WT MICROELECTRONICS

WT 2020
ESG INSIGHT

Established in 1993, WT Microelectronics is a leading professional service provider focusing on the global semiconductor distribution industry. By providing superior supply chain management services to both vendors and customers, WT has successfully positioned itself as a pivotal liaison, bridging upstream and downstream partners.

WT currently serve as the distribution partner for over 70 global leading semiconductor partners and provides services to over 8,000 quality customers. The products we carry are broadly used in various fields, including communication, computing, consumer electronics, industry & instrument, IoT, and automotive.

ENVIRONMENTAL

As an electronic parts distributor, WT is not involved in manufacturing. Nevertheless, as a global citizen, WT has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations.

The Company is actively implementing energy conservation and carbon reduction plans, raising the environmental protection awareness of its employees, and improving the efficiency of resource use. To mitigate the impact of climate change risks and their effects on business.

Sustainable Policies and Initiatives

The following sustainable policies and initiatives are approved and signed by the chairman of the board and available on our corporate website.

Environmental Policy

- Commitment to green investment fulfillment.
- Commitment to environmental protection and sustainability.
- Commitment to creating environmental awareness.
- Commitment to implement an environmental management system.
- Commitment to using natural resources or energy more efficiently.
- Commitment to reduce emissions, releases, and waste.

- Commitment to monitor the company's environmental performance.
- Commitment to report regularly on environmental issues.
- Commitment to consult with stakeholders on environmental issues
- Environmental Policy has been approved by senior management and the Board of Directors.

Climate Change Policy and Advocacy

WT is pledging to continue to support the Paris Accord and pursue ambitious climate goals. We follow the UN-affiliated Intergovernmental Panel on Climate Change (IPCC) which has called for the 2050 global warming goal to be reduced from 2.0 degrees Celsius to 1.5 degrees Celsius in order to avoid the worst potential impacts of warming.

Environmental Goals

The following sustainable policies and initiatives are approved and signed by the chairman of the board and available on our corporate website.

	Goal	2020 Achievement
GHG Emissions	Reduce 1% per year Base year 2018	✅
Financial Disclosure on Climate Change	To disclosure financial information related to climate change by 2023 based on TCFD global initiative	N/A
EMS Certification ISO 14001	Certification for Greater China Region by 2030	Taiwan and HK logistics warehouses

EMS Certification for Two Sites (Taiwan & Hong Kong logistics warehouses)

The ISO 14001 certificate is valid till October 2024. In order to achieve sufficient and transparent information disclosure, we are drafting a new environmental management system (EMS).

The planned information disclosure includes baseline, boundary, goals, and overall schedule and integrates with ISO 14001 EMS. This new EMS programe is expected to incorporate our operations base in China into the boundary.

Environmental Metrics (Taiwan)

Item	Unit	2018	2019	2020
GHG Emissions[1][4]	ton CO_2e	1,245.53	1,188.91	1,215.42[2]
Scope 1	ton CO_2e	204.42	219.66	200.40
Scope 2	ton CO_2e	1,041.11	969.25	1,015.02
GHG Emissions Intensity	ton CO_2e/person	1.17	1.11	1.22
Paperless[3]	1,000 sheets	264	1,151	1,104
Reclaimed Packaging Materials	Ratio	6%	12%	11%

Item	Unit	2018	2019	2020
Water Consumption	metric tons	17,368	18,119	17,009
Waste Generated				
Non-Hazardous	kg	174,218	130,493	6,492
Reclaimed Products (Electronic Equipment Donated)	kg	798	1,593	1,092
Reclaimed Products (Electronic Equipment Donated)	Pieces	209	540	236
Electricity consumption	kWh	1,953,301	1,904,214	1,994,138
Electricity consumption intensity	kWh/person	1,827	1,775	1,998

① ISO 14064-1 greenhouse certificate since 2018 by BSI.

② GHG increase of 26.51 tons of CO2e in 2020 compare to 2019 is because:
    (1) Some offices were leased since August 2019, so 2019 statistics only contains 5 months, whereas 2020 contains complete year;
    (2) Significant increase in semiconductor demand in Q4 2020 resulted in greater shipments, increased electricity usage in operations leading to increased GHG.

③ The scope (warehouses accounted for) of the paperless statistics are increasing year by year.

④ GHG 2018 and 2019 data has been updated in the 2020 CSR Report due to BSI recalculation of emission figures for certification.

⑤ All Environement data are for Taiwan sites except for Paperless calculation for Great China.

Risks of Climate Change and Response Measures

To mitigate the impact of climate change risks and their effects on business, WT Microelectronics is to devise countermeasures and work toward sustainable development, see website for details of response implementation details.

Risks: Typhoons and extreme climate events

Influence	Response measures	Response Measures
Invest more resources for disaster prevention, staff injury recovery, and disaster relief.	Impact mitigation	1. Constantly keep track of weather forecasts and establish mitigation strategies for each extreme climate event. 2. When selecting operating sites or deployment zones, caution should be taken to avoid low-altitude areas near the sea and consider whether the selected location is flood and earthquake-proof. 3. Group accident insurance, fire insurance, and transportation insurance for employees, buildings, and cargo need to be in place to transfer and disperse risks.
Damage to data storage devices causing data loss.	Enhance IT safety	1. Weekly offsite data backups. 2. Data from the main data center is constantly backed up to a secondary data center 30km away from the main site. Regular service migration exercises are to be performed so as to allow for the resumption of company operations in the shortest time possible in the event of an incident.

Risks: Extreme heatwaves

Influence	Response measures	Response Measures
Increased energy consumption.	Raise awareness for energy conservation	Energy conservation slogans will be attached to light switches, water taps, and air conditioners reminding users to be vigilant about turning off lights, conserving water, and setting the air conditioner target temperature to the 26 to 28 degrees Celsius range. Televisions in elevators and staircases will be occasionally updated with energy conservation adverts promoting the use of staircases over elevators. Staircase climbing races will also be held to raise awareness for energy conservation through fun activities.
Increased equipment downtime.	Regular maintenance	Each piece of equipment must be properly maintained according to the manufacturer's manual. The frequency of scheduled maintenances also needs to go up to ensure performance and reduce downtime.

Risks: Uncertainty of energy availability

Influence	Response measures	Response Measures
Energy costs may go up while supply becomes inconsistent.	Reduce energy costs	Install energy-saving mechanisms or turn on power-saving settings for lights, water taps, air conditioners, water fountains, coffee machines, and other office equipment; old equipment that are more energy-hungry will be gradually replaced each year, office spaces will be made more eco-friendly by reducing room temperatures through the installation of light-blocking curtains. A monthly power savings report will be compiled to examine the results achieved by each department to further encourage the reduction of energy costs.
	Stabilize energy supply	Constantly monitor for the latest trends and technologies in the global energy scene as well as maintain updates on relevant government policies and legislation. Energy conservation efforts will be constantly revised and optimized while seeking viable alternative energy sources to ensure energy security.

GHG Emissions Initiatives

1) The annual greenhouse gas emissions are verified by a third-party, review accurately the reduction situation and modify the management policy.

(2) Replacing high energy-consuming equipment every year, such as Zhonghe public areas will be 100% replaced with LED energy saving lamps in 2020.

(3) Reclaimed products and their packaging materials.

(4) Green Procurement policy.

(5) Power saving mode for electronic equipment.

(6) Blackout curtains installed.

(7) Continue to promote greenhouse gas reduction and garbage classification publicity activities.

(8) Encourage colleagues to use public transportation or shared rides for commuting, commuting, and employee travel.

(9) Disposable tableware is not provided for various events or banquets.

(10) Strengthen the greening of the office environment.

(11) In response to the United Nations Vegetarianism, a total of 4,698 people participated in 2020, equivalent to a reduction of 3,570.48 kilograms of CO_2 equivalent. The calculation method is based on the Environmental Working Group (EWG), a non-profit organization in the United States.

Eco-Design

Even if we don't have manufacturing plants, we work with our supply chain to promote energy-efficient electronic components and build a low-carbon environmental impact.

Furthermore, WT is fully committed to encouraging clients to purchase low power module products. We promote Eco-Design electronic product initiatives, such as energy-efficient performance, is part of our Environmental Policy. Since 2017, we continually provide Eco-Design information and raise transparency and stakeholder engagement.

↓ **30%** Components Reduced	↓ **30%** Energy Consumption Reduced	↑ **3%** Switching Speed Increased	↑ **30%** Power Density Increase

Third-generation material (silicon Carbide, SiC) products in comparison with traditional silicon products as example.

Waste Management

WT does not manufacture, the only wastes generated during operations are non-hazardous wastes such as scrap electronic products, office renovation waste, cartons, packaging materials, etc. Since 2016, we have formulated and implemented earth friendly waste disposal methods.

The packaging materials needed for our logistics operations, such as outer boxes, cartons, cardboard, etc., are all made of renewable materials, which can be recycled or composted and regenerated by nature.

The total weight of waste in 2020 is 6,492 kilograms, including 5,400 kilograms of carton waste and 1,092 kilograms (236 pieces) of electronic equipment donated to non-profit organizations that have reached the end of life.

Total of 1,341 electronic products donated since 2016.

Water consumption

Reduction in water consumption of 1,110 metric tons/6.13% in 2020 compared to 2019.

Digital Transformation

Data Analytics

Manual data collection and management tasks can now be facilitated by digital system. The original Manual management process from once every 30 days was shortened to 7 days.

Online Signing process

Since 2019, procurement approval process transitioned from hardcopy to digital. Paper consumption in 2020 reduced by 20%.

Operation Optimization

To optimize and standardize the application process of each product line and business, to effectively achieve the goal of establishing a complete price data center to facilitate customer quotation operations and analysis.

After completing the infrastructure and workflow functions in 2019, the completeness of the data exceeded 90% in 2020. The optimization will benefit accounting management process, order processing and shipping; and inbound and outbound logistics information tracking.

Robotic Process Automation (RPA) Roll Out

RPA selects cumbersome and highly repetitive work processes to optimize and improve service quality.

1. Select highly repetitive workflows for evaluation and design automated processes for upstream supplier related operations.

2. Complete main product line by 2021.

3. Reduce the work time by more than 50% for improvement of work hours.

4. Introduce RPA to customer's related work processes.

SOCIAL

Sustainable Policies and Initiatives

The following sustainable policies and initiatives are approved and signed by the chairman of the board and available on our corporate website.

UNCAC Anti-Corruption Policy

UN Convention Against Corruption provides principles that guide the behavior of employees, subsidiaries, Board members.

Social Policy & Code of Conduct

These international standards were used in preparing this Code:

- Responsible Business Alliance Code of Conduct v6.0.
- Universal Declaration of Human Rights.
- United Nations Convention Against Corruption.
- United Nations Global Compact.
- ILO Code of Practice in Safety and Health
- ILO International Labor Standards.

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas.
- ISO 45001 Occupational Health and Safety Management Systems Requirements.
- Declaration of Fundamental Principles and Rights at Work and other principles disclosed in the International Bill of Human Rights.
- Labor Standards Act and related laws and regulations.

SDGs Policy

WT's commitment to respect the 17 SDGs.

> **No incidents of discrimination during the reporting period.** & **No significant fines and non-monetary sanctions for noncompliance with laws and regulations in the social and economic area.**

Salary and Benefits

Taiwan	Unit	2018	2019	2020
Salary and benefit plan expense	NT$1,000	1,043,814	1,131,287	1,454,032
Average and medium of salaries [1]	NT$1,000	1,213	1,242	1,281

Notes 1: Boundary is for Taiwan non-manager full-time employees.

WT constitutes part of the Taiwan High Salary 100 Index, as well as provides better leave and flexible hours than required by law. Working hours are not to exceed the maximum set by local law. The Group also offers insurance policies and allowances, and encourage different wellness activities to attract and retain top talent.

Benefits offered to full-time employees include:

(1) Life insurance,
(2) Health care,
(3) Disability and invalidity coverage,
(4) Parental leave,
(5) Retirement provision,
(6) Others (Festive gifts, grievance support etc.)
(7) Goal for employee healthcare plans.
(8) Implement local government labor laws to minimum notice periods regarding operational changes.

Employee Stock Ownership

Since September 2020, employees (members) organize themselves to form the Employee Stock Ownership Trust Committee. Employees contribute fixed amounts from their monthly salaries, and the company will match their contributions. All contributions will be deposited into the trust accounts, effectively allowing employees and the company to share the fruit of business growth. The system not only makes it easier for the company to retain talent, but also helps employees accumulate wealth and prepare for retirement by saving small but regular sums.

Workforce

Taiwan	Unit	2018	2019	2020
Ratio of male employee	Ratio	59.4%	58.4%	60.2%
Ratio of female employee	Ratio	40.6%	41.6%	39.8%
Number of Employees (Group)	Person	2,399	2,395	2,353
Number of Employees (Taiwan)[2]	Person	642	714	816
Rate of Employee Turnover [3]	%	9.6%	10.3%	12.8%

Notes 2: Boundary is WT Microelectronics excluding subsidiaries.
Notes 3: Changes in turnover over past 3 years is natural turnover and competitiveness selecting. To retain talent, we have (1) restricted employee shares, (2) employee stock option, and (3) employee stock ownership benefit trust.

Ethical Training

- Ethical training is arranged every year for existing and new employees. In 2020, the total number of training hours was 562 hours, and the number of trainees was 1,185.
- The training aims for each new employee to understand and abide by the Best Practice Principles.
- In addition, relevant personnel are also appointed to participate in seminars and symposiums organized by public associations or professional organizations to strengthen the Group's ethical corporate management policy.

Career Development

Succession Plan and Implementation for the Senior Management

Annual training plans for the senior management follow the Training & Development Roadmap established by the designated department. Leadership courses are designed to match the level of authority in order to improve the management's management skills and leadership approaches. Training is also designed to encourage the management to lead the team to achieve the organization's goals. Meanwhile, professional training and language courses are also arranged to enhance the management's professional and language capabilities. Succession candidates for the senior management have a 100% participation rate in the annual courses. In addition to classroom training, job rotation, one-on-one instruction, and participation in executive team meetings help succession candidates advance their management skills and philosophies. This is a systematic approach to strengthen future management teams and achieve "professional ethics and sustainable management".

Occupational Health and Safety

The health and safety of our employees is our top priority. WT has implemented ISO 45001 OHS management systems. Established OHS personnel, health management divisions, general medical practitioners are hired to provide monthly health consultations. Occupational safety and health committee to review the implementation progress on a quarterly basis.

> **No occupational injuries, serious occupational injuries and deaths of employees this year.**

COVID-19 Response

We've taken many proactive measures to keep our employees safe during the COVID-19 pandemic. Measures taken include:

- Measure body temperature;
- Access control management;
- Cleaning and disinfection;
- Stagger employee shifts;
- Work from home.

HEALTH

Stakeholder Communication

As a semiconductor distributor, the company has consistently adhered to the principle of "supporting downstream customers to shorten their R&D time and increase their competitiveness, as well as assisting upstream suppliers in product promotion and marketing." Therefore, we value the quality and integrity of stakeholder communication channels. We have set up a stakeholder area on the official website in order to understand the needs and expectations of the stakeholders through various means and communication channels.

Supply Chain Management

The Company established a standard supplier evaluation process and the Supplier Code of Conduct, so that suppliers understand and comply with the Company's product safety and ethical requirements.

> **By 2025, WT will launch an WT Online Supplier Assessment Platform for general purpose suppliers, and complete supplier environmental and social assessments every year.**

The Chinese version WT Online Supplier Assessment Platform has launched on the Company's webiste (right).

文曄科技

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Supplier Code of Conduct

Available on corporate website, Supplier Code of Conduct addresses:

Labor and Human Rights	Occupational Health and Safety	Environmental, Ethical Protection & Management Practices
– Lawful working conditions, compensation and benefits – Freedom of association – No child labor or illegal foreign labor – No discrimination – No coercion or threat	– Regular training to enhance worker education and awareness – Maintain safe and healthy work environment and dormitories	– Minimize GHG, energy consumption and waste – Increase recycling – Emissions monitoring and treatment – Conflict minerals

Suppliers shall read the Code carefully and ensure full compliance with the Code. In an event of violation, the Company has the rights to terminate the business relation with the supplier and pursue compensation for damages and losses.

> " **100% of new suppliers in 2020 screened based on Supplier Code of Conduct.** "

Supplier Signed ESG Requirements

WT requires major suppliers to sign the "Supplier ESG Requirements" within official league documents which includes labor, human rights, occupational safety, environmental and ethical protection.

Hazardous Substance and Materials

We adhere to EU RoHS (Restrictions on Hazardous Substances Directive) and REACH (Registration, Evaluation, Authorization, and Reach of Chemicals). WT has comprehensive understanding of the safety of materials and identifies all substances in every one of the parts.

Our top 20 suppliers all observe EU RoHS and REACH, and new suppliers screened were 100% compliant.

Compliance

WT annually assess suppliers representing annual purchase of over TWD 1million or above 12 purchase orders for compliance with Supplier Code of Conduct. Any violations of the Code may jeopardize a supplier's business relationship with WT, up to and including termination.
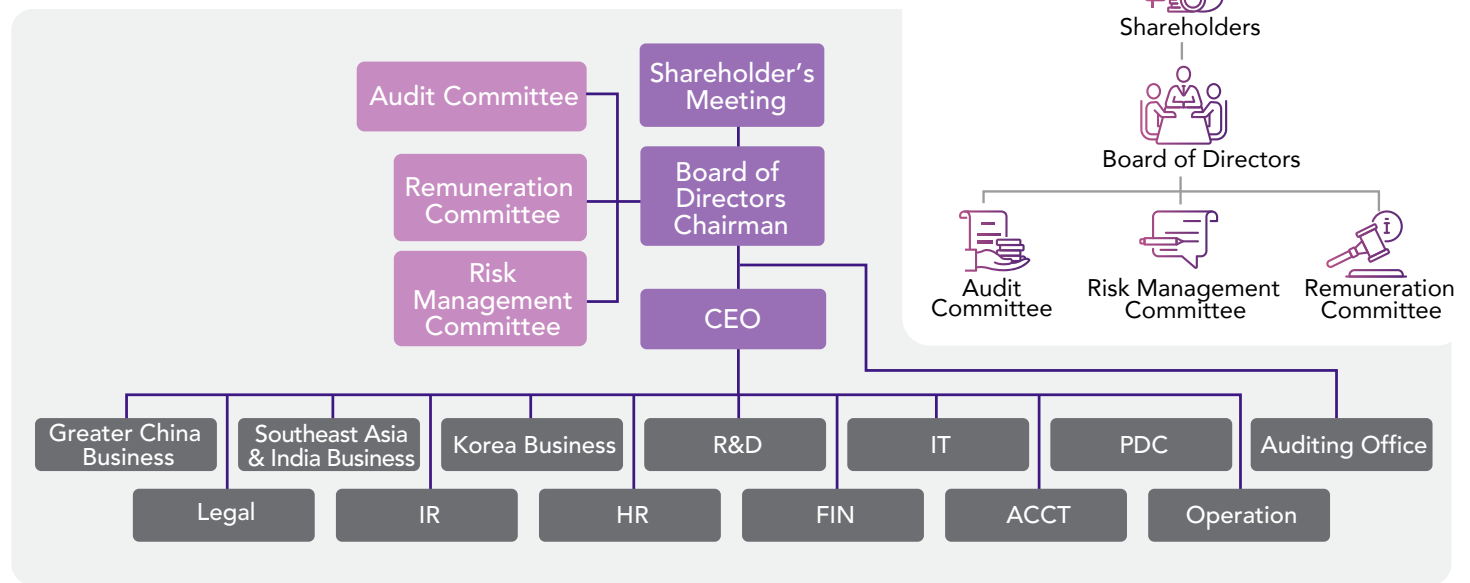
Conflict Minerals

WT's supplier agreements state we do not purchase products containing conflict minerals, that is the 3TG (tin, tantalum, tungsten and gold) and fulfills the humanitarian universal value of the supply chain.

GOVERNANCE

Organization

Board of Directors (9th term: 2019/6/21 onwards)

In 2020, the Board of Directors had 9 meetings with average attendance rate of 97%. Election of directors follows the candidate nomination system and term of office is 3 years. Ratio of female board members is 43%. The Company has established a diversity policy of board members explicitly set in Article 20 of the "Corporate Governance Best Practice Principles", covering gender, age, nationality, culture and professional knowledge and skills.

Title	Name	Representative	Gender	Executive position in Company	Date First Elected
Chairman	Cheng, Wen-Tsung (Eric)		M	President	1994.11.11
Director	Hsu, Wen-Hung (Kerry)		F	Senior Vice President	2005.05.25
Director	Sung Kao, Hsin-Ming (Margaret)		F		2009.06.16
Director	Wen You Investment Co., Ltd.	Cheng, Ken-Yi (John)	M		2019.06.21
Independent Director	Cheng, Tien-Chong (Terry)		M		2016.06.03
Independent Director	Kung, Ju-Chin (Elaine)		F		2016.06.03
Independent Director	Ding, Kung-Wha*		M		2020.03.27

Note: Ding, Kung-Wha elected to fill vacancy of previous independent director Lin, Che-Wei, who resigned on February 20, 2020.

Audit Committee

The Audit Committee shall convene at least once quarterly, in 2020, total of 7 meetings were convened.

Committee	Name	Title
Convener	Cheng, Tien-Chong (Terry)	Independent Director
Member	Kung, Ju-Chin (Elaine)	Independent Director
Member	Ding, Kung-Wha*	Independent Director

Note: Ding, Kung-Wha elected to fill vacancy of previous independent director Lin, Che-Wei, who resigned on February 20, 2020.

Renumeration Committee

The Renumeration Committee shall hold at least two meetings per year, in 2020, 5 meetings were convened.

Committee	Name	Title
Convener	Kung, Ju-Chin (Elaine)	Independent Director
Member	Ding, Kung-Wha*	Independent Director
Member	Lu, Huei-Chung	Other

Note: Ding, Kung-Wha elected to fill vacancy of previous independent director Lin, Che-Wei, who resigned on February 20, 2020.

Risk Management Committee

Risk management committee was established in November 2020 and is to meet at least once a year and reports to the Board of Directors.

Committee	Name	Title
Convener	Ding, Kung-Wha	Independent Director
Member	Cheng, Tien-Chong (Terry)	Independent Director
Member	Kung, Ju-Chin (Elaine)	Independent Director
Member	Cheng, Wen-Tsung (Eric)	Chairmen
Member	Cheryl Yang	CFO

Risk Management

The Board of Directors passed the risk management policy formulated by the Risk Management Committee on January 5, 2021. The Company's risk management organization consists of Board of Directors, Risk Management Committee, Auditing Office and Accountability Unit.
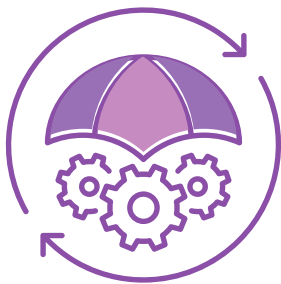
The steps of the risk management process are identification, assessment, mitigation, monitoring, and reporting risks.

Risk catagory

Operational risks	Financial risks	Legal compliance risk
Information security risks	Environmental risks	Other risks

ESG Policies

ESG policies are approved by the chairman authorized by the Board. The Board regularly receives reports from management executives to understand the types of ESG risks faced by the company and ESG management. The management is responsible for determining ESG risks and risk control related to major operating activities; incorporating ESG risks into the overall strategy; and formulating plans and recommendations to determine the adequacy of risk identification, the balance between potential risks and potential returns, and the control of ESG risks.

Responsible Investment – US$1million

Following Principles for Responsible Investment (UN PRI), WT launched a US$1million green investment project. The investment target is Cathay Private Equity Ecology Limited Partnership on August 19th 2020.

Business Continuity Plan and COVID Response

ISO 22301 management systems

WT adopted the ISO 22301 security and resilience business continuity management systems as one of the business continuity planning (BCP) policies.

Application of Precautionary Principle from The Rio Declaration from the UN

The principle helps an organization to reduce or to avoid negative impacts on the environment.

Data Center Remote Backup Mechanism

Remote backup drill is exercised once a year. Two data centers located in separate geographic locations process daily data synchronization or one-way backup. In the event one data center cannot operate due to various reasons, such as heavy rain, earthquake, heavy snow, fire, or flood, the other data center can take over the operation.

Remote Work

100% of WT employees are equipped with configured laptops. The headquarters purchase high-traffic network bandwidth and strengthened video conferencing equipment and information security video software provides high-quality video conferencing services.

Ethics

The Company established the Ethical Management Promotion Task Group (HR, Legal and Audit Office jointly formed), which periodically reports the implementation of ethical corporate management to the Board, assisting the Board with inspecting and evaluating effectiveness of unethical conduct prevention measures. The Task Group established the Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Procedures for Ethical Management and Guidelines for Conduct, the internal control system, authorization system, and separation of duties. It implements anti-corruption measures in coordination with internal audits, self-evaluations of the internal control system, and channels for reporting unethical conduct.

"Procedures for Ethical Management and Guidelines for Conduct", we prohibit unethical conduct:

× offering and receiving bribery,

× providing or accepting improper interests,

× providing or promising facilitation payment,

× providing illegal political contributions,

× engaging in unfair competition,

× providing improper charitable donations or sponsorships,

× disclosing trade secrets,

× damages to the interests of stakeholders.

Whistleblower Program

WT has zero tolerance on corruption. The Ethical Management Promotion Task Group is responsible for accepting the reported cases, forwarding these cases to the highest supervisors of the relevant units for investigation, and tracking the final result of each case.

The identity of the whistleblower and the contents of the report shall be kept confidential, and a complete record of the acceptance investigation process and results of the case shall be retained.

If a material violation is discovered by the investigation or the Group is at risk of sustaining significant losses, a report shall immediately be prepared and independent directors shall be notified in writing.

> *In 2020, no external or employee reports received, nor incidents of severe unethical conduct.*

- Proactively communicated to employees.
- An independent, reporting hotline and email available "Official Website Whistle-blower Pages".
- Available to suppliers, customers, and other third parties the independent, reporting hotline and email.
- Available in local languages.
- Possibility for anonymous reporting and reports are treated confidentially.
- Whistleblowers shall not be subject to improper treatment due to whistleblowing.
- Structures in place to process whistleblower reports which are the Board of Directors, Chairman, Auditing Office and Attorney general.
- Disclosure on the number of reports received, the types of misconduct, and measures taken.

Awards and Accolades

- Taiwan Stock Exchange: The top 5% best result in the 7th governance ranking.
- Financial Times: The Top 500 Asia Pacific High Growth.
- Taiwan Stock Exchange: Taiwan High Salary 100 Index.
- COMMONWEALTH MAGAZINE: Taiwan No.1(information, communications, and IC channels category) of 2,000 large companies ranking.
- Harvard Business Review: Traditional Chinese Honored Taiwan CEO TOP 100.
- Taiwan Corporate Sustainability Awards: Bronze Award for CSR Report.