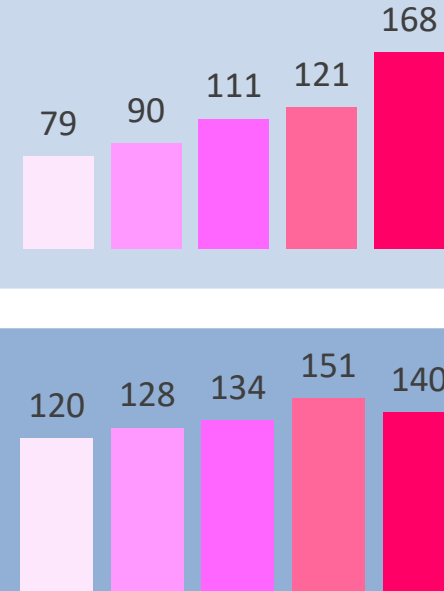
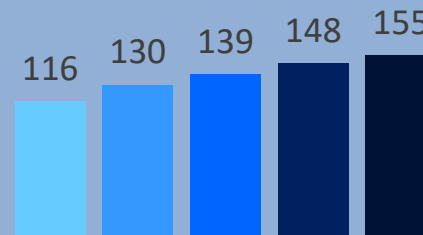
Number of employees 2014 2015 2016 2017 2018

Direct Labor



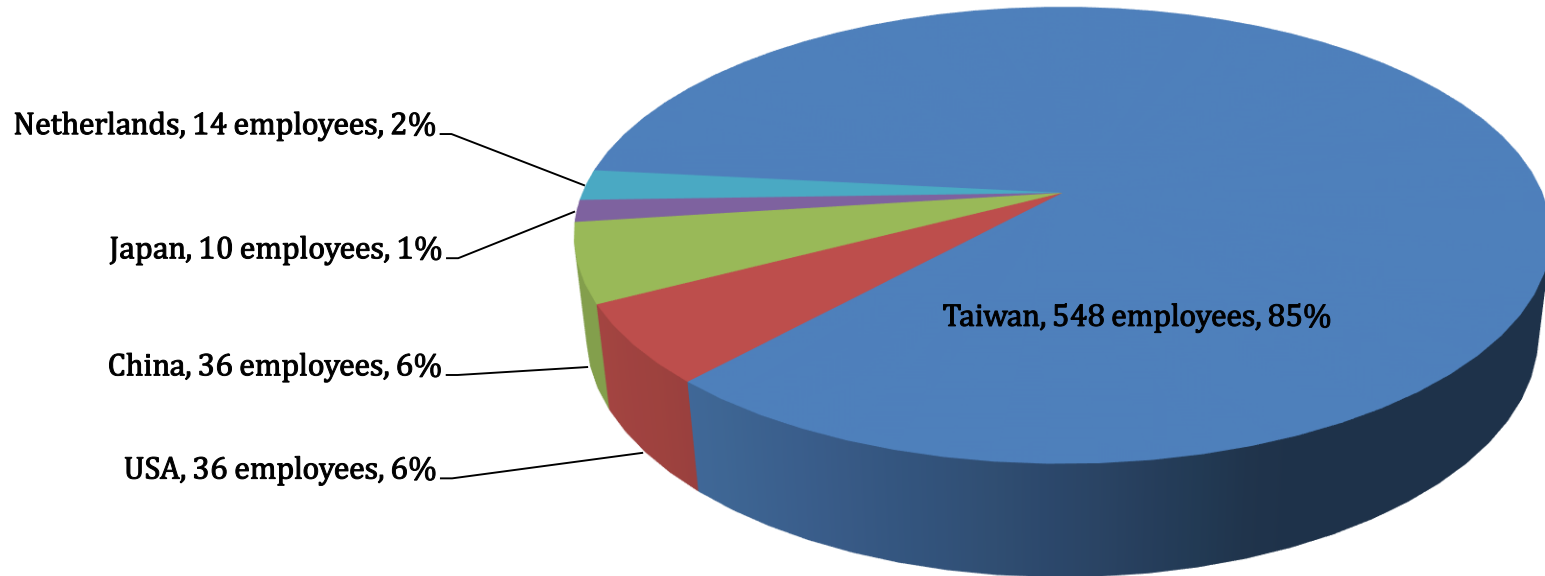
2014 2015 2016 2017 2018

Indirect Labor







Workforce Structure – by Region

- By the end of 2018, Innodisk had 644 employees worldwide:





Workforce Structure – by Foreign/Disabled employees

- Innodisk committed to equal opportunity also commits to fair employment. We won't discriminate against applicants based on such non-job-related factors as age, disability, national origin, race and religion.

Region	Total		Disabled employees				Foreign employees			
										
	Male	Female	employees	percentage	employees	percentage	employees	percentage	employees	percentage
Taiwan	240	308	1	0.42%	3	0.97%	3	1.25%	57	18.51%
USA	19	17	0	0%	0	0%	11	57.89%	12	70.59%
Netherlands	10	4	0	0%	0	0%	8	80%	2	50%
Japan	8	2	0	0%	0	0%	8	100%	2	100%
China	19	17	0	0%	0	0%	11	57.89%	17	100%
Total	296	348	1	0.34%	3	8.62%	41	13.85%	90	25.86%

Employee Turnover – by Gender, Region, and Age

- Employee Retention:
 - Innodisk considers its employees to be its most important assets, which is why comprehensive benefits are provided for all employees. Innodisk actively implements educational training plans and encourages employees to improve their skills and achieve their vocational goals. Regarding termination of employment, once a resignation has been raised by an employee, the HR Department will arrange a resignation interview with said employee as needed. The HR Department aims to understand the reason for the resignation and will work toward retaining the employee.
- Regional Turnover Rates in 2018:
 - Taiwan 16.99%; China 18.18%; USA 22.45%; Japan 0%; Netherlands 22.22%. Turnover statistics for different age groups are as follows:

Gender								
	Age	Age	Age	Age	Age	Age	Age	Age
Region	<30	30~40	41-50	>50	<30	30~40	41-50	>50
Taiwan	4.84%	3.40%	0.52%	0.00%	4.71%	2.88%	0.65%	0.00%
China	6.82%	4.55%	4.55%	0.00%	0.00%	2.27%	0.00%	0.00%
USA	2.04%	4.08%	2.04%	2.04%	4.08%	2.04%	4.08%	2.04%
Japan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Netherlands	16.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.56%

Statistics of Maternity Leave in Innodisk

- Statistics of Maternity Leave in Innodisk in 2016 to 2018:

Statistics of Maternity Leave		
Numbers of employees applying for parental leave in 2016 to 2018 (A)	1	20
Numbers of employees being expected to return in after parental leave in 2016 to 2018 (B)	1	20
Numbers of employees applied for back to duties in 2016 to 2018 (C)	0	16
Number of employees completed one full year of service after returning from parental leave in 2016 to 2018 (D)	0	8
Return rate in 2016 to 2018: $(C/B) \times 100\%$	0%	80%
Rater on return after parental leave in 2016 to 2018: $(D/C) \times 100\%$	-	50%

- **Innodisk considers employees to be its most important assets. Compliance with the law serves as fundamental principles in establishing any system.**
 - Lawful Employment: Innodisk complies with the provisions of all labor laws and refuses to employ minors under the age of 15. In addition, it does not allow employees under the age of 18 to perform dangerous task work. Employees are notified of all changes in labor conditions in accordance with the provisions of the law.
 - Sexual Harassment and Discrimination Prevention: Innodisk strictly prohibits any form of sexual harassment, whether it be physical or non-physical. Aside from establishing relevant regulations, Innodisk has also set up dedicated mailboxes exclusively for employee complaints. All employees are treated as equals, regardless of race, religion, skin color, nationality, gender, etc. Thus far, Innodisk has yet to receive any complaints regarding identity discrimination.
- **Performance Assessment Systems:**
 - Innodisk's performance management and development system aims at integrating and enhancing the performances of both individuals and the Company as a whole. By implementing two-way communication measures and employee development planning, performance is evaluated through a fair and reasonable evaluation process. The assessment itself serves as the basis for job promotion, salary adjustment, bonus distribution, employee development and training needs, etc. If an employee is incompetent for the job, the Company will provide them with appropriate counseling or help them transfer to a suitable unit. If the employee still fails to meet relevant requirements, the Company will adopt appropriate measures such as providing severance packages in accordance with relevant laws and regulations, ensuring that employee rights are accounted for.
 - Main Performance Assessment Procedures at Innodisk:
 - Goal Establishment: During the previous performance assessment (early and mid-year), employees and their department supervisors will together establish a goal for the following performance assessment.
 - Assessment of the First Half of the Year: Department supervisors and employees meet up to discuss current execution status and assess the progress in the first half of the year.
 - Annual assessment: The department supervisors and employees discuss the execution status of the annual goal and assess the progress thereof. The employee's level of performance is determined by the general manager.

- **Communication of Performance Rating:**



- In efforts of improving the Company's overall performance, the Individual Development Plan (IDP) is developed to help improve the performance of individual employees. The initial assessment supervisor shall hold performance meetings with the assessed employee regarding performance assessment results, directions of improvement, and future development plans to promote two-way communication between employees and Management. The Individual Development Plan emphasizes employees' autonomy, values individuals' values, encourages employees to seek independent improvement, as well as achieve the Company's goals through the employees' improvement. Innodisk plans and implements various internal training courses and provides its employees with relevant grants for taking external training courses. Employees can form their own plans when it comes to the improvement of their personal abilities and can discuss their future careers with their supervisors. The supervisors then give feedback and suggestions according to the employees' individual development goals, needs, strength and weakness, the current status of their department or organization, as well as future goals. When required, supervisors can also offer support and progress follow-ups to help employees achieve their goals.

- **Salary**

- Innodisk deems the salary and benefits of its employees to be of great importance. The salary and compensation of employees are decided based on their credentials, working experience, professional knowledge, professional experience, and individual performances; without differences due to specific genders. Innodisk's salary policies are established according to the following principles:
 - Understanding and abiding local laws. Establishing harmonious labor-management relations under the provisions of the law so as to move toward sustainable business operations.
 - Offer salaries based on the market value of the employee's respective professional skills and the contributions of their position's responsibilities. The salary is then combined with the company's performance assessment system to motive employees in seeking better .
 - Innodisk's standard starting salaries for newly-graduates completely comply with the law and any amendments made.
 - Based on the Company's operational status and individual performance, monthly bonuses are given to employees as encouragement for better performance. The bonus sum of each employee is decided based on the Company's business status, in addition to the employee's position, contribution and performance.

Average Salary Difference Ratio

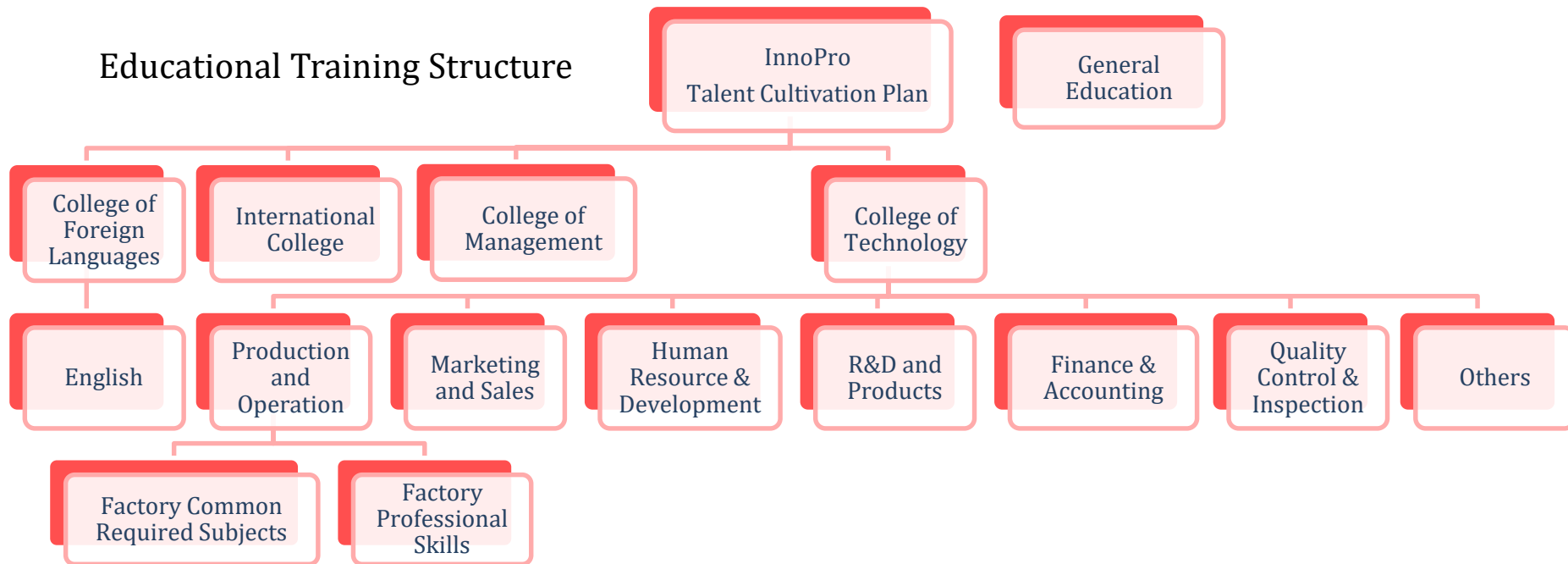
- The average salary difference ratio by gender is as follows (analyzed cases are limited to Innodisk 's Taipei headquarters):

Innodisk		
Staff (supervisors, supervising and professional personnel, assistants, clerical support workers)	1.39	1
Technicians (production team leader, technicians, operators)	1.33	1

- In compliance with Taiwan's laws, every single one of Innodisk's employees are insured with labor and medical insurances starting from their first day at work. The Company is to also allocate funds as part of their pension plans. In addition, Innodisk also provides group insurance to its employees, the content of which, includes: Life insurance, accidental insurance, hospitalization insurance, cancer insurance, daily accident insurance, etc. We provide comprehensive medical assurance for all of our employees. Overseas employees given salaries that not only meet the local labor market conditions but are also reasonable and competitive. Innodisk also refers to local laws, industry practices, and operating performance in issuing short/long-term incentive bonuses to encourage long-term contributions and growth alongside the Company. The social insurance systems for overseas employees are also handled in accordance with local laws of the respective region.

Employee Development & Educational Training

Educational Training Structure



- **General Education**
One of Innodisk's main operational focuses, which provides a safe and secure working environment for its employees. Innodisk provides a series of courses on the required subjects, such as fire fighting, labor safety, quality concepts, health knowledge, information security, and so on. All employees are encouraged to participate.
- **College of Technology**
Innodisk organizes internal education training from time to time for employees of different professional and technical backgrounds. Innodisk also offers subsidies for external training.

- **Educational Platform in Different Schools**

- College of Management

- In response to the developmental needs of each department, Innodisk periodically offers appropriate in-service training for supervisors of all management levels, so as to actively cultivate management talents, build team cores, and strengthen the Company's overall management skills.

- College of Foreign Languages

- To help align with international markets, Innodisk provides scholarships for advanced study in languages and covers registration fees for relevant language exams. Furthermore, Innodisk also holds English-related courses, striving to comprehensively improve the English ability of employees across all departments.

- International College

- As the Company operates and grows at an international level, educational training are arranged every year according to the developmental needs of the Company's branches around the globe, so as to promote growth and development of Innodisk's employees.

- **At Innodisk, Employees Enjoy Equal Training Opportunities Regardless of Gender and Position**

- Talent is one of Company's most important assets. At Innodisk, we care for the growth and development of every single employee. We offer training resources that contribute to individual career development and continue to improve the structure and resources of our internal training. Aside from periodically organizing internal educational training to improve employees' professional skills, Innodisk also offers subsidies as encouragement for employees to participate in in-service training and workshops held by certified external organizations.

※ The Company experienced rapid growth in 2018. A larger number of on-board employees participated in the basic internal training, such new employees training as well as external training in labor safety and health. Hence, the growth rate of external training increased while the hours for internal training decreased.

Internal Training	2017	2018	Growth Rate	External Training	2017	2018	Growth Rate
No. of Periods	330	365	11%	No. of Participants	85	122	44%
Hours	393.6 H	345.9H	-12%	Hours	871.25 H	1400.55H	61%
No. of Participants	3209	4138	30%	Average Training Hours (Based on the number of participants at yearend)	1.95 H	2.56H	31%
Man-hours	4893.3 H	5523.8H	13%				
Average Training Hours (Based on the number of participants at yearend)	10.9H	10.1H	-7%				

- [Educational Training for New Employees/ Training on Human Rights Policy]: Every new employee on-board has to complete training regarding operation systems, expertise and practice, with the results inspected to make sure the employee can quickly adjust to their new positions and contribute to the Company's operations. In addition, general education courses such as "Introduction to Innodisk's Environment, Regulations and Benefits for Employees", "Regulations for Information Security", "Being an Innodisker- History and Culture of Innodisk", "Labor Safety and Health and Work Environment Maintenance", etc., are to be completed by new on-board employees to help them quickly familiarize with Innodisk's products, quality policies, background culture and corporate regulations.

Item	Batches	Hours	No. of Participants
Educational Training for New Employees/ Training on Human Rights Policy	9	7.6	180

- [Training for New Supervisors]: To help Innodisk supervisors learn and grow, Innodisk goes in depth to understand the needs of supervisors in terms of leadership and management and provides appropriate training. Through improvement of supervisors' leadership and management, the performance and satisfaction of employees are expected to increase..

Item	No. of Courses	Hours	No. of Participants
Training for New Supervisors	1	5	14

- **Supplier Management**

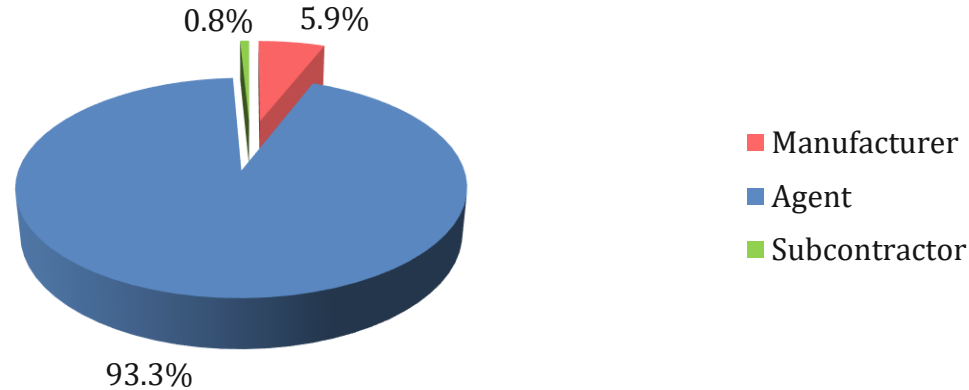
- Ever since its establishment, Innodisk's business strategy has revolved around "Development in Taiwan while focusing on the international market". Our procurement policies have also been established according to this approach. In order to meet the characteristics of industrial products in being diverse but few in numbers, not only is our production line based in Taiwan, but we also adopt diversified product portfolios and flexible production strategies to meet the diverse needs of global clients. To this end, locally registered manufacturers in Taiwan are first considered when choosing suppliers. After ten years of growth, Innodisk has gradually become an international corporation. At the same time, we have made adjustments to our supply chains in order to meet the strict requirements of our numerous international clients. Aside from cost competition, production process, product quality and technical services, Innodisk is now concerned with issues such as labor rights within our supply chains, environmental protection, as well as safety and health risk control; we have therefore adopted a multitude of measures that help suppliers improve their management. The goal is to lower operational costs and risks for Innodisk and its suppliers, achieving a common growth partnership. All suppliers of Innodisk are selected in accordance with the Guidelines on Supplier Management established by our ISO, and all suppliers are required to fully comply with all relevant laws and regulations in Taiwan or in their registered countries when running their businesses. In addition, suppliers are also required to pay special attention to issues like business ethics, labor rights, work environment, safety and health, and so on.

- **Type of Supply Chains and Procurement Localization**

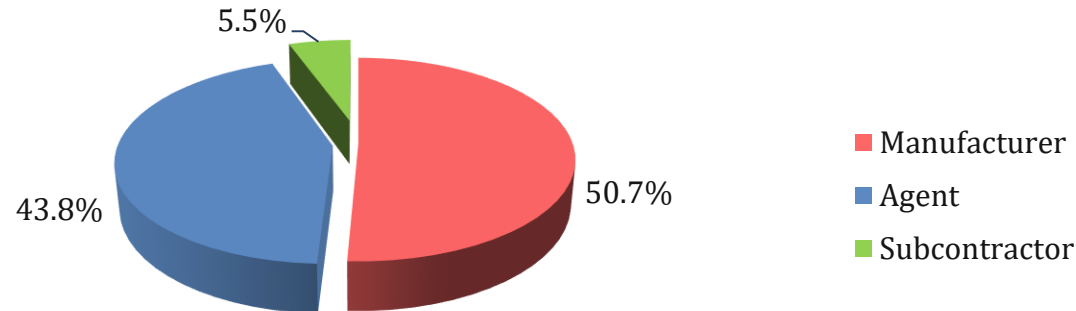
- As mentioned above, Innodisk's products are very diverse in order to meet the different needs of clients around the world. For this reason, Innodisk needs a considerable number of suppliers to assist in the provision of a wide range of products. In 2018, Innodisk had a total of 146 suppliers. Our suppliers come from a variety of sources, ranging from top tier, internationally renowned, electronic component manufacturers, to local manufacturers that offer special production services. The parties from which Innodisk purchases from, are mainly distinguished by the relevance of production materials, divided into manufacturers of production materials, agents that do not directly produce products but indirectly provide production materials, and subcontracted factories that provide production services.

Rate of Manufacturer, Agent and Subcontractor

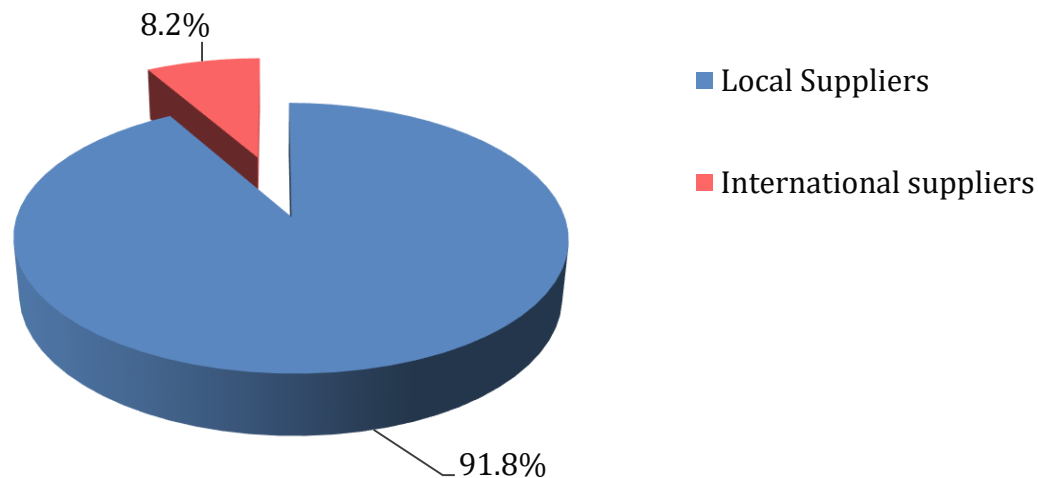
- Count by amount, manufacturer account for 5.9%, agent account for 93.3% and subcontractor is 0.8%.



- Count by number of manufacturer account for 50.7%, agent account for 43.8% and subcontractor is 5.5%.



- Innodisk expect to promote the growth of local economy, always try to procure from local suppliers first. The number of local suppliers we procure is 134, account for 91.8%.



● Supplier Management

Preliminary Evaluation

- Preliminary Evaluation Sheet for Suppliers: Suppliers are screened based on quality/delivery time/price/service. The delivered samples are then checked to make sure they comply with Innodisk's quality requirements.

Periodic Documental Inspection

- Procurement and quality control officers evaluate suppliers based on their delivery performance. The evaluation results are used to decide whether the suppliers are listed as qualified suppliers for future purchases.

On-Site Inspection

- Quality Assurance /Engineering/Quality Control officers will visit the suppliers' factories and inspect their documents and production site in deciding whether the suppliers will still be listed as qualified suppliers.

Incoming Inspection Records

- Record the conditions of every incoming inspection and provide feedback to the suppliers as a basis for continuous improvement.

Qualified Suppliers

- All aforementioned measures are even applied to qualified suppliers in monitoring the quality of their products and services.

- **Besides evaluating the quality, costs, delivery time, service and techniques of suppliers, Innodisk also manages procurement based on the concept of green supply chains. The following fundamental principles are used to evaluate suppliers:**
 - All of Innodisk's suppliers shall fully comply with relevant local laws and regulations and clearly state their risk control measures.
 - All of Innodisk's suppliers shall establish a dedicated management system for the environment, employees' health and safety, and hazardous substances.
 - Compliance with Innodisk's "substance-limited components management plan" by providing proper and periodically updated statements or certification documents. Innodisk has incorporated environmental protection principles into its supplier management mechanism. For some items such as raw materials, packaging or pollution emitted by suppliers, Innodisk strictly demands that its suppliers comply with environmental regulations.
 - Suppliers must pledge and guarantee that their products do not include "substances prohibited by environmental management" and provide the following information:
 - Inspection reports for environmental management substances within their products
 - Collection of knowledge and understanding regarding related components in materials and parts
 - Collection of information on toxicity and prohibition (Material Safety Data Sheet) of related chemicals (Material Safety Data Sheet)
 - Show results from inspections implemented by the supplier's management system

- **Rating of Suppliers**

- Innodisk has strict supplier screening standards and inspection management policies. To ensure that suppliers comply with Innodisk's standards, the selection of new suppliers must be conducted through Innodisk's first-time on-site audit as well as the supplier's own self-evaluation. When a supplier passes the aforementioned, relevant internal departments at Innodisk will carry out further evaluation.
- Besides the strict screening standards, Innodisk performs periodic documental and on-site inspections on key and qualified suppliers every year, and analyzes their multiple financial status every five years. Suppliers that pass every inspection and have excellent performance therein can become Innodisk's long-term partners.

- **Supplier Risk Management**

- To ensure steady supply of raw materials, virtually all raw materials purchased by Innodisk come from more than two suppliers. For special materials in which Innodisk only has one supplier, Innodisk will negotiate a long-term supply guarantee with the supplier. Should the suppliers plan to cease their supply of products, they are required to notify Innodisk a year prior and are obligated to providing six months to two years worth of products in ensuring smooth material transitions.
- Innodisk has preventative measures in place which respond to cases where suppliers are unable to deliver their products in time, or if unexpected situations occur. As a general rule, Innodisk's inventory includes at least two month's worth of supplies for most raw materials, as well as a month of external orders for smooth dispatch.

- **Inspection and Guidance of Suppliers' Social Responsibility**
 - Innodisk has established supply chain management procedures and has introduced RBA (Responsible Business Alliance) into our supply chains to perform inspection and guidance regarding “human rights, environment, safety, health, and management systems” of our suppliers. Innodisk is constantly aware of the measures implemented by suppliers in areas such as environment, safety and health. We continue to encourage suppliers to reinforce business ethics, protection of labor rights, attention to the working environment and safety of workers and the development of materials and operational procedures that reduce environmental impact.
- **Guidelines on Ethical Behavior of Procurement and Suppliers**
 - To avoid fraudulent behavior between any personnel and the suppliers, procurement personnel at Innodisk are periodically rotated and are strictly prohibited from accepting money or any form of rebate from suppliers. Procurement personnel are also prohibited from dining and gathering with suppliers unless having acquired their supervisor's approval.

- **Innodisk's business philosophy lies in innovation, discipline, sharing, and operation under the highest ethical standards. Innodisk has established the "Code of Ethics" to regulate the ethical standard and sense of responsibility that all employees should adopt. The Guidelines are also uploaded onto Innodisk's website for reference. In addition, anonymous complaint mailboxes are provided, offering employees a means of voicing their opinions through a free and secure communication channel. Innodisk's consensus and principles regarding ethics include:**
 - All of Innodisk's personnel are to comply with the provisions listed within relevant laws and the Company's Code of Ethics, while pursuing the highest ethical standards in their line of work. Directors and managers shall lead the employees by example and promote the rules within the Code of Ethics.
 - All of Innodisk's personnel should approach their line of work with a positive and responsible attitude, abandon sectionalism and focus on what benefits the Company as a whole and stay true to integrity principles.
 - Innodisk shall respect society's diversity and give all Innodisk employees equal credit and opportunities in terms of their career development. Individuals shall be treated equally regardless of factors such as gender, race, religious belief, partisanship, sexual orientation, rank, nationality, or age.
 - Innodisk shall provide a healthy and safe working environment for all its personnel. All of Innodisk's personnel should contribute to the maintenance of a healthy and safe working environment. Sexual harassment or acts of violence and threats are strictly prohibited.
 - All of Innodisk's personnel shall respect one another's personal privacy and shall not spread rumors or vilify others.
 - All confidential, non-confidential or customer information obtained in one's line of work shall be carefully managed and shall not be disclosed to others or used for purposes not relating to work unless first disclosed by Innodisk or otherwise regulated by the law. Such restriction applies even to those who no longer work for Innodisk. The aforementioned information includes all unpublished information that can potentially be exploited by competitors or information that can potentially cause losses for Innodisk or Innodisk's clients when disclosed.
 - All of Innodisk's personnel shall ensure the correctness and integrity of various documents or digital records under their management, in addition to ensuring that they are properly stored. If any document or digital record is lost, damaged, or its contents thereof concealed or fraudulent, the department supervisors shall be notified, with investigations held in determining the cause.

- All of Innodisk's personnel have the responsibility of protecting the Company's assets, as well as ensuring that they can be used effectively and legally used by the Company, and preventing them from affecting the Company's operational capabilities. All of Innodisk's personnel should protect the Company's information, information systems, network equipment, and other resources from interference, damage or invasion in any shape or form, so as to ensure the confidentiality, integrity, and availability of the Company's information.
- Any information obtain through one's position at Innodisk that may potentially have serious influence on the trading price of securities, shall be kept strictly confidential in accordance with the provisions of the Securities and Exchange Act before being published. Such information shall not be used for insider trading.
- Personnel shall not exploit their professional position at Innodisk in seeking personal benefits. All personnel should safeguard the Company's legitimate rights and interests and avoid the following circumstances:
 - Using the Company's property, information or by exploiting one's professional position at Innodisk to seek personnel gain.
 - Unlawfully competing with the Company or engaging in actions within the Company's business scope for oneself or for others. When the opportunity for profit arises, all personnel shall strive to increase the legitimate interests for the Company.
- All of Innodisk's personnel shall avoid engaging in any acts of capital lending, major asset trading, guarantees, or other trading that conflict with the Company's interests under either their own name or that others.
- All of the Company's Directors are expected to be highly self-disciplined. Directors should avoid getting involved in resolutions of the Board in which the Director or his/her legal representatives are stakeholders, or which could potentially be detrimental to the Company's profitability. The same applies for resolutions that Directors themselves or the Board of Directors deem to be better off avoiding. When a Director believes that he or she cannot handle the matter in a just manner or in a manner beneficial to the Company, its relevant trading or if the affair can potentially cause conflict of interest, the Director shall take the initiative to clarify to the Board and handle/avoid handling the matter through a lawful and appropriate manner. If a Director or Manager has relatives, spouses, direct blood relatives, second-degree relatives or relatives whose organizations of employment have business activities with Innodisk, the Director or Manager shall take the initiative to clarify to the Board and avoid handle/avoid handling the business through a lawful and appropriate manner.

- All personnel should treat Innodisk's business partners fairly and must not have engage in unfair or unethical behavior, including:
 - Seek improper benefits from one another.
 - Disseminate false statements about clients, dealers, competitors, and employees.
 - Deliberately misrepresent the quality or content of the Company's goods or services.
 - Receive undue benefits by manipulating, concealing, abusing the information obtained from one's professional position, misrepresenting important matters, or by engaging in unfair trade.
- When engaging in transaction with a related party or an affiliated company, personnel at Innodisk shall act in accordance with the principle of fair treatment, comply with the laws and the regulations of the competent authority and the relevant regulations of Innodisk. Preferential behavior is not allowed.
- All Innodisk personnel should refrain from demanding, offering, delivering, or receiving gifts, treats, rebate, bribery, or other undue benefits in one's self, the Company, or a third party. However, the gifts or treats permitted by social etiquette or the Company's regulations are not limited to this.
- Personnel at Innodisk who trade with other parties to perform their duties shall accurately report the contents of the trade in accordance with the principle of honesty and integrity, and shall not conceal or falsely reports that will lead to damage to the Company's rights and interests.
- Personnel at Innodisk shall respect the rights to and legally use the intellectual property of others when performing their duties.
- Innodisk's employees shall not engage in any political activities in the workplace or during work hours, nor shall they use the Corporate's resources to engage therein. However, certain public relation activities for public relations personnel are not limited to this restriction. The Directors and Managers of Innodisk shall not influence employees into donating to political parties, supporting certain political parties or candidates, or participating in political parties in the workplace or during work hours .

- Personnel at Innodisk shall comply with the provisions of laws, including the Securities and Exchange Act, Money Laundering Control Act, Fair Trade Act, and other laws and regulations.
- The Directors and Managers of Innodisk shall at all times, promote ethical behavior and encourage the Company's personnel to immediately report any discovery or reasonable suspicion of violations of the Code of Ethics or other relevant laws but should refrain from malicious false accusations. One who has been reported or lodged shall not retaliate or threaten the reporting personnel. In case of retaliation, threat, or harassment, the supervisor, internal audit supervisor, or other appropriate personnel should be immediately notified. The Company should then immediately handle the matter as appropriate.
- For personnel involved in major violation of relevant laws and regulations, the Company shall take appropriate legal actions and hold the personnel responsible for civil and criminal liabilities in protecting the interests of the Company and the shareholders. All Innodisk's employees are subject to the provisions of the Company's personnel regulations, with the Company implementing appropriate punishments. The same applies for unit/department supervisors that are informed but do not take correct actions or handle the situation in accordance with the Company's regulations. If the Company's personnel violate the Code of Ethics, the responsible unit shall report punishment according to the Company's procedures. Should the Company punish the party involved, the party may provide evidence for filing complaints. The Company should then take the complaint into consideration and handle the matter as appropriate. If a Director or Manager violates the Code of Ethics, punishment will be implemented after being given guilty verdict or deemed in the wrong by the court of law or Innodisk's the Board of Directors. The Company shall promptly disclose date of violation, act of violation, violated regulations, the handling of the situation, etc. on public websites available to the public.

Communication Mechanisms for Stakeholders

Subject	Topics and Modes of Communication	Channel and Frequency of Communication
Clients	<ol style="list-style-type: none"> 1. Complete annual satisfaction survey as requested by clients. 2. Complete annual conflict mineral source survey as requested by clients; do not use minerals from the conflict areas. 3. Employ relevant confidential information protection measures as requested by clients. 4. Issue statements regarding prohibition of child labor and the place of origin for products as requested by clients. 5. Client inspection of Innodisk's suppliers. 6. Clients' tour on the manufacturing process of Innodisk's factories. 	<ul style="list-style-type: none"> •Annual Google survey on customer satisfaction •Real-time meetings for unexpected issues •Teleconference for certain issues •Regular annual client visits •Quarter QPR •Mailbox for external communication •Computex VIP meetings •On-site inspection/tour for clients
Employees	<ol style="list-style-type: none"> 1. Set up a mailbox in the cafeteria, allowing employees to voice their opinions at all times. 2. Hold labor-management meetings. 	<ul style="list-style-type: none"> •Regularly held •Once every quarter and representatives of both parties being present at the conferences
Investors/ Shareholders	<ol style="list-style-type: none"> 1. General Shareholder Meetings are held, in which the Chairperson, Directors, and senior Managers report the Company's financial statements and status of operation to the general shareholders. Surplus distribution is ratified at the meeting and important resolutions passed. 2. All of the Company's financial statements and other important financial & business information are announced and disclosed on "MOPS" (Market Observation Post System) platform. 	<ul style="list-style-type: none"> •General shareholder meetings held once a year •Periodic disclosure of financial and business information •Irregular disclosure revealing major information on MOPS •Establishment of spokesperson system to reply to shareholders' questions

Communication Mechanisms for Stakeholders

Subject	Topics and Modes of Communication	Channel and Frequency of Communication
Suppliers	<ol style="list-style-type: none"> 1. Qualified supplier certification 2. Green supply chains GPM 3. IQC Inspection Status 	<ul style="list-style-type: none"> • Ratification of new products • Update of quality related documents • Irregular communication via phone and e-mail • On-site inspection/year • Questionnaire/6 months
Subcontractors	<ol style="list-style-type: none"> 1. Subcontracted products quality control 2. Trial production of new machinery 3. Confirmation of delivery time for subcontracted products & production 4. Technology exchange 	<ul style="list-style-type: none"> • Quality Meetings/month • Factory on-site inspection/year • Irregular communication via phone and e-mail
Government	<ol style="list-style-type: none"> 1. Declaration of “guidelines for work safety” and “occupational safety and health personnel” 2. Declaration of waste disposal plans 	<ul style="list-style-type: none"> • Irregular official documents from Environmental Protection Bureau and Labor Standards Inspection Office
Local Residential Buildings	<ol style="list-style-type: none"> 1. Notification of certain situations such as power outages, construction, engine room, fire drill, etc. 2. Serve as a member of the management committee to participate in the public affairs of the community 	<ul style="list-style-type: none"> • Irregular communication via phone and e-mail • Frequent participation in meetings and activities
Media	<ol style="list-style-type: none"> 1. Release of new products information (including new products and technology) 2. Disclosure of company information (relocation, awards received, social welfare, etc.) 	<ul style="list-style-type: none"> • Irregular interview and lunch/dinner meetings with the media • Once-a-month press release to relevant media on average

Identifying Stakeholders & Relevant Negotiation

- Innodisk hopes to achieve sustainable development through effective communication and negotiation. Innodisk has established a CSR team, whose members are selected from the departments that conduct daily communication with various stakeholders. Through questionnaires, Innodisk can grasp a better understanding of the issues of concern as well as their respective priorities for Innodisk's stakeholders. Systematic identification can be used as basic references for information disclosure within the Company's reports. The following is a systematic explanation on the negotiation process with stakeholders:

1. Establishing a Communication Goal

- Innodisk sees the CSR reports as a strategy for sustainable management. Three issues and a total of nine goals were set after discussions held by the CSR team. The goal this CSR Report is to achieve the communication through disclosure of relevant information.

- Corporate sustainability in terms of management: Strengthen corporate management / strengthen risk management / improve customer satisfaction
- Corporate sustainability in terms of the environment: Dedication to achieving green management / dedication to energy conservation and carbon reduction / paying attention to environmental protection issues
- Corporate sustainability in terms of the society: achieving two-way communication / taking care of employees / seeking to contribute to the society

Combining the nine goals, Innodisk has raised 31 communication issues

1. Establishing a Communication Goal

Establishing Innodisk's goal on the premise of sustainable development



2. Identifying Stakeholders



3. Collection of CSR Issues



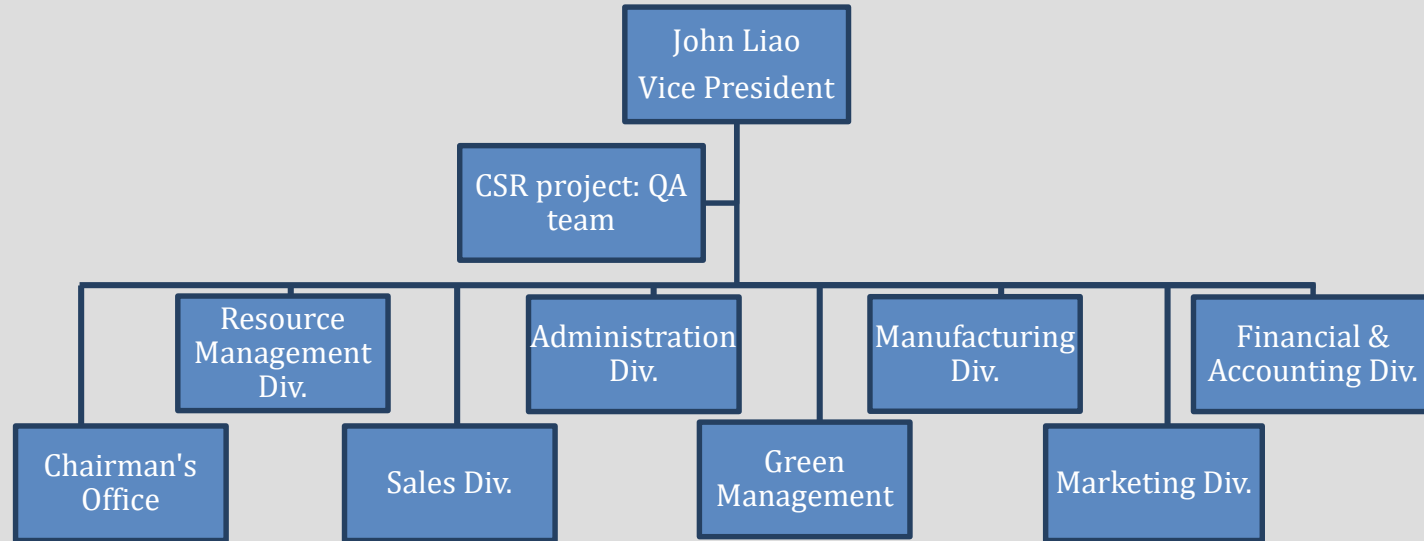
4. Analyzing CSR Issues



5. Examination & Results

CSR Org Chart

- The CSR team is composed of communication channels with stakeholders.



2. Identifying Stakeholders

- Based on our communication goals, the five major indicators, and daily communication with stakeholders, Innodisk has identified six stakeholders that require constant communication according to the business operations types, including: clients, employees, shareholders, suppliers, subcontractors, community buildings.



1. Establishing a Communication Goal

Establishing Innodisk's goal on the premise of sustainable development

2. Identifying Stakeholders

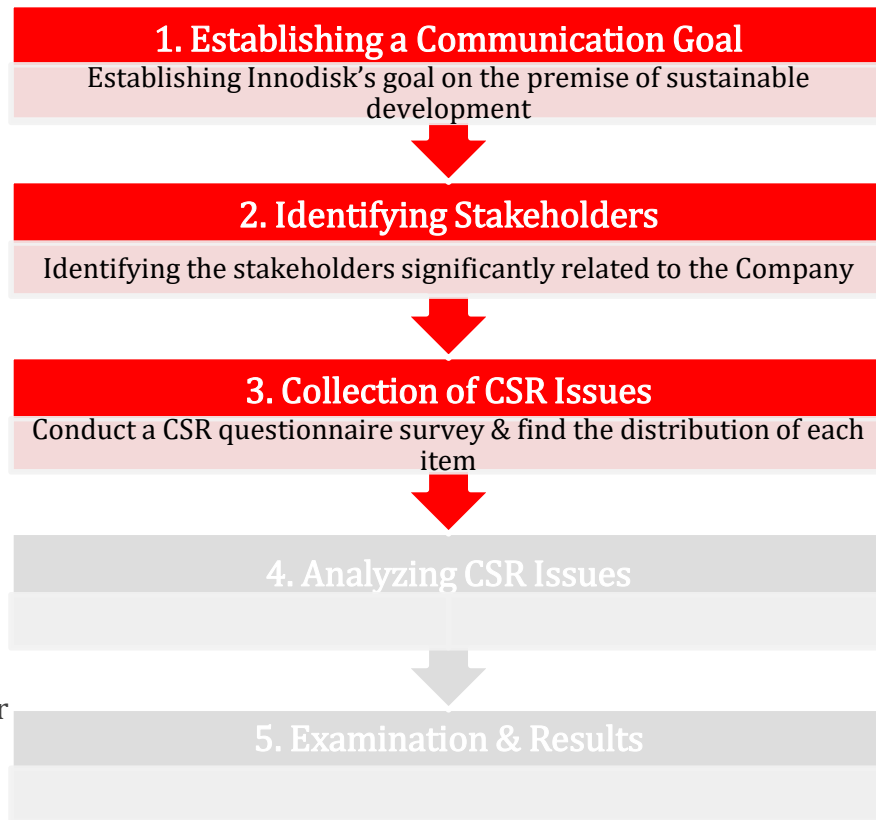
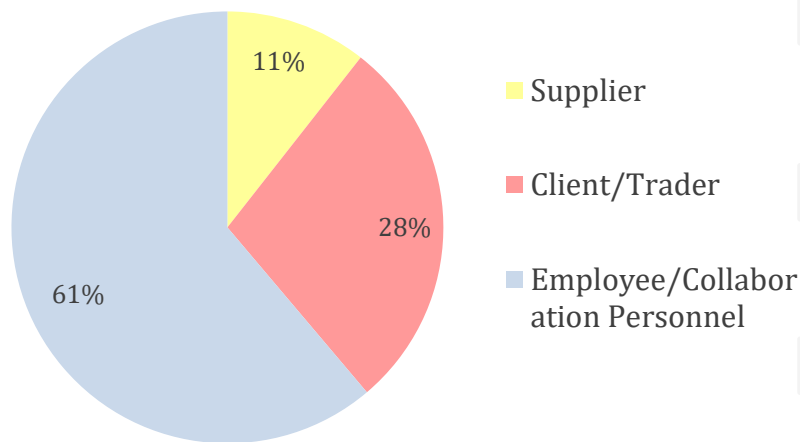
Identifying the stakeholders that are significantly related to the Company

3. Collection of CSR Issues

4. Analyzing CSR Issues

5. Examination & Results

3. Collection of issues on Corporate Social Responsibility
- “CSR Reports” cover a wide range of issues. Innodisk conducted a questionnaire survey (regarding the 31 communication issues, with the CSR team handing out questionnaires to stakeholders) to understand and analyze the issues of concern for each category of stakeholders. The survey serves as basic reference for the information disclosed in Innodisk’s CSR reports. The following is the distribution of the responses from stakeholders:



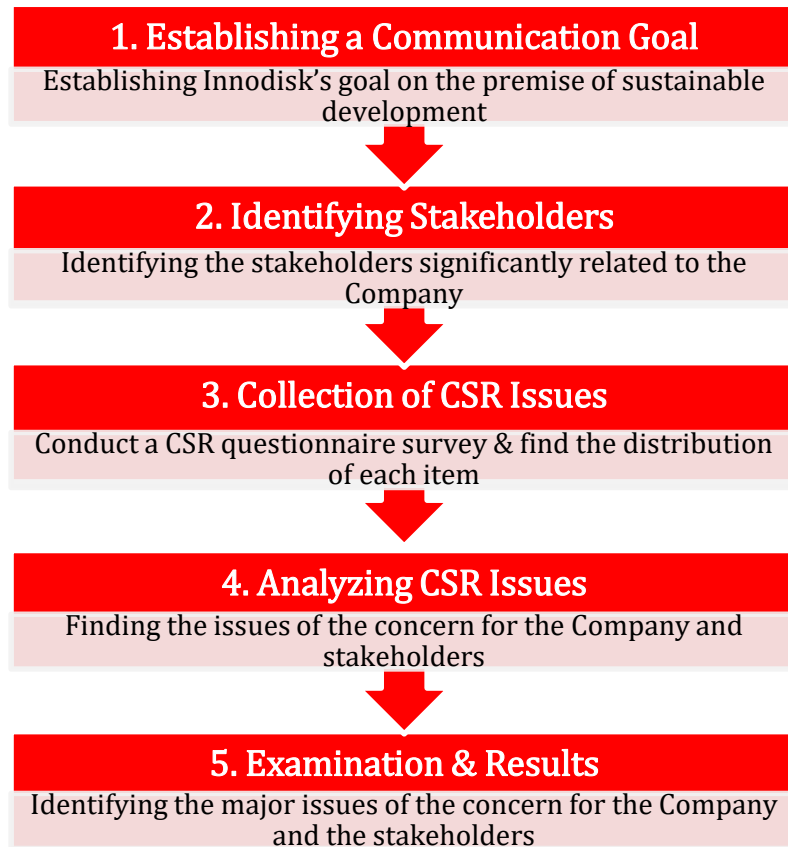
4. Analyzing issues on Corporate Social Responsibility
- Innodisk hands out questionnaires to different stakeholders regarding the issues of concern. The responses are then analyzed after taking into consideration the scores and distribution of each issue under different assessment criterion from different stakeholders.
 - In addition, questionnaire surveys on the Company's supervisors are used to identify the substantial issues that the Company is concerned with. The two above surveys are used to identify the major issues of the concern for the Company and its stakeholders, which will then be disclosed in the Company's CSR reports.



Screening of Major Issues for Consideration

5. Examination & Results

- Range of the major consideration defined in this Report mainly focuses on Innodisk's Xizhi headquarters, the operation of factories, and upstream and downstream of the Company's headquarters. This does not fully cover data from affiliated companies and oversea branches.
 - After factoring the influence of distribution, Innodisk identifies 17 important issues according to the results of substantive analysis on the degree of concern from stakeholders on major issues:
 - Corporate sustainability in terms of management: corporate management, sustainability strategies, product quality/technology R&D, business operation and financial performance, risk management, privacy policy, customer satisfaction survey, customer service management, supply chain management, guidelines for ethical/moral behavior
 - Corporate sustainability in terms of the environment: green supply chain management, green product/service design and development, and management of hazardous substances
 - Corporate sustainability in terms of the society: occupational safety and health, labor-management relations, employee rights, employee benefits and salary
 - Based on the above, Innodisk will enhance its communication and performance.



Materiality Analysis and Stakeholder Engagement

- Innodisk collected questionnaires for materiality analysis to identify stakeholder's concern, and listed in the materiality matrix.

stakeholder

5	Employee Satisfaction Survey Recruitment and the Ability to Attract and Keep Outstanding People Career Development and Training		Corporate Governance Sustainable Development Strategy Product quality / technical research Occupational Safety and Health Labor Relationships Employees' Rights Employee Welfare and Salary
3		Green Supply Chain Management Green Product / Service Design and Development Hazardous Substance Management Supply Chain Management Moral / Ethical Conduct	Operating Financial Performance Risk Management Privacy Policy Satisfaction Survey of customers Customer Service Management
1	Participation in Community and Society's Activities Stakeholders Communication	Environmental Policy / Management System Greenhouse Gas Emissions Product Carbon Footprint Energy Management Water Use and Waste Water Discharge Control Air Pollutant Control Waste Management and Recycling The use of Raw Materials and Recycled Materials Social Performance Management of Suppliers	
	1	3	5

Sustainability Management - Governance

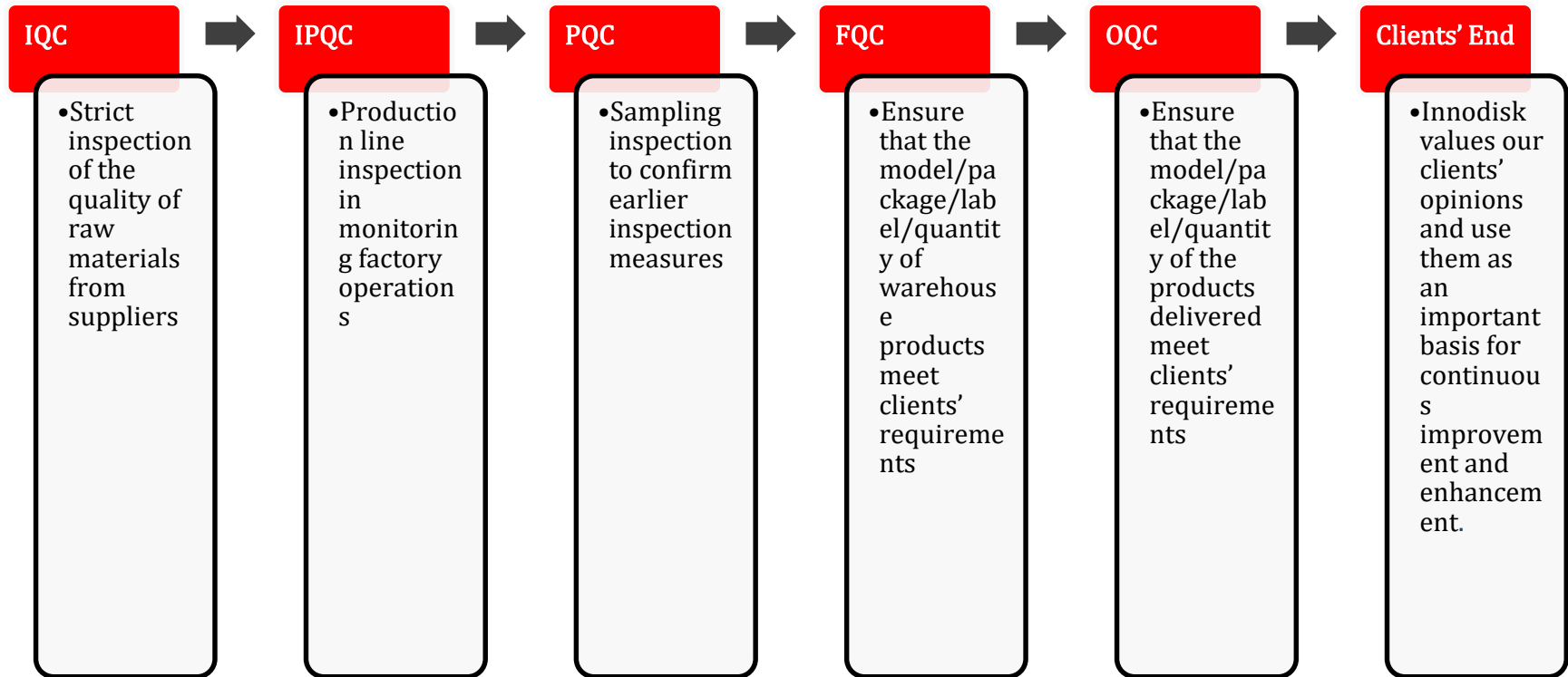
- Our sustainable development strategy as below:

Quality Policies ISO9001	HSF Policies IECQ:QC080000	Environmental Health Safety Policies ISO14001+ISO45001
Innovative and Reliable Design Professional and Dedicated Services Satisfactory and Trusty Quality Fast and Accurate Delivery	To have effectiveness monitoring To compliance the policy To use green products To satisfy customers	To strengthen eco training To reduce carbon emission To run sustainable management To promote safety awareness To promote employee health To control harm risk To compliance the policy To continue improvement To reduce the pollution To get zero disaster target

ISO9001 X ISO14001 X IECQ QC080000 X ISO45001 Quality Management System X Environmental Management System X Hazardous Substance Process Management System X Occupational Safety and Health Management System

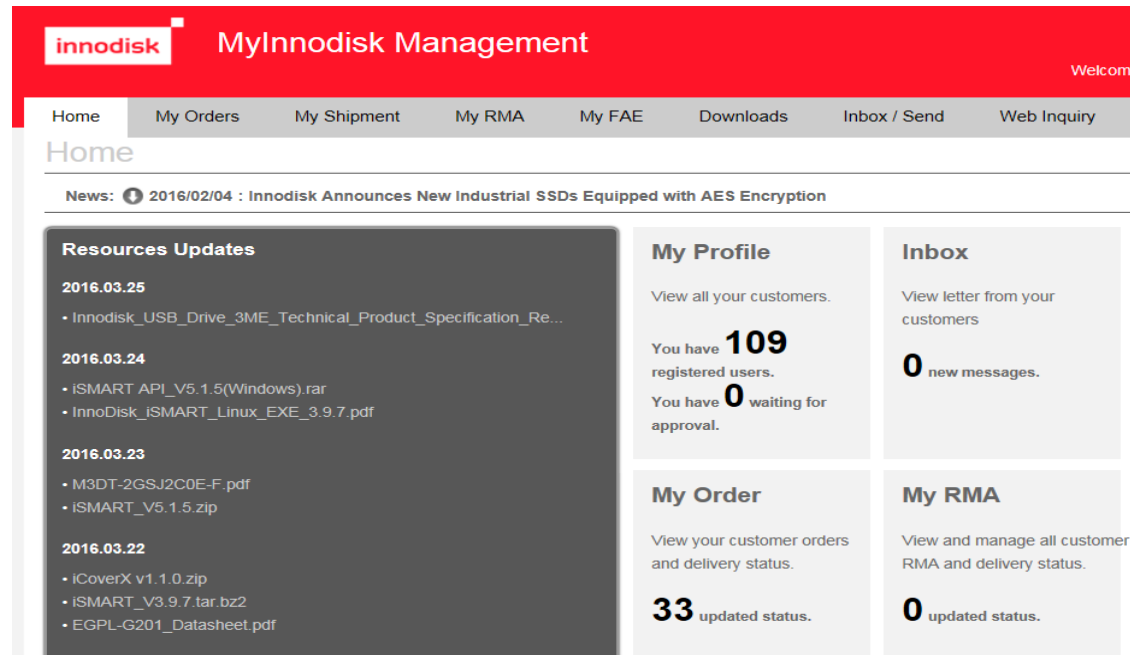


- Innodisk strongly believes that good quality comes from multiple inspections at various stages of production. From design and development to production and delivery, Innodisk is committed to maintaining good quality in all stages of production. Moreover, Innodisk also actively pursues relevant certificates.



Customer Service Management

- Innodisk strives to provide optimal service for our clients. Absolute Service™: “Service is not just what we do. It is who we are.” This is our motto. To serve our clients from around the world and to promote real-time information exchange and positive interaction, we have developed the Myinnodisk online service platform. Clients can view the real-time status of the processing, delivery, maintenance of their orders and the handling status of their complaints 24/7. Clients can also download the latest product information and agent marketing tools for agents at any given time.

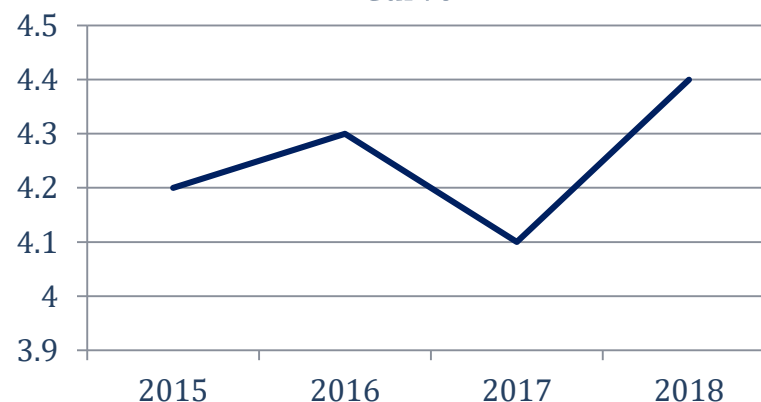


The screenshot displays the MyInnodisk Management web interface. At the top, a red header bar contains the 'innodisk' logo and the title 'MyInnodisk Management'. A 'Welcome' message is visible on the right. Below the header is a navigation menu with links: Home, My Orders, My Shipment, My RMA, My FAE, Downloads, Inbox / Send, and Web Inquiry. The main content area is titled 'Home' and features a news section with a headline: '2016/02/04 : Innodisk Announces New Industrial SSDs Equipped with AES Encryption'. The interface is divided into four main sections: 'Resources Updates' (listing various technical documents and specifications), 'My Profile' (showing 109 registered users and 0 waiting for approval), 'Inbox' (showing 0 new messages), and 'My Order' (showing 33 updated status). The 'My RMA' section is also visible, showing 0 updated status.

Customer Satisfaction Survey

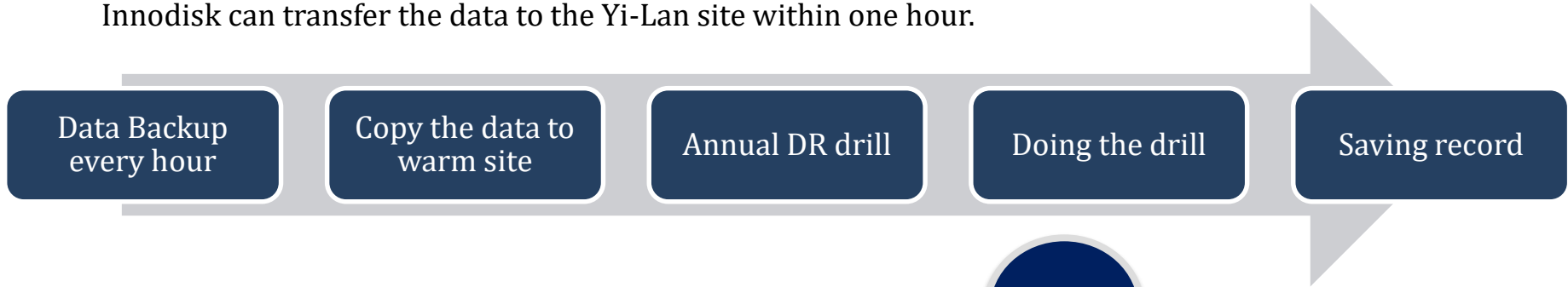
- Innodisk conducts product quality, regulations and management on hazardous substances (HSF), delivery speed, after-sales service, price, technical service, information availability, etc. customer satisfaction surveys annually and automatically sends questionnaires through the system. Deducting the clients whose annual transaction is less than NT\$500,000, the recovery rate should at least be 50%. If a client gives less than 3 points on an individual survey item or if the total average given less than 3 points, Innodisk's relevant departments will hold internal discussions and provide our clients with an appropriate response.
- In 2018, we had a total of 1,329 trading partners. Not counting the 734 clients whose annual transaction falls below NT\$500,000. The number of valid questionnaires was 318, and the total average score was 4.4 (out of 5). The highest average score for an item is 4.6 points (Group Response Rate), while the lowest average score is 3.8 points (Product Price).
- **Customer Privacy Policies (Non-disclosure Agreement)**
 - Strict compliance to our non-disclosure agreement is one of Innodisk's fundamental commitments to our clients. Any confidential information provided by our clients, whether it be software technical documents or clients' information provided by agents, will be securely protected in accordance with pre-signed non-disclosure agreements tailored to the clients' needs. We make sure that our clients' information safety needs are attended to.

Diagram of Customer Satisfaction Score Curve

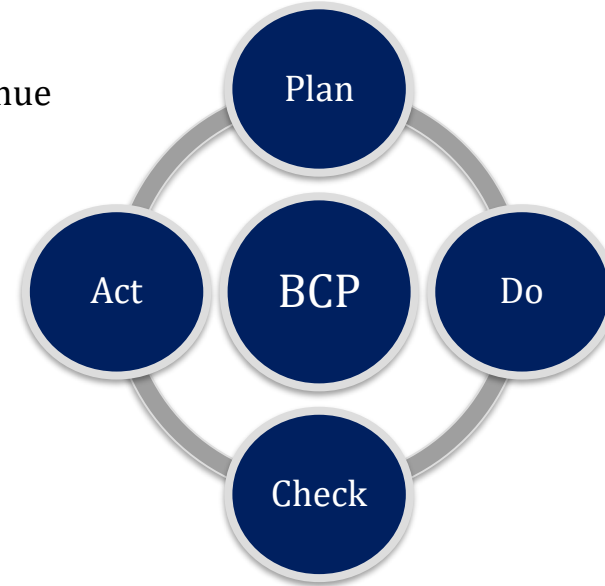


Business Continuity Plan

- Innodisk has identified every possible risk, and make the Business Continuity Plan to ensure the continuous support for our value customers. If there is any major accident makes our factory shutdown, Innodisk can transfer the data to the Yi-Lan site within one hour.



- Apply the PDCA cycle to monitor our BCP, and continue to improve it.

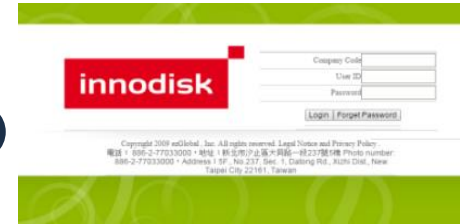


Sustainability Management - Environment

Hazardous Substance Management

- Important milestone

Green Product Management System
2015



X-ray Fluorescence Spectrometer

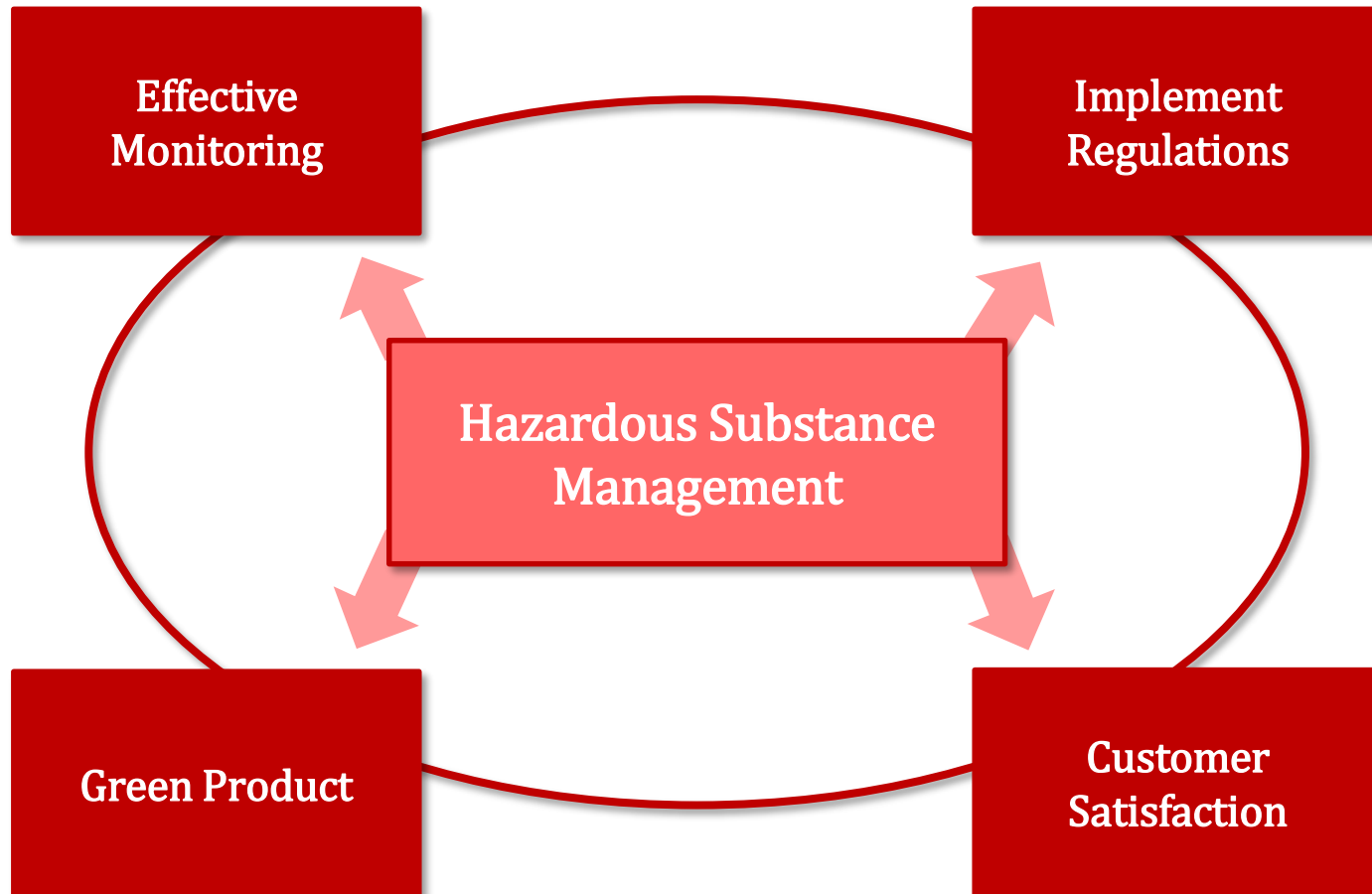


Acquired IECQ QC080000
2012



Halogen Free Process

Lead Free Process
2008



Hazardous Substance Policies - Monitor

✓ Component Approval

RD and component engineer



Relevant Department

Green

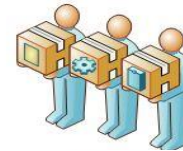
DCC

Received approval sheet

Save document

Resend

Reject



Supplier

Receiving Materials

Reject



Warehouse

Pass

IQC

Sample receiving

✓ Incoming Quality Control

- Declaration of Conformity and CE Label: All electrical and electronic products should be marked with a clearly visible CE label, stating that these products comply with all applicable EU regulations (including EU machinery safety, electromagnetic interference, and RoHS). After products are put on the market, the manufacturer shall keep the above Declaration of Conformity and relevant technical documents for a period of 10 years.

Conformite Europeene

Compliance with the European Standards

✓ **Complying with RoHS**



Hazardous Substance Policies - Green Product

innodisk

RoHS

innodisk 宜鼎國際股份有限公司
Innodisk Corporation

Tel: (886) 7531-3000 Fax: (886) 7531-1033 Internet: <http://www.innodisk.com>

RoHS 自我宣告書 (Declaration of Conformity)

Manufacturer Product: All Innodisk EM Flash and Dram products

一、宜鼎國際股份有限公司 (以下稱本公司) 特此保證其所有產品, 皆符合歐盟 2011/65/EU 指令及歐盟之相關要求。

Innodisk Corporation declares that all products sold to the customer, are compliant with European Union RoHS Directive (2011/65/EU) requirement

二、本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。 Innodisk Corporation agrees that both parties shall settle any dispute arising from or in connection with this Declaration of Conformity by friendly negotiations.

Name of hazardous substance	Limited ppm (mg/kg)
Cd	< 100 ppm
Pb	< 1000 ppm
Hg	< 1000 ppm
Chromium VI (Cr+6)	< 1000 ppm
Polychlorinated biphenyl (PCBB)	< 1000 ppm
Polychlorinated Biphenyls (PCBB)	< 1000 ppm

立保證書人 (Guarantor)

Company name 公司名稱: Innodisk Corporation 宜鼎國際股份有限公司

Company Representative 公司代表人: Richard Lee 李健忠

Company Representative Title 公司代表人職稱: CEO 執行長

Date 日期: 2014 / 07 / 29

DMF

innodisk 宜鼎國際股份有限公司
Innodisk Corporation

Tel: (886) 7531-3000 Fax: (886) 7531-1033 Internet: <http://www.innodisk.com>

DMF 自我宣告書 (Declaration of Conformity)

Manufacturer Product: All Innodisk EM Flash and Dram products

一、宜鼎國際股份有限公司 (以下稱本公司) 特此保證其所有產品, 皆符合歐盟 2005/25/EC 指令及歐盟之相關要求。

Innodisk Corporation declares that all products sold to the customer, are compliant with European Union DMF Directive (2005/25/EC) requirement

二、本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。 Innodisk Corporation agrees that both parties shall settle any dispute arising from or in connection with this Declaration of Conformity by friendly negotiations.

Name of hazardous substance	Limited ppm (mg/kg)
Bisphenol A (BPA)	< 0.1 ppm

立保證書人 (Guarantor)

Company name 公司名稱: Innodisk Corporation 宜鼎國際股份有限公司

Company Representative 公司代表人: Richard Lee 李健忠

Company Representative Title 公司代表人職稱: Chairman 董事長

Date 日期: 2015 / 01 / 28

REACH-SVHC

innodisk 宜鼎國際股份有限公司
Innodisk Corporation

Tel: (886) 7531-3000 Fax: (886) 7531-1033 Internet: <http://www.innodisk.com>

REACH Declaration of Conformity

Manufacturer Product: All Innodisk EM Flash and Dram products

1. 宜鼎國際股份有限公司 (以下稱本公司) 特此保證其所有產品, 皆符合歐盟化學品法案 (Registration, Evaluation and Authorization of Chemicals) REACH 之規定 (<http://www.echa.europa.eu/declaration-table> last updated: 17/12/2015), 所提供之產品包含: (1) 產品或產品中所使用之所有原料; (2) 包裝材料; (3) 附件; (4) 產品或產品中所使用之所有原料。

We Innodisk Corporation hereby declare that our products are in compliance with the requirements according to the REACH Regulation (<http://www.echa.europa.eu/declaration-table> last updated: 17/12/2015). Products include: 1) Product and raw material used by the product; 2) Packaging material; 3) Raw material used in the process of design, production and rework.

2. 本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。 Innodisk Corporation agrees that both parties shall settle any dispute arising from or in connection with this Declaration of Conformity by friendly negotiations.

立保證書人 (Guarantor)

Company name 公司名稱: Innodisk Corporation 宜鼎國際股份有限公司

Company Representative 公司代表人: Richard Lee 李健忠

Company Representative Title 公司代表人職稱: Chairman 董事長

Date 日期: 2015/03/25

PFOA

innodisk 宜鼎國際股份有限公司
Innodisk Corporation

Tel: (886) 7531-3000 Fax: (886) 7531-1033 Internet: <http://www.innodisk.com>

自我宣告書

Manufacturer product: All Innodisk EM Flash and Dram products

1. 我們特此保證其所有產品, 皆符合歐盟 2006/12/EC 之相關要求。

2. 本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。

Name of hazardous substance	Limited ppm (mg/kg)
PFOA (Perfluorooctane sulfonate; PFOS)	產品成分中 < 50ppm
全氟辛基磺酸	產品成分中 < 1000ppm
PFOS (Perfluorooctane sulfonate acid; PFOA)	產品成分中 < 1 μg/m ³
全氟辛基磺酸 (PFOS)	空氣中最高濃度中 < 1000ppm

立保證書人 (Guarantor)

Company name 公司名稱: 宜鼎國際股份有限公司

Company Representative 公司代表人: Richard Lee 李健忠

Company Representative Title 公司代表人職稱: CEO 執行長

Date 日期: 2014 / 05 / 30

Banned Use of Conflict Mineral

innodisk 宜鼎國際股份有限公司
Innodisk Corporation

禁止使用衝突礦物聲明
DECLARATION OF BANNED USE OF CONFLICT MINERALS

宜鼎國際, 以下稱本公司, 特此保證其所有產品, 皆符合歐盟 2011/65/EU 指令及歐盟之相關要求。

Innodisk Corporation declares that all products sold to the customer, are compliant with European Union RoHS Directive (2011/65/EU) requirement

本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。 Innodisk Corporation agrees that both parties shall settle any dispute arising from or in connection with this Declaration of Conformity by friendly negotiations.

We Innodisk Corporation hereby declare that our products are in compliance with the requirements according to the REACH Regulation (<http://www.echa.europa.eu/declaration-table> last updated: 17/12/2015). Products include: 1) Product and raw material used by the product; 2) Packaging material; 3) Raw material used in the process of design, production and rework.

2. 本公司同意與本保證書之相關事宜有所爭議時, 雙方友好協商, 達成協議。 Innodisk Corporation agrees that both parties shall settle any dispute arising from or in connection with this Declaration of Conformity by friendly negotiations.

立保證書人 (Guarantor)

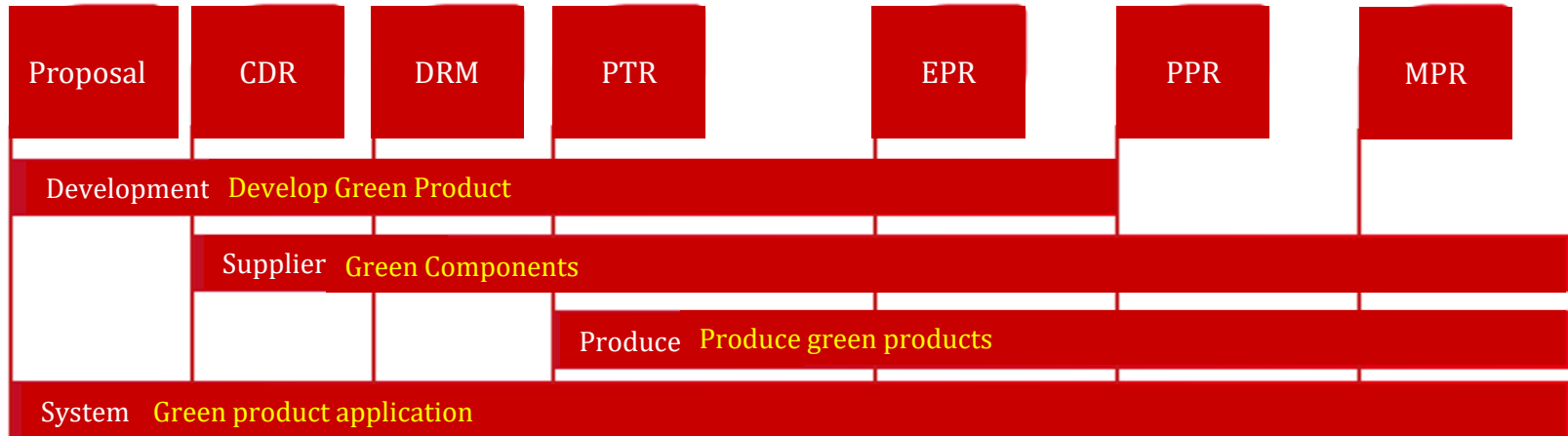
Company name 公司名稱: Innodisk Corporation 宜鼎國際股份有限公司

Company Representative 公司代表人: Richard Lee 李健忠

Company Representative Title 公司代表人職稱: Chairman 董事長

Date 日期: 2015 / 04 / 01

- **Produce products that are environment-friendly, thereby reducing impact to the environment**
 - Green Design - Maximize the possibility of recycle and reuse
 - Green Procurement - Raw materials provided by suppliers must comply with international regulations and clients' requirements
 - Green Database Management - Effective storage and management of technical files
 - Green Supply Chain - upstream and downstream should be adequately connected
 - Green Certification -IECQ: QC080000/ISO14001



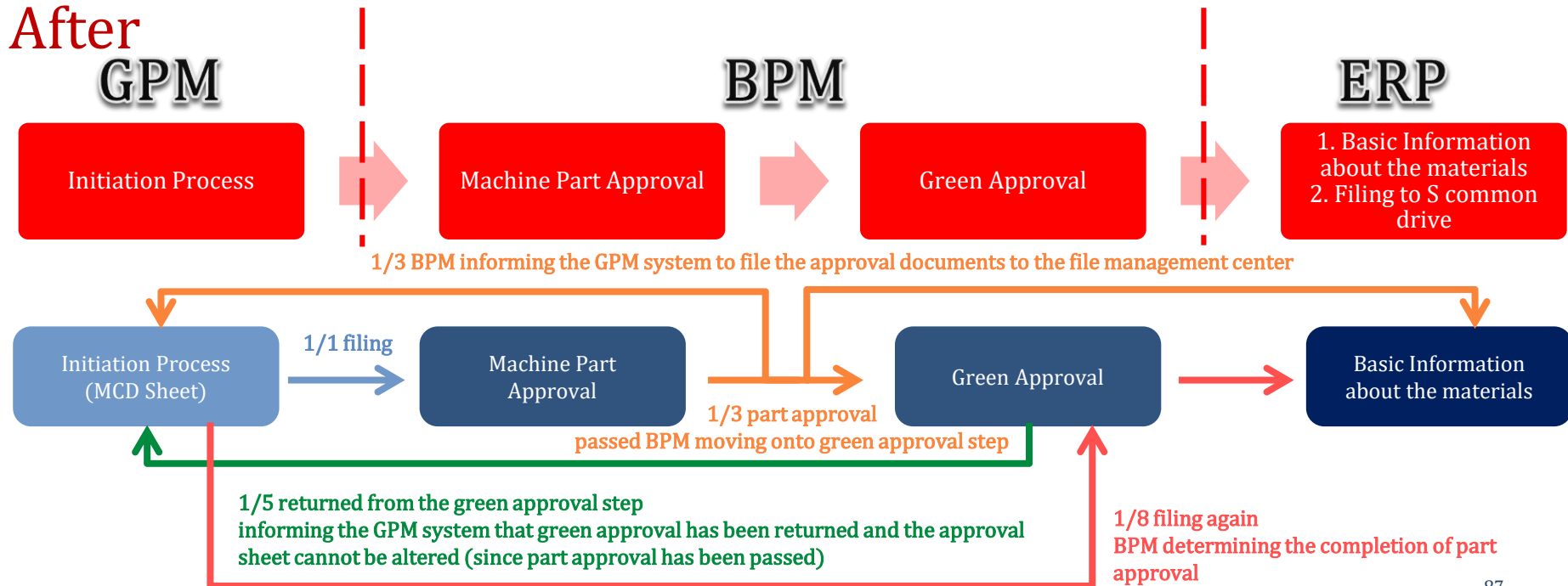
Establishment of the Green Product Management System

- Innodisk has established HSF MS (HSF Management System) and introduced the green supply chain platform GPM. GPM combines aspects such as materials and components, international regulations, clients' standards, suppliers, etc., and allows suppliers to directly file for green product examination, access control status and specification drawings, etc. After Innodisk's inspection units have inspected, analyzed and confirmed the degree of compliance with green product regulations, the green design requirements of multinational enterprises can then be combined to provide clients with information on green product management and also incorporate clients' regulations. Moreover, the green product client requirements are then integrated into our management system to serve as references for our daily green product designs.
- Hazardous substance management system enhances the efficiency, convenience and prudence of Innodisk's green product management policies, and thus contributes to our overall green competitiveness. The GPM platform allows supply chains to be more effectively managed. It allows the screening of competent suppliers in providing electronic and mechanical parts that meet required specifications. Innodisk can thus produce green products, improve international clients' satisfaction, and increase their level of trust. Since the official launch of the GPM platform toward the end of November in 2015, Innodisk's machinery part approval procedures have been introduced to the platform and our machinery part submission rate is still on the increase. In 2017, Innodisk' supply chain has been fully incorporated into this platform. Regarding the management of hazardous substance within our products, Innodisk has established the "HSF Product Operation Standards", which cover the Restriction of Hazardous Substances Directive (RoHS), Hlogen free requirements and Registration, Evaluation, Authorization and restriction of Chemicals (REACH), to ensure that the parts and materials used in our products meet the environmental requirements of both our clients and the law. From R&D, design, to supply chain management, suppliers are strictly required to restrict their use of controlled substances for every stage of production or ban the restricted hazardous chemicals all together. This will reduce environmental pollution caused by the waste electronic products as well as impact on human health.

Green Supply Chain & Part Approval System (GPM2.0)

innodisk

- After introducing the GPM system at the end of 2015, the original method of combining paper and electronic processing methods for machine part approval and green supply chain management has transitioned into an online system that runs both the operation and examination procedures. Not only does it lower paper output, reduce resource consumption, but provides an excellent platform that promotes communication between supply and demand.
A year after its introduction, Innodisk has focused on the development of the system's customized optimization process by separating the examining process for part specifications and green documents, optimizing the restart time items are returned.



- The European Commission published Directive (EU) 2015/863 on 4 June 2015 adding 4 phthalates to the list of restricted substances in Annex II to Directive 2011/65/EU (RoHS 2). European Union member states shall apply their adopted provisions from 22 July 2019. Innodisk has requested to our supplies provide relevant document and raw material by 1 July 2018.

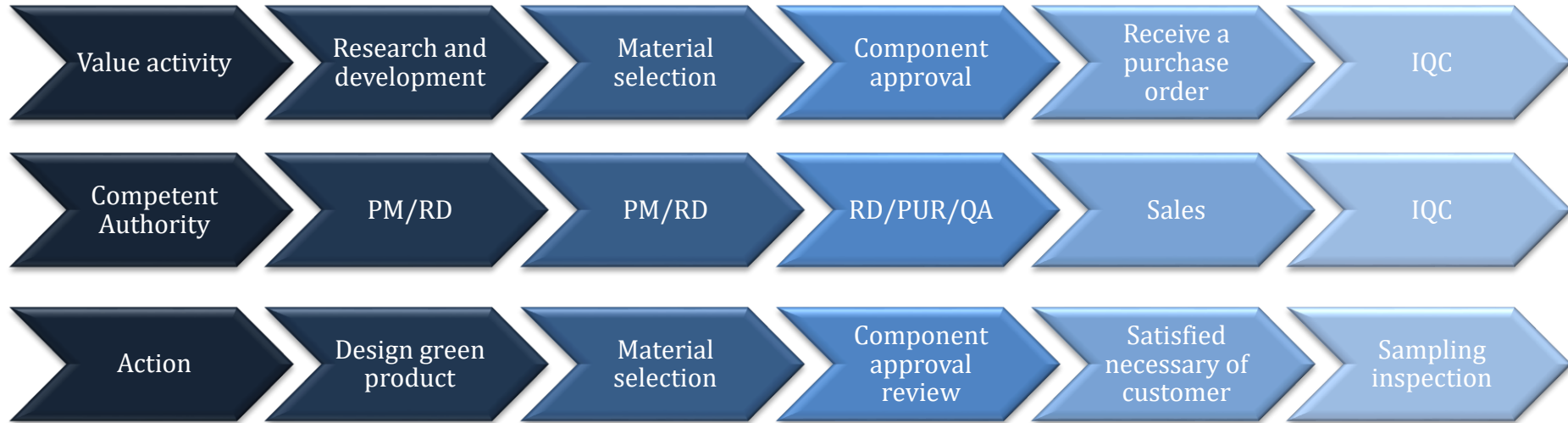
RoHS Restriction of harmful substances		Max limit	Recast
Pb	<div>Old</div>	0.1% (1000ppm)	2011/65/EU (RoHS 1)
Cd		0.01% (100ppm)	
Hg		0.1% (1000ppm)	
Cr6+		0.1% (1000ppm)	
PBBs		0.1% (1000ppm)	
PBDEs	<div>Total</div>	0.1% (1000ppm)	2015/863/EU (RoHS 2)
DEHP		0.1% (1000ppm)	
BBP		0.1% (1000ppm)	
DBP		0.1% (1000ppm)	
DIBP		0.1% (1000ppm)	

Non-Use Conflict minerals

- Innodisk is committed to using conflict-free minerals by not accepting gold (Au), Tantalum (Ta), Tin (Sn), and Tungsten (W) originated from militant-controlled mines in the Democratic Republic of the Congo or adjoining countries. We also sent surveys to our suppliers, requesting them to adopt a similar policy and to trace origins of all minerals used in their products. Innodisk expects its suppliers to supply conflict-free materials to Innodisk and is committed to fulfilling its responsibilities



The effect of Value Chain and Hazardous Substance Free



1

Year 2019

GPM NET

GPM light upgrade to NET

2

Year 2020

Changing Exempted Materials

Abandoning parts that require materials exempted by RoHS and search for replacement materials; achieved complete abandonment by July, 2020.

3

Year 2021

Early Assessment of RoHS

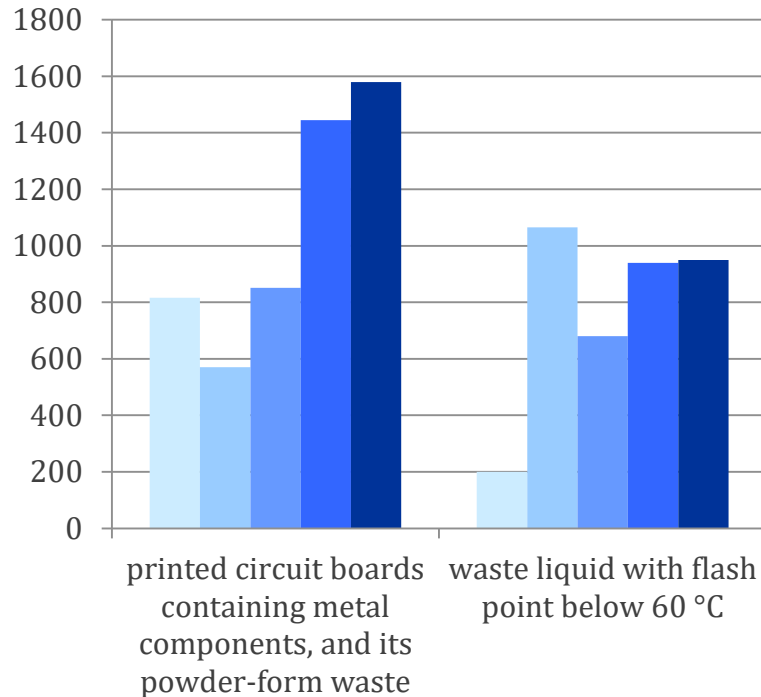
RoHS has proposed drafts for 7 other items, with the final decision made no sooner than 2023.

Sustainability Management - Society

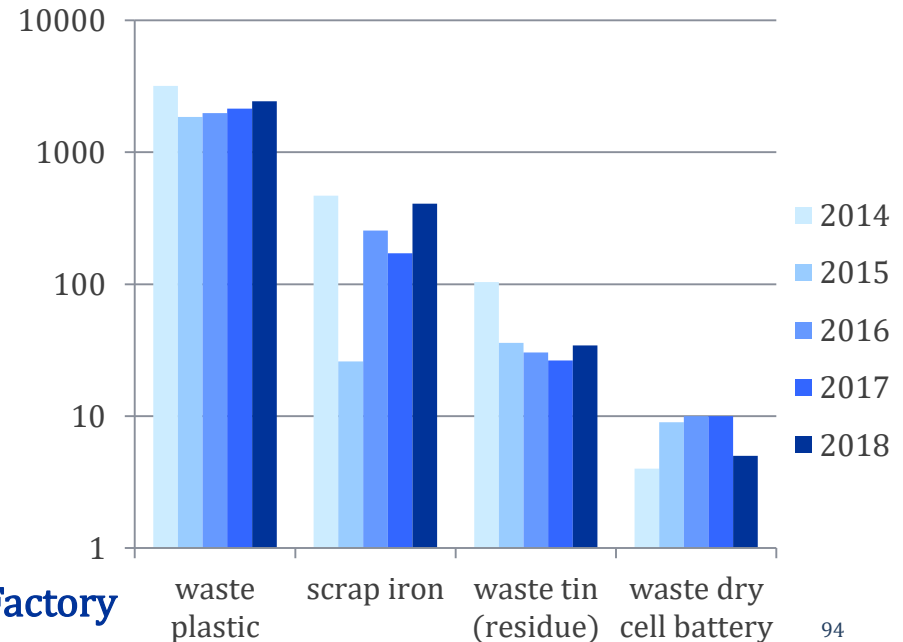
- **Commitment to the Environment, Occupational Safety, and Health Management**
 - Environment management
 - Environmental policy
 - Waste management
 - Air pollution management
 - Water management
 - Environmental laws conformity
 - Expenditure on environmental safety & health
 - Occupational safety & Health
 - Energy management
- **Environment Management**
 - Since its establishment, Innodisk has not only devoted itself to researching and developing industrial control products but also strives to becoming a leading corporation of the industry. As environment preservation as our biggest responsibility, Innodisk pursued and successfully obtained ISO14001 certification in 2012 and is constantly committed to achieving sustainable development for our planet.

Waste Management

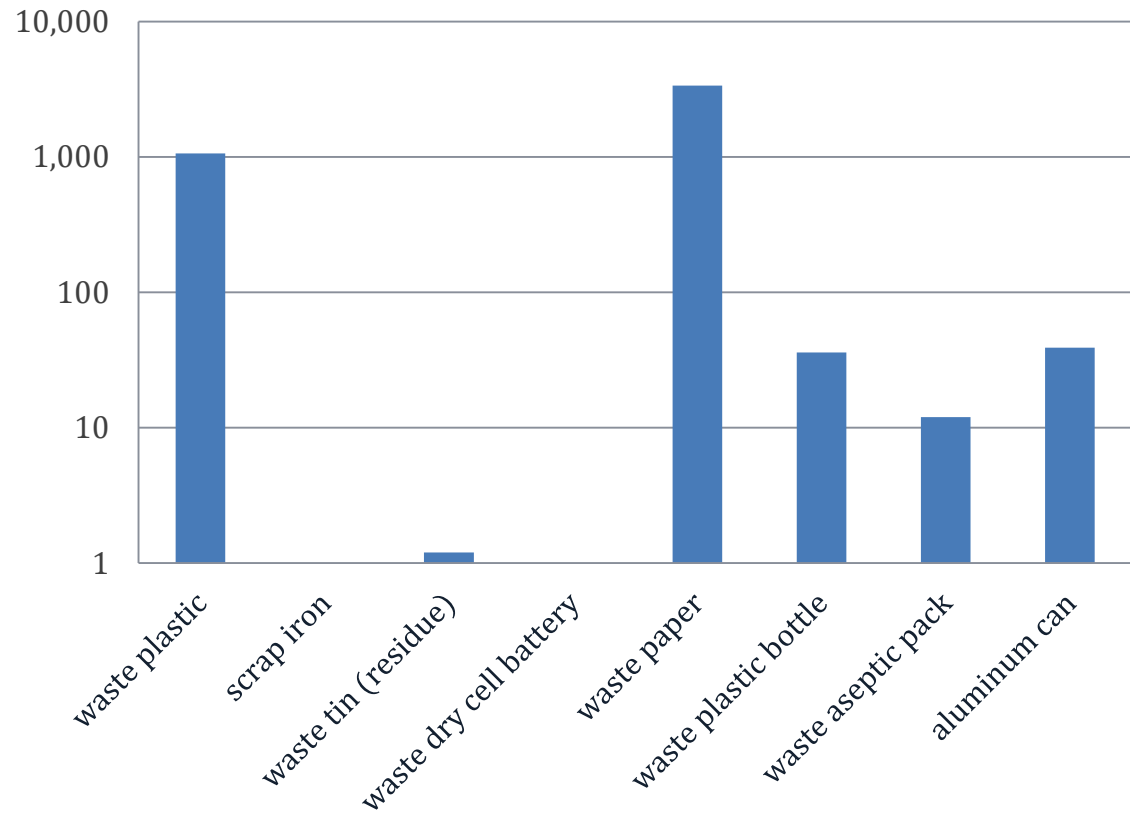
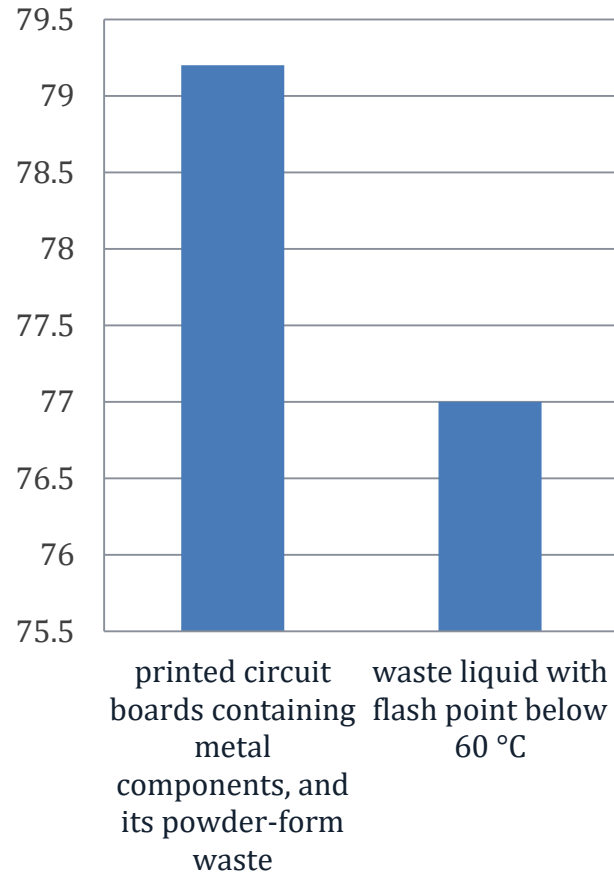
- There are 3 main types of industrial waste from Innodisk- general industrial waste, hazardous industrial waste, and the recyclables. General industrial waste consists of domestic garbage and is handled by the qualified cleaning company entrusted by the site's management center. The hazardous industrial waste includes printed circuit boards containing metal components, as well as its refined powder, and liquid waste that has flash point lower than 60 °C. The recyclables include waste plastic, scrap iron, waste tin, waste dry cells, waste paper, waste plastic bottles, and waste aluminum and foil packaging.



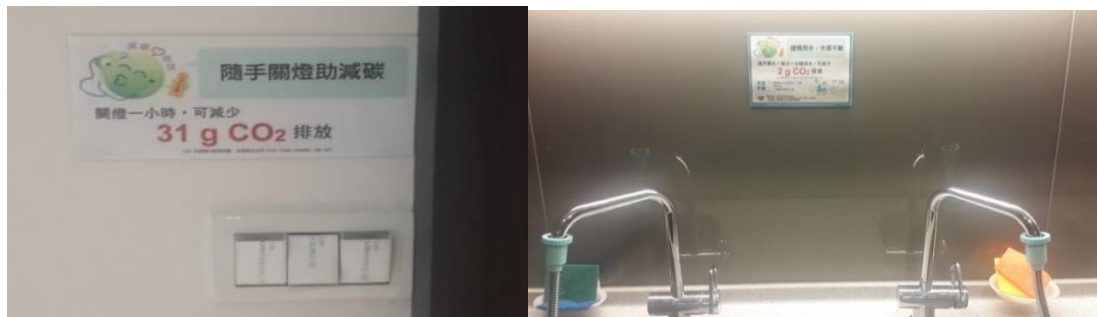
Xizhi Factory



Yi-Lan Factory



- **To save energy, we have long encouraged our colleagues to adopt the following energy-saving measures.**
 - Sign appropriate power capacity contracts with Taiwan Power according to the nature of Innodisk's power usage.
 - At the end of each month, confirm the power usage of each power-using site to ensure safety.
 - Use T5 energy-saving lamps throughout the factory.
 - Use LED light for fire indicator light.
 - Cut off unnecessary public power consumption during lunch breaks.
 - Air conditioning in the factories are parallelly connected to reduce the number of water chillers in operation.
 - Uniformly set the on and off time of air conditioners to save power.
 - Set air conditioning at 24-26 degree Celsius in summer, and 26-28 degree Celsius during non-summer periods.
 - Cut off the power supply during consecutive holidays to reduce standby power consumption.
 - Regularly check the switchboard to maintain good power efficiency.
 - Eliminate old equipment and use products with energy-saving stamps.
 - Use curtains to reduce power consumption.
 - Provide employees with environment-friendly utensils to reduce the use of disposable utensils.



• Air Pollution Management

- Waste gases produced from Innodisk's manufacturing process do not contain significant air-polluting particles and are not restricted by the Environmental Protection Administration. As we are committed to environmental protection, Innodisk insists on entrusting qualified examination institutions in conducting pollutant particle tests on our emissions every year. The test results every year all comply with the restrictions set by the Environmental Protection Administration.

Xizhi Factory	2013	2014	2015	2016	2017	2018	Yilan Factory	2018
TSP ($\mu\text{g}/\text{m}^3$)	36	31	61	28	62	41	TSP ($\mu\text{g}/\text{m}^3$)	79
Test Results							Test Results	
Restrictions	500	500	500	500	500	500	Restrictions	500
Conformity	P	P	P	P	P	P	Conformity	P

• Water Resource Management

- Innodisk does not use water in our manufacturing process. All our water usage comes from employees' daily usage with the water source coming from tap water. All water readings are gathered from the buildings public water meters since Innodisk does not install private meters. The registered amount is calculated by applying proportionate calculations on to the amount recorded on the public meters. As the number other building users have increased, public water usage has significantly increased. This has resulted in the calculated water usage of Innodisk to have increased over the years. Innodisk has installed inductive faucets are installed in washrooms to save water and hand dryers are also used to reduce the use of paper towels.

Xizhi Factory	2014	2015	2016	2017	2018	Yilan Factory	2018
Total CBM	1683	2232	1834	8419	5984	Total CBM	3,695
Average CBM/person	6.24	6.1	4.6	20.2	13.2	Average CBM/ person	28

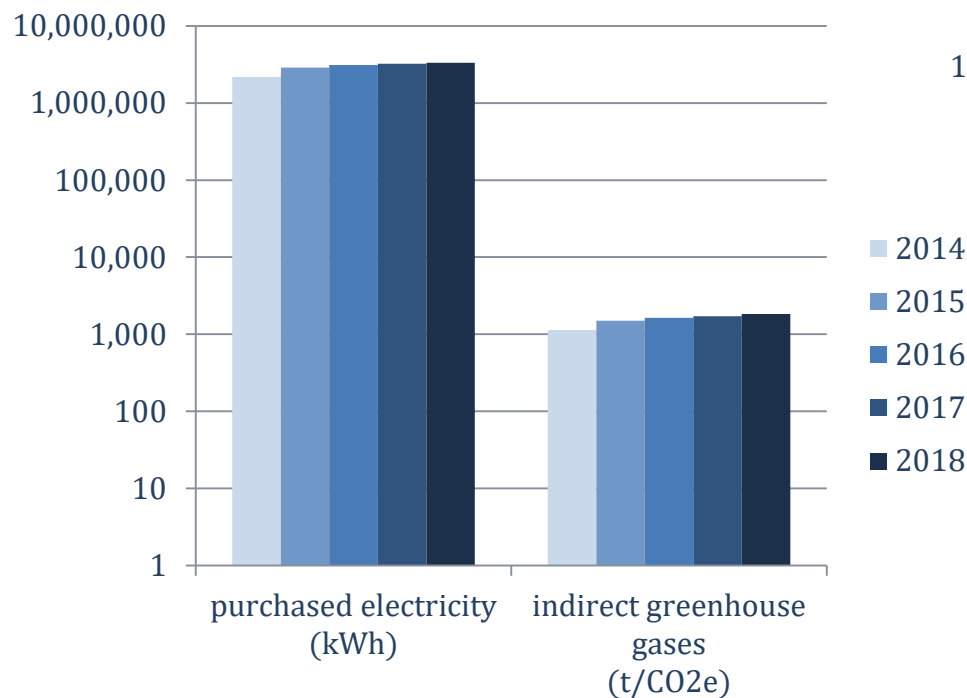
Notes: divided by a total of 450 people

Notes: divided by a total of 128 people

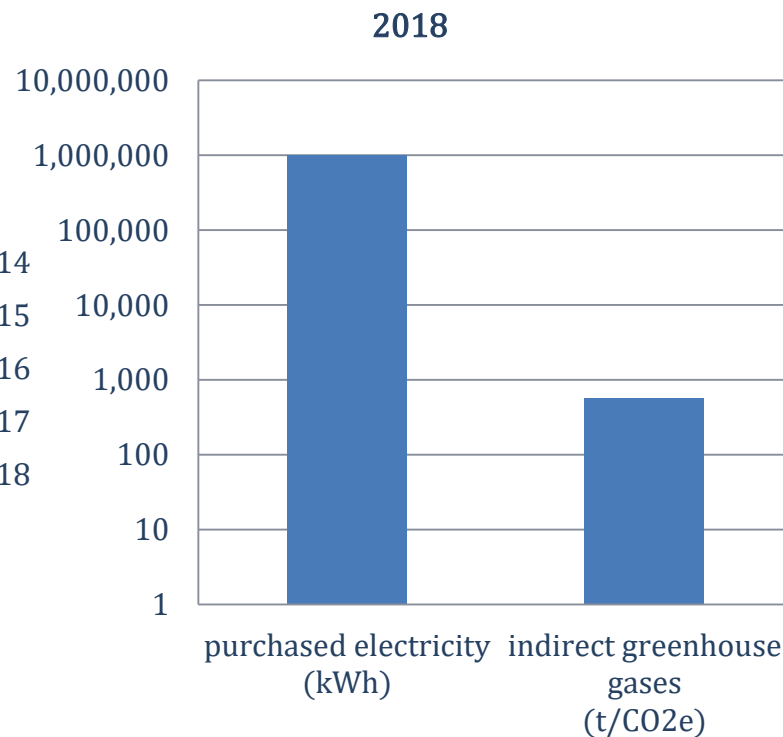
Energy Management

- Our main energy source production process is from purchased electricity. The indirect greenhouse gases as below:

Xizhi Factory



Yilan Factory



Note: Reference to Taipower 2015, per kWh release 0.554kg CO2

- **Occupational Safety and Health laws conformity**
 - No non-compliance with environmental laws and regulations happened.
- **Occupational Safety & Health Expenditure**

Xizhi Factory	2014	2015	2016	2017	2018
Waste Disposal Information	45,000	35,000	68,500	99,750	84,000
working environment monitoring	21,000	15,000	19,200	17,640	19,740
air pollutant detection	11,500	11,500	11,000	11,000	11,000
drinking water quality testing	10,800	10,800	10,800	10,800	13,800
PPE procurement (including first-aid kit)	8,000	8,000	3,700	13,968	46,150
GHS label printing	6,000	500	500	0	0
total	102,300	80,800	113,700	153,158	174,690

Yilan Factory	2018
Waste Disposal Information	115,720
working environment monitoring	18,480
air pollutant detection + noise	15,000
drinking water quality testing	7,200
PPE procurement (including first-aid kit)	8,000
GHS label printing	0
total	164,400

- To prevent occupational injuries, Innodisk periodically examines our machines and conducts educational training on general occupational safety and health and fire fighting to increase employees' awareness on safety and health. Danger signs are also installed in the factory to prevent occupational injuries. In addition, in order to ensure that the working environment meets the safety and health standards, measurements on the quality of drinking water, noise, organic solvent concentration, carbon dioxide concentration, illuminance, etc. of employees' working are regularly conducted to ensure the quality of our working environment, as well as to protect the employees' health, and to prevent occupational health problems.
- Distribution board is locked and regulated to prevent electric shocks due to accidental activations of the board.



- **Occupational Safety & Health**

- Apart from traffic accidents occurred when commuting to and from work, no occupational accidents occurred at Innodisk in 2018. In addition to occupational safety issues, Innodisk pays even more attention to the employees' health and invites specialists to provide consultation at the factory every month.
- Innodisk also organizes lectures on health every quarter to discuss issues on safety and health for the employees. Innodisk provides our employees with biyearly medical examination, which is better than required by the Labor Standard Act. Innodisk also successively holds activities to promote health, implements smoke-free policy at work, provides nursery rooms for female colleagues, and create a safe and hygienic dining environment.
- To increase colleagues' knowledge on safety and health and prevent occupational accidents, educational training on general labor safety and health, lectures on fire fighting, lectures and exercises on organic solvent leakage, and on-job training on external safety and health for supervisors are organized every year.



• Statistics on Occupational Injuries

- To achieve higher standard management of occupational safety and health management, Innodisk has in March 2014, filed application for the accumulative records on the occupational-accident-free working hours. As of December 2018, we accumulated more than 4.1 million hours. In November, 2017, Innodisk received its third record certificate for occupational-accident-free working hours from Industrial Safety and Health Association (ISHA) of the R.O.C. With the above achievements, Innodisk unites our colleagues to work in a safe and secure manner as we strive to achieve our goal in creating an occupational-accident-free working environment.
- In 2018, no occupational accidents occurred to any of our contractors.
- No occupational accidents or incidents regarding industrial safety occurred in our factories. Hence, the disabling injury frequency rate (DIFR) and disabling injury severity rate (DISR) counted are both zero. (The eight traffic accidents that occurred to our employees when commuting to and from work in 2018, are not counted.)

Xizhi Factory	No. of people involved in disabling injuries	No. of days involving disabling injuries	Total working hours	DIFR	DISR
2014	0	0	602662	0	0
2015	0	0	551143	0	0
2016	0	0	794512	0	0
2017	0	0	815036	0	0
2018	0	0	983009	0	0
Yilan Factory	No. of people involved in disabling injuries	No. of days involving disabling injuries	Total working hours	DIFR	DISR
2018	0	0	80,000	0	0

Notes on definitions:

FR= number of people involved in disabling injuries x a million working hours/total working hours

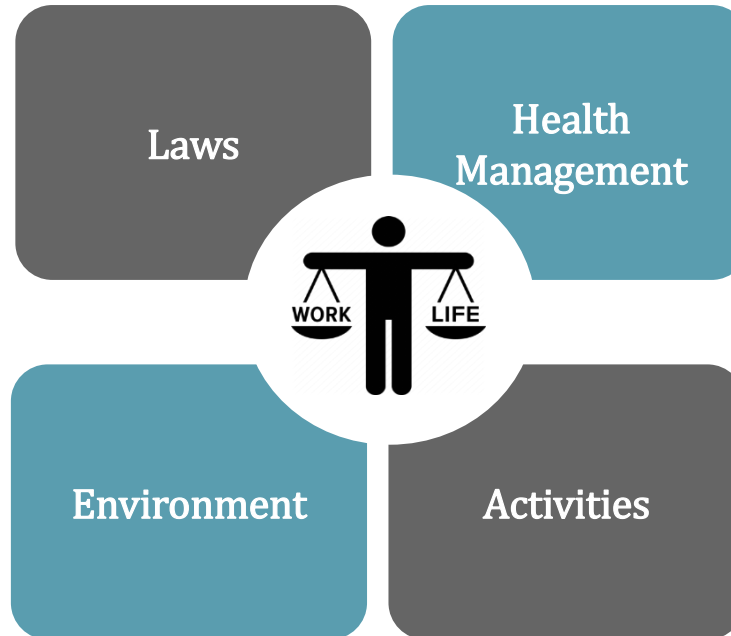
SR= number of days involving disabling injuries x a million working hours/total working hours

Complying with -

- 4 Major Plans under the Occupational Safety and Health Act
 - a) Load Management
 - b) Maternity Protection
 - c) Human Factor Ergonomics
 - d) Unlawful Infringement
- Educational training on occupational safety and health

Providing-

- On-site medical service
- First-aid kit
- Nursery room
- Massage service by the visually impaired

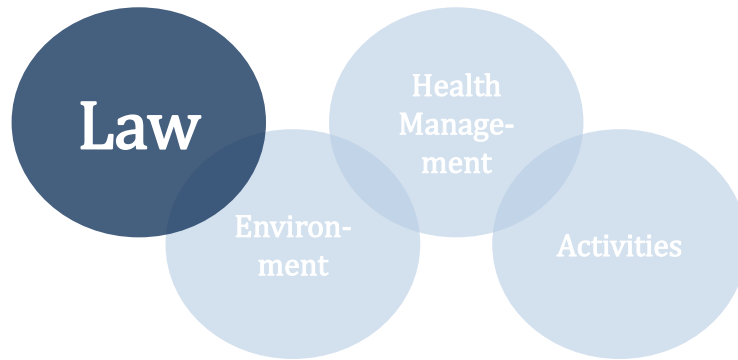


Providing-

- Physical examination for new employees
- Annual medical examination
- Medical examination report analysis
- Occupational injuries/diseases care and follow-ups
- Medical consultation

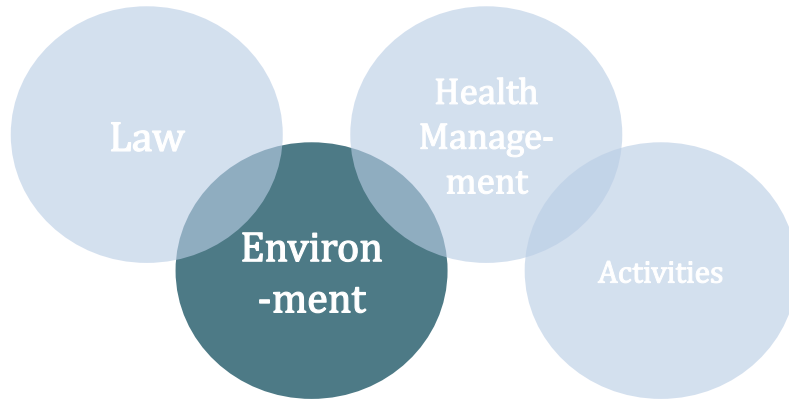
Providing-

- Health-promoting activities
- Monthly reading material on health
- 10-minute music & relaxation time



Requirements under the Law-

- 4 major plans under the Occupational Safety and Health Act
 - a) Load Management-
 - Monthly evaluation on colleagues' clock-in/clock-out records
 - Fatigue scale sheet for employees working overtime
 - Annual medical examination and filling out fatigue scale sheets
 - b) Maternity Protection-
 - Health evaluation
 - Evaluation sheet on working environment and operation
 - Consultation with doctors
 - c) Human Factors Ergonomics-
 - Musculoskeletal condition checklist for new employees
 - Filling out musculoskeletal condition checklist and annual medical examination
 - d) Unlawful Infringement-
 - Flyers on bulletin board to prevent workplace violence
- Educational training on occupational safety and health
 - a) Educational training on occupational safety and health for new employees
 - b) Q&A on safety and health knowledge
 - c) Courses and training on medical first aid



Workplace health promotion-

- Medical consultation
 - a) Xizhi Factory- once a month/ 3 hr.
 - b) Yilan Factory- once a season/ 2 hr.
 - c) workplace environment assessments
 - d) Health Advisory- one person for 15~20 mins.

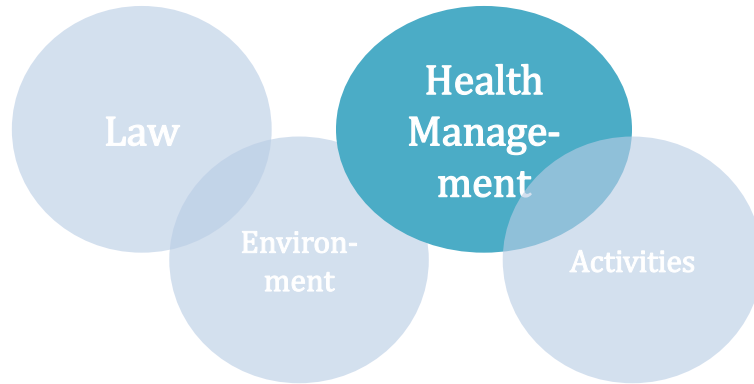


- first-aid kit
 - a) Check emergency box once a week



- Breastfeeding Room
- Blind massage - twice a week/8 hours

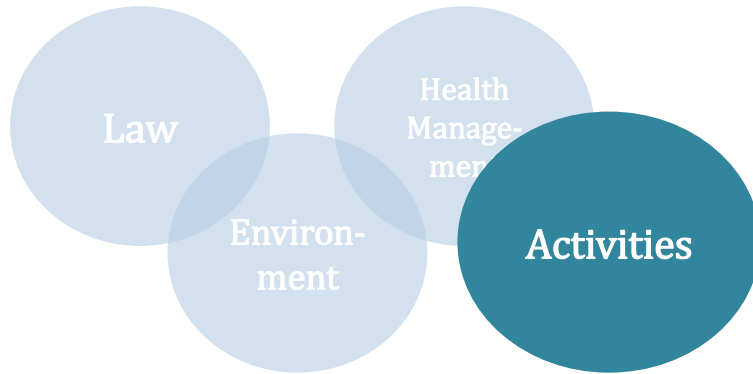




Health Management-

- Physical Examination for New Employees
 - a) A NTD\$600 subsidy
- Annual Medical Examination
 - a) Biyearly employee medical examination
 - b) Items for medication examination are better than required by the law
 - c) Annually medical examination for executives
 - d) Annual special examination (ionizing radiation & noise)
 - e) Medical examination for night shifts
(* New item introduced this year)
- Medical Examination Report Review
 - a) Review and analyze abnormality rate
 - b) Health management by level
 - c) Follow up with employees who have health concerns and provide them with health and hygiene education; arrange health consultation with doctors when needed
- Follow up with Occupational Injuries/Diseases and Provide Care
 - a) Health management by level
 - b) Regular follow-up
 - c) On-site work assessment
- Health Consultation

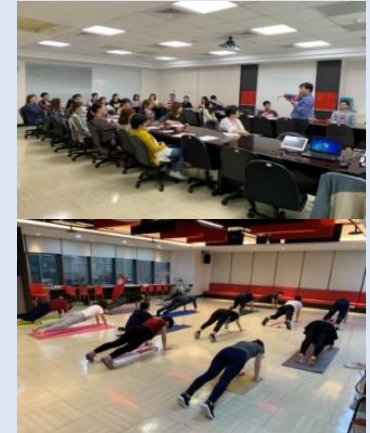




Health-Promoting Activities-

Analysis on annual medical examination reports reveal that the abnormality rate is correlated to heavier body weight and obesity. The results on questionnaires also show that our colleagues suffer from musculoskeletal pain on shoulders, neck, etc.

- a) Hold body-fat-reduction competitions
 - 3-month duration
 - Provide articles on nutrition and diet
 - Order healthy lunchbox
- b) Lectures on nutrition
- c) Sports courses
- d) Establish sports clubs
- e) Lectures on fascia relaxation
- f) Stress-releasing DIY courses
- g) Lectures on stress-release
- h) 10-minute music & relaxation time every Friday
- i) Sports competitions
- j) Provide reading material on health every month



Corporate Responsibility

Loving Innodisk - Achievements in 3 Years

By upholding to our business philosophy in “sharing” and “taking on responsibilities”, the “Innodisk Education Foundation” was established in 2015.

The Foundation sets its two main directions of effort as “stabilizing school attendance” and “encouraging skill-learning”. The Foundation offers support to children from elementary school to high school. We help them set their own goals when it comes to learning and future development.

Starting from “caring for the public good”, the Foundation invites all our colleagues at Innodisk, friendly companies, and enthusiasts to donate blood, help farmers, do good deeds, appreciate arts, etc.

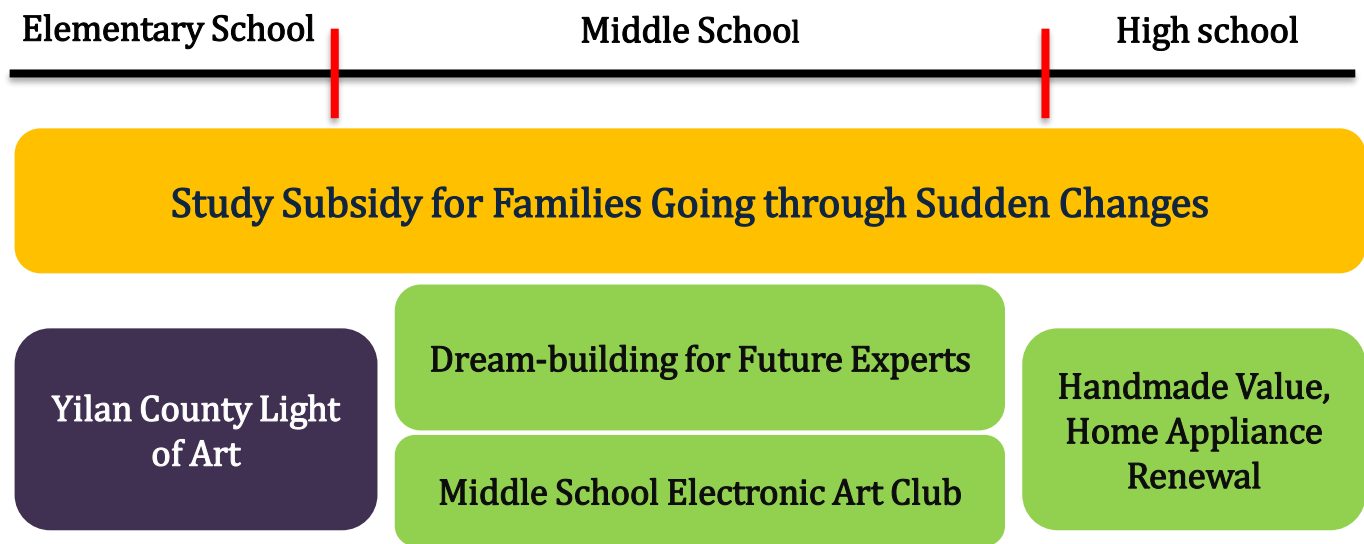
With the approval and support of Innodisk, the Foundation operates with great caution and diligence. In 2018, the Foundation received recognition and was awarded the “Education Award from the Ministry of Education” and “Innovative Education 100 from Education, Parenting, Family lifestyle”.

This honor represents the Foundation's implementation and innovation in education and public good and that the foundation's efforts have been well received. It is also testament to success granted by the expertise, participation and donations of Innodisk personnel.



Children are society’s future – Reducing education interruption by encouraging skill-learning

We strongly believe that children are the hopes of the future. Our goal is to enable children to attend school uninterrupted and help them engage in constant learning after setting their own goals in terms of learning and the future. All our services are designed according to the above. Our services - “study subsidy for the families going through sudden changes” focuses on *severity* rather than *poverty*, project “light of art” aims to cultivate emerging talents, “middle school electronic technique club” and “dream-building for future experts” encourage skill-learning, and project “handmade value-home appliance renewal”, which aims to accompany children in the neighboring community schools to learn and grow.



Stable School Attendance - In-depth & with Great Variety

- The establishment of “study subsidy for families going through sudden changes” allows students going through sudden changes to still steadily attend school and finish their study at ease, thereby becoming fundamental parts of society. The Foundation subsidized 27 students in 2018, providing customized service, organizing students to look after one another, improving their self-care skills, and holding 12 activities/workshops based on the philosophy of welfare-to-work.
- Five students graduated from middle school this year and all continued their study in public high schools, reducing financial burden for their family. Financial conditions of another five students have been improved, and the five students had their programs changed to part-time-work assistance program. The Foundation continues to care for children in need.
- Colleagues at Innodisk actively participate in the student-assistance activities with a total of 100 people making donations totalling NTD\$ 427,000. One of the students was in dire need of assistance because the student’s father suffers from cancer. Sixteen colleagues at Innodisk donated a total of NTD\$ 87,000 to help them purchase nutritional products and a water heater. Sixteen volunteers offer their help to ensure that the student attended school on a regular basis. The love from all colleagues at Innodisk enables more kids to be assisted, cared for, and attended to.



Encouraging Skill-learning, Foundation-building, and Deepening (I)

- Innodisk's "skill-learning encouragement" project is divided into three programs of different stages- "electronic technique club for 7th and 8th graders in middle school", "dream-building for future experts for 9th graders in middle school", and "handmade value-home appliance renewal for high school students". These programs are provided to sequentially help students at different stages of life.
- Electronic Technique Club for 7th and 8th Graders in Middle School: As middle schoolers nowadays have fewer chances to experience electronic products in basic practice, we collaborated with National Taiwan Normal University, National Ilan University, Keelung Er Xin High School, etc. on PowerTech, automatic guided vehicle club, and solar vehicle club. Serving to help students build a foundation while young and connect them with introductory and advanced courses, six clubs are organized in five middle schools in Xizhi and RuiFang districts in New Taipei City with a total of 124 participating students. The PowerTech courses among them have trained 17 school teachers to teach such subject, equipping teachers with new knowledge and building up the school's teaching staff.
- In the fourth quarter in 2018, we started to expand our programs to Yilan area and expected to bring the fun of "learning technology through DIY" to more children in non-metropolitan areas.



Encouraging Skill-learning, Foundation-building, and Deepening (II)

Dream-building for Future Experts: We encourage 9th graders to explore their interests and focus on skill-building through our skill courses. For this project, we collaborated with five middle schools in Xizhi and RuiFang and provided 440 dream-building notebooks, held 7 motivational lectures, organized 13 craftsmanship-centered charity events, and held 1 motivational camp. In addition, we have also provided scholarships to 25 students who won awards in New Taipei City craftsmanship competitions.



Students of vocational high schools learn their specific type of craft. We have planned the “Handmade Value - Home Appliance Renewal” event which combines education, environment protection, and public welfare. The event was held in four different vocational high schools - RuiFang, Suao Marine & Fisheries, XieHe, and ChihKuang, with a total of 112 students participating. One-hundred-ninety-nine pieces of home appliance were renewed and donated to the RuiFang Center of Taiwan Fund for Children and Families, Yilan Tzu Chi as well as solitary elders in the Nangang district.



Constant Promotion of the Arts

- We have established “Innodisk Art Galleries” in both Taipei and Yilan. Works from different Taiwanese artists are displayed on a bimonthly basis to keep Innodisk personnel company day and night.
- We irregularly invite outstanding school art groups to conduct flash performances at Innodisk. Colleagues at Innodisk can experience students’ passion and witness the fruitful results from the students, while the students are given the chance to perform, to tour the industry’s company operations and experience Innodisk’s technology. This arrangement integrates value from both art and technology fields.
- The 3rd “Light of Art” event held in Yilan cultivates emerging art talents. One-hundred-forty-four students from 5 schools visited the art event in Taipei. Children are guided to experience art of different aspects such as glove puppets, historic sites, paintings, body movements, etc.
- We have integrated art into “study subsidy for the families going through sudden changes”, “home appliance renewal”, and other projects. Through artistic and creative DIY courses, students come to learn that “life, art, and creativity” are an inseparable trinity and art is embedded in our life.



Caring for Social Welfare, Sharing Our Happiness

- Through planning conducted by “Innodisk Education Foundation” and “Innodisk”, the “Park Blood Donation Event” is held at the “Taiwan Science Park” every winter and summer. To encourage blood donation, we further collaborate with other companies to hold the "You donate 1cc, I donate 1 dollar" event together with summer blood donation. Throughout the year, a total of 80,000 cc of blood and a total of NTD\$ 36,000 have been donated. The money is donated to the sports class of RuiFang middle school, the Bornanew Youth Caring Association, and Craftsmanship Insight.
- The climate has undergone dramatic changes in the recent year. Crop production period has become unstable and excessive crop growth occurs from time to time. To protect farmers from financial losses and avoid wasting food, we purchase agricultural products that are in abundance and share them with colleagues or business partners, thereby encouraging everyone to support farmers. We eat good food and do good deeds.



Wholehearted, Professional, and Earnest

- Innodisk's social contribution adheres to the spirit of "educating professionally and caring for the public's well-being". Innodisk actively collaborates with institutions of all levels, letting students and teachers experience the "industrial reality" through lectures given by practitioners at schools, or visits to factories. The knowledge gap between industrial applications and academic theories can be thus shortened. Children are given a better understanding of the atmosphere of a workplace and are therefore more motivated to learn.
- In 2018, a total of 58 personnel at Innodisk devoted a total of 206 hours into education and charity services. They worked as teachers or elder brothers and sisters to accompany different types of students to learn, experience, think, care, motivate, play, etc. Children are changed after their time with Innodisk. We influence lives with lives, and this is our social responsibility.



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The logo features the word "innodisk" in white lowercase letters inside a red rectangle. A small red square is positioned at the top right corner of the rectangle.

innodisk

Innodisk Corporation

