

# SUSTAINABILITY REPORT 2021



## ABOUT THIS REPORT

This is the sixth Sustainability Report by Kulicke & Soffa (K&S). It covers the performance of all six global operational sites for the period of October 4, 2020 to October 2, 2021 (FY2021), with FY2020 data for comparison where applicable. This Sustainability Report (SR2021) covers the company's strategies, initiatives and performance of Environmental, Social and Governance (ESG) topics identified through a materiality assessment to be most relevant to the operations and stakeholders of K&S.

SR2021 has been prepared in accordance with the Global Reporting Initiative (GRI) Standards – Core Option. The GRI Standards have been selected as they represent global best practices for reporting on a range of sustainability topics and enable comparisons of K&S' sustainability performance among its peers. K&S strives to align with GRI's four reporting principles – Materiality, Stakeholder Inclusiveness, Sustainability Context, and Completeness – to ensure that the content of SR2021 meets their expectations.

This year, K&S continues to disclose its efforts and contributions towards the United Nations (UN) Sustainable Development Goals (SDGs) and its relevant impacts. For any queries in relation to this report or other feedback, please contact Helen Siew ([lhsiew@kns.com](mailto:lhsiew@kns.com)) or Joshua Chang ([ckjchang@kns.com](mailto:ckjchang@kns.com)).

This SR2021 contains forward-looking statements. While these forward looking statements represent our judgments and future expectations concerning our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, the factors listed or discussed in our 2021 Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. Kulicke and Soffa Industries, Inc. is under no obligation to (and expressly disclaims any obligation to) update or alter its forward looking statements whether as a result of new information, future events or otherwise.



CELEBRATING  
**70 YEARS**

*OF CRAFTING TECHNOLOGIES AND INNOVATIVE SOLUTIONS*

1951 - 2021



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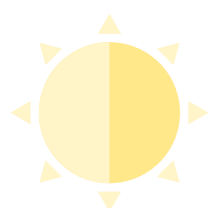
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A high-magnification, angled view of a silicon microchip. The surface is covered in a dense grid of microscopic circuitry, with various colored regions (blue, green, yellow, red) indicating different functional blocks or materials. The lighting creates a sense of depth and highlights the intricate patterns of the chip.

# **1 ABOUT KULICKE & SOFFA**

# MESSAGE FROM OUR PRESIDENT & CEO

It is my privilege to share the K&S 2021 Sustainability Report, which highlights our ongoing efforts to build a more sustainable, equitable, and inclusive company, industry and society. FY2021 was a significant year where we celebrated the Company's 70th anniversary, expanded our served markets and reacted efficiently to COVID-19 challenges, while we drove our sustainability agenda forward.

The current business landscape requires extensive focus to successfully execute our high-growth market expansion initiatives, deliver new innovative technology solutions and address the industry's ongoing aggressive capacity needs, while operating in a challenging global supply-chain and logistical environment. This ongoing focus has enabled us to rethink the ways we work, collaborate, and make a difference, propelling us into action, highlighting the resilience of our global team, and the strength of our core values.

## Enhancing Our ESG Commitments

We continued to reach and enhance our global Environmental, Social and Governance (ESG) commitments. Earlier in the year, we expanded our corporate oversight and organizational framework with an improved reporting structure and increased reporting frequency, enabling a greater level of oversight for our Executive Leadership Team (ELT) and our Board of Directors (BOD). Ultimately this refinement enhances our ability to promptly react to future global challenges and opportunities as we continue our ESG journey.

Climate change and the increasing use of natural resources continues to impact the lives of people and wildlife. We continue to chart our own path forward for more environmentally sustainable operations to improve resource utilization and also reduce carbon emissions. To do this effectively, there is a need for ongoing assessments and clear lines of accountability of our climate footprint. This year, we disclosed our environmental data through the Carbon Disclosure Project (CDP), a voluntary global disclosure platform to enhance the quality and transparency of environmental progress and reporting efforts. By joining this broad network of companies and cities who participate in the CDP, we are now

able to better benchmark, measure and manage our environmental impact.

In addition to these environmental reporting and transparency enhancements, we are also keenly aware that equality is a fundamental value in achieving our goal of being an employer of choice that fosters a safe and healthy environment for development, collaboration and problem-solving. This year, we are particularly focused on fostering greater diversity, equity, and inclusion as we initiated and implemented a formal global diversity and inclusion program across all K&S business units, functions and supply chain to ensure all employees and suppliers stay cognizant to proactively enhance our human capital. This new program, which relies on employee feedback and focused training, will enhance the voice of employees, support recruitment efforts and foster a more inclusive and open workplace, enhancing our ability to collaborate and increasing our pace of innovation.

More details related to our ongoing ESG programs, commitments and long-term goals are detailed within this sustainability report.

## Creating Sustainable Value for All

The overall focus of our sustainability strategy has always been to create value for all stakeholders – our customers, shareholders, employees and the broader communities in which we operate. During the year, we reacted quickly to the industry's aggressive capacity needs, enhanced development engagements with customers and drove market adoption of several next-generation solutions, all while successfully navigating a challenging global environment. This persistent execution allowed us to further expand access to served markets which are supporting several significant technology transitions within the automotive, semiconductor and display markets.

We are proud of what our partners and K&S have collectively accomplished during this challenging year to move our ESG agenda forward. We are also aware there is more we can do in the future. The past year has allowed us to re-examine and find new creative solutions to our ways of working, while ensuring efficient and ongoing progress of our long-term growth prospects remains on track. The entire organization has continuously expanded our ESG efforts, while materially enhancing our business prospects and valuation. This relentless internal focus, combined with increased global collaborations among businesses, investors, and governments, will allow us to deliver a new level of long-term benefits to our collective global society.



**Fusen Chen**  
President & CEO,  
Kulicke & Soffa

# OUR BUSINESS OVERVIEW

K&S was founded in 1951 and is today a leading global provider of semiconductor and electronics assembly solutions. We take pride in leveraging our strengths accrued over seven decades in pioneering interconnect solutions and working as a valued partner to customers and technology partners alike to support the constantly evolving needs of the general semiconductor, automotive & industrial, memory, and LED markets.

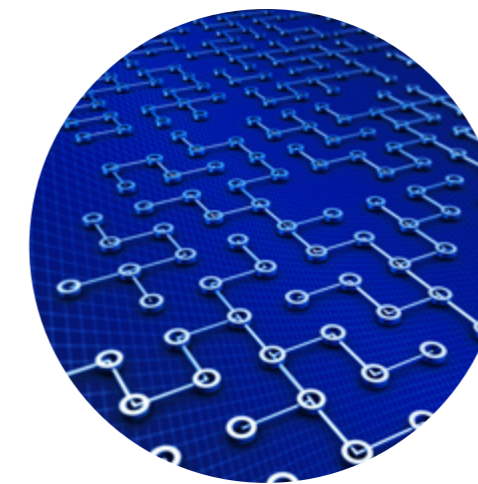
Our business footprint includes strategically positioned manufacturing facilities, research and development (R&D) centers, and sales and service offices across the globe.

Collectively, we build upon our portfolio of products and services by continuously sharpening our expertise in two ways. Firstly, we prioritize innovation to expand and improve on our portfolio of offerings to deliver high value solutions. These competitive solutions enable greater market reach into various market segments of general semiconductor & LED, automotive & industrial, and memory. Secondly, we embrace industry collaboration with customers and technology partners alike to push the frontiers of a smart future.



- \* 4 Manufacturing Sites
- 7 Global R&D Centers
- 18 Global Sales & Service Offices

China (Shanghai, Shenzhen & Suzhou), Germany (Kassel & Nuremberg), Japan (Tokyo), Malaysia (Kuala Lumpur & Penang), Netherlands (Eindhoven), Philippines (Manila), Singapore, South Korea (Seoul), Taiwan (Hsinchu & Kaohsiung), Thailand (Bangkok), USA (Fort Washington & Santa Ana), Vietnam (Ho Chi Minh City)



General Semi & LED



Automotive & Industrial



Memory

SOLUTIONS



## OUR VISION

The leading technology and service provider of innovative interconnect solutions  
enabling a smart future

## OUR MISSION

Global solutions provider for advanced interconnect and electronic assembly with long-standing tradition of delivering disruptive innovations

Enable technology leadership through strategic partnerships across the value chain

Broaden products and value-added services organically and inorganically to be number one in all served and adjacent markets

Maximize productivity and operation efficiency in all parts of our current and future targeted K&S value chain

Consistently grow and deliver superior financial performance

Delight our customers through deeper collaboration and delivering innovative solutions of the highest quality

Provide solutions for the entire served markets to ensure continuous dominance and Evolve to be the supplier of choice in smart manufacturing solutions

Increase market intelligence to improve predictability of our business and alignment of solution development to market needs

Foster a creative and positive work environment by embracing our core values

## OUR CORE VALUES



### DELIGHT OUR CUSTOMERS

Impress existing customers and win new ones



### MAKE A DIFFERENCE

Take responsibility and be accountable for your actions



### INNOVATE FOR SUCCESS

Think and act in innovative ways to manage and grow our business



### PEOPLE MATTER

Develop our people as our primary asset



### LEARN, GROW, EXCEL

Pursue personal growth and business excellence through learning



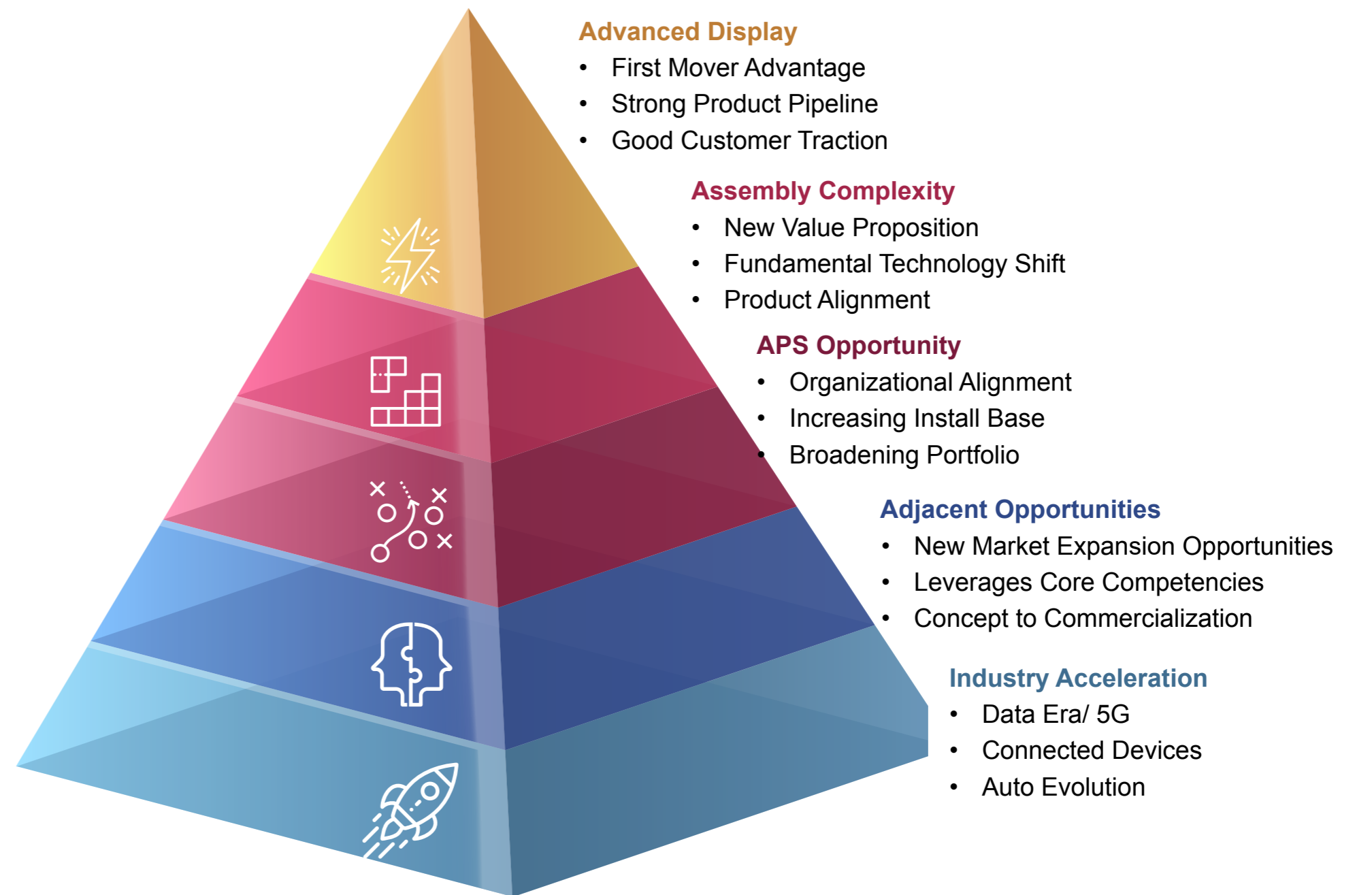
# ECONOMIC PERFORMANCE

K&S believes in prudent market expansion and effective new product development to deliver a powerful combination of value creation and direct returns to our shareholders. We are guided by our Value-Creation Cycle model, which serves as the strategic blueprint to lead the way forward as an industry leader and deliver positive value and impact.



In FY2021, we achieved a new financial milestone to report more than US\$1.5 billion in annual revenue for the first time in K&S history, despite the challenges posed by the global pandemic and worldwide supply chain shortages. This is the result of a well aligned business portfolio to multiple major end-market demands in the areas of 5G, artificial intelligence, industry 4.0, electric vehicles, as well as mini and micro LED, amongst others. Within the year, we generated free cash flow of US\$277.3M and achieved an operating margin of 27%.

We remain committed to investing strategically through our Five Layers of Growth model to meet future needs and uncover new opportunities that will sustain continuous growth.





Reported annual revenue of:  
**>US\$1.5  
 BILLION**



Operating Margin  
**27%**

Revenue YoY growth of:  
**144%**



Generated free cash flow<sup>1</sup> of:  
**US\$277.3 MILLION**



<sup>1</sup> Net cash provided by operating activities less capital expenditures

| Financial Results <sup>2</sup>           | FY2021*   | % change from FY2020 | FY2020* | FY2019* |
|--|-----------|----------------------|---------|---------|
| <b>Economic Value Generated: Revenue</b> | 1,517,664 | 144%                 | 623,176 | 540,052 |
| <b>Economic Value</b>                    | 1,195,411 | 82%                  | 655,927 | 660,038 |
| Operating costs                          | 844,614   | 138%                 | 354,335 | 315,679 |
| Employee wages and benefits              | 257,513   | 26%                  | 203,832 | 189,071 |
| Payments to governments                  | 47,295    | 294%                 | 11,998  | 22,910  |
| Community investments**                  | 1,081     | 52%                  | 711     | 739     |
| Direct shareholder returns <sup>3</sup>  | 44,908    | -47%                 | 85,050  | 131,639 |

\*In US\$'000. Information for FY2020 and FY2019 have been updated for better alignment with GRI Standards

\*\*includes internships and COVID-19 contributions

<sup>2</sup>Information in this table is derived from Kulicke & Soffa's audited financial statements and other accounting/financial data. This information is intended to summarize the overall contribution of K&S to its stakeholders and not intended to replace or provide an alternative to the audited financial statements which are made available in the K&S Annual Report for FY2021.

<sup>3</sup>Includes share repurchases and dividends; quarterly dividends payments have been made since July 16, 2018.

# OUR FY2021 ACHIEVEMENTS AT A GLANCE

## ECONOMIC



Celebrating  
**70 YEARS**

of crafting technologies and innovative solutions



Achieved  
**>US\$1.5 BILLION**

in annual revenue for the first time in K&S history

**>US\$135M**

invested in Research & Development

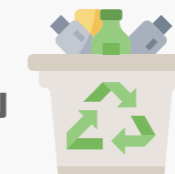


## ENVIRONMENT



Submitted  
**CARBON DISCLOSURE PROJECT (CDP) – CLIMATE CHANGE**  
response for the first time

Reduced energy consumption by  
**53%**  
from FY2020



Achieved  
**61%**  
waste recycling rate above the target of 55%

## SUPPLY CHAIN



**81%**  
Smelters in CFS program identified in reporting year 2020

**ZERO**  
validated cases of non-compliance regarding health and safety impacts of products and services



**2**  
Restriction of Hazardous Substances Directive (RoHS) compliant core platforms launched in FY2021



## COMMUNITY

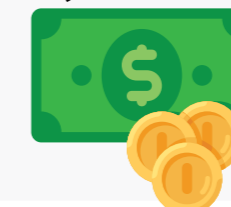


**25**  
CSR events carried out globally

Achieved  
**800**  
volunteer hours across all sites



Invested  
**>US\$150,000**  
in our communities



## PEOPLE



**3,586** employees globally, of which

**>580** R&D employees with an average tenure of over 10.8 years



Published  
**1ST ISSUE OF DIVERSITY & INCLUSION NEWSLETTER**

**0** fatalities as a result of work-related injury and

**0** high-consequence\* work-related injuries



\* High-consequence work-related injury = work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months

# 2 SUSTAINABILITY AT K&S



# OUR NEW CSR FRAMEWORK

K&S aims to create sustainable value for both the business and the societies in which we operate. This means ensuring continued returns for shareholders, developing our employees, uplifting the lives of communities, as well as driving a positive impact on the environment.

In FY 2021, we developed a new CSR framework to better reflect how we strategically embed sustainability in our operations to secure long-term business growth and value creation for our stakeholders.

Our CSR framework constitutes four pillars – Diversity & Inclusion, Environment, Philanthropy and Volunteerism. Holistic yet focused, each focus area represents a key business driver meant to propel targeted purpose and outcomes, while synergistically leveraging our strengths in technology and people to amplify our impact as a good corporate citizen.



## Diversity & Inclusion

K&S is committed to enhancing the experience of all who work with us, to encourage and recognize their contributions and successes in an equitable and inclusive environment that celebrates diverse voices and unique backgrounds.

Our Diversity & Inclusion (D&I) framework focuses on three strategic areas – *Recruitment, Organizational Culture, and Marketplace and Community Impact*. Driving action in each focus area will allow us to stay responsive to the needs of current employees, remain attractive as an employer of choice for prospective talents, as well as extend our cognizance and proactiveness of D&I matters across our supply chain and business ecosystem.

### Recruitment

We look to improve our diversity hiring strategies by adopting inclusive candidate sourcing methods and addressing any bias or subjectivity in current sourcing or interview processes.



### Organizational Culture

We aim to develop training programs that internalize diversity, equity, and inclusion as essential elements of K&S' company culture.

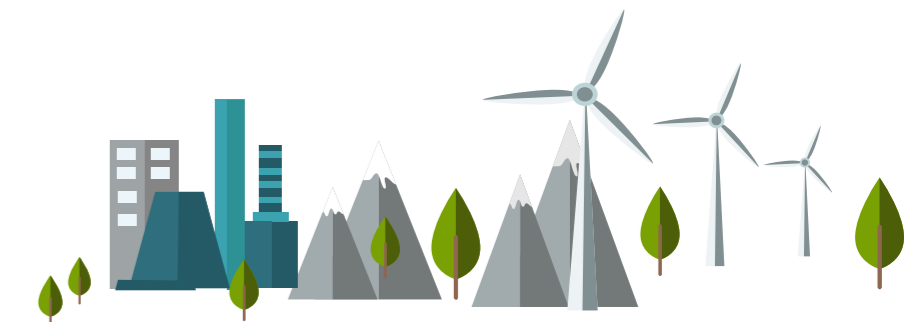


### Marketplace & Community Impact

We intend to broaden our D&I influence across our supply chain and business ecosystem by increasing the diversity of suppliers and vendors, as well as engaging in and implementing industry thought-leadership D&I best-practices.



We have added a new role, hiring a D&I program manager to guide K&S' progress in D&I policy development and implementation. We are also working with an external partner to conduct further assessments to gain a more comprehensive understanding of any current gaps and to chart out quantifiable and meaningful D&I metrics for progress monitoring.



## Environment

K&S believes that environmental sustainability is critical to achieving business continuity and growth. We strive to reduce any negative impact on the environment that results from our business processes, including from our products, operations, and facilities, as well as from across our value chain. We are also in progress of setting incrementally ambitious targets that will stretch us to achieve greater positive environmental impact.

Our Environmental framework focuses on five key areas – *Resource Conservation, Pollution Prevention, Materials, Occupational Health and Safety, and Environmental CSR Initiatives*. We recognize that human health and wellbeing is highly interconnected with the state of the environment; hence, the topic of Occupational Health and Safety is included under this pillar.

### Resource Conservation

We look to reduce the use of natural resources in areas of energy, water and paper usage. A key priority is to reduce K&S' overall carbon footprint as part of our climate action journey.



### Occupational Health & Safety

We strive to ensure healthy and safe working conditions for our employees through initiatives such as our annual Corporate Safety Challenge.



### Pollution Prevention

We embrace the 3Rs of reducing, reusing and recycling to manage our waste generated and achieve progressive year-on-year improvement.



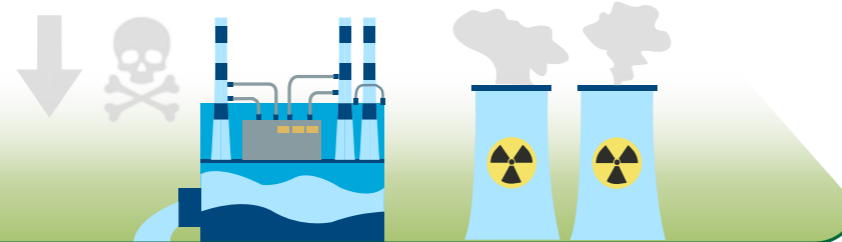
### Environmental CSR

We seek to shape an environmentally focused mindset in K&S' employees that actively supports initiatives to reduce our environmental impacts and to contribute positively to our environment through activities such as beach clean-up, tree planting and supporting environmental NGOs.



### Materials

We limit the amount of hazardous substances and conflict materials in new products and ensure compliance with international standards such as the Restriction of Hazardous Substances Directive (RoHS).



We will continually invest in the optimization of process efficiencies and inculcate sustainability-focused mindsets in our employees, creating a more environmentally conscious culture at K&S.

## Philanthropy

K&S believes in maintaining strong relationships with the communities in which we live, work and grow. We look to give back to underserved communities in particular through corporate philanthropy, which sees us mobilizing support and aid to best serve their needs and interests.

Our Philanthropy framework includes three key areas to guide our social impact investments – *STEM Projects, NGO Partnerships, and Other Strategic Partnerships*. We have adopted a two-pronged approach – corporate top-down and employee bottom-up – to ensure that we provide adequate levels of support for our targeted beneficiaries and causes.

### STEM<sup>4</sup> Projects

We look to harness our strengths and capabilities in technology and engineering to supply good quality STEM education for youths through opportunities such as education webinars, workshops, internships and scholarships to develop the next generation of innovators.



### Other Strategic Partnerships

We look to explore other strategic partnerships with professional, governmental, and educational organizations to increase socio-economic wellbeing in the areas of health, education, and environment. This is especially crucial in times of unforeseen need, such as providing crisis relief amidst the on-going COVID-19 pandemic.



### NGO Partnerships

We seek to partner with select non-governmental organizations to provide essential food, housing employment, education, and healthcare support for underserved or disadvantaged populations.



<sup>4</sup>Science, Technology, Engineering and Mathematics

# Volunteerism

K&S is committed to developing a culture of volunteerism amongst our employees to enhance the quality of life and wellness of the communities around us. We apply a global and local perspective lens to identify causes and beneficiaries for which we can help to drive meaningful impact.

Our Volunteerism framework focuses on two key areas – Social Projects and Environmental Projects. These two areas provide the on-ground staffing support that enables us to synergistically amplify the impact we have on local communities across our global sites and the environment, along with the other three pillars.

## Social Projects

We seek to strengthen the social fabric of the local communities by elevating the lives of elderly, disadvantaged youths, and the less privileged as some of the key beneficiary groups identified.



## Environmental Projects

We intend to play an active role in protecting the environment by initiating activities that focus on reducing pollution and raising environmental awareness among society.



As the world moves forward in the digital age, we are also looking into creating virtual yet engaging volunteering opportunities for our employees.



# OUR SUSTAINABILITY GOVERNANCE STRUCTURE

With the new CSR framework, K&S has adopted an ESG structure for governance of its sustainability commitments. The revised committee comprises of leadership representatives from the four CSR pillars, supported by management leads who are responsible for driving the objectives of their respective focus areas throughout all K&S sites. An Executive Leadership Team (ELT) member provides vision and sponsorship over each of the four pillars by reviewing disclosed metrics and initiatives to meet the set goals and targets.

Every quarter, the sponsors assess K&S' sustainability performance against set goals, reporting out to both the ELT and the Nomination, Governance and Compensation Committee (NGC). ESG performance and progress are also reported semi-annually to the Board of Directors (BOD) who have ultimate oversight of all K&S ESG matters.

## ESG Structure at K&S



# OUR CORPORATE RESPONSIBILITY POLICY

We manage our sustainability matters through our Corporate Responsibility (CR) Policy that identifies four strategic areas where we aim to continue driving our efforts in creating positive change, while minimizing negative impacts.

- **Governance:** Maintain transparency in sustainability governance and communication with key stakeholders
- **Environment:** Manage the impact of our operations on our environment
- **Economic:** Provide innovative interconnect solutions to enable a smart future
- **Social:** Provide opportunities and give back to our community

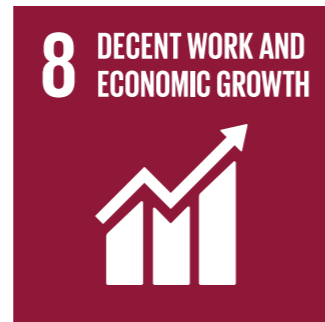




Our CR Policy is aligned with five United Nations Sustainable Development Goals (UN SDGs) that are deemed to be the most relevant to our business through our operations, initiatives, and programs.



*Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all*



*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*



*Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*



*Ensure sustainable consumption and production patterns*



*Take urgent action to combat climate change and its impacts*

## UN SDGs MAPPED TO K&S' SUSTAINABILITY ACTIVITIES

### • Employment & Labor Practices

Internship programs, student education grants, and scholarship opportunities for undergraduates

Employee development and mentoring programs

Open Houses for undergraduates and potential candidates to introduce K&S operations and technologies

Conducting STEM (Science, Technology, Engineering & Mathematics) programs for children in underserved communities

Donation for the benefit of underprivileged students for tuition fees, education materials and resources

Building library for students living in rural communities

### • Occupational Health & Safety • Employment & Labor Practices

Diversity and female representation in the workforce

Safety committees in every K&S facility to ensure a safe and healthy workplace and compliance with safety regulations

Annual CEO Occupational Health & Safety Challenge across all sites to promote safety awareness and culture

ISO 45001 certification for all K&S design and manufacturing sites

Promote healthier lifestyle by cycling to work

### • Economic Performance • Product & Service Innovation

Increasing investments in human capital development and research & development (R&D)

Collaborations with industry peers and customers to deliver innovative solutions to the market

Research collaboration with academia on integrating Industry 4.0 into K&S' manufacturing processes

### • Material Use • Responsible Supply Chain Management • Effluents & Waste Management

Efficient use of natural resources

Management of effluents and waste through proper disposal and recycling protocols

Commitment towards compliance with Restriction of Hazardous Substances (RoHS)

Commitment to be Conflict Minerals Free

Responsible consumption by collecting excess food from food suppliers and re-distributing them to marginalized communities

Refurbished old laptops and monitors for donation to charities and students for home-based learning

### • Energy Usage & Associated GHG Emissions • Governance (Sustainability)

Responsible energy consumption and monitoring carbon emissions

Targets to reduce energy consumption intensity year-on-year

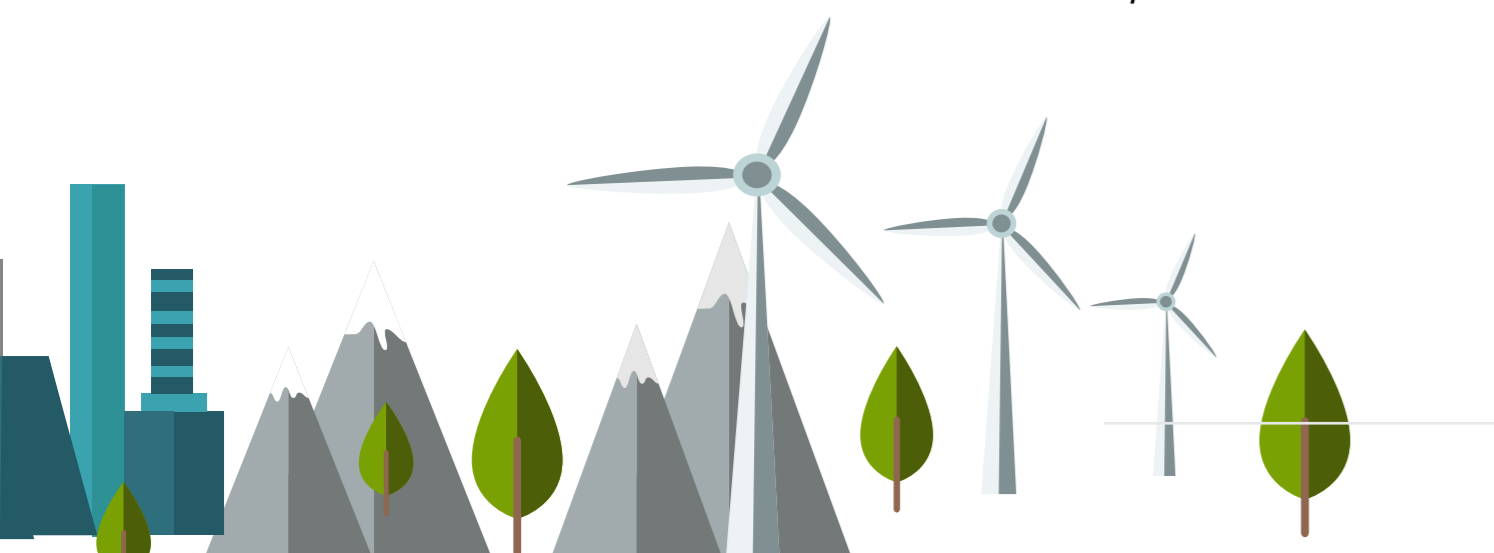
Reduce carbon emissions by cycling to work

Global commitment to Earth Hour by switching off non-essential lights and electrical appliances in reducing GHG emissions

# STAKEHOLDER ENGAGEMENT & ALIGNMENT

We believe that effective communication with K&S' stakeholders builds stronger trust and longer-lasting relationships necessary to implement sustainability initiatives successfully. Regular engagement with our stakeholders facilitates a better understanding of what economic, environmental, social, and governance (EESG) issues matter most to them, to guide us on formulating corresponding strategies and goals.

| Key Stakeholders & Their Interests  | Engagement Mechanism   | Frequency of Engagement   | Interests & Concerns  | Key Stakeholders & Their Interests   | Engagement Mechanism   | Frequency of Engagement   | Interests & Concerns  |
|---|--|---|---|--|--|---|---|
| <b>Customers</b><br><i>Look to K&amp;S to offer quality and innovative products and services</i>  | <ul style="list-style-type: none"> <li>Voice of Customer</li> </ul>  | <ul style="list-style-type: none"> <li>Every three years</li> </ul>   | <ul style="list-style-type: none"> <li>Product &amp; Service Innovation</li> <li>Customer Health &amp; Safety</li> <li>Customer Satisfaction</li> </ul> | <b>Suppliers</b><br><i>Look to build sustainable business relationships with K&amp;S</i>   | <ul style="list-style-type: none"> <li>Engagement surveys and events</li> <li>Business reviews of supplier deliverables</li> <li>Supplier events</li> </ul>      | <ul style="list-style-type: none"> <li>As appropriate</li> <li>Quarterly</li> <li>On a regular basis</li> </ul> | <ul style="list-style-type: none"> <li>Product &amp; Service Innovation</li> <li>Material Use</li> <li>Customer Health &amp; Safety</li> <li>Customer Satisfaction</li> </ul> |
| <b>Employees</b><br><i>Look to K&amp;S to be a fair and just employer, upholding human rights through equal access to company programs like bonuses and awards, training opportunities, health and safety</i> | <ul style="list-style-type: none"> <li>Voice of K&amp;S Employee Engagement Survey</li> <li>Townhalls, K&amp;S intranet, staff meetings, emails and notice boards</li> </ul>   | <ul style="list-style-type: none"> <li>Every two to three years</li> <li>On a regular basis</li> </ul>                                | <ul style="list-style-type: none"> <li>Employment &amp; Labor Practices</li> <li>Occupational Health &amp; Safety</li> </ul>                            | <b>Government, Regulators and Certification Bodies</b><br><i>Look to K&amp;S as an industry example of adhering to regulatory compliance</i>   | <ul style="list-style-type: none"> <li>Industry and technology conferences</li> </ul>  | <ul style="list-style-type: none"> <li>On an ad hoc basis</li> </ul>  | <ul style="list-style-type: none"> <li>Ethics, Bribery &amp; Corruption</li> <li>Energy Usage &amp; Associated GHG Emissions</li> </ul>                                       |
| <b>Shareholders &amp; Investors</b><br><i>Seek long-term business growth of K&amp;S resulting in positive financial performance</i>   | <ul style="list-style-type: none"> <li>Annual Report, Sustainability Report</li> <li>Performance announcements on K&amp;S' website</li> <li>Investor meetings and an investor relations website</li> <li>Communication of financial and non-financial information</li> </ul> | <ul style="list-style-type: none"> <li>Annually</li> <li>Quarterly</li> <li>On a regular basis</li> <li>On a regular basis</li> </ul> | <ul style="list-style-type: none"> <li>Financial &amp; Non-Financial Performance</li> </ul>   | <b>Communities</b><br><i>Look to K&amp;S to generate positive engagement and impact outwards</i>   | <ul style="list-style-type: none"> <li>Volunteer activities</li> </ul>   | <ul style="list-style-type: none"> <li>On a regular basis</li> </ul>  | <ul style="list-style-type: none"> <li>Local Community Engagement</li> </ul>  |
|   |  |   |   | <b>Non-governmental Organizations (NGOs) &amp; Non-profit Organizations (NPOs)</b><br><i>Seek to foster long-term collaborative partnerships with K&amp;S to increase meaningful interaction and improve lives</i> | <ul style="list-style-type: none"> <li>Community and environmental initiatives</li> <li>Disclosure on environmental, social and other related aspects</li> </ul> | <ul style="list-style-type: none"> <li>On a regular basis</li> <li>On a regular basis</li> </ul>                | <ul style="list-style-type: none"> <li>Ethics, Bribery &amp; Corruption</li> <li>Employment &amp; Labor Practices</li> <li>Local Community Engagement</li> </ul>              |



# OUR MATERIALITY ASSESSMENT PROCESS

We conducted a formal materiality assessment in FY2017 with 90 K&S employees from various departments to understand their perspective on economic, environmental, social, and governance (EESG) topics that would be significant to K&S, as well as from the perspective of the external stakeholders they engage with. In FY2018, we expanded our stakeholder engagement exercise to include the direct perspectives of key external stakeholders, involving Suppliers and Community partners in the assessment review.

Identified EESG topics by these stakeholders are ranked and prioritized, and eventually mapped onto a materiality matrix to visualize K&S' key sustainability areas. We also establish yearly targets for each topic to benchmark our performance progress against to allow us to re-calibrate courses of action to achieve targets successfully if necessary.

All material topics are reviewed on an annual basis internally, informed by feedback garnered from the various stakeholder engagement mechanisms to ensure their continued relevance and significance to K&S and our stakeholders.

In FY2021, we included the direct input of

## CUSTOMERS

as part of the assessment review through an updated Voice of Customer 2021 survey that now additionally seeks for sustainability related perspective and feedback.



Through our FY2021 annual materiality review,

## GOVERNANCE (SUSTAINABILITY) AND EFFLUENTS & WASTE MANAGEMENT

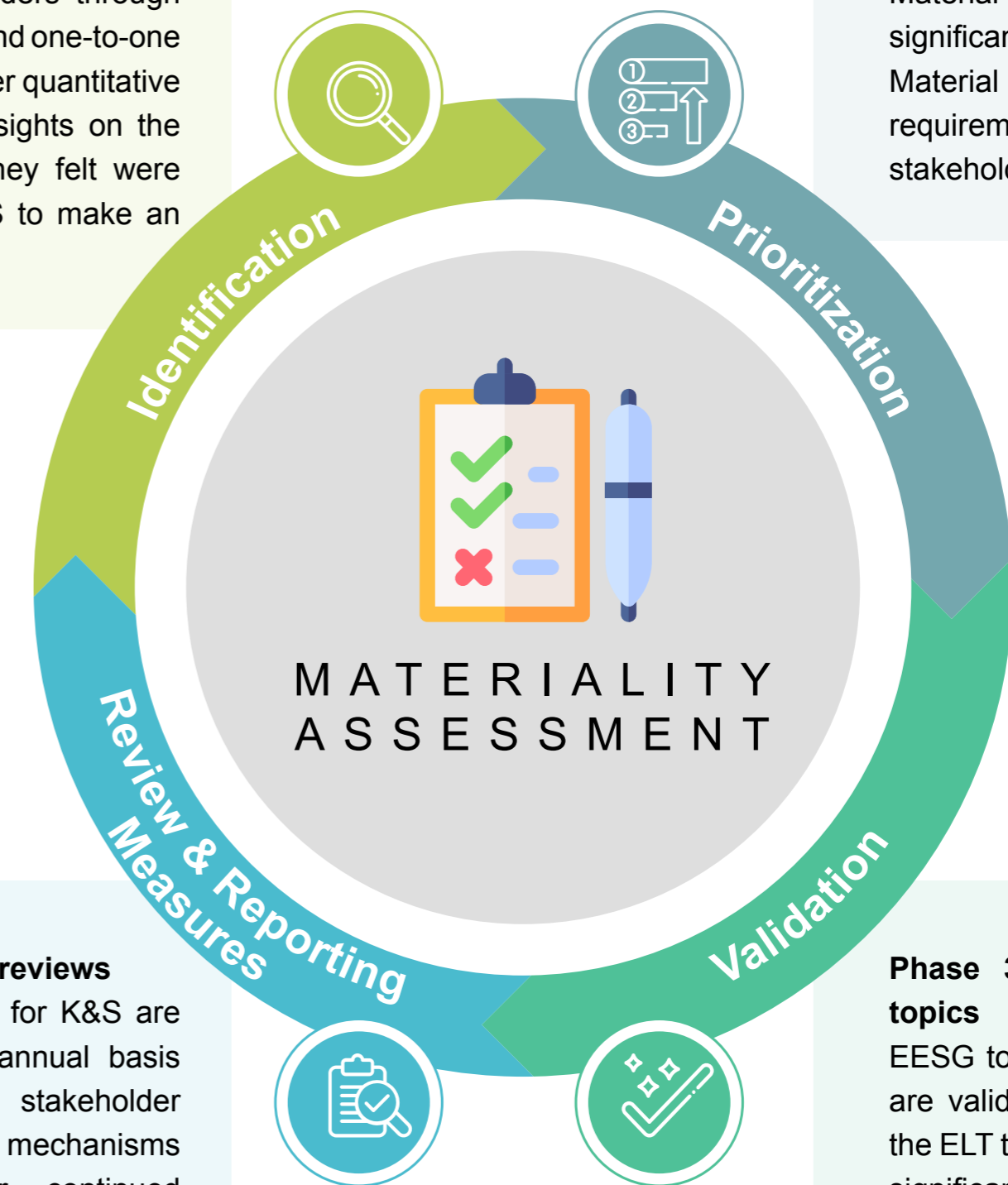
now constituted two of K&S' material topics.

### Phase 1: Identification of relevant topics

An exhaustive list of relevant EESG topics is generated through peer benchmarking and desktop research exercises. The topics are then consulted with key stakeholders through an online survey and one-to-one interviews to gather quantitative and qualitative insights on the areas in which they felt were important for K&S to make an impact.

### Phase 2: Prioritization of identified topics

To ensure topics that matter the most to K&S are being reported on, the EESG topics identified by key stakeholders are prioritized into two categories – Material Matters denoting great significance, and Additional Material Matters denoting the requirement to comply with stakeholder expectations.



### Phase 4: Annual reviews

Key EESG topics for K&S are reviewed on an annual basis through various stakeholder engagement mechanisms to ensure their continued relevance and significance.

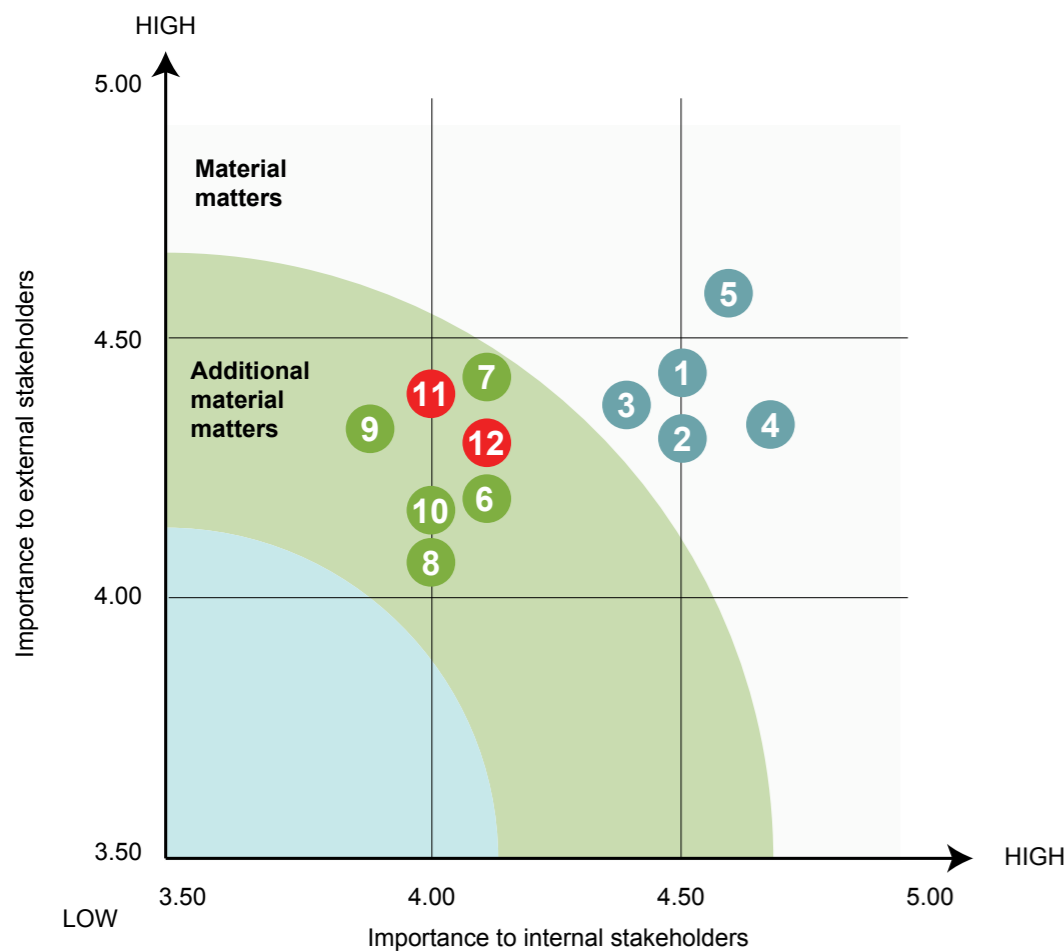
### Phase 3: Validation of key topics

EESG topics in both categories are validated and approved by the ELT to ensure relevance and significance for K&S through a Materiality Analysis Workshop.

## Our Materiality Assessment Outcomes

The Voice of Customer 2021 (VoC'21) provided customer input on K&S material matters that previously only based on input from external (suppliers) and internal stakeholders. Customers identified top five material matters to have the highest importance to them, which incidentally mapped to our current top five material matters. Beyond that, customers found an additional 2 material matters that had importance to them, namely Governance (Sustainability) and Effluents and Waste Management. Upon the FY2021 annual materiality assessment review, K&S has identified a total of 12 material topics based on significance to K&S and importance to stakeholders.

This gives us strategic clarity in responding to the opportunities and risks to create the most positive sustainability impact through our core competencies.



| No. | GRI Dimension               | Material Matters                           | Boundary of Impact for K&S | K&S Involvement in Impact  | Relevant Stakeholders  |
|-----|-----------------------------|--|----------------------------|----------------------------|--|
| 1.  | <i>Economic</i>             | Ethics, Bribery & Corruption               | Within K&S                 | Direct Impact              | <ul style="list-style-type: none"> <li>Government, Regulators &amp; Certification Bodies</li> <li>Employees</li> <li>Suppliers</li> </ul>                    |
| 2.  | <i>Non-GRI (Social)</i>     | Product & Service Innovation               | Outside K&S                | Direct Impact              | <ul style="list-style-type: none"> <li>Customers</li> </ul>  |
| 3.  | <i>Social</i>               | Customer Health & Safety                   | Outside K&S                | Direct Impact              | <ul style="list-style-type: none"> <li>Customers</li> </ul>  |
| 4.  | <i>Non-GRI (Social)</i>     | Customer Satisfaction                      | Within and Outside K&S     | Direct Impact              | <ul style="list-style-type: none"> <li>Customers</li> </ul>  |
| 5.  | <i>Social</i>               | Occupational Health & Safety               | Within K&S                 | Direct Impact              | <ul style="list-style-type: none"> <li>Employees</li> </ul>  |
| 6.  | <i>Social</i>               | Employment & Labor Practices               | Within K&S                 | Direct Impact              | <ul style="list-style-type: none"> <li>Employees</li> <li>Communities</li> </ul>   |
| 7.  | <i>Environment</i>          | Material Use                               | Within K&S                 | Direct and Indirect Impact | <ul style="list-style-type: none"> <li>NGOs/NPOs</li> <li>Communities</li> </ul>   |
| 8.  | <i>Environment</i>          | Energy Usage & Associated GHG Emissions    | Within and Outside K&S     | Direct and Indirect Impact | <ul style="list-style-type: none"> <li>Government, Regulators &amp; Certification Bodies</li> <li>NGOs/NPOs</li> <li>Communities</li> </ul>                  |
| 9.  | <i>Economic</i>             | Economic Performance                       | Within K&S                 | Direct Impact              | <ul style="list-style-type: none"> <li>Shareholders &amp; Investors</li> <li>Employees</li> </ul>  |
| 10. | <i>Non-GRI (Governance)</i> | Responsible Supply Chain Management        | Outside K&S                | Direct and Indirect Impact | <ul style="list-style-type: none"> <li>Suppliers</li> </ul>  |
| 11. | <i>Non-GRI (Governance)</i> | Governance (Sustainability)<br><b>NEW</b>  | Within K&S                 | Direct Impact              | <ul style="list-style-type: none"> <li>Government, Regulators &amp; Certification Bodies</li> <li>Shareholders &amp; Investors</li> <li>Employees</li> </ul> |
| 12. | <i>Environment</i>          | Effluents & Waste Management<br><b>NEW</b> | Within and Outside K&S     | Direct and Indirect Impact | <ul style="list-style-type: none"> <li>Government, Regulators &amp; Certification Bodies</li> <li>NGOs/NPOs</li> <li>Communities</li> </ul>                  |

# OUR FY2021 TARGETS & PERFORMANCE

| EESG Matters  | FY2021 Targets   | Performance for FY2021                       | EESG Matters  | FY2021 Targets  | Performance for FY2021                   |
|---|--|--|---|---|--|
| <b>Governance (Sustainability) <span style="color: red;">NEW</span></b><br>Demonstrating strong sustainability leadership as part of business strategy and decision-making process                                    | <ul style="list-style-type: none"> <li>100% completion in employees' Code of Business Conduct training</li> <li>Conduct 2021 Enterprise Risk Assessment and include achievable target risks in risk map</li> <li>New CSR 4 pillars and committee with established objectives to work on</li> <li>ESG organization structure up to BOD to periodically review K&amp;S sustainability strategy and results.</li> </ul>   | Achieved<br>Achieved<br>Achieved<br>Achieved | <b>Customer Health &amp; Safety</b><br>Adhering to health and safety commitments to ensure that products and services do not pose any risks to customers  | Zero validated cases of non-compliance regarding health and safety impacts of products and services   | Achieved                                 |
| <b>Effluents &amp; Waste Management <span style="color: red;">NEW</span></b><br>Ensuring that effluents and waste generation are minimized where possible and managed through proper disposal and recycling protocols | <ul style="list-style-type: none"> <li>Achieve &gt; 55% total solid waste recycling rate</li> <li>Reduce hazardous waste generation at K&amp;S Suzhou site by &gt; 2%</li> </ul>   | Achieved<br>Achieved                         | <b>Customer Satisfaction</b><br>Maintaining product and service satisfaction levels that encourage customers to continue engaging the company as a service and goods provider   | Achieve an improved response rate from the previous VoC survey<br><br>Achieve an improved percentage of customers who rated 'Good' and above from the previous VoC survey   | Achieved<br><br>Achieved                 |
| <b>Responsible Supply Chain Management</b><br>Performing due diligence to ensure that suppliers are responsible for their practices in social and environmental aspects   | Restriction of Hazardous Substances (RoHS): <ul style="list-style-type: none"> <li>Achieve RoHS compliance for new products launched in FY2021</li> </ul> Conflict Minerals: <ul style="list-style-type: none"> <li>File to SEC CM report RY20 on time in May 2021 with annual due diligence progress</li> </ul> Supplier Code of Conduct: <ul style="list-style-type: none"> <li>All key suppliers to endorse and comply with K&amp;S Direct Supplier Code of Business Conduct and Ethics (Direct Supplier Code) and Distributor and Representative Code of Business Conduct and Ethics (D&amp;R Code)</li> </ul> Supplier Localization: <ul style="list-style-type: none"> <li>Increase the proportion of local and regional sources by 15% by FY2021</li> </ul> | Achieved<br><br>Achieved<br><br>Achieved     | <b>Occupational Health &amp; Safety</b><br>Developing initiatives or policies to maintain a healthy and safe workplace, including monitoring health & safety performance of employees and contract workers, including contractors | <ul style="list-style-type: none"> <li>Maintain Accident Frequency Rate (AFR) below 1.5</li> <li>Maintain Accident Severity Rate (ASR) below 10</li> <li>Achieve &gt; 8 hours of OHS training per employee</li> </ul> | Achieved<br>Did not achieve*<br>Achieved |
| <b>Ethics, Bribery &amp; Corruption</b><br>Developing efforts or policies to ensure that business practices are ethical and free of bribery and corruption  | Zero tolerance towards unethical acts, bribery, or corruption across K&S   | Achieved                                     | <b>Employment &amp; Labor Practices</b><br>Ensuring the implementation of fair employment and labor practices across all business units and operation locations   | Maintain women representation in global workforce above 35%<br><br>100% of annual performance reviews to be completed and delivered to our employees  | Achieved<br><br>Achieved                 |
| <b>Product &amp; Service Innovation</b><br>Encouraging efforts to drive innovation to meet ongoing and future needs of the company and customers  | Adopt the 'on time, on target' approach in the delivery of products and services   | Achieved                                     | <b>Material Use</b><br>Ensuring that materials used in the company's operations are sustainably sourced and managed in an efficient manner  | <ul style="list-style-type: none"> <li>Reduce total paper usage from FY2020 by 3%</li> <li>Reduce water usage at K&amp;S Suzhou site by &gt; 1%</li> </ul>  | Achieved<br>Achieved                     |
|   |  |  | <b>Energy Usage &amp; Associated GHG Emissions</b><br>Ensuring that energy consumption and its associated greenhouse gas (GHG) emissions can be minimized where possible  | Reduce total electricity consumption from FY2020 by 2%  | Achieved                                 |
|   |  |  | <b>Economic Performance</b><br>Ensuring that sustained economic value is generated by the company and distributed to its stakeholders   | Please refer to <a href="#">Annual Report 2021</a>  |  |

| \* See page 55 for details on action taken



**3 DOING GOOD  
BUSINESS**

# GOVERNANCE & ETHICS FOR STRONG BUSINESS FOUNDATIONS

K&S places great importance on our governance matters. This is the ‘heartware and hardware’ of K&S and forms an internal compass to guide our business decisions and actions. As a responsible industry leader in the semiconductor equipment industry, we continue to rely on a strong ethical foundation to pave pathways to success and build a socially responsible working environment.

## Our Code for Organizational Integrity

The success of our organization is built on the integrity of our people, the trust and confidence we gain from our employees, customers and shareholders, and the positive impact we make on the world.

In FY2021, we continued to achieve

**100%**

training completion of our annual ethics training for our employees, including distributors and sales representatives who act on behalf of K&S

Our Code of Business Conduct (Code) and Code of Ethics for Senior Officers provide an ethical and legal framework for all our business practices and interactions with internal and external stakeholders. The Code – reviewed annually by external counsel – sets out guiding principles for regulatory compliance to NASDAQ guidelines. Our latest version of the Code, revised on May 27, 2021, addresses a broad range of topics ranging from conflicts of interest, corporate opportunities, protection and use of K&S assets, equal employment opportunity, policy against child labor and forced labor, corporate email use, to competition and fair dealing. Specifically, we ensure that the presence of an Anti-Corruption clause and the provisions relating to the compliance of Anti-Bribery laws in our Code, Direct Supplier Code of Business Conduct and Ethics, applies to all K&S employees, as well as our key suppliers. The Code is overseen by the Vice President, Legal Affairs and General Counsel of K&S, whose role seeks to identify and mitigate potential ethical concerns before they happen, and to progressively build upon the ethical culture of K&S. For more details, please visit <https://investor.kns.com/corporate-governance>.



We also conduct company-wide e-training to reiterate our expectations of employee conduct. The e-training includes scenario discussions and quizzes for select employees to reinforce understanding of the Code, as well as to advocate sound and fair judgment in decision-making.

We are committed to maintaining a healthy and honest work environment in which business practices may be discussed openly without fear of dismissal or retaliation. In the event of illegal or unethical behaviour or violations of the Code, our Audit Committee and the Vice President, Legal Affairs and General Counsel of K&S are immediately alerted to administer procedures to rectify wrongdoings in a timely manner. Any employee can file a report either to an immediate supervisor or a member of K&S’ Compliance Committee, or on a confidential and anonymous basis to a third-party provider retained by the Audit Committee to receive and process such complaints, such as through our whistleblowing hotline.

All reports or complaints made in good faith will be investigated in a manner consistent with applicable law and K&S’ policies. Where appropriate, the Compliance Committee also may forward the report or complaint to K&S’ Board of Directors. On a quarterly basis, the Audit Committee is kept updated on the status of all reports received under these complaint procedures by the Vice President, Legal Affairs and General Counsel of K&S.



## Upholding Human Rights

K&S is committed to upholding and respecting human rights no matter where we do business as it is aligned to our core value “People Matter”. We believe that everyone in the organization and throughout our supply chain is to be treated with dignity, respect and entitled to fair treatment and equitable compensation.

In FY2021, we published

**K&S’ HUMAN RIGHTS POLICY**

*The above policy provides an overview of our approach to human rights, the standards we set for ourselves and people who work for us and with us*

Our business conduct is guided by the international human rights principles as set out in the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights and the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises and we expect that all people at K&S, including its subsidiaries, as well as business partners, vendors and suppliers, to adopt the same or similar standards.

# RESPONSIBLE SUPPLY CHAIN MANAGEMENT

K&S is a leading provider of semiconductor and electronics assembly solutions with manufacturing facilities located across the world, including Singapore, China, Netherlands and Israel. In an interconnected economy, we recognise that we are only as sustainable as the people we partner with, and that our supply chains have tangible impact on the environment and communities in which we operate. As such, we position sustainable supply chain management as an integral aspect in our responsible business practices and strive to increase our awareness and knowledge in environmentally and socially positive matters to build enhanced competencies, tools, processes and governance policies that create lasting transformations.

K&S takes a source-to-customer approach to embed sustainability into our entire manufacturing process. We scrutinize each node of the supply chain to identify opportunities for improvement and develop long-term strategies. This allows us to balance business viability with social and environmental well-being by enhancing trust for our brand to drive business growth, while improving the lives of our key stakeholders such as the workforce, suppliers and customers along the chain.

## RAW MATERIALS (Material topic: material use)

- Suppliers who provide raw materials must comply to RoHS, CM, REACH, TSCA and other applicable product compliance requirements

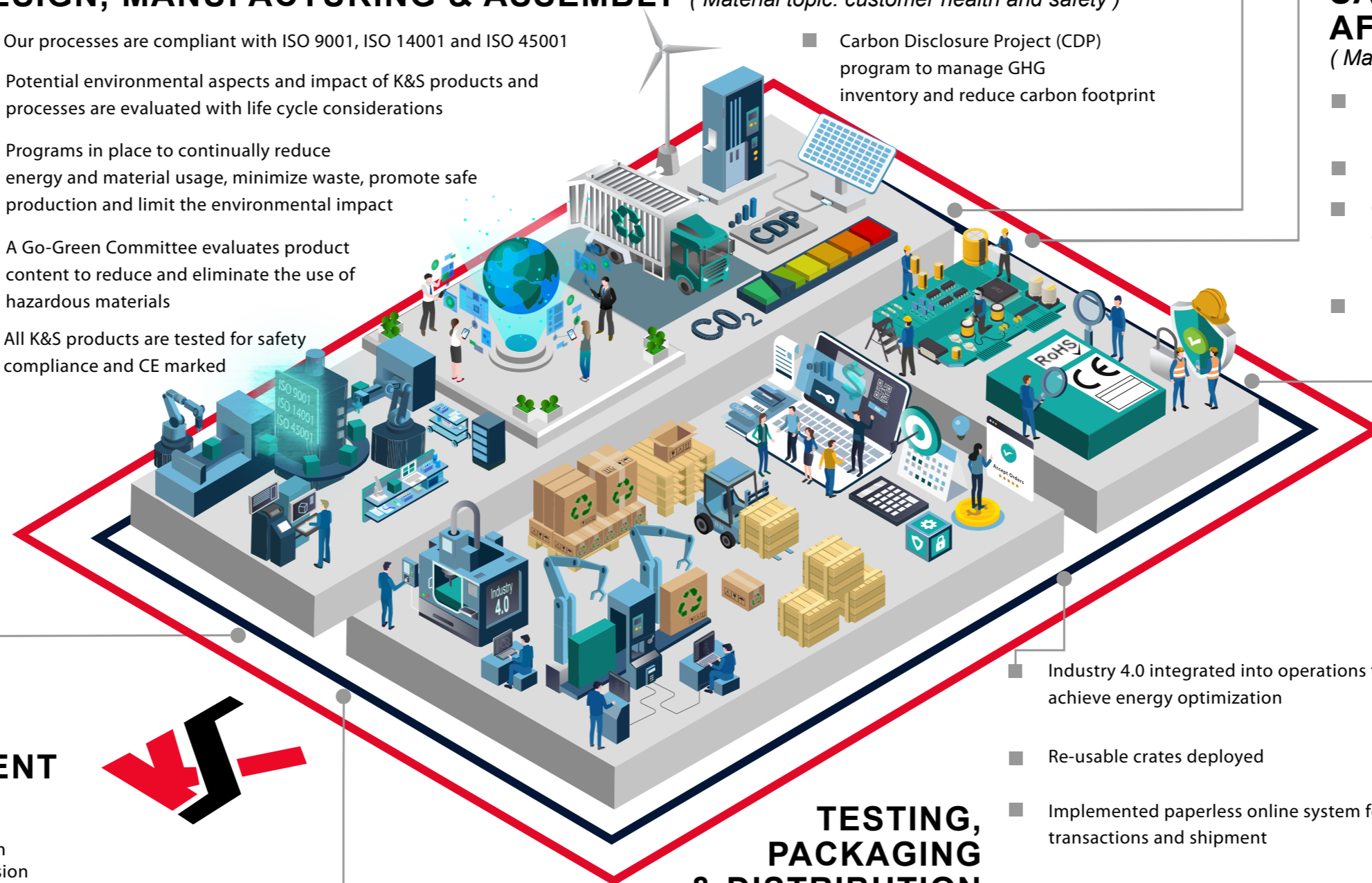


## RAW MATERIALS PROCESSING & COMPONENT PRODUCTION (Material topic: supply chain management)

- Suppliers are subjected to due diligence procedures for responsible sourcing, to maintain Responsible Business Alliance (RBA) Standards for employment of workers and the provision of employee benefits, work health and safety, anti-slavery, forced labor and human tracking
- Periodic reviews and corrective action management are conducted to promote accountability

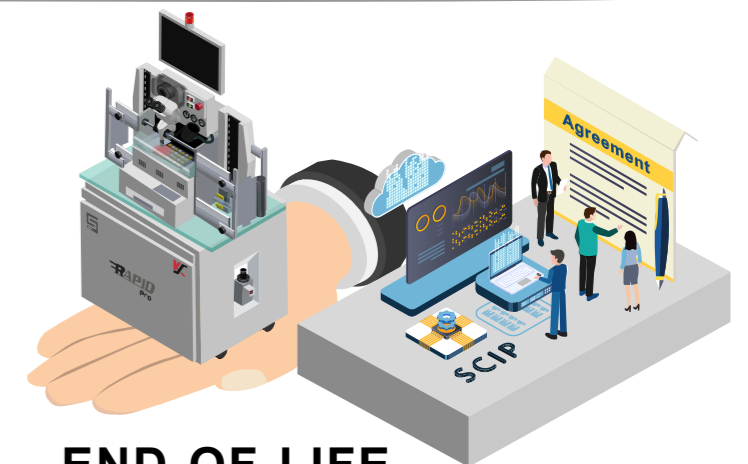
## DESIGN, MANUFACTURING & ASSEMBLY (Material topic: customer health and safety)

- Our processes are compliant with ISO 9001, ISO 14001 and ISO 45001
- Potential environmental aspects and impact of K&S products and processes are evaluated with life cycle considerations
- Programs in place to continually reduce energy and material usage, minimize waste, promote safe production and limit the environmental impact
- A Go-Green Committee evaluates product content to reduce and eliminate the use of hazardous materials
- All K&S products are tested for safety compliance and CE marked
- Carbon Disclosure Project (CDP) program to manage GHG inventory and reduce carbon footprint



## SALES, MARKETING & AFTER-SALES CARE (Material topic: customer satisfaction)

- K&S products are in compliance to hazardous substances, safety and all applicable regulations and customer requirements
- Customers benefit from after-sales care and maintenance
- OHS trained Customer Service Engineers ensure compliance with customer safety requirements
- Voice of Customer (VoC) survey conducted to measure customer satisfaction for continual improvement of products and services



## END-OF-LIFE (Material topic: material use)

- We disclose materials used in products so that consumers can make responsible decisions at end-of-life disposal, including products with REACH Substances of Very High Concern (SVHC) into SCIP database for products serving the EU
- We enact end-of-life agreement with customers, where some products are refurbished and sold

## TESTING, PACKAGING & DISTRIBUTION (Material topic: product and service innovation)

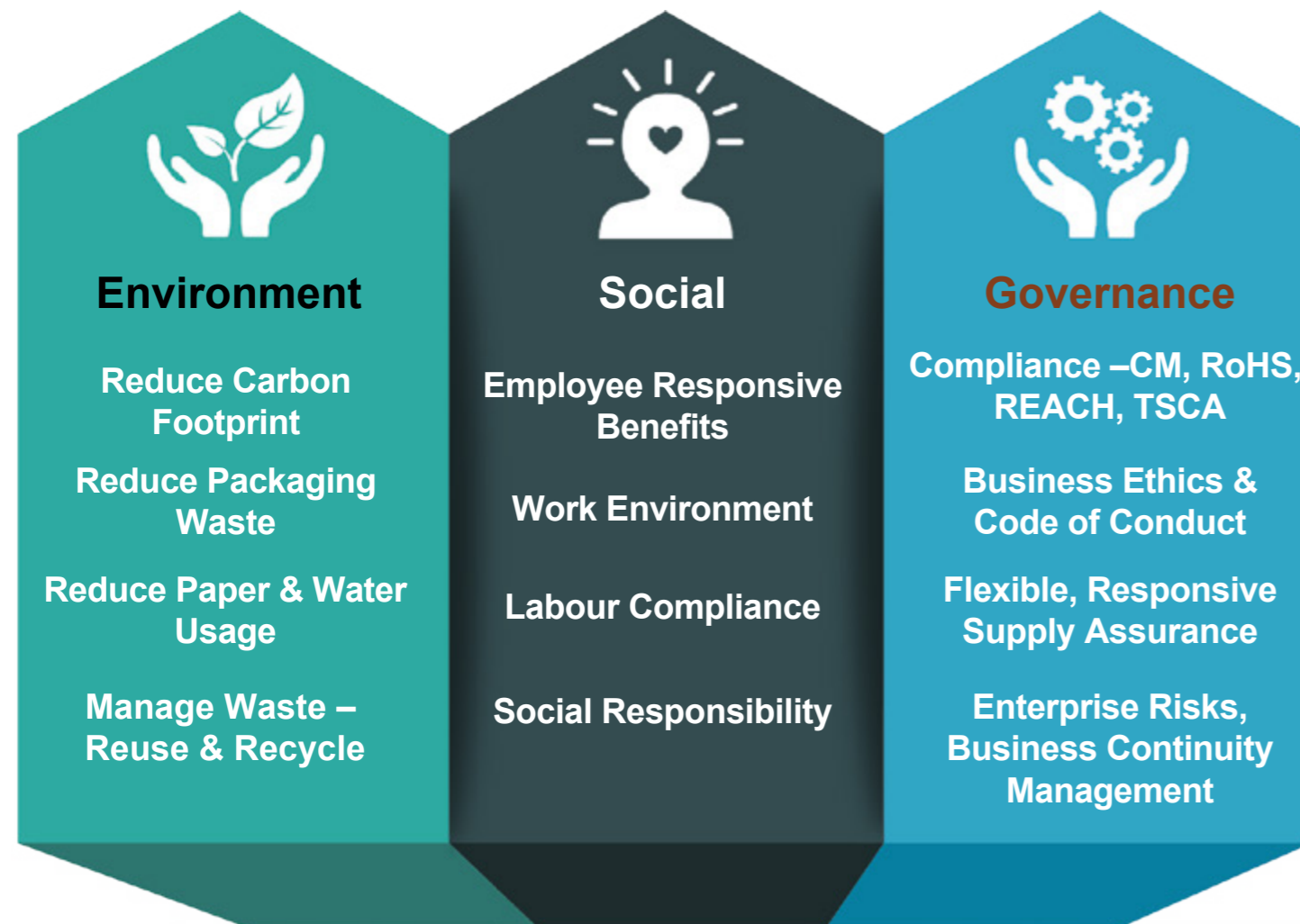
- Industry 4.0 integrated into operations to achieve energy optimization
- Re-usable crates deployed
- Implemented paperless online system for transactions and shipment
- Reduction of packaging waste for in-house & supplier packaging material and use of green packaging materials



## Advocating Ethical Supplier Behavior

We look to include suppliers as part of our sustainability solution to influence greater sustainable supplier behaviour toward more responsible and ethical practices in their operations across each ESG practice area.

To ensure that our extensive network of suppliers is aligned with K&S' ESG commitments, we adopt a structured approach consisting of evaluation assessments, codes of conduct and training support when engaging them.



## Code of Conduct

- Approved suppliers must endorse and comply with a Direct Supplier Code of Business Conduct and Ethics (Direct Supplier Code) and Distributor and Representative Code of Business Conduct and Ethics (D&R Code). The Direct Supplier Code sets out fundamental principles and expectations for managing corporate social responsibility in supply chains taking reference from established global standards, including guidance from the Responsible Business Alliance (RBA).
- Suppliers will also be subjected to adherence to our recently developed Human Rights Policy and updated Direct Supplier Code through an official sign-off.

## Evaluation Assessments

- It is mandatory for new suppliers to fill up a Disclosure Survey to ensure compliance to our Direct Supplier Code.
- Approved suppliers must undertake an annual four-part evaluation assessment. When due for re-contract, a Follow-up Review is then ordered before re-approval.
  - Assessment: Suppliers are assessed using a Supplier Quality Scorecard that covers risk areas of health and safety, human rights and environmental impact.
  - Risk Profiling: Suppliers are ranked according to their supplier risk assessment results
    - Audits: Suppliers must undergo periodic supplier risk-screening, assessments, and audits.
    - Reviewing and Ranking: K&S is informed of any potential risks in the coming year. Non-compliant suppliers may be discontinued.

## Training Support

We invest in supplier training workshops and engagement activities to keep approved suppliers up to date with our enhanced business practices and standards.

- Trainings are held periodically to coach suppliers on new and improved process methods. Additional sessions for new suppliers will be conducted if they are unable to meet K&S' consistently improving standards.
- Supplier Day is held annually to share best-practices with the entire supplier community and engage in mutual learning. Sustainable supplier programs through zoom sessions were held in Jan 2021 and Jan 2022 - to communicate ESG and product compliance expectations to all suppliers



## Ensuring Supply Chain Resilience

The success of deriving sustainable value from an ethically robust supply chain also stems from our ability to withstand supply chain disruptions that occur with increasing frequency today. K&S looks to continually raise our ability to strengthen supply chain resilience through two ways:



### 1. Build Internal Capability



### 2. Reduce External Risk

## Building Internal Capability

We keep abreast of trends in the semiconductor space to ensure that we are primed to capture opportunities and respond to changes swiftly and decisively. We also look to tap on the expertise of a broad spectrum of sector specialists to assist in planning and strategizing for the short and long term. These knowledge gains support us in anticipating and predicting customer and market demand and raises our sensitivity towards wider geo-economic and socio-political affairs to enable greater organizational responsiveness to supply interruptions, logistic constraints, and market capacity issues.

We adopt a three-pronged strategy that leverages knowledge and innovation as key value drivers to continuously better our internal capabilities.



### STAYING ON TOP OF TRENDS

We stay informed of the latest industry happenings through quarterly updates from industry associations such as Semiconductor Equipment and Materials International (SEMI) and International Electronics Manufacturing Initiative (iNEMI).



### TAPPING CONSULTANT EXPERTISE

We consult with leading research consultancies such as Gartner and TrendForce to guide us in making transformative efforts to stay at the forefront of the semiconductor industry



### BUILDING ACADEMIC LINKS

We embark on projects and collaborations with renowned universities and research institutes such as NUS and Georgia Tech to tap on the imaginative minds of future generations to anticipate and prepare us in meeting future needs and expectations

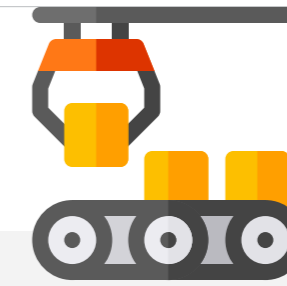
## Reducing External Risk

Semiconductors are an essential component to today's booming technology industry. With greater demand for the component than ever, K&S has developed a new supply chain strategy comprising three core areas to mitigate supply risks and meet record orders for consecutive growth.



### SOURCING *Securing sufficient material inventories*

1. Place orders in advance for long lead time suppliers and component orders with signed Long-Term Agreements
2. Adopt spot buy practices from open markets to build inventory buffer
3. Increase alternate sourcing sources and tighten lead time monitoring
4. Develop commodity management strategy and practice Just-In-Case (JIC) inventory management
5. Greater internal management collaboration for increased oversight over supply chain matters



### PRODUCTION *Converting materials to orders efficiently*

1. Practice parts rotation on current supplies to reduce delays in waiting for arrival of actual parts.
2. Share technical and manpower assistance to trailing suppliers
3. Ensure safe workspaces for workers such as implementing shift timing to avoid cross contact, especially in times of COVID-19.
4. Encourage suppliers to shift production away from regions subject to Covid-related lockdowns.



### LOGISTICS *Making timely delivery to customers*

1. Expand in-bound delivery options such as trucking, in addition to flights
2. Preempt out-bound delivery options with use of third-party logistics (3PL) and practice of forward booking
3. Supply Chain SEA Eco-system Geographic planning to mitigate freight, logistics issue and cost

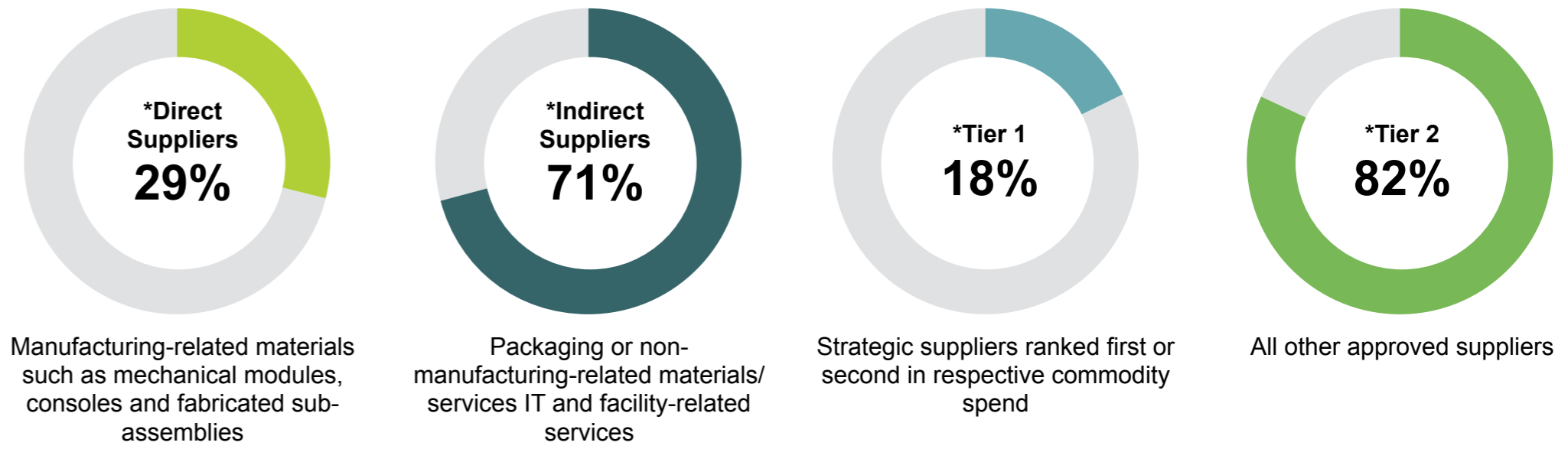
In FY2021, K&S had to address supply chain disruptions due to COVID-19 and mitigate global supply chain shortages in semiconductors to meet the aggressive capacity demand from customers. The above new strategies enabled K&S to overcome the challenges, mitigate the risks and emerge successfully to meet steep customer demands and hit record revenues. K&S continues to work towards building a responsive and resilient value chain.

Diversification of supply chain is a particularly crucial element in our supply chain (Sourcing) strategy that we adopt to reduce K&S' exposures to external events and pressures. We source from a mix of local, regional and global suppliers to ensure business continuity in the event of disruption and prevent costly downtime. By FY2022, we will look to increase procurement from local or regional suppliers by 15%, reducing transportation activities that translates to a reduction in global greenhouse gas (GHG) emissions.

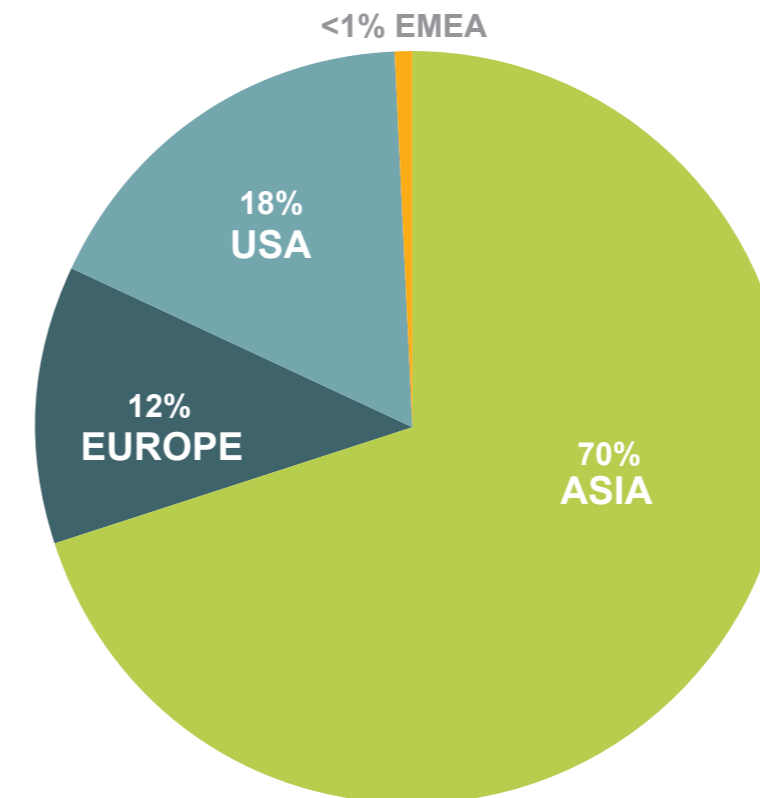


At present, we work with more than 1,500 suppliers across Asia, Europe, the United States, and the Middle East, who support our global requirements for manufacturing related and non-manufacturing related materials.

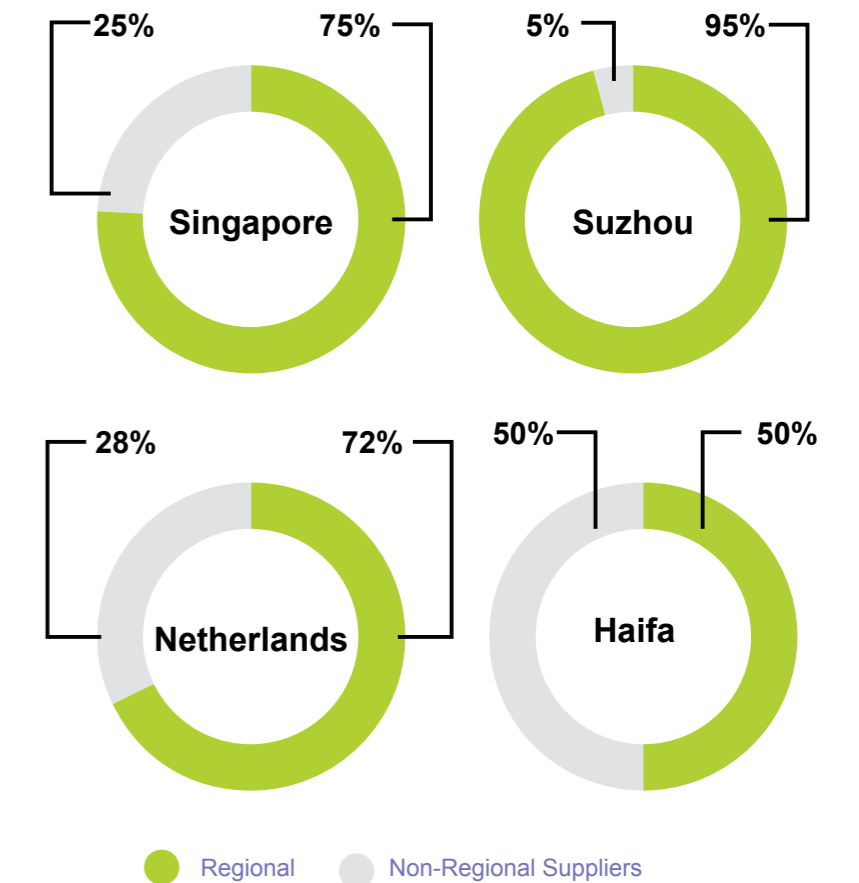
**SUPPLY CHAIN SPEND TREND BREAKDOWN**



**Amount Spent by Geographical Region**



**Breakdown of Regional and Non-Regional Suppliers**



\* Percentage disclosed in previous report was inverted between direct & indirect suppliers and tier 1 & 2 due to entry reversal.

# BUSINESS RESILIENCE FOR CONTINUITY

Business resilience remains of utmost priority to K&S, as the world continues to see greater unforeseen disruptions. We ensure that we are adequately prepared for uncertainty with a comprehensive business resilience strategy that adopts a three-pronged approach to help us proactively identify risks, respond to business disruptions, safeguard people, assets and brand equity as well as maintain continuous business operations.



**Enterprise Risk Management**



**Business Continuity Management**



**Integrated Management System**

## Enterprise Risk Management

Risk management forms the starting point where we identify potential risks to develop targeted strategies that seek to prevent or reduce any negative impact on the business. We utilize an Enterprise Risk Assessment framework to better determine, assess and account for critical business risks on an annual basis, and overall promote a culture of prevention and improvement.

### Annual Enterprise Risk Assessment Process

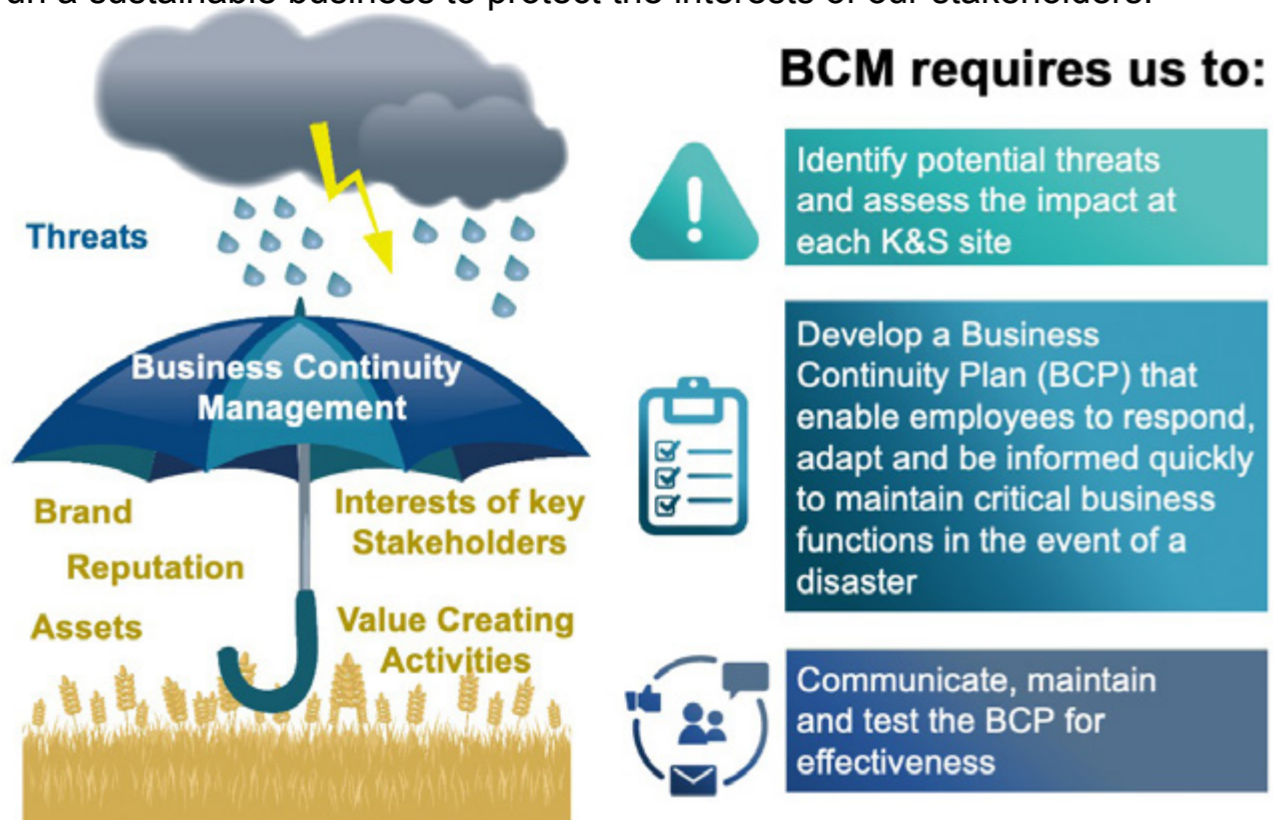
In FY2021, we enhanced the risk assessment process with K&S' specific rating scale and risk progression profile to consider achievable target risk for each risk.



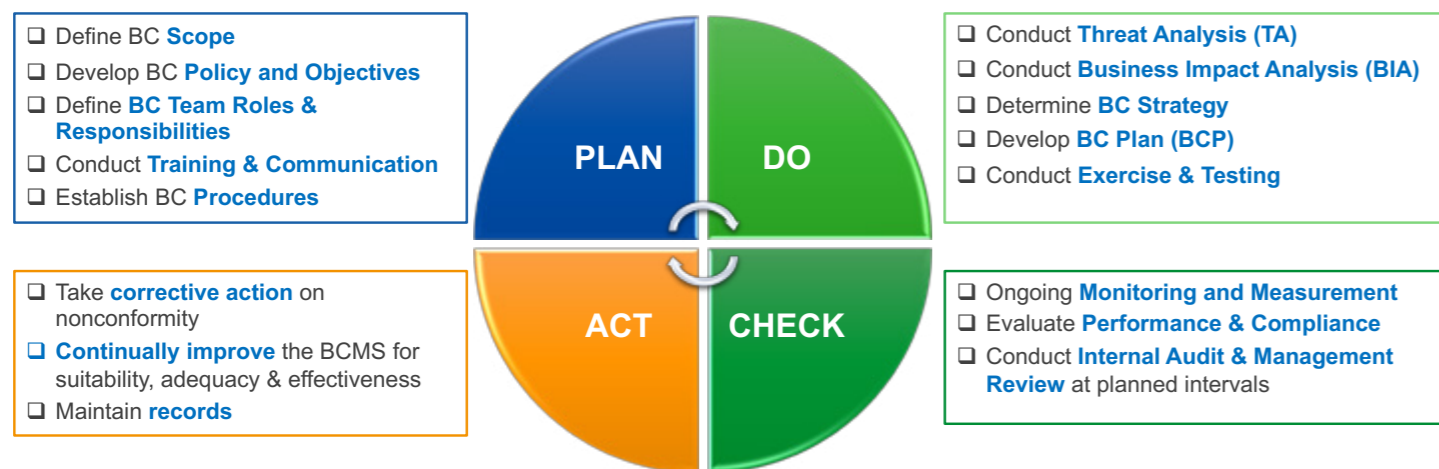
To promote a risk based mindset and to cover all major factors affecting K&S, risk owners from across business units and functions including ELT engage annually in the ERA workshop to reassess identified risks in the preceding year, consider mitigation actions taken and to identify new risks and opportunities. All responses are then consolidated, ranked as high, medium or low risks, and then summarized as an ERA risk map for mitigation follow-up. Risk owners were tasked to provide quarterly progress updates to the ELT and the updated risk map is reviewed by the BOD semi-annually.

## Business Continuity Management

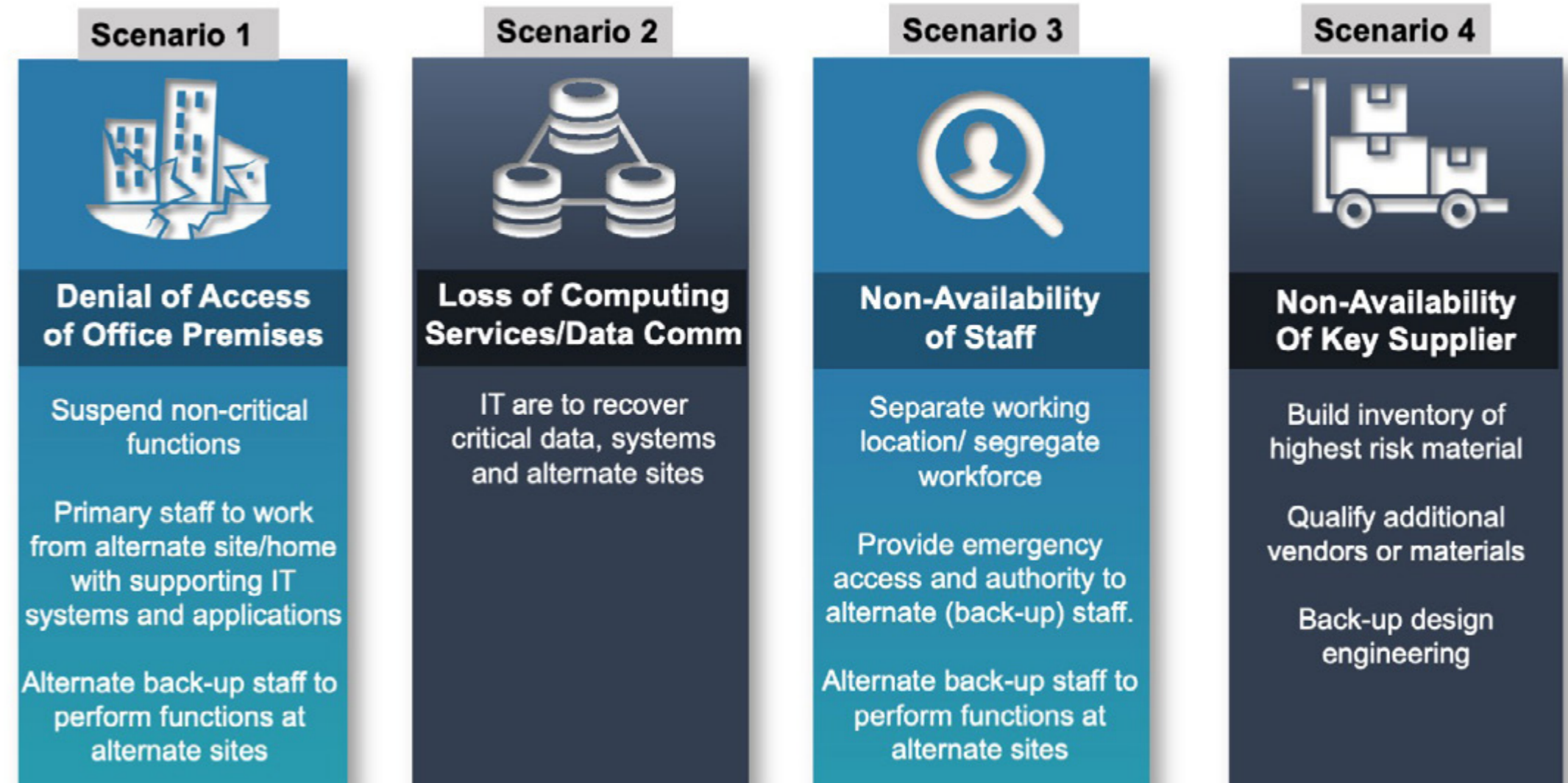
Business Continuity Management (BCM) is the next complementary step in ensuring that our business continues in the event of a disruption. In a crisis, our BCM framework safeguards our ability to run a sustainable business to protect the interests of our stakeholders.



Our BCM framework has been updated to reference the ISO 22301 Business Continuity Management System (BCMS) and adopts a Plan-Do-Check-Act cycle (PDCA). The PDCA cycle is a framework to identify K&S' risk of exposure to internal & external threats which can cripple the business and to respond effectively and recover quickly in a disaster.



We focus our efforts on four key disaster scenarios in particular -



### Roles & Responsibilities

- Establish the BC policies, objectives & strategies
- Assign and provide the resources needed
- Commitment to review and improve the BC management
- DDO** makes decision to activate a BCP in a crisis

- BC Corporate Rep.** – coordinates with site BC Reps to establish the BC Management System
- BC Site Rep.** – coordinates with site CMT to implement, maintain & improve the BCMS
- BC Site Lead** – lead the site CMT in the site's crisis management and business recovery
- BC Department Leads** – lead the department in crisis management and business recovery

### BC Governance

**Executive Leadership Team (ELT)**  
**Disaster Declaration Officer (DDO)**

**Global Business Continuity Crisis Management Teams (CMT – Site BC Lead, BC Rep & Department Leads)**



We also have in place a streamlined Business Continuity Plan (BCP) that can be effectively and easily referenced in the event of a disruption and is communicated across all K&S' six global sites. The BCP covers two main aspects:

- A BCMS corporate level manual that applies to all global operations; as well as
- A site-specific section that covers aspects ranging from crisis management to business recovery.

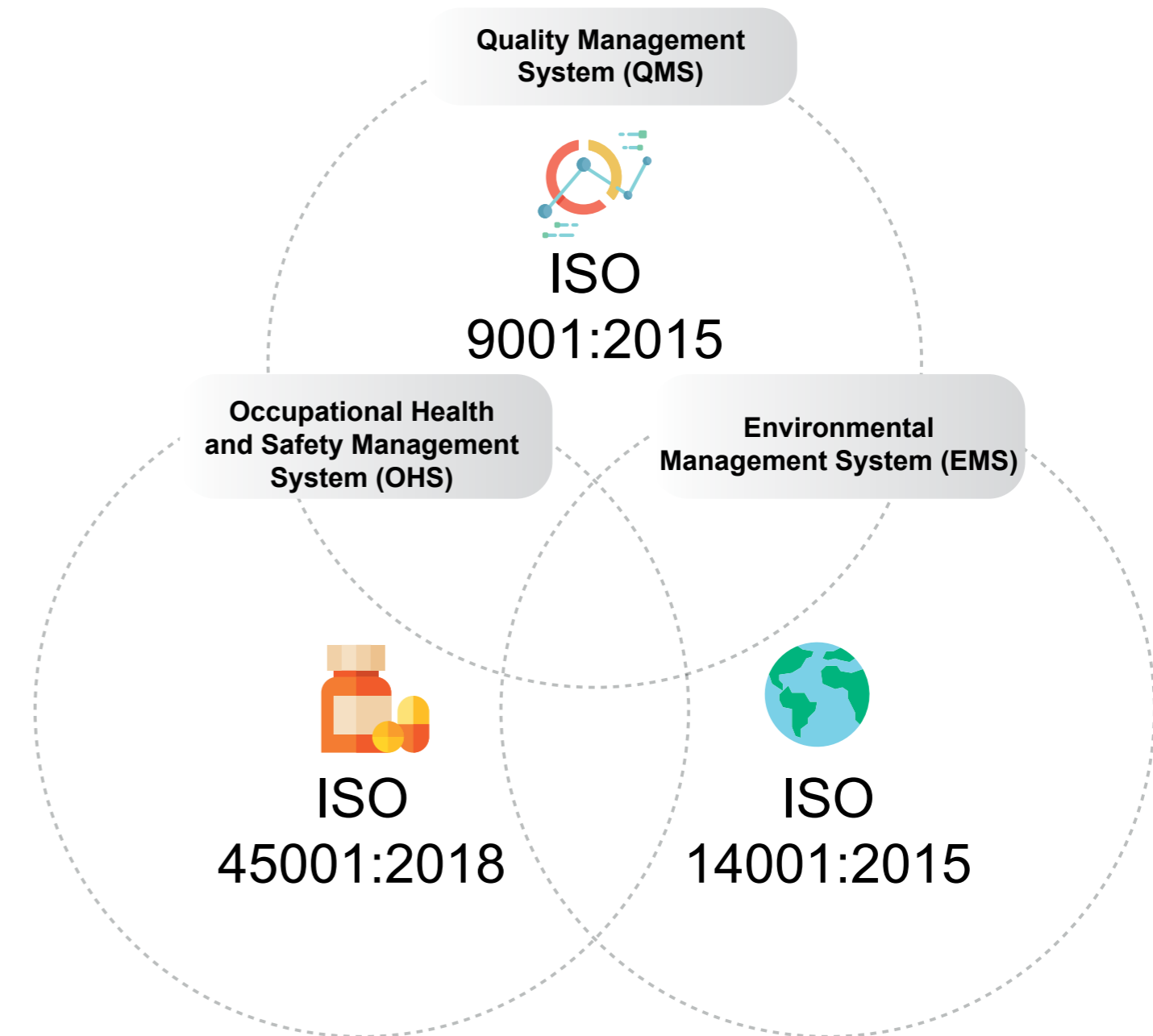
In order to verify the BCP effectiveness, periodic BCP tests would be conducted for the six K&S sites in turn. BCP tests are run as tabletop simulation exercises where participants representing the CMT role-play the BCP process through a simulated disaster scenario. This fulfills BCP test objectives to review the adequacy of the BCP documents, test the CMT in managing a crisis and recovering its critical functions, and to provide confidence to external stakeholders on K&S business continuity readiness. Throughout the BCP test, evaluators observe the actions of the participants in the role play and check off completed tasks based on the BCP against a checklist. In addition, participants are required to enter their discussions into a BCP response form. The BCP test is then scored based on the checklist and the consolidated response forms. A BCP Test Report summarizing the test results and score would be submitted, reviewed and subsequently presented at an annual BC Management Review. Action owners would be identified to close any open action items for continual improvement of the BCMS.



## Integrated Management System

The use of an integrated management system (IMS) to effectively manage our processes effectively in accordance to the various industry best-practice standards rounds up the third aspect of our business resilience strategy. We strive to continually improve in our commitment of conducting sound and sustainable operations, guided by global IMS objectives and goals.

We adopt a holistic IMS approach towards quality, environmental, occupational health and safety (QEHS) management across all K&S' processes and documentation to ensure continuous performance improvement that meets the expectations of internal and external stakeholders. At present, all six of K&S' design and manufacturing sites have achieved the latest three key certifications of Quality Management System (ISO 9001:2015), Occupational Health and Safety Management System (ISO 45001:2018), and Environmental Management System (ISO 14001:2015).



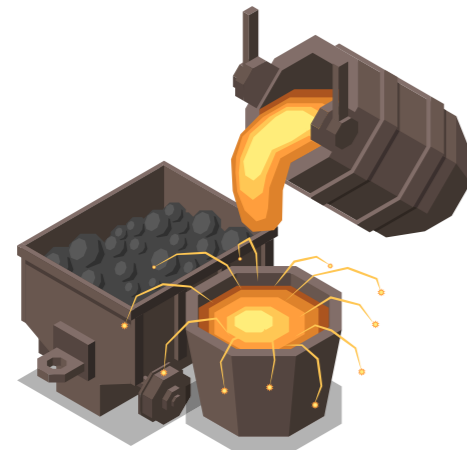
**4** **MAKING THE  
ENVIRONMENT A  
PRIORITY**



# SUSTAINABLE SOURCING

We prioritize the protection of the environment and human health through the responsible use of materials. Our materials use is guided by our Environmental Health and Safety Policy that takes reference from internationally recognized standards such as European Union’s (EU’s) Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS) regulations, as well as the Securities and Exchange Commission (SEC) Conflict Minerals guidelines and Toxic Substances Control Act (TSCA). We are committed to comply with these standards and continue to make progressive improvements.

We apply the same level of oversight on our suppliers with regard to sustainable sourcing through our Supplier Code of Conduct, as part of our sustainable supply chain framework. Our responsible materials use focuses on two key areas:



**Conflict Minerals**  
3TG: Tantalum, Tin, Tungsten and Gold



**Hazardous Substances**  
RoHS, REACH, TSCA



## Ethical Sourcing for Conflict Minerals

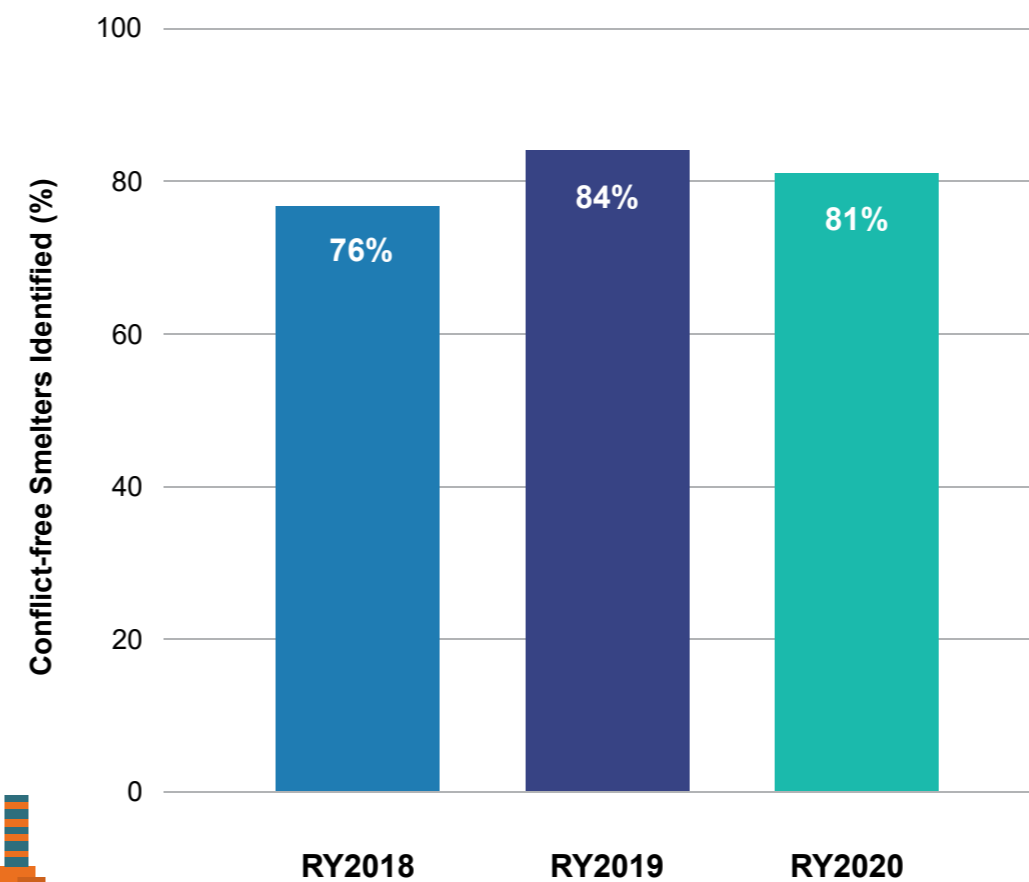
Minerals such as tin, tantalum, tungsten and gold (3TGs) are necessary raw materials for the semiconductor industry, but are classified as conflict minerals due to the mining of these materials in conflict areas.

K&S fully supports the Dodd-Frank legislation to assure 3TGs used in our products are not being sourced from the Democratic Republic of Congo (DRC) and nine adjoining countries.

K&S is cognizant of the concerns over the protection of human rights within the global supply chain and strives to be conflict mineral-free in our products and across our supply chain. To manage our efforts, a cross-functional global Conflict Mineral Committee strives to ensure that 3TGs used in our products come from ethical sources, guided by our Conflict Mineral Sourcing Policy. Every year<sup>5</sup>, K&S files the Conflict Minerals report and declares our annual due diligence progress in ensuring our products shipped are DRC conflict-free.

[For more details, please refer to our latest Conflict Mineral Report.](#)

**% Conflict-free Smelters Identified**



We also extend our conflict minerals monitoring efforts to Tier-1 suppliers to ensure that the majority of our supply chain remains conflict mineral-free. On an annual basis, we require the full disclosure of the origin of the 3TGs in our suppliers’ components and assemblies, including those from sub-tier suppliers and smelter sources. To ensure the wider ecosystem is impacted, we further conduct a yearly audit on selected suppliers’ processes and policies, including their monitoring process of sub-tier suppliers’ activities.

<sup>5</sup>SEC’s Reporting Year runs from January to December.



## Restriction of Hazardous Substances (RoHS)

Improper e-waste disposal can pose serious threats to public health and ecosystems for generations to come. As such, K&S has been actively evaluating our new product content against the Restriction of Hazardous Substances (RoHS) banned substances with the commitment of achieving compliance. All its new core platforms launched from 2018 and all new platforms from 2020 adhere to the guidelines mandated by the European Union (EU), even though our equipment is classified under “Large Scale Stationary Industrial Tools” which is out of the product scope of EU RoHS. The EU Directive implemented in July 2019 added four phthalates (DEHP, DBP, BBP, DIBP) to the list of restricted substances. K&S has been progressing towards compliance to the restrictive use of ten substances.

Our Go-Green Committee ensures that our products fully comply to RoHS guidelines through a three-step process. All information gathered from the product content evaluations are recorded and maintained on K&S’ RoHS database for accountability and traceability purposes.



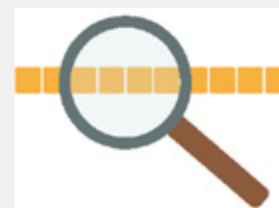
As of FY2021, K&S achieved RoHS compliance for:

## ULTRALUX and Power-C

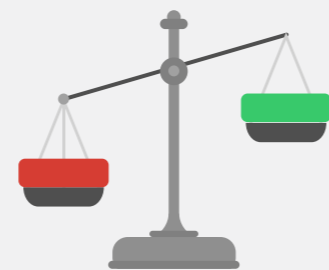
### RoHS compliant process



Evaluate baseline BOM and select RoHS compliant new parts



Identify non-RoHS-compliant parts



Replace non-RoHS compliant parts with compliant parts

## REACH-SCIP Disclosure

K&S understands the REACH regulation which aims to improve the protection of human health and the environment from the risks that can be posed by chemicals. As we manufacture and supply products serving the EU that are categorized as “articles” under the REACH definition, we show due diligence to ensure compliance with REACH regulations by gaining insight into our supply chain and monitoring Substance of Very High Concern (SVHC) data on the articles by weight in our products.

Effective January 2021, following EU requirements<sup>6</sup> on REACH, K&S has started submission of detailed information of our articles in the form of European Chemicals Agency (ECHA) SCIP<sup>7</sup> dossier. The SCIP database maintains all the information of articles containing Candidate List<sup>8</sup> substances throughout the whole lifecycle of products, including at the waste stage. The information in the database is then made available to waste operators and consumers.

In addition, K&S also maintains a SCIP module database of parts that exceed the allowable SVHC threshold, and periodically consolidates the respective SCIP dossiers for submission to ECHA.

We are progressively evaluating our equipment content with the SVHC updated chemicals, we have determined that the concentrations of each SVHC in our products is minimal and significantly below the permissible limit. K&S continues to monitor the additions to the SVHC list and the changes in REACH regulation and is actively working to ensure compliance.

## New TSCA<sup>9</sup> Rules and Enforcement

Under TSCA, the US EPA<sup>10</sup> is authorized to regulate and prevent the commercial distribution of toxic chemical substances into the United States for the benefit of health and the environment. The EPA passed new rules under TSCA in January 2021 restricting five persistent, bio-accumulative and toxic (PBT) substances in any amount in articles. As some of these substances are found in electronic equipment, electronics industry groups like SEMI have submitted concerns to EPA to review possible extension on enforcement date, of which EPA responded with two temporary extensions. K&S has determined impacted products and has started to evaluate alternatives to replace parts that contain the restricted substances. The Go-Green committee is progressively engaging our supply chain to collect TSCA compliance evidence and replace any parts found non-compliant.

<sup>6</sup>Based on EU requirements, companies supplying articles containing SVHCs on the Candidate List in a concentration above 0.1% weight by weight (w/w) on the EU market have to submit information on these articles to ECHA, as from 5 January 2021.

<sup>7</sup>SCIP is the database for information on Substances of Concern In articles as such or in complex objects (Products) established under the Waste Framework Directive (WFD).

<sup>8</sup>Candidate List contains identified SVHCs as determined by ECHA updated twice a year

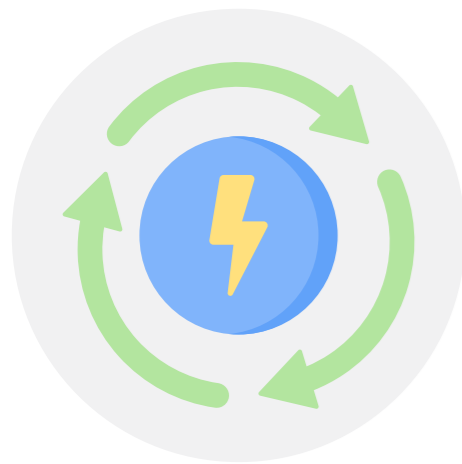
<sup>9</sup>Toxic Substances Control Act

<sup>10</sup>U.S. Environmental Protection Agency

# EMBRACING ECO-EFFICIENT OPERATIONS

We aim to reduce the remaining carbon footprint of our manufacturing sites and offices we operate in, to drive and ultimately ingrain in K&S a green organizational culture and mindset for the long-term.

We focus on three core areas in our drive to embrace eco-efficient operations:



**Energy & Emission**



**Water**



**Waste**

## Pioneering the Development of Innovative and Eco-Friendly Equipment



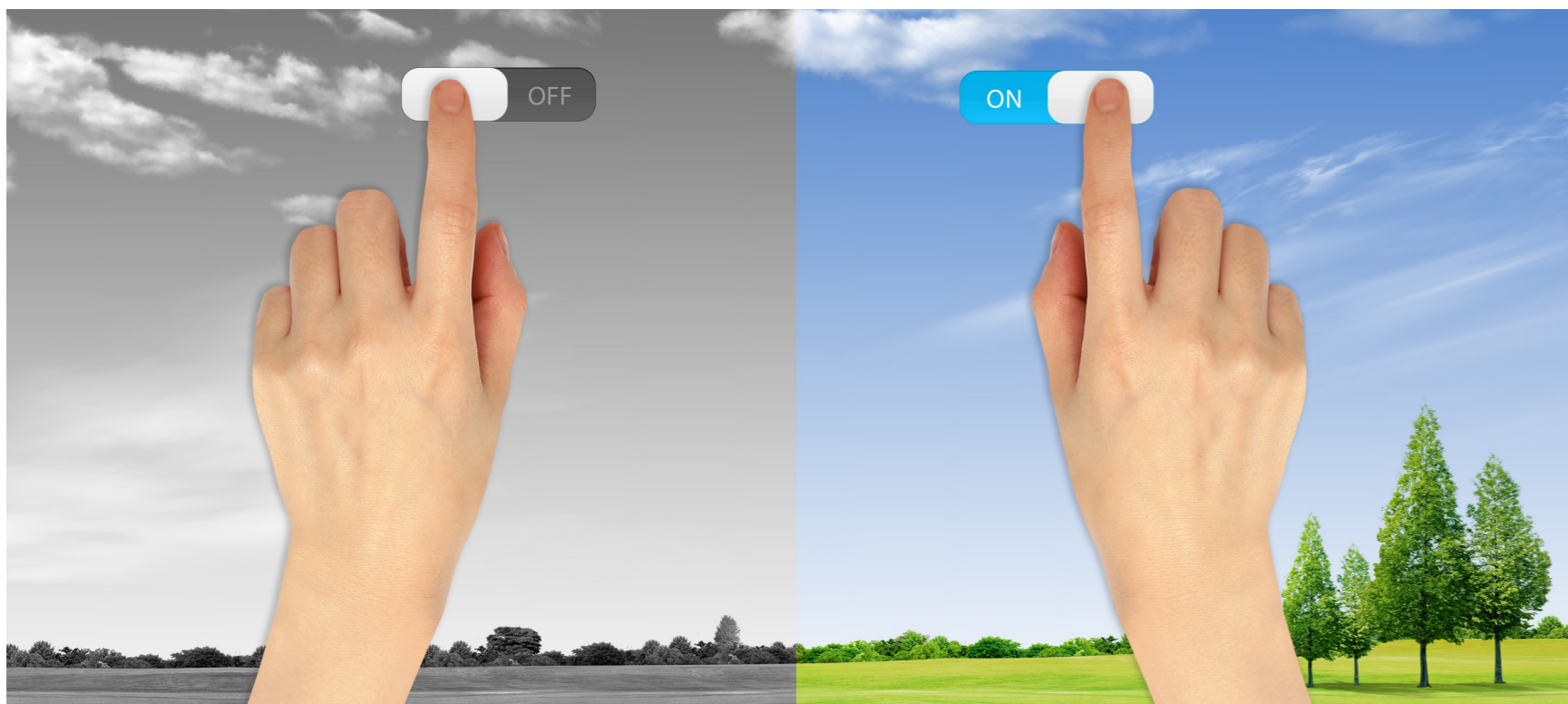
K&S is committed to achieving sustainable product design by finessing the equation of environment and economic positivity. We leverage our core competency in innovation to enhance eco-efficiency in our value chain to drive target-segment improvement solutions that boost environmental well-being at either the operations or product level.

LUMINEX™ is our next-generation mini and micro LED platform that provides superior throughput and operational flexibility that accelerate the adoption of high-volume backlighting and ultimately self-emissive display technologies, and expand our market access to this emerging high-growth advanced display opportunity. The LUMINEX was developed upon K&S proprietary PIXALUX™ system that currently represents the largest install base of ultra-fast mini LED final-placement equipment globally. LUMINEX is thus primed to support both the mini and micro LED transitions.

LUMINEX users enjoy the following environmental benefits:

- **Lower energy use** - Power consumption in production line is reduced by up to 83%
- **More efficient use of resources** - Lesser machines are needed to meet capacity demand, and scrap material use and re-work is reduced

Overall, the LUMINEX has allowed customers to reduce their environmental impact through lower energy use and improved material usage. It has also enabled customers to reduce running costs and increase overall product efficiency and accuracy to turn sustainability expectations into business value.



## Reducing Energy & Emissions

As part of the semiconductor industry, we recognize that a significant part of our carbon footprint is contributed by the use of energy. We view this as an opportunity to focus our efforts on achieving energy efficiency by re-thinking and re-inventing our actions and processes that either conserve or reduce energy usage, or replace it with more sustainable sources of energy where possible.

Collection and analysis of energy consumption data are conducted on a rigorous basis to ensure that systems operate efficiently and any anomalies in consumption are immediately identified and rectified. We hold quarterly energy management meetings to monitor progress and evaluate the effectiveness of energy conservation measures.

Overall, our global goal is to reduce energy usage by 2% across all sites. As of FY2021, a total of 92,102 GJ of energy was consumed across our six global sites, a 13.8% increase from the year before. Reason for the increase is attributed to a multifold increase in manufacturing volume due to strong industry demand. Grid electricity consumption stood at 25,584 MWh. This is a 53% decrease from FY2020 for electricity intensity and a corresponding 10.6% decrease in greenhouse gas emissions intensity.

Achieved

53%



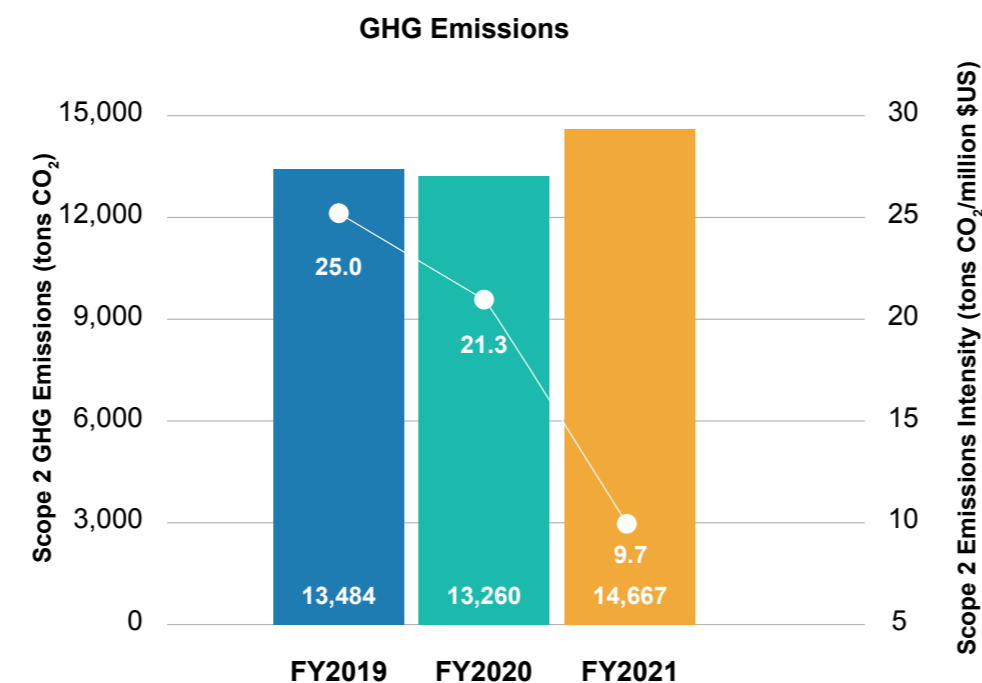
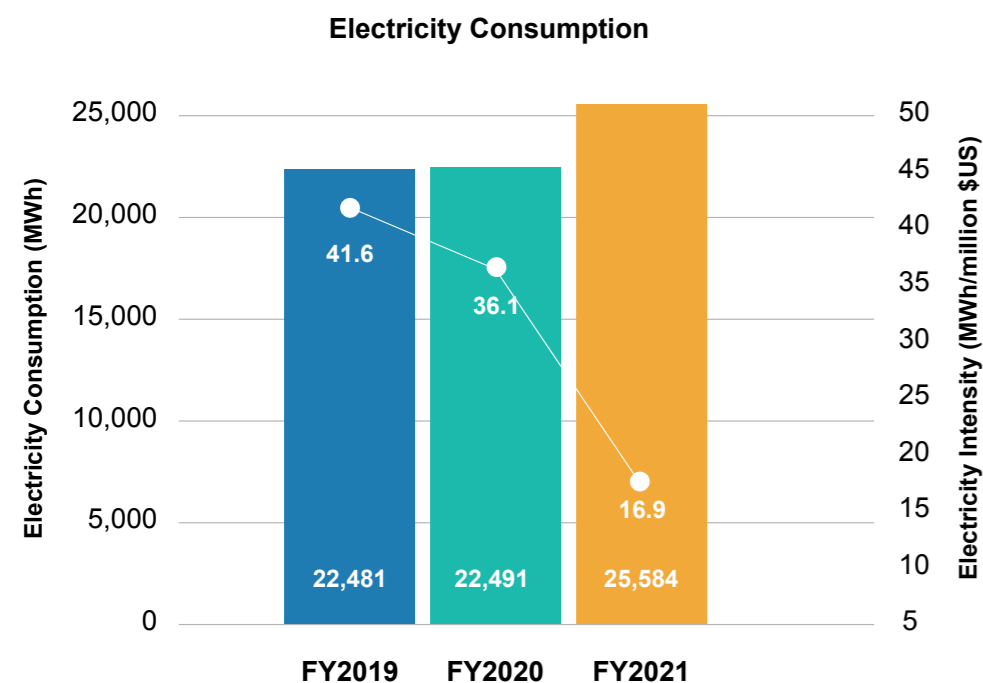
YoY reduction for electricity usage intensity exceeding goal of >2% reduction

Achieved

10.6%



reduction in Greenhouse Gas emission intensity from FY2020

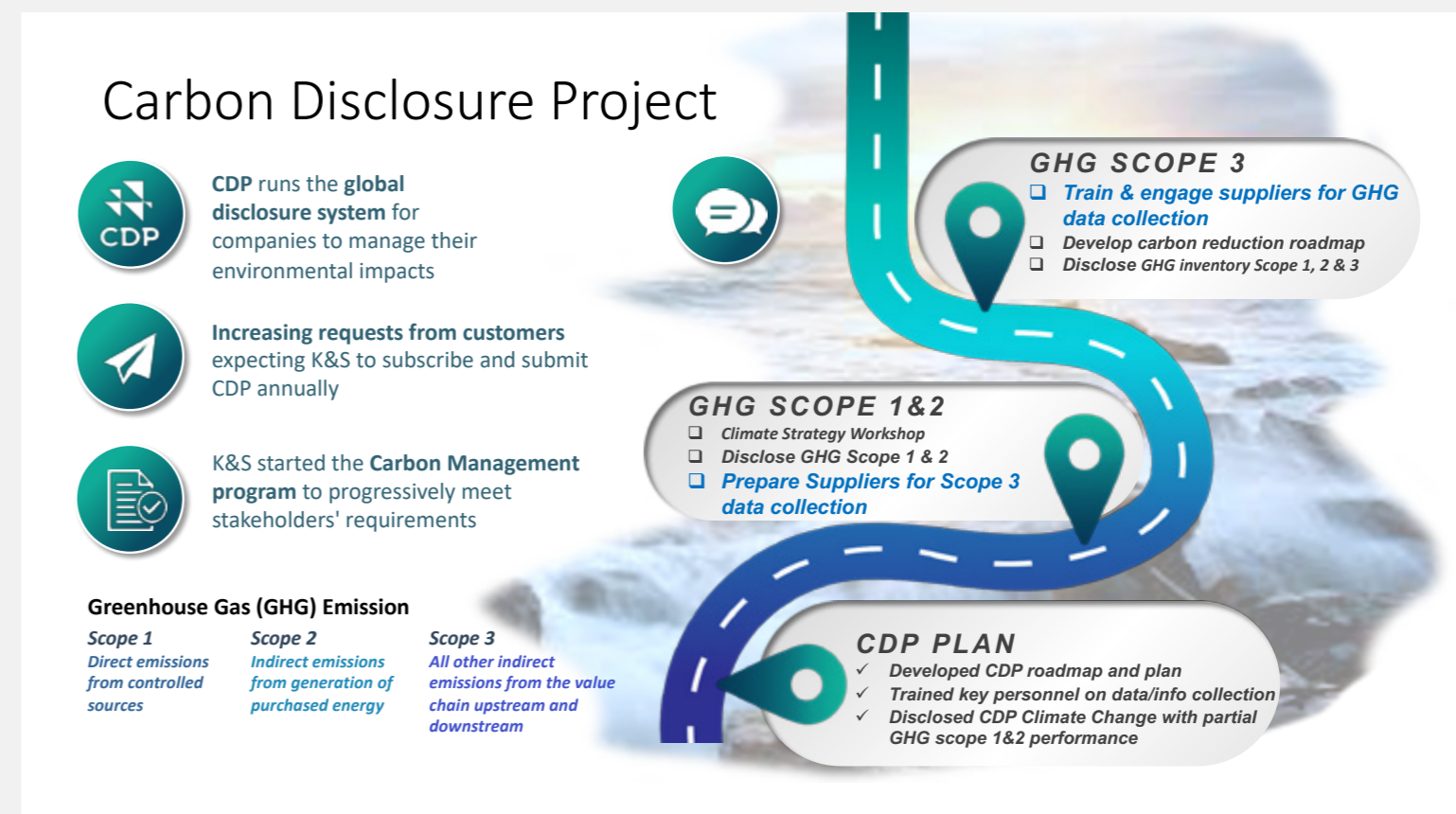


## K&S Discloses Carbon Disclosure Project (CDP<sup>11</sup>) – Climate Change Information for The First Time

Climate change is today an important priority amongst boards and senior management of companies. An effective way to manage a company’s carbon and climate risk is through a measurement and disclosure process that allows for increased transparency on climate action and progress.

In FY2021, K&S disclosed environmental information, specifically our carbon emissions and emissions management processes for the first time on the CDP platform. This added layer of disclosure allows us to better account for our climate action momentum to key stakeholders such as investors, suppliers and customers, and realize the societal and financial benefits for the long-term.

Moving forward, K&S will focus on a Scope 1 and 2 emissions reduction roadmap with goals and targets in place. As awareness on climate risks is key to achieving the emission metrics, K&S will hold a Climate Strategy workshop for internal stakeholders to share best practices. Subsequently, K&S will engage with key suppliers to begin assessment of Scope 3 Green House Gases (GHG) inventory. This will roll out to expanded key suppliers progressively to measure and disclose Scope 3 GHG inventory in our value chain.



<sup>11</sup>CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

## Case Study: Energy and Emissions Initiatives from K&S Sites

K&S constantly adopts best industry practices in our facilities in energy usage and reduction of emissions. The following are achievements from various K&S sites in FY2021:

### Emission

- K&S Suzhou site installed online Volatile Organic Compounds (VOC) air emission measurement system to invest proactively in the fight against air pollution the Suzhou Industrial Park (SIP). This allows real time monitoring of emissions from the factory processes. The metrology, measurement system accuracy and the preventive maintenance are submitted to SIP Environment Protection Agency (EPA) for evaluation on a quarterly basis. K&S Suzhou has been recognized by EPA for its effective control of emissions and meeting KPIs.

### Energy

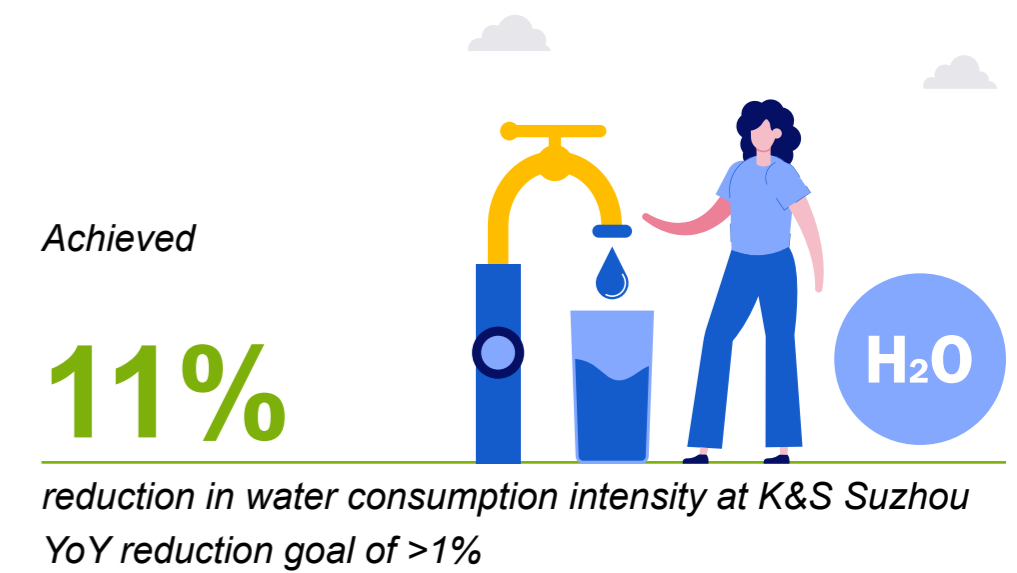
- K&S Suzhou site has been working with a solar energy vendor to design in solar panels at its facility. The solar panels will provide about 400 kW of energy daily, which is approximately one third of the site daily energy consumption. The result of the energy saving will be reported in the next report.
- K&S Fort Washington and Santa Ana has been replacing fluorescent tubes in the offices and labs with LED lighting. Plans are in place for the installation of electric vehicle charging stations and the replacement of HVAC units with new energy efficient systems.
- K&S Singapore has seen very good efficiency after the installation of an air compressor sequencer to regulate the demand across a series of compressors.



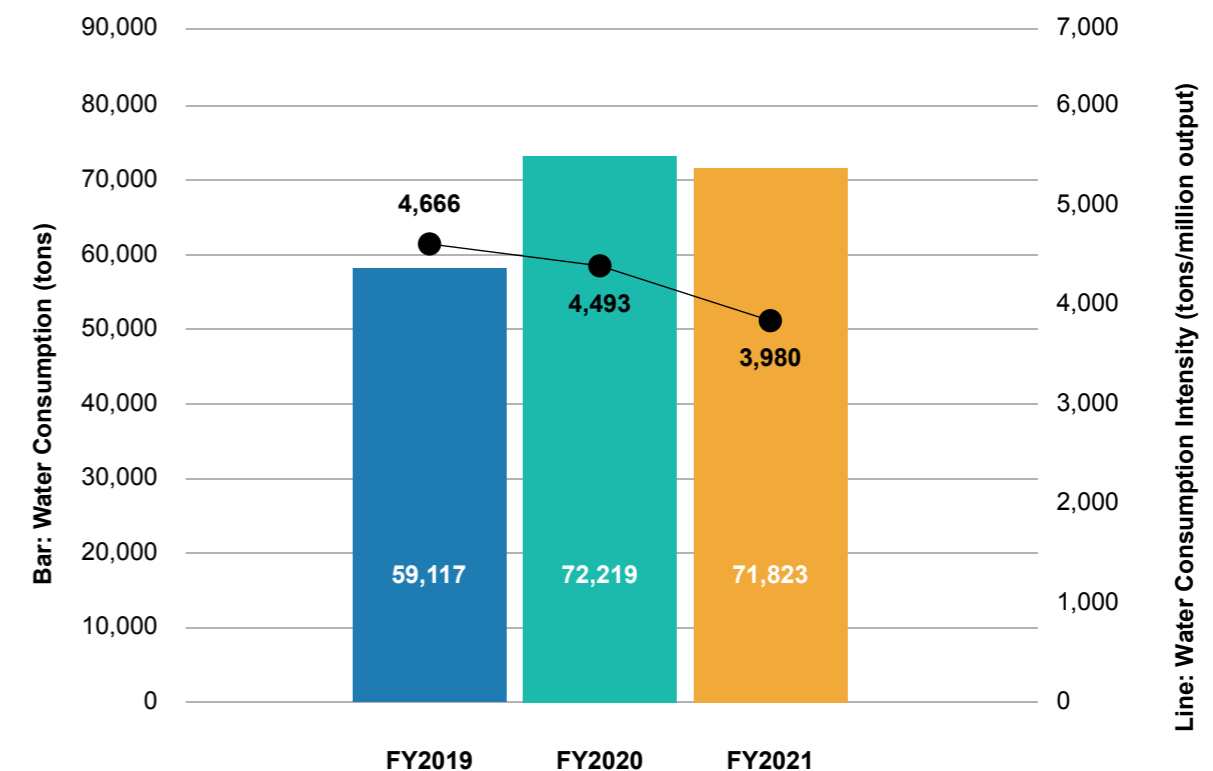
## Enabling Water Positivity

Water is a critical raw material in our operational processes. Due to the local circumstances and infrastructure of our sites, we draw a large proportion of our water from municipal sources, for example, Suzhou uses 100% municipal water.. We ensure that all our sites are cognizant of the need to conserve water and this is achieved through process changes that reduce rinse water use, adopt reverse osmosis pre-treatment as well as periodic pipeline maintenance and underground leak detection and repairs.

Of our six global sites, Suzhou is the main contributor to K&S' water consumption, making up 87% of our total usage. The site utilizes water mainly for product cleaning during operating processes such as the fabrication of capillaries, wedge bonding tools and slicing blades. Water is also used in smaller quantities for cooling towers. As part of water conservation, new initiatives such as concentrated water after RO pre-treatment has been used for building restrooms flushing and cleaning, instead of fresh water from municipal source. The water consumption in Suzhou in FY2021 totals 71,823 tons while water intensity measured 3,980 tons/million output.



SZ Water Consumption



## Minimizing Waste Discharge

K&S commits to a long-term strategy of sound waste management throughout the lifecycle of any assets across our global manufacturing operations. Our waste management strategy focuses on two areas:



Reduce the amount of non-hazardous waste and increase its recycling rate



Safe disposal of hazardous waste

### Reducing the amount of non-hazardous waste

We adopt the 3R approach of Reduce, Recycle and Reuse to guide us in inculcating and adopting an environmentally-positive mindset at K&S to affect daily habits that reduce the amount of non-hazardous waste generated in our daily line of work. This includes eliminating single-use disposables, conserving paper use and limiting printing, and repurposing packing materials such as paper, cardboard, and plastic, as well as e-waste such as batteries and lamps. In FY2021, our paper usage increased by 16.6% but paper usage per net revenue decreased significantly by 52.2%. Reason for the overall reduction in paper usage intensity can be attributed to adoption of paperless manufacturing processes in all business units and initiatives taken in logistical operations.

Achieved

**60.8%**



Solid Waste Recycling rate exceeding FY2021 goal of >55%

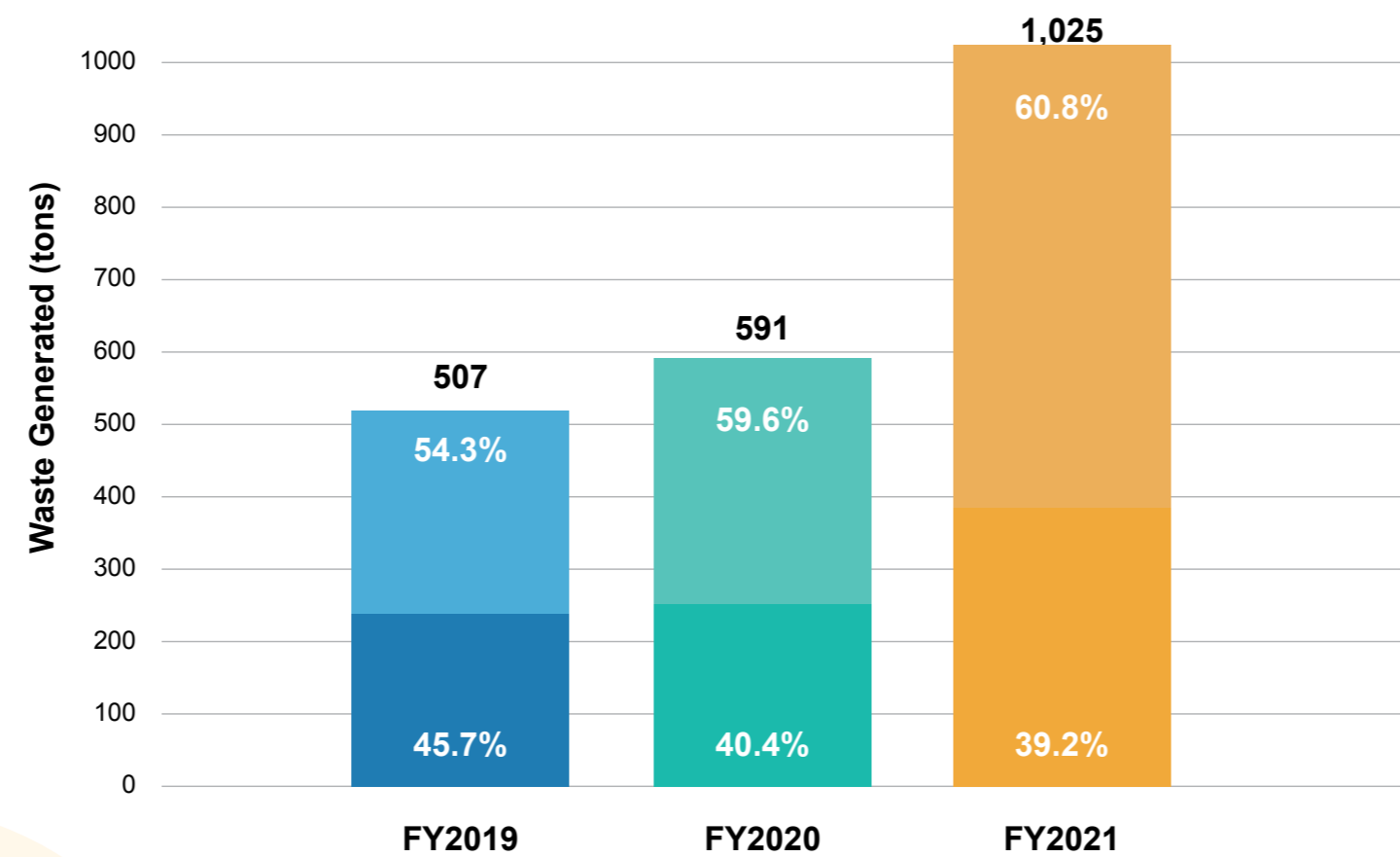
Achieved

**52.2%**



reduction in paper usage per net revenue exceeding YoY reduction goal of 3%

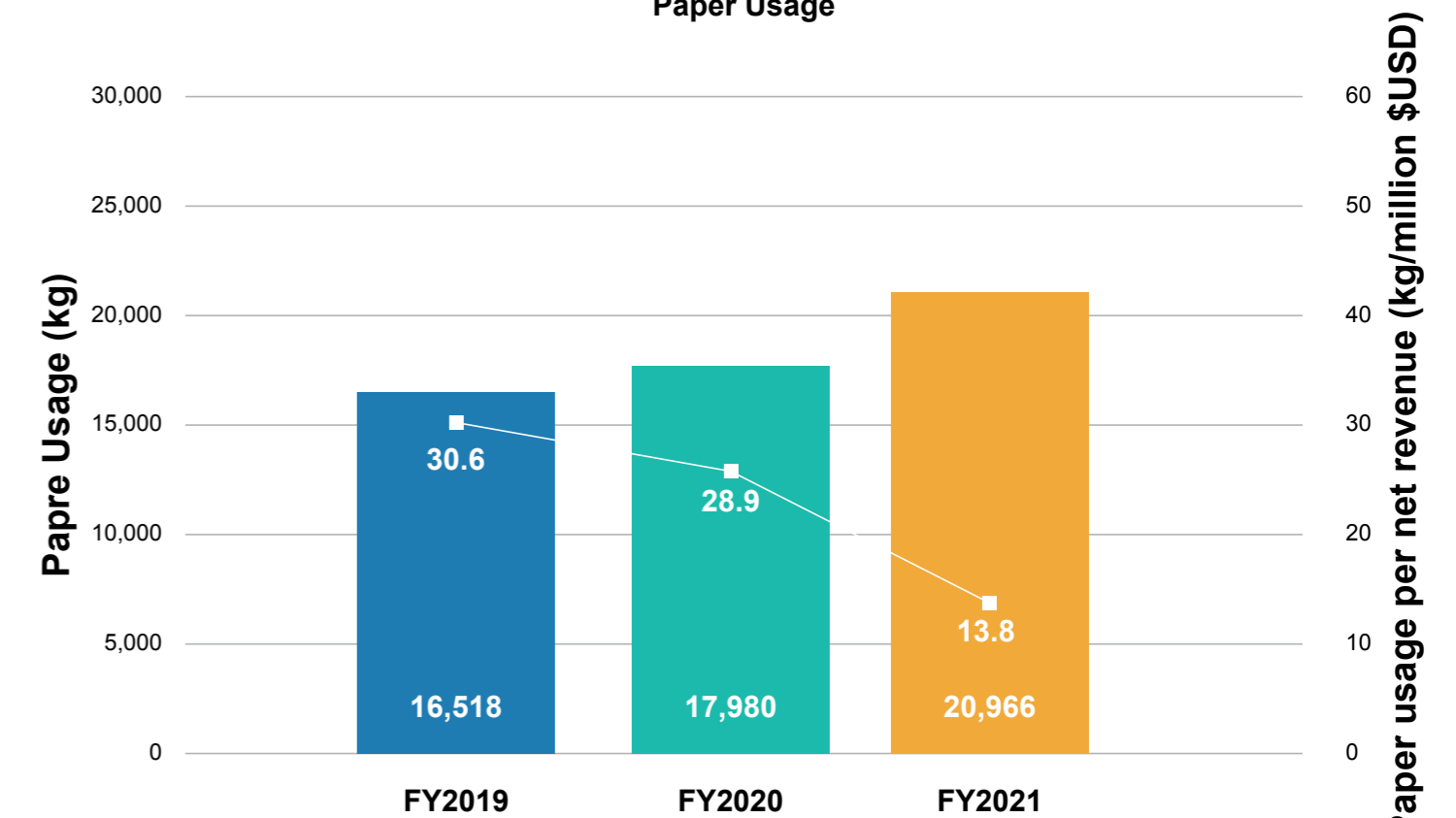
Breakdown of Solid Waste



Bottom: Non-recycled Solid waste

Top: Recycled waste

Paper Usage



### Disposing hazardous waste safely

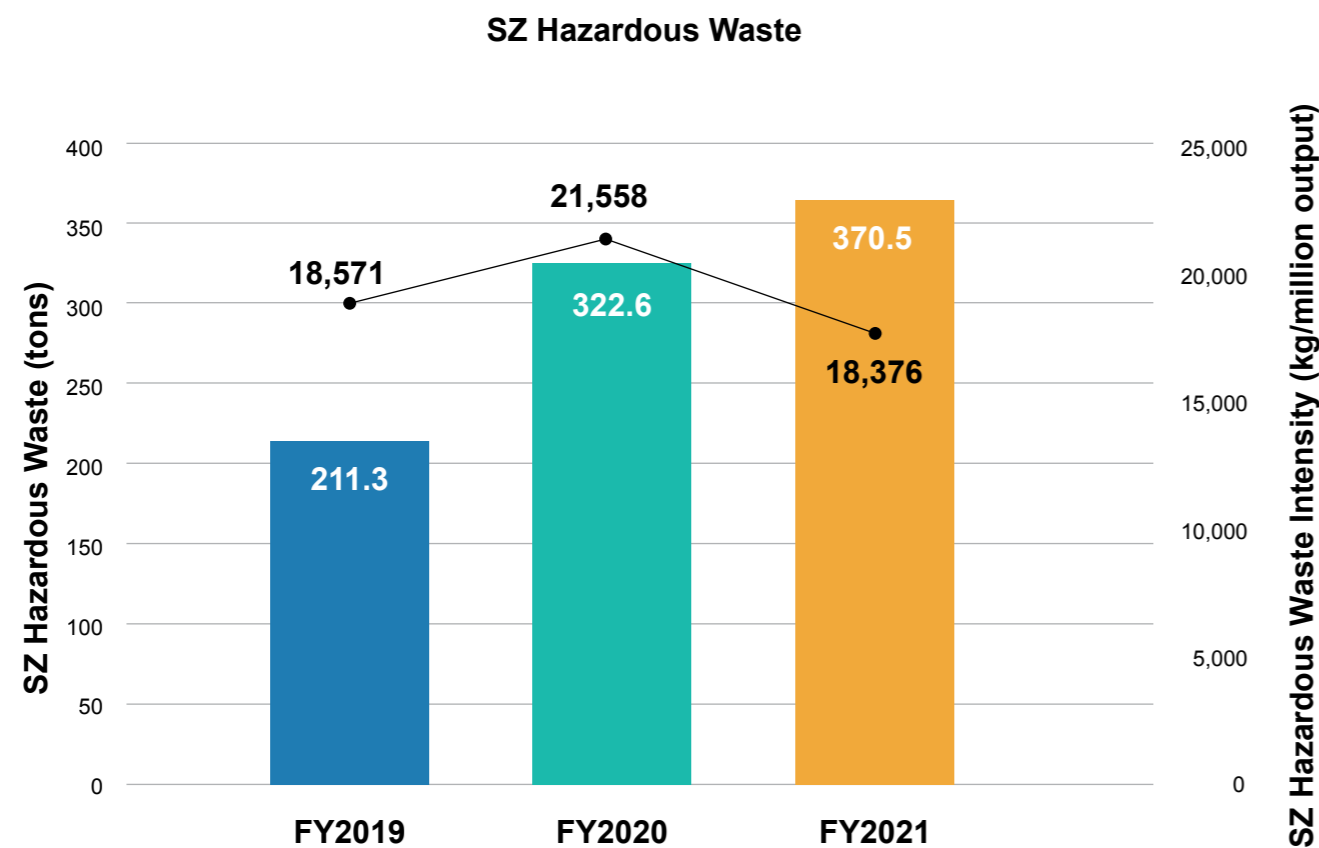
During certain manufacturing processes, chemically contaminated liquid and solid waste can be generated. As our operations and production output grows, the volume of such hazardous waste generated has inevitably grown alongside as well. K&S is committed to managing this increase with the implementation of safe disposal protocols that comply with regulatory standards. All K&S sites must dispose of these wastes according to standards set by the Environmental Protection Agencies in each respective country. In FY2021, K&S generated 542 tons of hazardous waste, but saw a decrease in hazardous waste intensity due to new initiatives to reuse and reduce hazardous waste generated.

Achieved

# 15%



Hazardous waste intensity reduction at K&S Suzhou exceeding FY2021 goal of >2% YoY reduction



Suzhou is the main contributor to K&S' hazardous waste generation, contributing to more than 70% of our total hazardous waste generated. To ensure compliance with regulations and also for continual improvement, we introduced new waste treatment initiatives in FY2021 that embraces circularity within processes and reduces waste.

### K&S Suzhou Launches New Process Trials to Reduce Waste Generated

We launched two new process trials in FY2021 to reduce the amount of hazardous waste generated. In doing so, we are able to reduce hazardous waste environmental risks while enhancing sustainability performance.

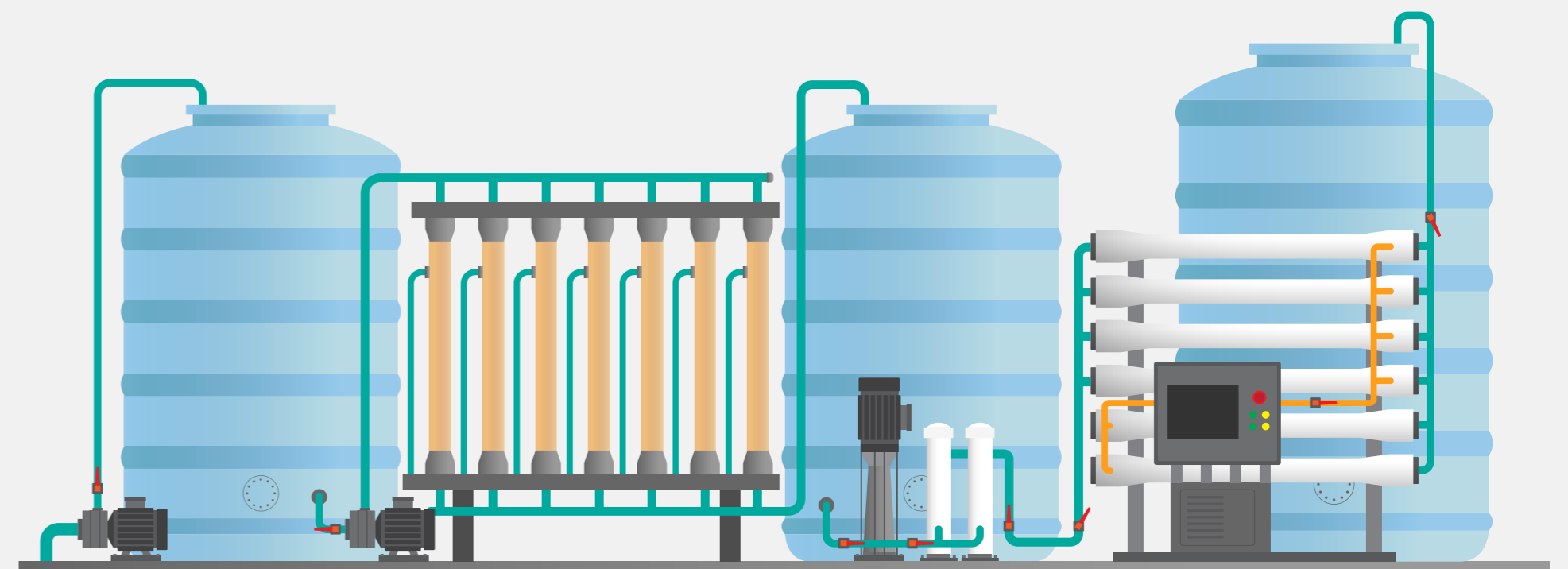
#### 1. Treating waste acid for re-use within operations

One way in which we reduce waste is by incorporating circularity within our operations. Waste acid (hydrochloric acid) from product cleaning process is now redirected to onsite waste water treatment plants and used as a pH adjustment chemical. This process change reduces the need to purchase sulfuric acid and also saves on the disposal expense of waste acid.

#### 2. Reducing amount of hazardous waste (emulsion liquids) generated

Waste emulsion from manufacturing processes, will be collected and treated with chemical agents. After sedimentation, the flocs will be introduced into press filter in WWTP and disposed as the sludge.

As a result of the above two process changes, we have reduced 24 tons of acid waste generated annually, and saved on US\$39,840 of waste disposal costs.



# **5 DELIVERING VALUE TO CUSTOMERS**



# PRODUCTION INNOVATION AND SMART MANUFACTURING

For over 70 years, K&S has strived to deliver innovative solutions that meet evolving customer requirements. Year-on-year, we invest in research and development (R&D) to build our strategic competencies, in particular our knowledge in specialized equipment & application, to develop unique offerings that deliver progressive value to customers in a shortened response time.

We adopt a Knowledge Driven Product Development (KDPD) framework comprising four stages that defines the product development process from conceptualization to market release. At its core, KDPD prioritizes close customer engagements that provide concise industry feedback for areas of product or service improvement if any, as well as identification of new value-add opportunities for future development.

## Our Knowledge Driven Product Development



### Market Research

Input of product requirements are gathered from market research, customer interactions, product history data and experiences and participation at various industry forums to thoroughly understand market needs



### Engineering Development

Product conceptualization and development will harness K&S' key competencies and capabilities to build competitive advantages into the products



### Compliance Certification

Before market release, products are reviewed by cross-functional teams to ensure that it meets industry or global standards, such as customer health and safety



### Commercialization

The product is then released into the market with a stamp of K&S assurance of good quality

In FY2021, we invested

**>US\$135 MILLION**

in R&D, constituting a 13% increase from FY2020.



Today, smart manufacturing presents a huge opportunity to make business sense out of Industry 4.0. Our vision of smart manufacturing is a digitally connected factory that drives new manufacturing efficiencies by combining physical and cyber technologies. This involves a move toward greater levels of automation such as through the integration of discrete systems for seamless processes, harnessing the power of large volumes of data to increase the number and quality of successful outcomes, and adoption of virtual technology and proprietary cloud software development in our operations to reduce undesirable outcomes. We look into four key areas to embed such technological advances into our operations:



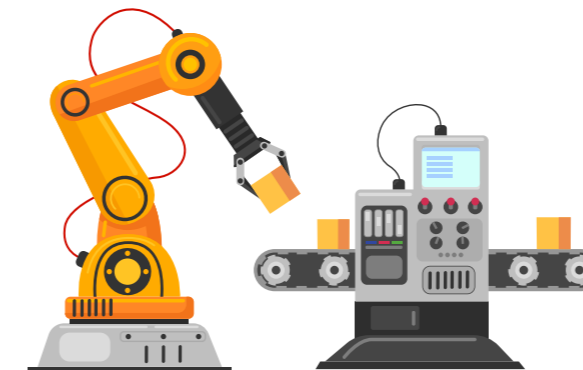
### 1. Interoperability

Forming the basis of smart manufacturing, we ensure that our machines, devices, and sensors are connected and integrated with each other.



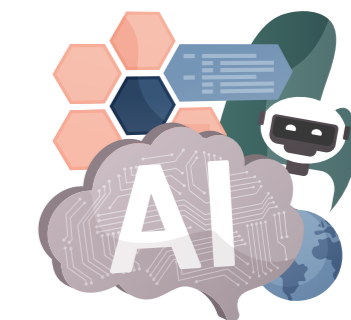
### 2. Information transparency

We collate and synergize data from our operations to develop simulations and drive analytics that enables us to examine trends, anticipate outcomes, mitigate risks and make tactical decisions.



### 3. Technical assistance

We deploy robots and machines to support us in making decisions and solving problems.



### 4. Autonomous decision-making

We develop and utilize AI machine-learning so that our systems and machines can 'learn' and are able to make decisions without human input. AI-enabled predictive analytics lead to smoother processes, production efficiency, improved yields, better device quality, and reduced waste.



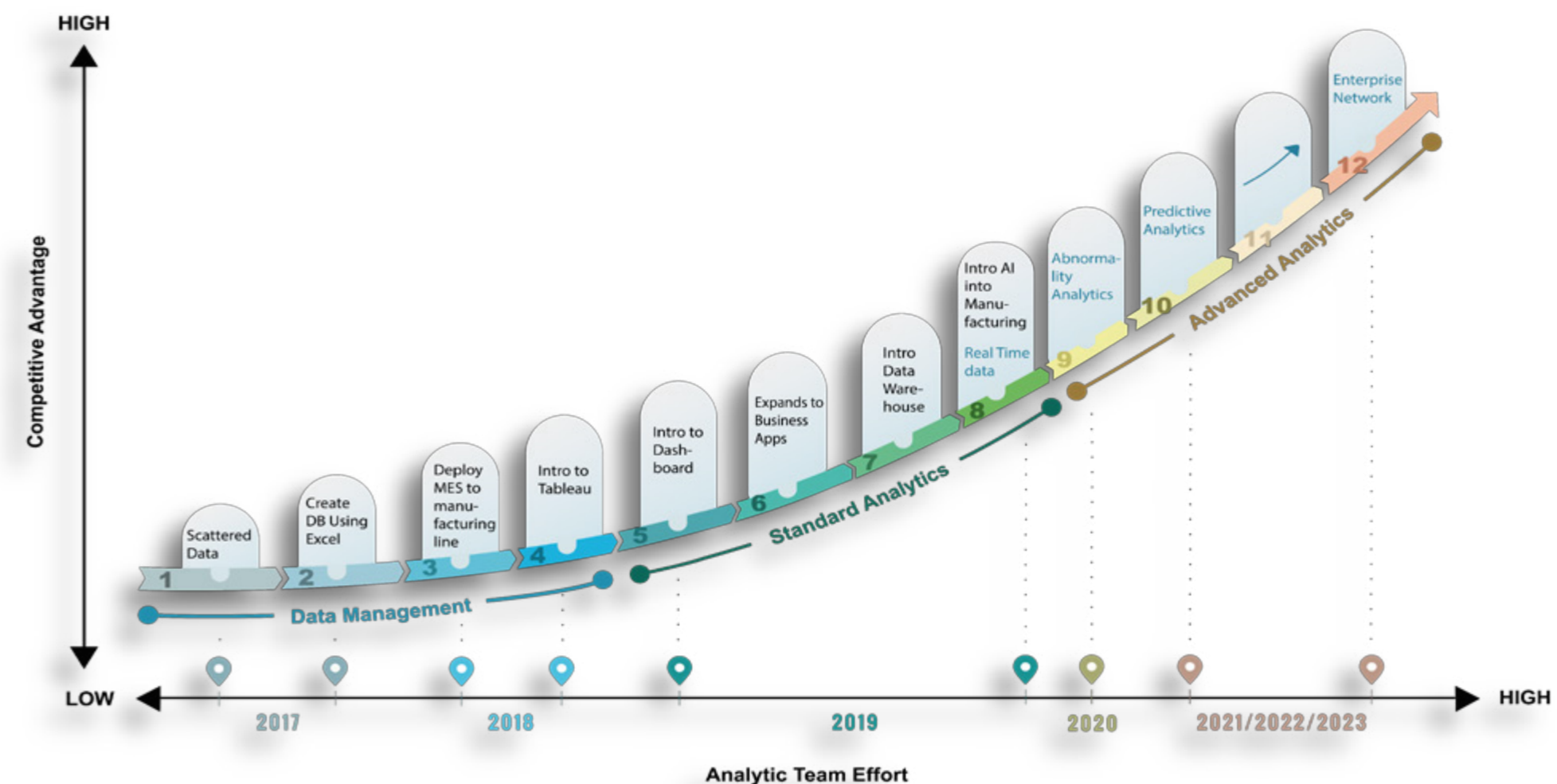
## Advanced Semiconductor Technology Conference (ASTC) 2021

On 21 Jan 2021, K&S and National University of Singapore (NUS) jointly presented the topic of digital transformation at the ASTC 2021. The focus of the ASTC 2021 was on “Connecting, Sensing, Predicting – Optimizing Your Manufacturing in a Digital Age”. The presentation was a video titled, “Factory Video Tour: Digital Transformation Journey in Equipment Manufacturing”. In the video, Chong Chan Pin, Executive Vice President & General Manager, Products & Solutions, and TK Loh, Senior Director, Global Operations, took the participants through the K&S digital transformation journey. The contents is summarized as follows:



In 2017, our manufacturing process flow processes were highly manually driven with a digital footprint that required a lot of housekeeping to clean up the data. Data storage was quite silo and not interconnected to allow data driven decision making, much less autonomous real time decision making. The first step of the digital transformation began with a series of value stream workshops that identified the problems, key must do's and key performance indicators (KPIs) aligned with business goals. By mapping out data sources, data processing and access, data visualization tools and decision making points, a new data structure emerged that marked a new milestone in being a digitally connected factory. Cloud based storage was created based on the new data infrastructure. We also invested heavily into AI based anomaly detection which is an integral component of smart manufacturing in solving real time problems. By means of automation, sensing and predictive analytics, we developed a new data infrastructure landscape that translated real-world manufacturing processes into the digital world. The end result is a digitally connected factory that drives overall manufacturing efficiencies end to end, from in-house assembly lines through our manufacturing execution system (MES), to logistical processes where material is stored and tracked by Automatic Storage and Retrieval System (ASRS). Through data visualization tools, stakeholders would be able to access user-friendly real-time dashboards from the cloud linked to their respective or shared KPIs. These dash boards provide the operational big picture to drive decisions, analyze and flag problems early to avoid manufacturing issues downstream. With the adoption of digital transformation, K&S continues to innovate and create higher value in its business growth, creating a more sustainable smart manufacturing.

Smart Factory Digital Transformation Roadmap



**Data**

- Raw Data
- Clean Data

**Advanced Analytics**

- Data Filtering
- Trend Forecasting
- Statistic Analysis
- Predictive Analysis
- Modeling & Optimizing

**Standard Reporting**

- Standard Excel Reporting
- Ad Hoc Queries

**Standard Analytics**

- MES
- Tableau Dashboard
- Real Time Reporting

## Harnessing Machine Learning for Efficient Decision Making

K&S has collaborated with the National University of Singapore (NUS) to develop an integrated solution comprising a platform and system that uses explainability algorithm to enable machine learning predictive analytics and root cause analysis. This full suite of tools will empower our engineers to drive informed real time decision-making by making critical expectation predictions of the manufacturing processes.

The entire process is a step up from the current industry practice where analysis and identification of root causes are carried out only upon observation of failures, rather than during the process. With our new integrated solution, we are able to forecast issues and identify causes before failures happen, saving time and cost.

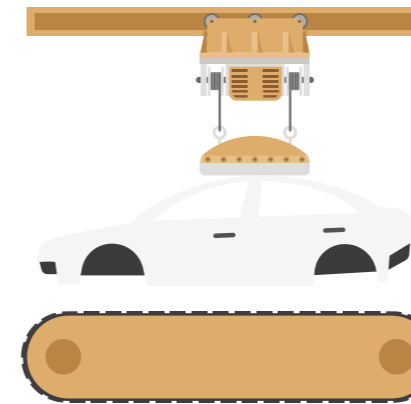
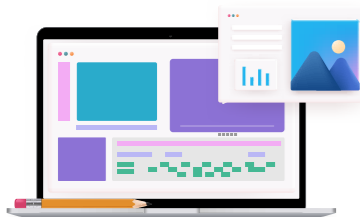
## Supporting New Performance Level through Technology Transitions and Industry Expansion

With the rapid adoption of Artificial Intelligence (AI), 5G, the Internet of Things (IoT) and other Industry 4.0 technologies into our smart manufacturing journey, we continue improving machine yields, productivity and efficiency in our drive towards excellence in business performance. As can be seen in FY2021, K&S scaled new milestones and achieved a new annual corporate revenue record. We believe this new level of performance is sustainable over the coming years with dramatic upside potential related to ongoing and fundamental technology transitions.

Our key priorities in FY2021 included executing on our ongoing development efforts, close customer engagements and market adoption of our leading solutions. Our goal is to expand our portfolio of next-generation systems and solutions to greatly enhance our ability to support several significant technology transitions within the automotive, wireless communications, semiconductor and display markets.

### Advanced Display

Mini and micro LED technology is driving the need for new innovative solutions which can efficiently assemble semiconductor dense backlighting and self-emissive panels. Since 2017, we have developed, gained acceptance and ramped production of the PIXALUX™ system which now represents the world's largest installed base of ultra-fast advanced LED placement equipment. During FY2021 we delivered our next-generation advanced display solution – LUMINEX™ – which has dramatically enhanced our technology lead and customer engagements within this fast-growing and high potential long-term technology transition.

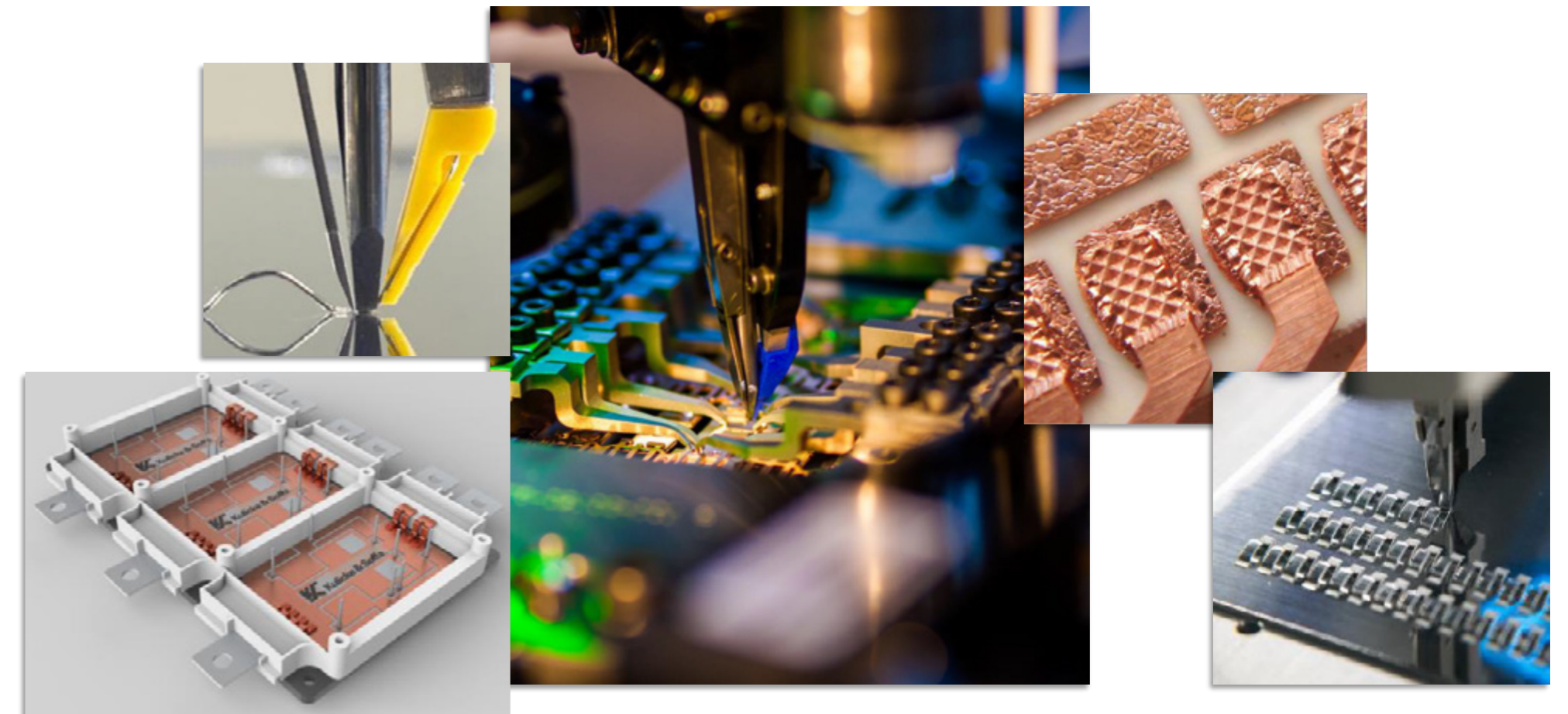


### Semiconductor Assembly Complexity

Rising costs and yield challenges of two-dimensional node shrink are increasing demand for new assembly solutions which address both high-volume and leading-edge semiconductor applications. We anticipated this transition and have expanded our portfolio and access to high-growth served markets including mobile sensing, mobile applications processors, silicon photonics and heterogeneous integration. Our close customer engagements and recent product adoption are enhancing our long-term visibility. We remain very optimistic on our positions and roadmaps regarding these new technology-driven growth drivers effecting our core semiconductor market.

### Automotive

Market adoption of electric and autonomous features are accelerating semiconductor content per vehicle, providing many new opportunities for our growing portfolio of electronic and battery assembly solutions. Through FY2021 we strengthened our existing positions with new power-semiconductor offerings, including Power-C™, while also introducing new assembly solutions that support the high-growth cylindrical and prismatic battery assembly markets.



## Developing New Solutions with Enhanced Capability for the Power Modules Market

K&S believes in the constant advancement of our technological capability to deliver high manufacturing volume with consistent process results. With the ongoing electrification of automotive vehicles through Advanced Driver Assistance Systems (ADAS), infotainment, critical systems, power storage and power distribution, the automotive market is experiencing rapid growth. The power modules market is a high growth market driven primarily by the automotive industry, industrial and home appliances. Developments in technology in power semiconductor applications to enable increased reliability, greater efficiency, higher operating temperatures, higher voltage capabilities, more compact and high switching frequencies, are inevitably driving dramatic transformation in power module designs as they are being adopted across various industries. The quality, reliability and proper functionality of power modules are largely determined by the robustness of the interconnects. Alternate interconnect technology such as ultrasonic welding is gaining traction at leading power manufacturers to resolve many of the new technological challenges for more robust interconnects. The power modules market is a key market for us today, and we look to expand in the market by focusing our efforts to develop relevant efficient and reliable power semiconductor applications. The Asterion™ EV (Extended Version), PowerFusion™ and Power-C™ wedge bonders are K&S solutions for Power Devices. Our solutions are designed to address specific power semiconductor applications as follows:

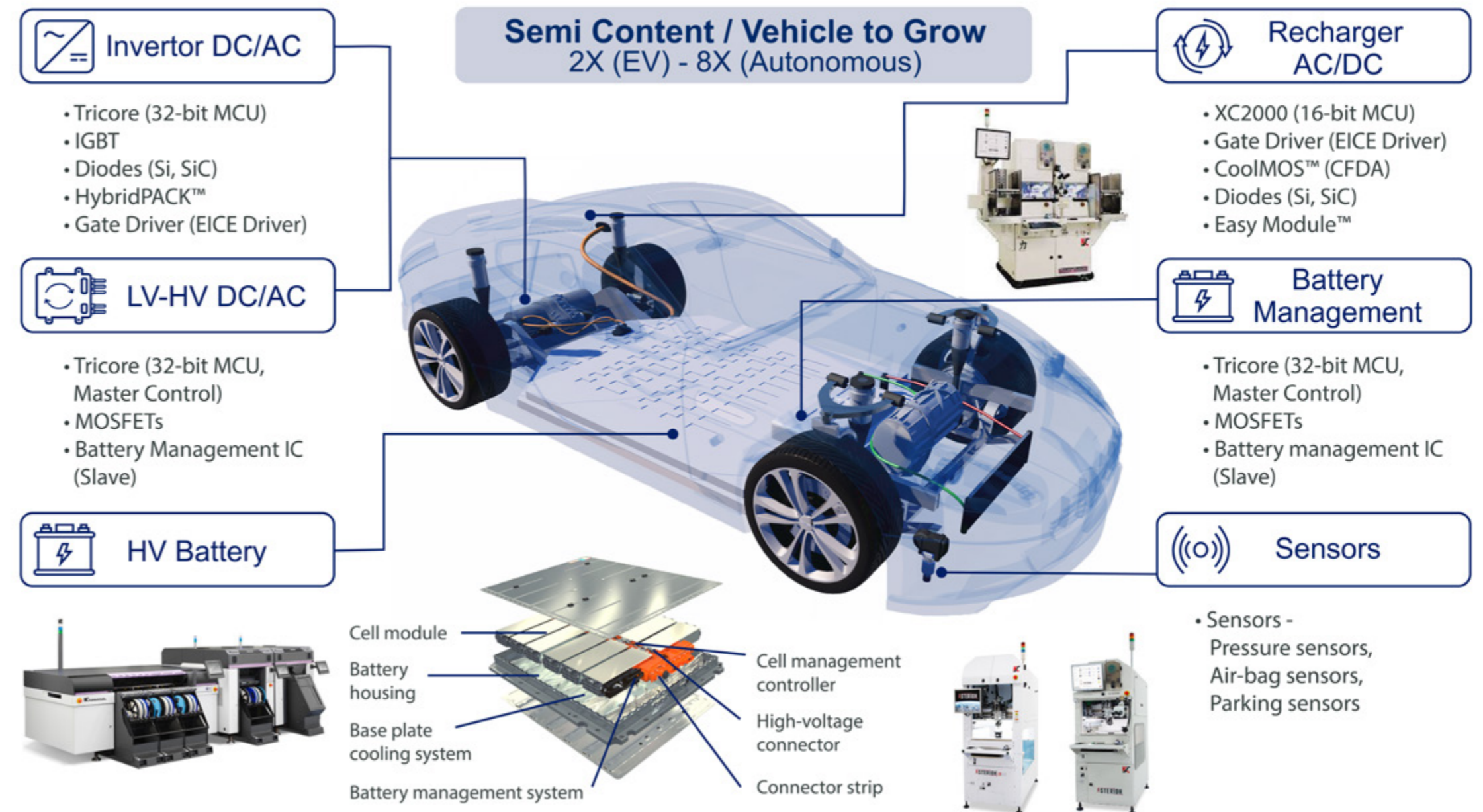
- Power Hybrid Solutions (MOSFETs, IGBTs, Diodes)
- Power Discrete Solutions (EV, HEV, Power Train, Industrial Motor Drives, Renewable Energy, Commercial Modules)
- Alternate Energy Solutions (Battery Module Solutions such as Prismatic, Cylindrical and Pouch)

With the acceleration of electrification in vehicles, there is a strong shift towards fully electric EVs earlier than previously expected. The semiconductor content doubles in EVs and up to eight times for autonomous vehicles (AV) when compared to vehicles with internal combustion engines (ICE). With the push towards increased safety through ADAS systems, where more sensors and processing power are employed to make the vehicle more intelligent in responding to the surrounding environment, fail safe semiconductor devices are critical.

K&S has solutions for power devices and modules found in the following zones in EVs:

- Sensors
- Inverter DC/AC
- Low Voltage - High Voltage DC/DC
- Battery Management
- High Voltage Battery
- Recharger AC/DC

In terms of EV infrastructure development, increase in Power Device operating voltage for super chargers requires robust Power Management modules, which enables increased reliability with higher operating temperature and voltage capabilities. The new infrastructure demands more complex & feature rich equipment. K&S offers cleantech solutions that create advantages for both K&S and our customers, striving to improve environmental sustainability.



# CUSTOMER HEALTH & SAFETY

K&S takes a serious stance on ensuring the health and safety of our customers when they use our products and services. Product safety considerations begin from the product conceptualization and development stages where our Program Engineering Team conducts comprehensive assessments of potential health and safety risks posed to customers, to the commercialization stage where the Team ensures that CE certifications are attained. All K&S products are CE certified meeting product safety, health and environmental requirements. All standard new products launched are declared RoHS compliant.

In FY2021, K&S continued to achieve

**0**

validated cases of non-compliance regarding the health and safety of products and services.



## Keeping Customer Safety, A Key Priority

We implemented the FY2021 refresher safety training for all Field and Customer Service Engineers (CSEs) and employees to ensure that safety knowledge and awareness of potential workplace hazards and practice remains current and top of mind always. These periodic refresher trainings are conducted once every two years and is part of our Corporate Safety Training module that is based on Semi-S19<sup>12</sup> safety guidelines that allows us to continue to prevent incidents of non-compliance with OSHA regulations and/or voluntary codes concerning the health and safety impacts of products and services.

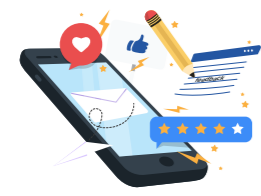
The training requires the employee to study an interactive training material and pass a quiz with a minimum score of 90%. Upon completion of the course, the system will issue the trainee with a Certificate of Completion. Based on the safety risks exposure of the employee job scope, he/she will be assigned to take the Basic or Advanced modules as listed below:



<sup>12</sup>Safety guidelines for training of manufacturing equipment installation, maintenance and service personnel.

# CUSTOMER SATISFACTION

Satisfying and delighting customers is a core value of ours, and we focus on meeting our customers' evolving needs and expectations. To ensure that we achieve our goal, we focus on two perspectives when listening to customers to help us understand matters that mean the most to them:



**1. Qualitative aspects** which are sentiment-driven, to understand customers' experience when they engage with K&S at various touch points;



**2. Quantitative aspects** which are objectively driven such as out-of-box quality, reliability, and issue response time.

Every three years, our Customer Quality Team conducts a Voice of Customer (VoC) survey to measure customers' satisfaction with K&S on areas such as product performance, technical expertise, cost of ownership, sustainability and after-sales technical and services support. KPIs and goals are then set at the start of every year, and performance against goals are tracked and presented in weekly meetings and quarterly business reviews. K&S' Quality Performance is a shared business goal across multiple functions such as Business Units, Manufacturing Operations, Global Field Service and Quality.



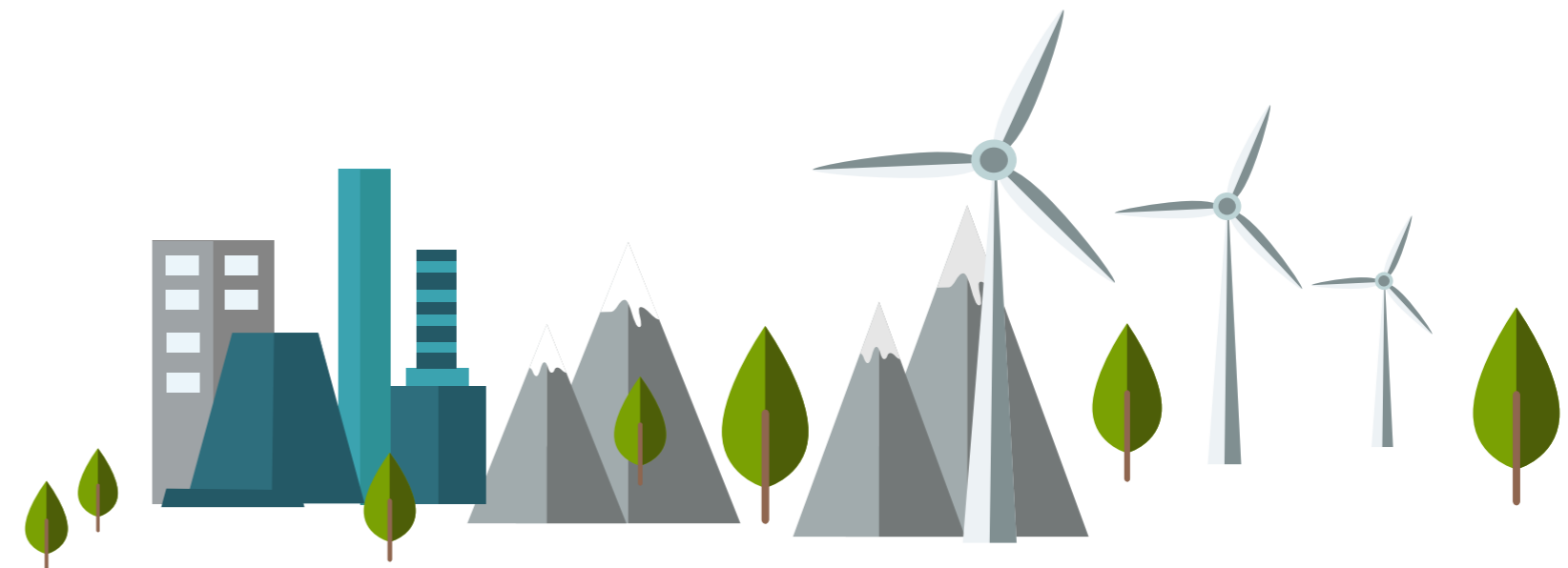
## K&S' VoC SURVEY 2021 RESULTS

- Achieved 80% response rate exceeding goal of 50%
- Achieved 77% customer satisfaction rate exceeding VoC'18 rate

The results are collated and shared with our Marketing and Engineering teams to develop improvement plans in the areas of concern to improve customer satisfaction. Programs are developed for processes, services and products improvement. Employees training programs are implemented to equip K&S employees with technical and problem solving skills to better understand customer requirements and improve time to resolution.

Our customer service does not end when the products leave our premises. We strive to provide high quality after-sales service that ensures our products are constantly at peak performance. These include various K&S after-sales care programs that provide quick turnaround to meet varying levels of customers' needs, such as K&S Care, K&S Certified Repair & Refurbishment, and K&S Service Contract & Paid Service programs.

In the event of any issue, we adopt the Issue Escalation Flow system to manage customer feedback and issues through a structured approach to provide service recovery. An Issue Tracking System (ITS) is used to facilitate information exchange, task prioritization, and closure. To ensure that incidents do not recur, closed issues will be presented to team members during technical toolbox meetings for shared learnings and the identification of areas for improvement.



## Escalation Flow

1



Field Service Team will engage with customers to provide support in addressing performance issues, part failures or technical enquiries

2



If need arises, the Technical Support Team will be brought in to provide technical expertise in addressing the customer concern

3



Any unresolved cases are then undertaken by Issue Tracking System (ITS) owners to support the investigation and expedite the resolution with the customer

4



The Product Management from Business Unit will step in to prioritize on customer recovery plan

## Ensuring High Quality Customer Service during the On-Going COVID-19 Situation

Our global Customer Service (CS) teams continue to focus on delivering quality customer service despite on-going challenges posed by the COVID-19 pandemic. Business and support continuity planning prevents risks of service disruption while still ensuring that our people remain safe.

New features of our customer service offerings in FY2021 include the following:

- Remote troubleshooting for overseas customers through phone calls or mobile communication app to resolve machine issues
- Remote access of machine information via KNeXt™, K&S proprietary Industry 4.0 software, by K&S to facilitate field team support
- Engagement of a third-party provider to provide additional customer support





**Kulicke & Sofia**



**1005**

**6 CHAMPIONING  
EMPLOYEES AS  
OUR GREATEST  
ASSET**





# EMPLOYMENT & LABOR PRACTICES

At K&S, people matter. We are an organization that commits to establishing a workplace that provides our employees with exciting and challenging opportunities to grow their careers. Our talented employees are critical to our ability to achieve our vision to be the leading technology and service provider of innovative interconnect solutions enabling a smart future.

Our people strategy focuses on the following to achieve our organizational goals:



### Robust Talent Acquisition and Development:

Developing a competent and future ready workforce, and building a steady and energized talent pipeline



### A Culture that Empowers and Supports:

Creating a work culture that is diverse and inclusive, fostering a fair and supportive work environment





## Robust Talent Acquisition and Development

Our goal is to recruit, develop and retain a high performing and diverse workforce whilst building a cohesive culture that promotes a productive work environment for employees. This enables us to maximize the potential of individual employees and their contributions to the organization.

At K&S, we adopt progressive Human Resources (HR) practices. Our regional HR managers support our business leaders and managers, ensuring that our employment and labor practices adhere to regional and local regulations. These policies are reviewed and benchmarked against market peers to help ensure continual improvement in our implementation of leading practices on recruitment, onboarding and employee development. Our HR function also includes Centers of Excellence that provide guidance and resources to support our organization in Talent Management, Talent Acquisition, HR Management Information System, Learning and Development, and Compensation and Benefits.

The professional growth of our employees is a high priority at K&S. We commit to continual investment in career development activities and learning to stay competent and valued in our highly competitive industry.

### Case Study on Collaboration with Universities in Recruitment

At K&S, we take pride in the relationships we have developed with Colleges and Universities to provide learning and future career opportunities for students around the globe. One such program is centered in our Research & Development site in Fort Washington, Pennsylvania and is in partnership with Drexel University, a private university in Philadelphia, PA. As a CO-OP employer, we partner with the University to help their students gain “real world” engineering experiences. This program has enabled us to build a talent pipeline of highly motivated and skilled future employees and has allowed us the opportunity to build relationships with students before they join the workforce. Annually, K&S would work in collaboration with the University to interview and shortlist from a list of prospective students. The selected students are then engaged to work a flexible 6-month term where they develop hands-on experience on the type of work they may be exposed to after receiving their engineering degrees, including Software, Electrical, Mechanical and Systems Engineering. Through this and other similar programs, K&S establishes a pipeline of talented engineers to join our engineering workforce.

We encourage our employees to develop their functional and leadership skills and gain different experiences as they grow within the organization. We achieve this through our Learning and Development Framework (L&D Framework) which is based on identified professional and management competencies and our K&S core values. The L&D framework is tailored to specific target groups such as new hires, professional and support staff levels, manager levels and identified key talents. These development programs are also based on the 70/20/10 learning and development model where individuals obtain:



**70%**

of their knowledge through experiential learning



**20%**

through social learning



**10%**

from formal educational events

We provide opportunities to our employees to participate actively in technical and soft skill training programs, guiding them through peer coaching and mentoring, and encouraging them to develop professionally through various stretch assignments and projects.

## K&S Launches New Career Progression Framework

We launched the Career progression framework with identified competencies mapped to the Professional & Management Levels respectively. The framework provides employees clarity and opportunity to take charge of their progression in K&S. Each competency has four stages of development, and each stage of development is tied to the respective job levels. A competency self-assessment tool was also introduced with the framework for managers and employees to assess their level of progression readiness.

Self-assessment tools provide the opportunity for employees to remain self-aware of their career development stage and trajectory, and for managers to assess the employees' level of progression readiness for the next stage of responsibilities. The self-assessment outcome allows employees and their managers to discuss and map the next steps of progression for the employees.

The tools outline and monitor for specific competencies and behaviors across two developmental tracks – the Professional Track and Managerial Track. Employees can evaluate their capabilities against specific behaviors outlined in the four stages of development and determine what competencies they need to develop to get to the next stage of their career goals. Managers can also conduct assessments, share the results with their employees to determine any gaps that might need development opportunities, and work on a joint action plan to help the employee accomplish their career goals.

This framework was designed and implemented in part based on feedback from our employees through the Voice of K&S Employee engagement surveys.



## A Culture that Empowers and Supports

We attract and retain our talents by offering not only progressive career paths and a formal L&D framework but also competitive compensation and benefits. We strive to ensure fair, equitable, and competitive pay for all employees, including fixed base compensation and performance based variable pay. We obtain market knowledge about pay levels and assess our competitiveness by participating in multiple globally recognized compensation surveys annually. These surveys, augmented by other data sources we use, benchmark against other participating companies in our industry and relevant labor markets to determine market competitive pay ranges for all our positions globally. K&S ensures that our employee benefits<sup>13</sup> are compliant in the cities, municipalities, states and countries in which we operate, while annual benefits benchmarking ensures that our benefits are attractive and competitive in the markets where we compete for talent.

We recognize the importance of personal wellness of our employees by providing paid vacation, sick leave and paid holidays, as well as health and welfare programs per the country requirements and market practices where we conduct business and have employees. We also provide retirement benefits customary for locations where we operate where applicable.

We act prudently in our daily interactions with our colleagues, customers, suppliers and other business associates in accordance with the Code of Business Conduct. This involves maintaining an open-door policy and providing multiple avenues for employees to voice their concerns and raise suggestions. Employees may also report any grievances through the global Whistleblower Hotline without fear of retaliation. All grievances received will be investigated and reviewed by the Legal department and the Audit Committee of K&S' Board of Directors. Employees also have access to local HR representatives and the Global Vice President of HR.

### Voice of K&S Employee Engagement Survey

The opinions and concerns of our employees matter. As part of our employee engagement initiatives, we periodically conduct a global employee engagement survey, the Voice of K&S, to gather feedback from all our employees on various aspects of their work and on our corporate culture. The survey allows us to assess workplace factors important to employees and address concerns raised based on their feedback. In addition, the survey results provide us with opportunities to strengthen employee engagement and scale new levels of quality, innovation and agility as

an organization. All employees are encouraged to participate in the survey and we have a 95% average response rate in our past surveys. Survey results are reviewed by management teams to identify improvement opportunity areas. Following employee feedback in the last survey, we introduced a formalized career progression framework and associated tools to provide clarity and guidance to both managers and employees. The next survey is planned for FY2023.

### Embracing Diversity and Inclusivity in Our Workforce

K&S is committed to providing a diverse and collaborative environment that is rich in opportunities which enables our employees to grow both professionally and personally in their careers within the organization. We foster an environment that treats all employees with dignity and respect. We believe that the combined knowledge and diverse views that our employees contribute across our global locations strengthens our competitive edge. We value different backgrounds and celebrate unique perspectives as we believe that diversity and inclusion are essential to creating an environment where we can achieve our core value of innovating for success. In FY2021, we formalized a Diversity & Inclusion (D&I) Pillar under our Corporate Social Responsibility<sup>14</sup> initiatives. Our D&I vision is to enhance and improve the experience of everyone who works at K&S; encourage and recognize their contributions and successes, in an inclusive, cohesive, and collegial environment; and celebrate the diverse voices of our employees.



## K&S Launches The First-Ever K&S Diversity Digest

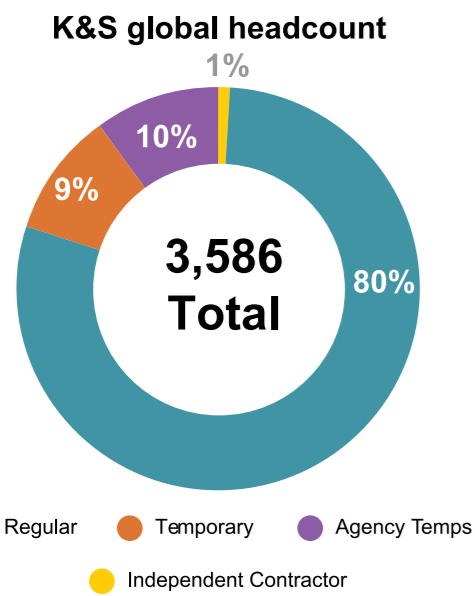
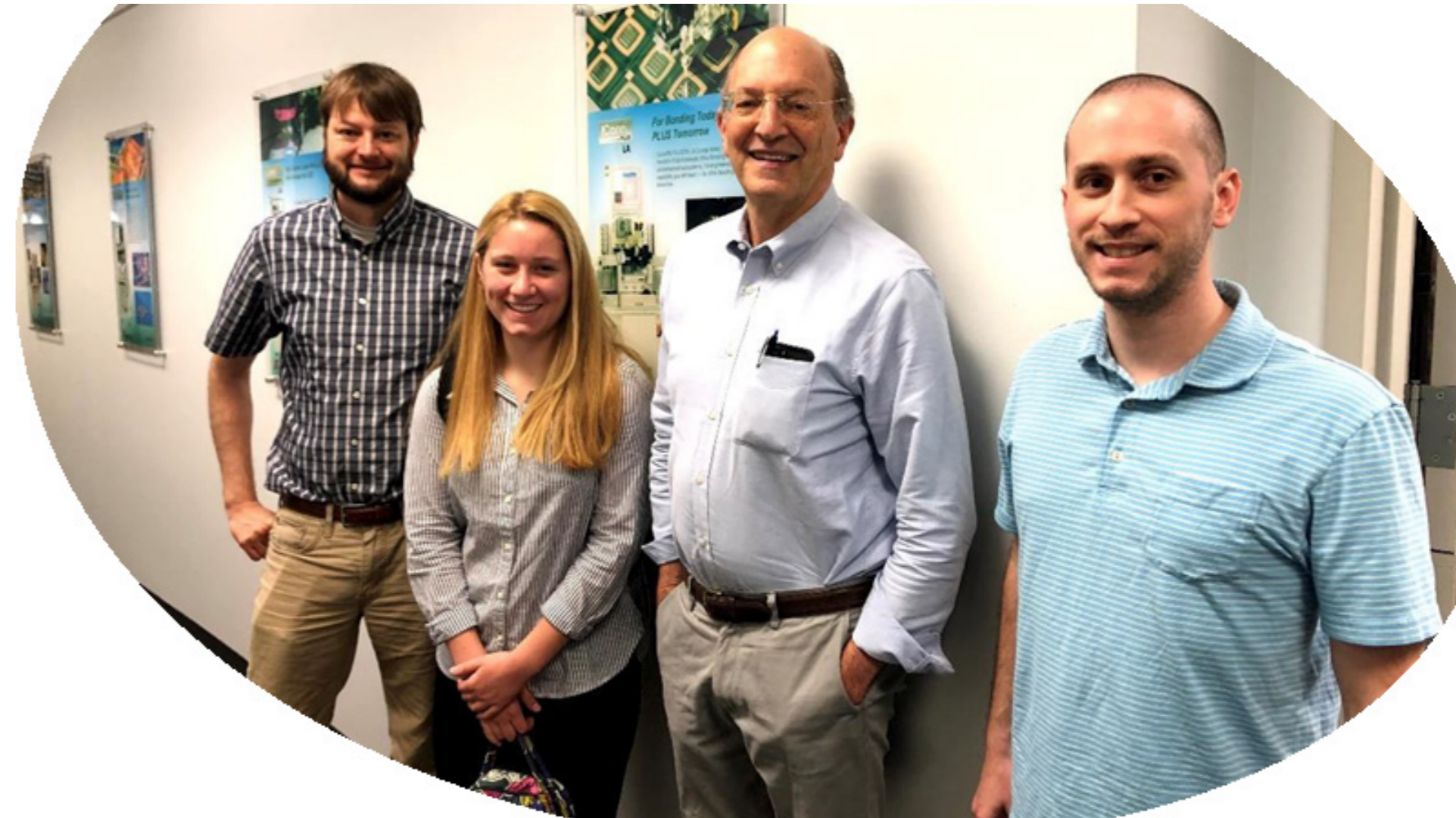
In July 2021, K&S published the first issue of the K&S Diversity Digest - a quarterly newsletter to equip ourselves with current D&I knowledge to better serve our employees, clients and communities. The newsletters also serve as a communication channel for employees to remain aware of the various D&I activities and accomplishments within the company.

In the first newsletter, we shared our intention of creating a strategic plan to further promote D&I conversations and learning at K&S to better nurture a supportive and fair work environment. This entails evaluating our current processes to recruit qualified candidates from different backgrounds, experiences, and talents, as well as supplementing more internal development opportunities.

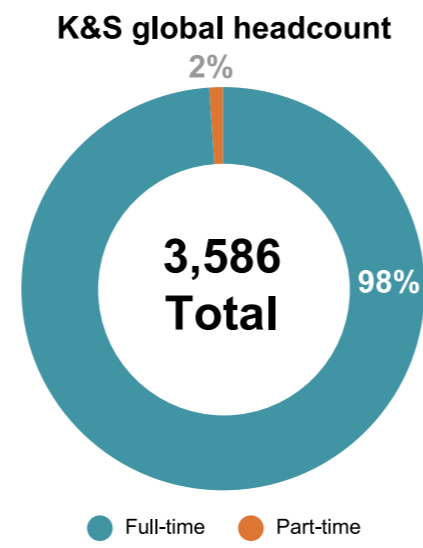
<sup>13</sup>More information on employee benefits can be found at [www.kns.com/Careers/Careers/Lifeat-K-S#Benefits](http://www.kns.com/Careers/Careers/Lifeat-K-S#Benefits)

<sup>14</sup>See page 12 for details

In the US, we comply with Affirmative Action principles and conduct a demographics review of our workforce where we work with an external partner to conduct the assessment and provide us with feedback for improvement. The efforts we take include expanding our job posting to job boards that target minorities and women, and embarking on Manager-level training to identify and eliminate bias. In an industry where women have traditionally been a small minority, 35% of our workforce is female. We will continue our efforts in increasing women representation in our global workforce.

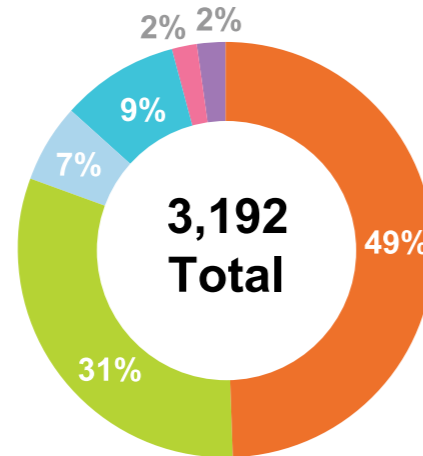


| Employment Contract    | Male         | Female       |
|------------------------|--------------|--------------|
| Regular                | 1,856        | 998          |
| Temporary              | 205          | 134          |
| Agency Temps           | 265          | 84           |
| Independent Contractor | 34           | 10           |
| <b>Total</b>           | <b>2,360</b> | <b>1,226</b> |



| Employment Type | Male         | Female       |
|-----------------|--------------|--------------|
| Full-time       | 2,323        | 1,204        |
| Part-time       | 37           | 22           |
| <b>Total</b>    | <b>2,360</b> | <b>1,226</b> |

**Breakdown for six operational sites**



| Site                   | Regular      | Temporary  | Agency     |
|------------------------|--------------|------------|------------|
| Singapore              | 948          | 292        | 317        |
| Suzhou, China          | 979          | 18         | 0          |
| Eindhoven, Netherlands | 170          | 1          | 32         |
| Fort Washington, USA   | 267          | 22         | 0          |
| Santa Ana, USA         | 75           | 0          | 0          |
| Haifa, Israel          | 71           | 0          | 0          |
| <b>Total</b>           | <b>2,510</b> | <b>333</b> | <b>349</b> |

# OCCUPATIONAL HEALTH & SAFETY

The health and safety of our employees is of utmost importance to K&S and forms an integral part of our organizational culture. K&S' commitment to providing a safe and healthy workplace is reflected in our Corporate IMS certification across our core six sites for the Occupational Health and Safety Management System based on ISO 45001 standard. This compliance harmonizes the Environmental, Health and Safety (EHS) policy and procedures of our global sites.

All EHS practices, objectives and performance targets at each of our sites are overseen by an EHS Committee, led by an EHS Manager or a Safety Representative from each key operations function.



We make effort to consult and involve all employees in building a safe and healthy work environment where everyone is encouraged to take ownership and responsibility for organizational safety. Employees are also empowered to speak up about potential risks, near misses and safety incidents. Every safety issue is thoroughly investigated and safety rectifications and alerts are sent out to prevent recurrences.

To ensure that every member of the staff is up-to-date and familiar with our safety standards and actions, we roll out regular health and safety-related trainings. The training includes an online based Corporate Safety Training module as well as hands-on preparedness training comprising periodic fire drill evacuations, first-aid, fire-fighting and hazardous chemical spillage response drills. This training is also included in the on-boarding program for new hires. Refresher training is conducted once every two years.

In FY2021, we continued to achieve

# 100%



global employee completion in Corporate Safety Training.

Additionally, as part of our business continuity measures, we have assembled a management-led COVID-19 Committee comprising directors and managers of various key departments to provide global oversight and guidance in implementing site-specific business continuity and risk mitigation plans across our key sites. We regularly communicate with country management teams and employees and tailor our policies according to the latest developments and guidelines provided by global authorities such as World Health Organization (WHO) and the local authorities at each site with the goal of ensuring the safety of all our team members whilst minimizing disruption to operations and providing support to our local communities.

## K&S Santa Ana and Suzhou Jointly Wins FY2021 CEO OHS Challenge

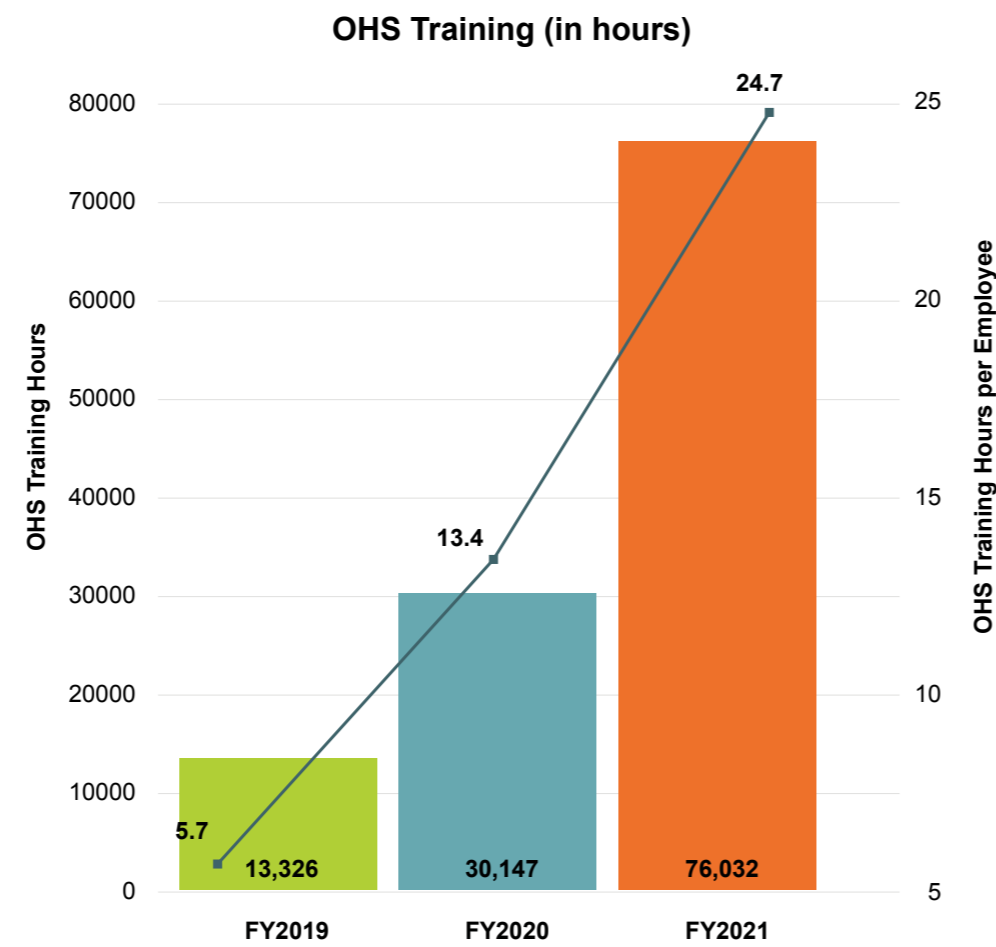
Every year since 2015, K&S holds an annual CEO OHS Challenge to recognize one K&S site for OHS excellence. The challenge strives to instill safety as part of our organizational culture by introducing the element of competition to incentivize staff to integrate safety actions into their day-to-day.

Sites engage in friendly 'competition' for the top spot based on performance indicators such as training hours, attendance rates, accident frequency rates and accident severity rates. In FY2021, K&S Santa Ana and Suzhou both came in tops at this year's CEO OHS Challenge for achieving best and sustained OHS performance.





In FY2021, there were five reportable accidents<sup>15</sup>. Across all six sites, there were zero fatalities and zero cases of occupational diseases reported.



Goal: OHS Training Hours per Employee: > 8 hours

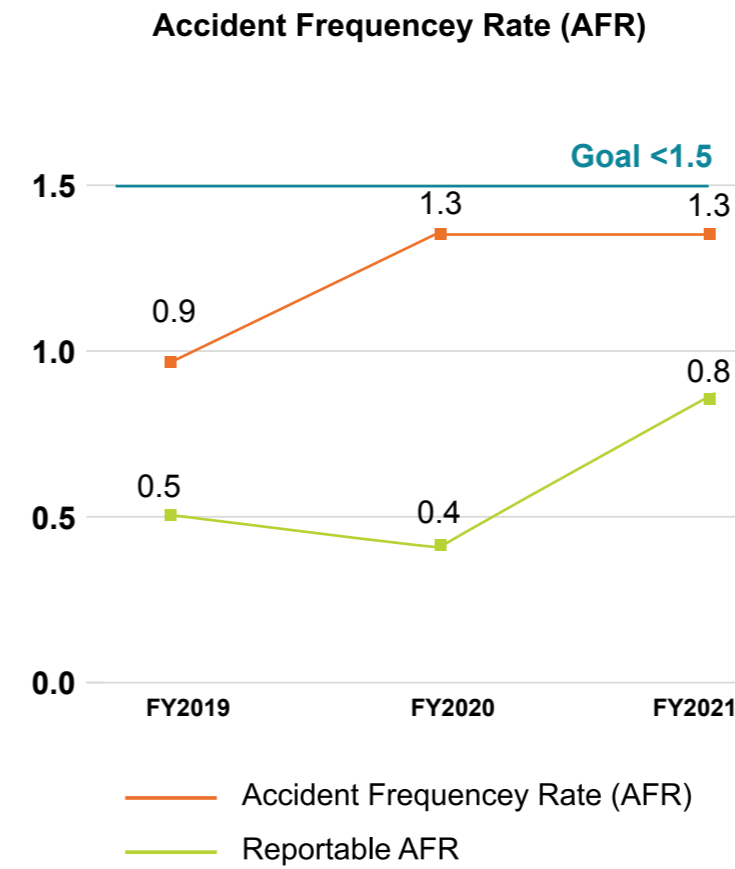
Achieved: 24.7

Achieved

**24.7 HOURS**



per employee in OHS Training exceeding goal of >8 hours per employee

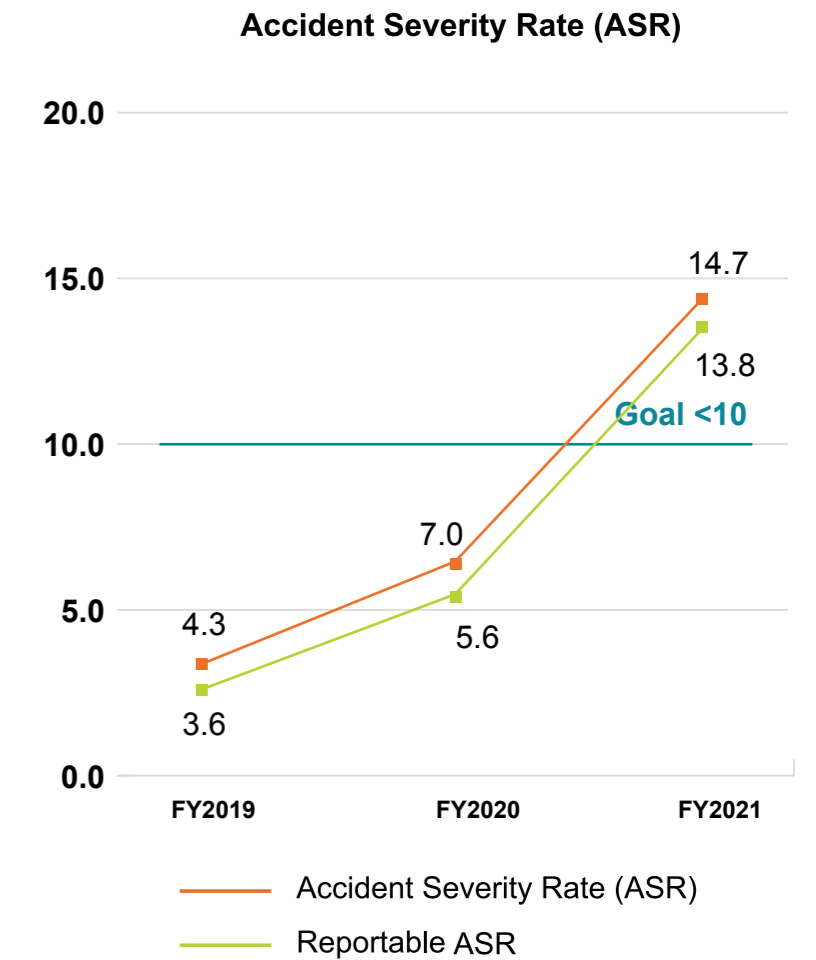


Achieved

**ZERO**



fatalities and occupational related disease



Achieved

**1.3 AFR AND 14.7 ASR<sup>16</sup>**



meeting goal of <1.5 AFR and missed goal of <10 ASR

<sup>15</sup>Reportable accident: A non-fatal injury or illness which results in a medical leave taken of four or more days. Non-reportable accident: A non-fatal injury or illness which results in a medical leave taken of one or more days. K&S tracks non-reportable accidents internally.

<sup>16</sup>All accidents were thoroughly investigated, hazard risks reassessed with safety rectifications to prevent recurrences and safety alerts were sent out to notify all employees.



## Mental Wellness Talk



### Optimism: The Power of Positive Thinking

Positive thinking is a mental and emotional attitude of expecting good and favorable results, and not getting discouraged when plans do not proceed as expected.

This workshop will teach employees how to develop Optimism and how Positive Thinking can enhance motivation, self-esteem and personal wellbeing.



### Managing Anxiety: How to Stop Worrying

Anxiety is a feeling of uneasiness and worry, usually generalized and unfocused as an overreaction to a situation that is only subjectively seen as menacing.

This workshop explores effective methods to reduce anxiety, emotional stress and mental exhaustion.



### The Art of Resilience Building

Resilience means having the ability to respond to change or adversity proactively and resourcefully.

This workshop involves teaching employees how to consciously develop behaviors and coping strategies that can help them respond to challenges effectively in their personal and professional lives.

## Sustaining Employees' Mental Health Through the Pandemic

The on-going COVID-19 pandemic has taken an emotional and mental toll on employees worldwide. K&S recognizes this and strives to put in place resources to help our employees cope with the added stress in a healthy manner.

Within the year, K&S organized a series of lunchtime mental wellness talks by registered professionals for our Southeast Asia (SEA) employees to provide educational guidance in ensuring our employees emotional and mental well-being remains resilient and supported during this period.

Globally, we send periodic email messages to K&S employees containing articles on practical tips to alleviate work and personal stresses to remind them to make wellness a daily priority in their day to day.

Recreation and stress relieving activities were also conducted, keeping in line with safety management measures for COVID-19, to boost mental wellness and social interactions. In Singapore, a Mini Lego assembly challenge was organized for employees to compete for prizes by assembling Lego blocks within the shortest time.





# 7 DOING WELL BY DOING GOOD



# PACT TO OUR COMMUNITIES

While COVID-19 continues to present challenges to all of us today, it has only served to strengthen our resolve and commitment to uplift the communities that K&S operates in. Through our long-standing collaborations with non-governmental organizations and other partners, we continued to step up our community engagement efforts across all our six operational sites; in FY2021, our community investments totaled US\$150,000.

## Our FY2021 Community Impact by The Numbers

Packed and donated

**US\$58,000**

of food to the underserved



**25**

CSR activities in FY2021

**800**

Volunteer hours



**27**

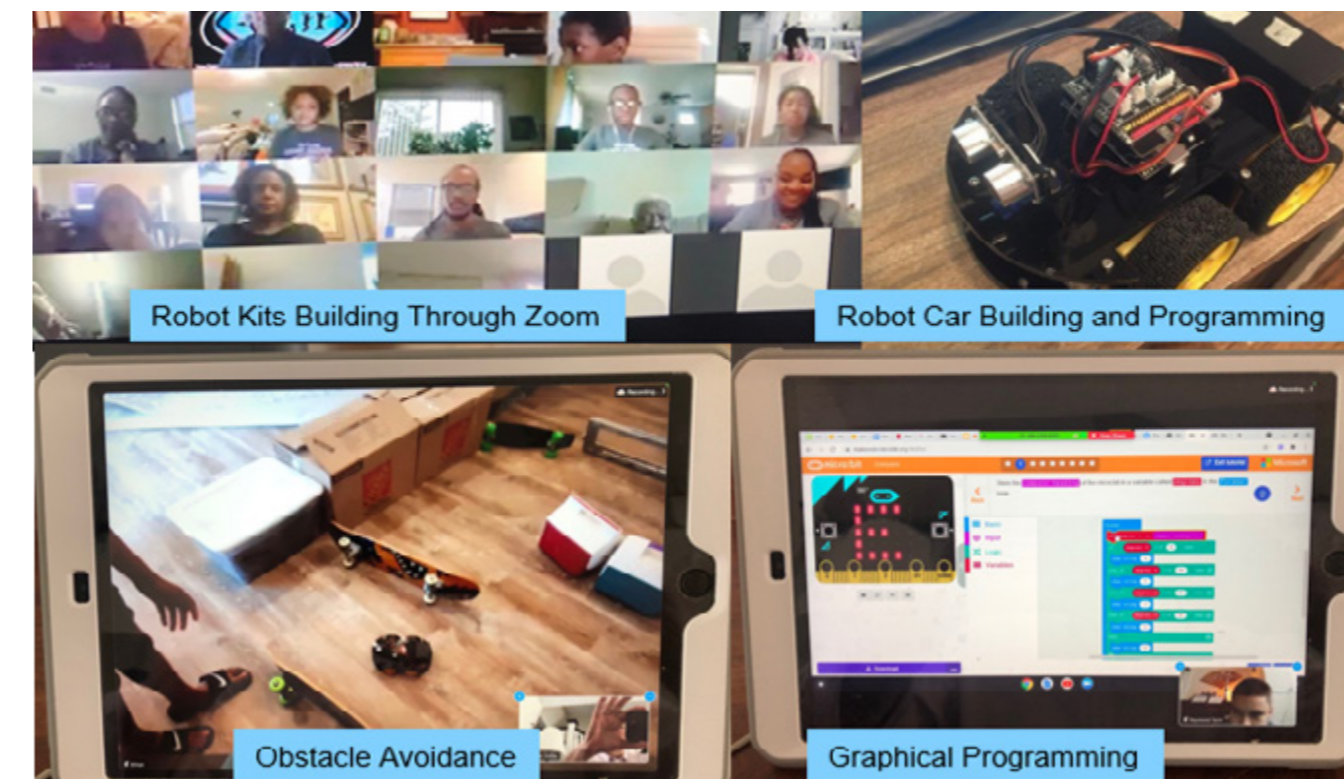
Internships supported

**>US\$150,000**

invested in our communities



## Supporting the Next Generation of Talents in STEM



To develop the next generation of talented individuals, we provide STEM (Science, Technology, Engineering & Mathematics) classes for children aged 8-13 years old. Besides a donation of US\$10,640 for education materials and resources, 3 of our employees also went beyond and committed up to 200 hours for curriculum planning, class preparation, and teaching.



We also set up a K&S Library at a primary school located in the mountains of Yun Nan, China, by sending them RMB50,000 (US\$7,740) worth of books. Through this initiative, we hope to provide these children with 'windows' to a more wonderful world through these books. US\$2,000 of tuition fees was also subsidized to support underprivileged students who are unable to afford the tuition fees due to financial constraints. We continue to keep in touch with these students to understand their living needs and provide them with appropriate help promptly.



### **Lending a Hand to the Underserved Communities**

K&S is dedicated to supporting highly vulnerable communities to help them overcome and thrive under tough circumstances. In FY2021, our businesses and employees helped more than 1,300 individuals through fundraising and volunteering efforts, provision of products, and direct donations. K&S Suzhou held a voluntary blood donation activity in collaboration with Suzhou Blood Center, themed as "Fight the Epidemic together and Donate your Love". Blood donated will help victims of the epidemic. 43 employees participated and donated 13,400 ml of blood to help those in need.

Over at K&S Fort Washington, US\$5,000 was donated to the Philabundance Hunger Relief organization, with our volunteers helping with packing and sorting donated food items. In addition, over US\$3,000 was also donated to Convoy of Hope for providing relief supplies to the victims of Hurricane Ida in New Orleans. Moreover, about US\$3,000 of donations from our employees was raised during the American Cancer Society Bike-a-Thon, the largest single-day bike event targeting to spread the word about reducing cancer risk and provide critical funds for cancer research.

At K&S Santa Ana, US\$2,800 was donated to Jordan Academy of Language & Computer Science, a middle school in Costa Mesa, CA. The event benefited about 60 underserved kids through the school supplies donated which included gifts such as backpacks, school stationery, binders and physical education equipment.



K&S Israel's employees donated to "Association for Children at Risk - Center for Autism Research & Treatment" in support of children in Israel with Autism to help them and their caregivers lead better lives. The donation will go a long way in helping the center to equip these children with life skills that will enable them to integrate more holistically into society.





Beyond monetary donations, K&S provides support to vulnerable groups in our communities by volunteering our time and effort. At Israel, we packed and distributed food packages to underserved families in Israel, including 40 Holocaust survivors. We also partnered with FoodBank Singapore, Kechara Soup Bank Malaysia, and Andrew Charity Association in Taiwan – all of which are non-profit organizations that serve homeless and marginalized individuals in the community by collecting excess food from food suppliers and re-distributing them to places such as old folks' homes, family service centers and soup kitchens.



In Singapore, Fort Washington, and the Netherlands, we also refurbished and donated old monitors, computers, and laptops to charities and other non-profit organizations. With many schools switching to Home-Based Learning to cope with the COVID-19 restrictions, this initiative was particularly beneficial for children in needy families who were unable to afford new computers and laptops. Besides technological devices, 181 pieces of cloths and goods were donated to the Beautiful Store, a social welfare organization in Korea which distributes them to orphanages and nursing homes. In addition, face shields, disposable shoe covers, and medical N95 masks, amounting to US\$5,000, were donated to the local government in Taiwan to augment their COVID-19 response.

## Moving Towards a Sustainable Future

At K&S Netherlands, employees are encouraged to ride their bicycles to work, promoting a healthier lifestyle and significantly reducing the impact of our transport. Through this Cycling-to-Work Challenge initiative, we managed to reduce 906 kg of CO<sub>2</sub> emissions in the first half of the year. We also collected empty cartridges and sold them to remanufacturers who would prepare them for re-use. Money collected from the sold cartridges was used to support the AAP Foundation, an international animal welfare organization focused on protecting animals.

This year, K&S partnered with the Jewish National Fund (JNF) in “Planting Hope for the Future” to celebrate the Tu BiShvat Jewish holiday, which means “New Year of the Trees” and is celebrated on 28 January by raising ecological awareness and planting trees. Donations were made online through JNF’s website to plant a tree in the name of each of our 76 employees at the Haifa site. These efforts were dedicated to the restoration of the Galilee Landscape Forest which were affected by a fire in October 2020.



CERTIFICATE | תעודת

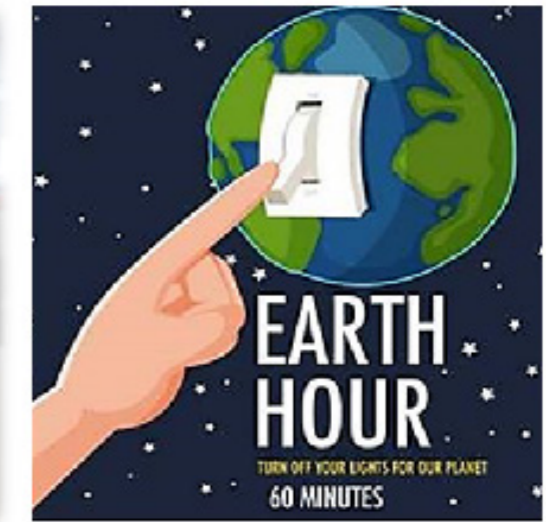
קרן קיימת לישראל  
 תיטע עץ אחד למען עתיד ירוק ומתחדש  
 ומודה לך על הסיוע בשיקום היערות ברחבי הארץ

לכבוד  
 חווה רחנברג

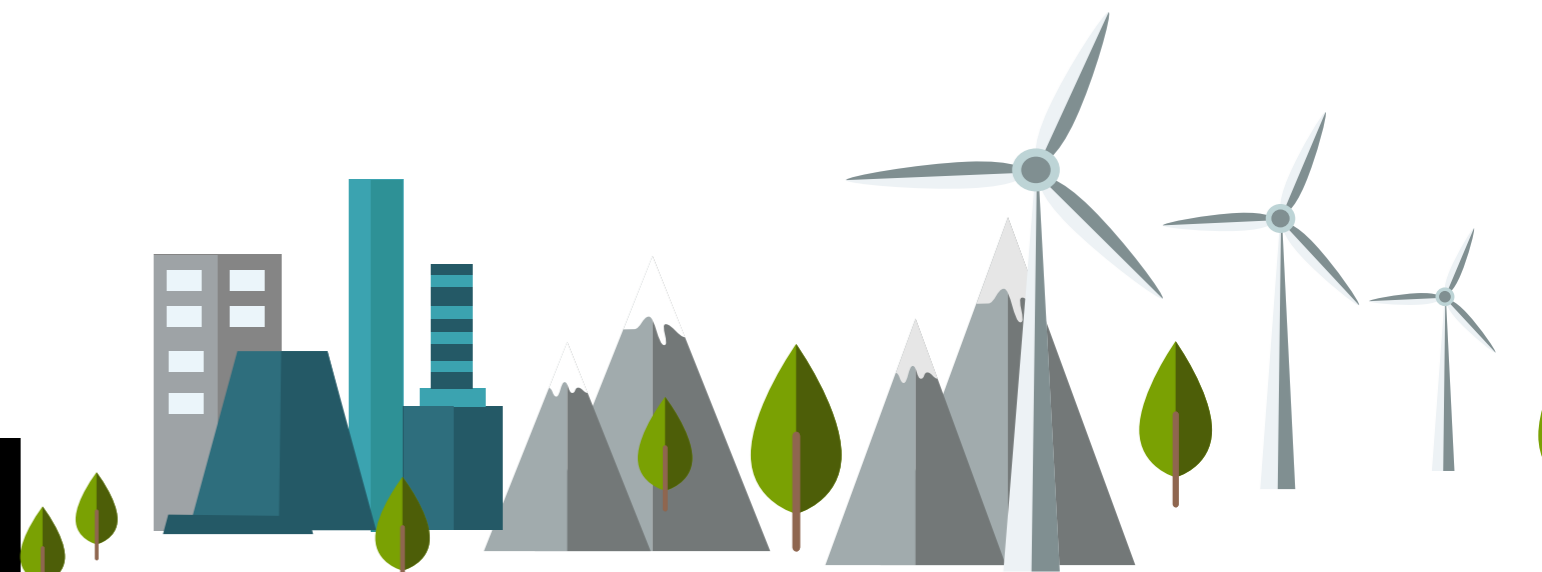
חג ט"ו בשבט שמח לך ולמשפחתך



28/1/2021



K&S continues to fulfill its annual global commitment to Earth Hour on 27 March 2021, with all sites supporting the event in one form or another by switching off non-essential lights, appliances, machines, and other electrical devices. In Israel, a plant was shut down on 26 March 2021; in Singapore, all non-essential lights were switched off for two hours from 8 pm to 10 pm. At our USA and Netherlands sites, all air-conditioning units, lighting, and non-essential equipment were also switched off. Collectively, we saved more than 1,000 kg of CO<sub>2</sub> emissions this year.





# 8 ANNEXES

## KEY ESG PERFORMANCE SUMMARY

### Environmental

GRI 302: Energy – GRI 302-1, 302-3

| Energy consumption within the organization (GRI 302-1)                | FY2019 | FY2020 | FY2021  |
|---|--------|--------|---|
| Total electricity consumption (GJ)                                    | 80,932 | 80,968 | 92,102  |
| Total electricity consumption (MWh)                                   | 22,481 | 22,491 | 25,584  |
| Energy intensity (GRI 302-3)  | FY2019 | FY2020 | FY2021  |
| Electricity consumption intensity (MWh / million \$US of net revenue) | 41.6   | 36.1   | 16.9<br>(Achieved FY2021 goal of >2% YoY reduction) |

GRI 303: Water and Effluents – GRI 303-5, non-GRI metric

| Water consumption (GRI 303-5)   | FY2019   | FY2020 | FY2021   |
|---|--|--------|--|
| Total water consumption (tons)  | 67,602   | 81,684 | 82,677   |
| Total water consumption (tons) from all areas with water stress           | Water consumption data from areas with water stress were not collected this year, and K&S will work towards collecting this data for future SRs. |        |  |
| Water consumption intensity (non-GRI metric)                              | FY2019   | FY2020 | FY2021   |
| Water consumption intensity at Suzhou, China site (tons / million output) | 4,666  | 4,493  | 3,980<br>(Achieved FY2021 goal of >1% YoY reduction) |

GRI 305: Emissions – GRI 305-2, 305-4

| Energy indirect (Scope 2) GHG emissions (GRI 305-2)  | FY2019 | FY2020 | FY2021 |
|--|--------|--------|--------|
| Total Scope 2 GHG emissions (tons of CO <sub>2</sub> e)                                    | 13,484 | 13,260 | 14,667 |
| GHG emissions intensity (GRI 305-4)  | FY2019 | FY2020 | FY2021 |
| Scope 2 GHG emissions intensity (tons of CO <sub>2</sub> e / million \$USD of net revenue) | 25.0   | 21.3   | 9.7    |

GRI 306: Waste – GRI 306-3, non-GRI metric

| Waste generated (GRI 306-3)  | FY2019 | FY2020 | FY2021  |
|--|--------|--------|---|
| Total solid waste generated (tons)   | 506.6  | 591.0  | 1,025.2   |
| Total solid waste recycled (tons)  | 275.3  | 352.4  | 623.1   |
| Percentage of solid waste recycled (%)   | 54.3   | 59.6   | 60.8<br>(Achieved FY2021 goal of >55% recycling rate) |
| Total hazardous waste generated (tons)   | 245.0  | 464.3  | 542.1   |
| Hazardous waste generation intensity at Suzhou, China site (kg / million output) | 18,571 | 21,558 | 18,376<br>(Achieved FY2021 goal of >2% YoY reduction) |

| Paper Usage (non-GRI metric)                              | FY2019 | FY2020 | FY2021  |
|---|--------|--------|---|
| Total paper usage (kg)                                    | 16,518 | 17,980 | 20,966  |
| Paper usage intensity (kg / million \$USD of net revenue) | 30.6   | 28.9   | 13.8<br>(Achieved FY2021 goal of >3% YoY reduction) |

**Social**

GRI 102-8: Information on employees and other workers

| Total number of employees by employee contract and gender (GRI 102-8a) | FY2019  |           | FY2020  |           | FY2021 <sup>17</sup> |           |              |
|--|---------|-----------|---------|-----------|----------------------|-----------|--------------|
|  | Regular | Temporary | Regular | Temporary | Regular              | Temporary | Agency Temps |
| Total number of employees  | 2,158   | 26        | 2,469   | 145       | 2,854                | 339       | 349          |
| Male   | 1,271   | 19        | 1,536   | 106       | 1,856                | 205       | 265          |
| Female   | 887     | 7         | 933     | 39        | 998                  | 134       | 84           |

| Total number of employees by employee contract and region (GRI 102-8b) | FY2019  |           | FY2020  |           | FY2021  |           |              |
|--|---------|-----------|---------|-----------|---------|-----------|--------------|
|  | Regular | Temporary | Regular | Temporary | Regular | Temporary | Agency Temps |
| Total number of employees  | 2,158   | 26        | 2,469   | 145       | 2,854   | 339       | 349          |
| Singapore site   | 661     | 11        | 661     | 46        | 948     | 292       | 317          |
| Suzhou, China site   | 975     | 4         | 1,011   | 7         | 979     | 18        | 0            |
| Eindhoven, Netherlands site  | 152     | 0         | 168     | 54        | 170     | 1         | 32           |
| Santa Ana, USA site  | 76      | 1         | 73      | 4         | 75      | 0         | 0            |
| Fort Washington, USA site  | 211     | 10        | 224     | 33        | 267     | 22        | 0            |
| Haifa, Israel site   | 83      | 0         | 78      | 1         | 71      | 0         | 0            |
| Other global sites   | 0       | 0         | 254     | 0         | 344     | 6         | 0            |

| Total number of employees by employee type and gender (GRI 102-8c) | FY2019    |           | FY2020    |           | FY2021    |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Full-time | Part-time | Full-time | Part-time | Full-time | Part-time |
| Total number of employees  | 2,147     | 37        | 2,552     | 62        | 3,527     | 59        |
| Male   | 1,279     | 18        | 1,608     | 34        | 2,323     | 37        |
| Female   | 868       | 19        | 944       | 28        | 1,204     | 22        |

GRI 401: Employment – GRI 401-2

| Benefits provided to full-time employees (GRI 401-2) | Group Level ( <a href="https://www.kns.com/Careers/Careers/Life-at-K-S">https://www.kns.com/Careers/Careers/Life-at-K-S</a> )   |
|--|---|
| Your Health and Protection                           | <ul style="list-style-type: none"> <li>Company-sponsored retirement plans</li> <li>Health and welfare insurance coverage</li> <li>Additional paid time off/non-statutory leaves</li> </ul>  |
| Your Pay and Rewards                                 | <ul style="list-style-type: none"> <li>Base salary and performance based variable incentive programs for all employees</li> </ul>   |
| Investing in Your Future                             | <ul style="list-style-type: none"> <li>Technical training</li> <li>On the job training</li> <li>In house core quality training</li> <li>Professional Development programs</li> <li>Management Skills training for supervisors and team leaders</li> </ul> |
| Balance Your Work and Life                           | <ul style="list-style-type: none"> <li>Vacation</li> <li>Sick days and Personal days</li> <li>Paid Holidays</li> </ul>  |

<sup>17</sup>See page 53 for details



GRI 403: Occupational Health and Safety – GRI 403-9, non-GRI metrics

| Work-related injuries (GRI 403-9)  | FY2019   | FY2020    | FY2021    |
|--|--|-----------|-----------|
| Total number of fatalities as a result of work-related injury                  | 0  | 0         | 0         |
| Total number of high-consequence work-related injuries (excluding fatalities)  | High-consequence work-related injuries data were not collected this year, and K&S will work towards collecting this data for future SRs. |           |           |
| Total number of recordable work-related injuries                               | Recordable work-related injuries data were not collected this year, and K&S will work towards collecting this data for future SRs.       |           |           |
| Rate of fatalities as a result of work-related injury (per 200,000 work hours) | 0  | 0         | 0         |
| Rate of high-consequence work-related injuries (per 200,000 work hours)        | High-consequence work-related injuries data were not collected this year, and K&S will work towards collecting this data for future SRs. |           |           |
| Rate of recordable work-related injuries (per 200,000 work hours)              | Recordable work-related injuries data were not collected this year, and K&S will work towards collecting this data for future SRs.       |           |           |
| Total number of work hours   | 4,417,030  | 4,482,408 | 6,243,329 |

| OHS Key Indicators (non-GRI metrics)               | FY2019 | FY2020 | FY2021                                    |
|--|--------|--------|---|
| Accident Frequency Rate (per 1,000,000 work hours) | 0.9    | 1.3    | 1.3<br>(Achieved FY2021 goal of AFR <1.5) |

| OHS Key Indicators (non-GRI metrics)              | FY2019 | FY2020 | FY2021 |
|---|--------|--------|--------|
| Accident Severity Rate (per 1,000,000 work hours) | 4.3    | 7.0    | 14.7   |
| Total number of accidents                         | 4      | 6      | 8      |

| OHS Key Indicators (non-GRI metrics)                      | FY2019 | FY2020 | FY2021                                  |
|---|--------|--------|---|
| Total number of man-days lost                             | 19     | 32     | 92                                      |
| Total number of OHS training hours                        | 13,326 | 30,147 | 76,032                                  |
| Overall average number of OHS training hours per employee | 5.7    | 13.4   | 24.7<br>(Achieved FY2021 goal of >8hrs) |

**Governance**

GRI 205: Anti-corruption – GRI 205-2

| Communication and training about anti-corruption policies and procedures (GRI 205-2)   | FY2019    | FY2020    | FY2021    |
|--|-----------|-----------|-----------|
| Percentage of governance body members that the organization’s anti-corruption policies and procedures have been communicated to (%)  | 100       | 100       | 100       |
| Percentage of employees that the organization’s anti-corruption policies and procedures have been communicated to (%)                | 100       | 100       | 100       |
| Percentage and number of business partners that the organization’s anti-corruption policies and procedures have been communicated to | 100% (56) | 100% (54) | 100% (61) |
| Americas   | 100% (12) | 100% (12) | 100% (12) |
| Europe   | 100% (16) | 100% (16) | 100% (17) |
| China  | 100% (12) | 100% (13) | 100% (19) |
| Japan  | 100% (2)  | 100% (2)  | 100% (2)  |
| Korea  | 100% (3)  | 100% (3)  | 100% (3)  |
| Taiwan   | 100% (2)  | 100% (1)  | 100% (1)  |
| Other SEA regions  | 100% (9)  | 100% (7)  | 100% (7)  |
| Percentage of governance body members that have received training on anti-corruption (%)   | 100       | 100       | 100       |
| Percentage of employees that have received training on anti-corruption (%)   | 100       | 100       | 100       |

GRI 416: Customer Health and Safety – GRI 416-1, 416-2

| Assessment of the health and safety impacts of product and service categories (GRI 416-1)                                     | FY2019 | FY2020 | FY2021 |
|---|--------|--------|--------|
| Percentage of significant product and service categories for which health and safety impacts are assessed for improvement (%) | 100    | 100    | 100    |

| Incidents of non-compliance concerning the health and safety impacts of products and services (GRI 416-2)   | FY2019 | FY2020 | FY2021 |
|---|--------|--------|--------|
| Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services | 0      | 0      | 0      |

Product Service & Innovation – non-GRI metric

| Dollar value invested into Research & Development (non-GRI metric) | FY2019 | FY2020 | FY2021 |
|--|--------|--------|--------|
| Amount of money invested into R&D (US\$ million)                   | 116    | >120   | >135   |

## GENERAL DISCLOSURES

| GRI Standard                      | Disclosure No  | Disclosure Title   | Remarks and/or Reasons for Omission (if applicable)   | Section of Report and Page Reference  |
|-----------------------------------|--|--|---|---|
| GRI 102: General Disclosures 2016 | <b>Organizational Profile</b>                                |  |   |   |
|                                   | 102-1  | Name of the organization   | Kulicke and Soffa Industries, Inc.  | About This Report (page 2)  |
|                                   | 102-2  | Activities, brands, products, and services   | K&S is a leading global provider of semiconductor and electronics assembly solutions, supporting the constantly evolving needs of the general semiconductor, automotive & industrial, memory, and LED markets.<br><br>More information about K&S' Solutions and Products can be found on here – <a href="https://www.kns.com/Solutions/">https://www.kns.com/Solutions/</a> and <a href="https://www.kns.com/Products/">https://www.kns.com/Products/</a> | Our Business Overview (page 6), K&S' websites   |
|                                   | 102-3  | Location of majority headquarter functions   | Singapore and Fort Washington, PA, USA.   | Our Business Overview (page 6)  |
|                                   | 102-4  | Location of operations   | 4 Manufacturing Sites, 7 Global R&D Centers, and 18 Global Sales & Service Offices  | Our Business Overview (page 6)  |
|                                   | 102-5  | Ownership and legal form   | Refer to the “Our Business Overview” section in this report.  | Our Business Overview (page 6)  |
|                                   | 102-6  | Markets served   | K&S takes pride in leveraging our strengths accrued over seven decades in pioneering interconnect solutions and working as a valued partner to customers and technology partners alike to support the constantly evolving needs of the general semiconductor, automotive & industrial, memory, and LED markets.<br><br>Refer to the “Our Business Overview” section in this report.   | Our Business Overview (page 6)  |
|                                   | 102-7  | Scale of the organization  | Total number of employees: 3,518<br>Total number of operations: 4 Manufacturing Sites, 7 Global R&D Centers, and 18 Global Sales & Service Offices<br>Revenue: US\$1,517.663 million  | Our Business Overview (page 6), Economic Performance (page 8), Employment & Labor Practices (page 53)                         |
|                                   | 102-8  | Information on employees and other workers   | Refer to the “Employment & Labor Practices” and “Key ESG Performance Summary” sections in this report.  | Employment & Labor Practices (page 53), Key ESG Performance Summary (page 64)   |
|                                   | 102-9  | Supply chain   | Refer to the “Our Business Overview”, “Responsible Supply Chain Management”, and “Ensuring Supply Chain Resilience” sections in this report   | Our Business Overview (page 6), Responsible Supply Chain Management (page 24), Ensuring Supply Chain Resilience (pages 26-27) |
| 102-10                            | Significant changes to the organization and its supply chain | Refer to the “Our Business Overview”, “Responsible Supply Chain Management”, and “Ensuring Supply Chain Resilience” sections in this report. | Our Business Overview (page 6), Responsible Supply Chain Management (page 24), Ensuring Supply Chain Resilience (pages 26-27)   |   |

| GRI Standard                      | Disclosure No  | Disclosure Title  | Remarks and/or Reasons for Omission (if applicable)   | Section of Report and Page Reference   |
|-----------------------------------|--|---|---|--|
| GRI 102: General Disclosures 2016 | <b>Organizational Profile</b>                        |   |   |  |
|                                   | 102-11   | Precautionary Principle or approach                                       | <p>K&amp;S utilizes an Enterprise Risk Assessment framework to better determine, assess and account for critical business risks on a recurring yearly basis, and overall promote a culture of prevention and improvement. Residual risks are reviewed and monitored for in the risk monitoring cycle.</p> <p>In a crisis, our Business Continuity Management (BCM) framework safeguards our ability to run a sustainable business to protect the interests of our stakeholders. We also have in place a streamlined Business Continuity Plan (BCP) that can be effectively and easily referenced in the event of a disruption and is communicated across all K&amp;S' six global sites.</p> | Business Resilience for Continuity (pages 28-30)   |
|                                   | 102-12   | External Initiatives  | Refer to "Our New CSR Framework", "Advocating Ethical Supplier Behavior", "Production Innovation and Smart Manufacturing", "Customer Satisfaction", "Employment & Labor Practices", and "Pact to Our Communities" sections in this report.  | Our New CSR Framework (pages 12-14), Advocating Ethical Supplier Behavior (page 25), Production Innovation and Smart Manufacturing (pages 40-43), Customer Satisfaction (pages 46-47), Employment & Labor Practices (page 50), Pact to Our Communities (pages 58-61) |
|                                   | 102-13   | Memberships of Associations   | Industry organizations in which K&S actively participated:<br>- Responsible Business Alliance (RBA)<br>- Responsible Mineral Initiative (RMI)   | Advocating Ethical Supplier Behavior (page 25), Sustainable Sourcing (pages 32-33)   |
|                                   | <b>Strategy</b>                                      |   |   |  |
|                                   | 102-14   | Statement from senior decision-maker                                      | Refer to the "A Message from Our President & CEO" section in this report.   | Message from our President & CEO (page 5)  |
|                                   | 102-15   | Key impacts, risks, and opportunities                                     | Refer to the "The K&S Materiality Assessment Process" and "Business Resilience for Continuity" sections in this report.   | Our Materiality Assessment Process (pages 19-21), Business Resilience for Continuity (pages 28-30)   |
|                                   | <b>Ethics and Integrity</b>                          |   |   |  |
| 102-16                            | Values, principles, standards, and norms of behavior | Refer to the "Our Vision, Mission, & Core Values" section in this report. | Our Vision, Mission, & Core Values (page 7)   |  |

| GRI Standard                      | Disclosure No                 | Disclosure Title   | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference                          |
|-----------------------------------|-------------------------------|--|--|---|
| GRI 102: General Disclosures 2016 | <b>Ethics and Integrity</b>   |  |  |   |
|                                   | 102-17                        | Mechanisms for advice and concerns about ethics            | <p>K&amp;S has an Anti-Corruption clause and Anti-Bribery laws in our Code of Business Conduct (Our Code), Direct and Indirect Code of Business Conduct, which are applicable to all K&amp;S employees, as well as direct and indirect suppliers.</p> <p>We also conduct company-wide e-training to reiterate our expectations of employee conduct. The e-training includes scenario discussions and quizzes for select employees to reinforce understanding of the Code, as well as to advocate sound and fair judgment in interactions and decision-making. In FY2021, we continue to achieve 100% training completion of our annual ethics training for our employees, including distributors and sales representatives.</p> <p>Refer to the “Governance &amp; Ethics for Strong Business Foundations” section in this report for more information.</p> | Governance & Ethics for Strong Business Foundations (page 23) |
|                                   | <b>Governance</b>             |  |  |   |
|                                   | 102-18                        | Governance structure                                       | Refer to the “Our Sustainability Governance Structure” section in this report.   | Our Sustainability Governance Structure (page 15)             |
|                                   | 102-31                        | Review of economic, environmental, and social topics       | Refer to the “The K&S Materiality Assessment Process” section in this report.  | Our Materiality Assessment Process (pages 19-21)              |
|                                   | 102-32                        | Highest governance body’s role in sustainability reporting | Refer to the “Our Sustainability Governance Structure” section in this report.   | Our Sustainability Governance Structure (page 15)             |
|                                   | <b>Stakeholder Engagement</b> |  |  |   |
|                                   | 102-40                        | List of stakeholder groups                                 | Refer to the “Stakeholder Engagement & Alignment” section in this report.  | Stakeholder Engagement & Alignment (page 18)                  |
|                                   | 102-41                        | Collective bargaining agreements                           | The percentage of total employees covered by collective bargaining agreements is not applicable to be disclosed by K&S.  | N/A   |
|                                   | 102-42                        | Identifying and selecting stakeholders                     | Refer to the “Stakeholder Engagement & Alignment” section in this report.  | Stakeholder Engagement & Alignment (page 18)                  |

| GRI Standard                      | Disclosure No                 | Disclosure Title   | Remarks and/or Reasons for Omission (if applicable)   | Section of Report and Page Reference                 |
|-----------------------------------|-------------------------------|--|---|--|
| GRI 102: General Disclosures 2016 | <b>Stakeholder Engagement</b> |  |   |  |
|                                   | 102-43                        | Approach to stakeholder engagement                         | K&S believes that effective communication with K&S' stakeholders builds stronger trust and longer-lasting relationships necessary to implement sustainability initiatives successfully. Regular engagement with our stakeholders facilitates a better understanding of what economic, environmental, social, and governance (EESG) issues matter most to them, to guide us on formulating corresponding strategies and goals.<br><br>Refer to "Stakeholder Engagement & Alignment" section in this report for more information. | Stakeholder Engagement & Alignment (page 18)         |
|                                   | 102-44                        | Key topics and concerns raised                             | Refer to the "Stakeholder Engagement & Alignment" section in this report.   | Stakeholder Engagement & Alignment (page 18)         |
|                                   | <b>Reporting Practices</b>    |  |   |  |
|                                   | 102-45                        | Entities included in the consolidated financial statements | K&S Annual Report 2021  | <a href="#">K&amp;S Annual Report 2021</a> (page 22) |
|                                   | 102-46                        | Defining report content and topic Boundaries               | This report covers K&S' strategies, initiatives, and performance of Environmental, Social and Governance (ESG) topics identified through a materiality assessment to be most relevant to the operations and stakeholders of K&S.  | About This Report (page 2)                           |
|                                   | 102-47                        | List of material topics                                    | Refer to the "The K&S Materiality Assessment Process" section in this report.   | Our Materiality Assessment Process (pages 19-21)     |
|                                   | 102-48                        | Restatements of information                                | There are no restatements of information made in this report.   | About This Report (page 2)                           |
|                                   | 102-49                        | Changes in reporting                                       | Through this year's annual materiality assessment review, K&S added two additional material matters into the list of material topics, namely "Governance (Sustainability)" and "Effluents and Waste Management".  | Our Materiality Assessment Process (pages 19-21)     |
|                                   | 102-50                        | Reporting period   | October 4, 2020 to October 2, 2021 (FY2021)   | About This Report (page 2)                           |
|                                   | 102-51                        | Date of most recent report                                 | March 15, 2021  | N/A  |
|                                   | 102-52                        | Reporting cycle  | Annually  | N/A  |
|                                   | 102-53                        | Contact point for questions regarding the report           | Helen Siew (lhsiew@kns.com)<br>Joshua Chang (ckjchang@kns.com)  | About This Report (page 2)                           |
|                                   | 102-54                        | Claims of reporting in accordance with the GRI             | This report has been prepared in accordance with the GRI Standards – Core Option.   | About This Report (page 2)                           |

| GRI Standard                      | Disclosure No              | Disclosure Title   | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference |
|-----------------------------------|----------------------------|--------------------|--|--------------------------------------|
| GRI 102: General Disclosures 2016 | <b>Reporting Practices</b> |                    |  |                                      |
|                                   | 102-55                     | GRI content index  | Refer to the “GRI Content Index” section in this report.   | GRI Content Index (pages 67-76)      |
|                                   | 102-56                     | External assurance | K&S has not sought external assurance for this year’s Sustainability Report, SR2021.<br><br>K&S plans to seek external pre-assurance for SR2022 in FY2023. | N/A                                  |

## EESG MATTERS

| GRI Standard                       | Disclosure No | Disclosure Title                                   | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference   |
|------------------------------------|---------------|--|--|--|
| <b>Organizational Profile</b>      |               |  |  |  |
| GRI 103: Management Approach 2016  | 103-1         | Explanation of the material topic and its Boundary | Refer to the “The K&S Materiality Assessment Process” and “Economic Performance” sections in this report.  | Our Materiality Assessment Process (pages 19-21), Economic Performance (pages 8-9) |
|                                    | 103-2         | The management approach and its components         | Refer to the “Economic Performance” section in this report.  | Economic Performance (pages 8-9)   |
|                                    | 103-3         | Evaluation of the management approach              | Refer to the “Economic Performance” section in this report.  | Economic Performance (pages 8-9)   |
| GRI 201: Economic Performance 2016 | 201-1         | Economic value generated and distributed           | Economic value generated: US\$1,517.664 million<br>Economic value distributed: US\$1,195.411 million<br><br>Refer to the “Economic Performance” section in this report for a detailed breakdown. | Economic Performance (page 9)  |

| GRI Standard                            | Disclosure No | Disclosure Title   | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference  |
|---|---------------|--|--|---|
| <b>Ethics, Bribery &amp; Corruption</b> |               |  |  |   |
| GRI 103: Management Approach 2016       | 103-1         | Explanation of the material topic and its Boundary                       | Refer to the “The K&S Materiality Assessment Process” and “Governance and Ethics for Strong Business Foundations” sections in this report.   | Our Materiality Assessment Process (pages 19-21), Governance & Ethics for Strong Business Foundations (page 23) |
|   | 103-2         | The management approach and its components                               | Refer to the “Governance and Ethics for Strong Business Foundations” section in this report.   | Governance & Ethics for Strong Business Foundations (page 23)   |
|   | 103-3         | Evaluation of the management approach                                    | Refer to the “Governance and Ethics for Strong Business Foundations” section in this report.   | Governance & Ethics for Strong Business Foundations (page 23)   |
| GRI 205: Anti-Corruption 2016           | 205-2         | Communication and training about anti-corruption policies and procedures | In FY2021, K&S continued to achieve 100% training completion of our annual ethics training for our employees, including distributors and sales representatives.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown. | Governance & Ethics for Strong Business Foundations (page 23), Key ESG Performance Summary (page 66)            |
| <b>Product Service &amp; Innovation</b> |               |  |  |   |
| GRI 103: Management Approach 2016       | 103-1         | Explanation of the material topic and its Boundary                       | Refer to the “The K&S Materiality Assessment Process” and “Production Innovation and Smart Manufacturing” sections in this report.   | Our Materiality Assessment Process (pages 19-21), Production Innovation and Smart Manufacturing (pages 40-43)   |
|   | 103-2         | The management approach and its components                               | Refer to the “Production Innovation and Smart Manufacturing” section in this report.   | Production Innovation and Smart Manufacturing (pages 40-43)   |
|   | 103-3         | Evaluation of the management approach                                    | Refer to the “Production Innovation and Smart Manufacturing” section in this report.   | Production Innovation and Smart Manufacturing (pages 40-43)   |
| Non-GRI topic specific disclosure       | -             | Percentage of revenue invested into R&D                                  | In FY2021, K&S invested >US\$135 million in technology R&D, constituting a 13% increase from FY2020.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.  | Production Innovation and Smart Manufacturing (page 40), Key ESG Performance Summary (page 66)                  |
| <b>Customer Health &amp; Safety</b>     |               |  |  |   |
| GRI 103: Management Approach 2016       | 103-1         | Explanation of the material topic and its Boundary                       | Refer to the “The K&S Materiality Assessment Process” and “Customer Health & Safety” sections in this report   | Our Materiality Assessment Process (pages 19-21), Customer Health & Safety (pages 44-45)                        |
|   | 103-2         | The management approach and its components                               | Refer to the “Customer Health & Safety” sections in this report  | Customer Health & Safety (pages 44-45)  |
|   | 103-3         | Evaluation of the management approach                                    | Refer to the “Customer Health & Safety” sections in this report  | Customer Health & Safety (pages 44-45)  |



| GRI Standard                             | Disclosure No | Disclosure Title  | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference   |
|--|---------------|---|--|--|
| <b>Customer Health &amp; Safety</b>      |               |   |  |  |
| GRI 416: Customer Health and Safety 2016 | 416-1         | Assessment of the health and safety impacts of product and service categories                 | K&S' Program Engineering Team conducts comprehensive assessments of potential health and safety risks posed to customers, to the commercialization stage where the Team ensures that CE certifications are attained. All K&S products are CE certified meeting product safety, health and environmental requirements. All standard new products launched from FY2020 are declared RoHS compliant.<br><br>Refer to the "Key ESG Performance Summary" section in this report for a detailed breakdown. | Customer Health & Safety (page 44), Key ESG Performance Summary (page 66)                    |
|  | 416-2         | Incidents of Non-Compliance Concerning the Health and Safety Impacts of Products and Services | In FY2021, K&S continued to achieve 0 validated cases of non-compliance regarding the health and safety of products and services.<br><br>Refer to the "Key ESG Performance Summary" section in this report for a detailed breakdown.   | Customer Health & Safety (page 44), Key ESG Performance Summary (page 66)                    |
| <b>Customer Satisfaction</b>             |               |   |  |  |
| GRI 103: Management Approach 2016        | 103-1         | Explanation of the material topic and its Boundary  | Refer to the "The K&S Materiality Assessment Process" and "Customer Satisfaction" sections in this report.   | Our Materiality Assessment Process (pages 19-21), Customer Satisfaction (pages 46-47)        |
|  | 103-2         | The management approach and its components  | Refer to the "Customer Satisfaction" section in this report.   | Customer Satisfaction (pages 46-47)  |
|  | 103-3         | Evaluation of the management approach   | Refer to the "Customer Satisfaction" section in this report.   | Customer Satisfaction (pages 46-47)  |
| Non-GRI topic specific disclosure        | -             | Response rate for VoC survey  | In FY2021, K&S achieved a 80% response rate for our VoC survey 2021, as well as 77% customer satisfaction rate (1% above VoC'18).  | Customer Satisfaction (page 46)  |
| <b>Employment &amp; Labor Practices</b>  |               |   |  |  |
| GRI 103: Management Approach 2016        | 103-1         | Explanation of the material topic and its Boundary  | Refer to the "The K&S Materiality Assessment Process" and "Employment & Labor Practices" sections in this report.  | Our Materiality Assessment Process (pages 19-21), Employment & Labor Practices (pages 49-53) |
|  | 103-2         | The management approach and its components  | Refer to the "Employment & Labor Practices" sections in this report.   | Employment & Labor Practices (pages 49-53)   |
|  | 103-3         | Evaluation of the management approach   | Refer to the "Employment & Labor Practices" sections in this report.   | Employment & Labor Practices (pages 49-53)   |

| GRI Standard                                 | Disclosure No | Disclosure Title  | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference   |
|--|---------------|---|--|--|
| <b>Employment &amp; Labor Practices</b>      |               |   |  |  |
| GRI 401: Employment                          | 401-2         | Benefits provided to fulltime employees that are not provided to temporary or part time employees | <p>We prioritize personal wellness by providing paid vacation, sick leave and paid holidays, as well as health and welfare programs per the country requirements and market practices where we conduct business and have employees. Where applicable, we support regional practices to provide retirement provisions to employees in those locations. For more details, please visit <a href="https://www.kns.com/Careers/Careers/Life-at-K-S">https://www.kns.com/Careers/Careers/Life-at-K-S</a>.</p> <p>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.</p> | Employment & Labor Practices (page 52), Key ESG Performance Summary (page 64)                |
| <b>Occupational Health &amp; Safety</b>      |               |   |  |  |
| GRI 103: Management Approach 2016            | 103-1         | Explanation of the material topic and its Boundary  | Refer to the “The K&S Materiality Assessment Process” and “Occupational Health & Safety” sections in this report.  | Our Materiality Assessment Process (pages 19-21), Occupational Health & Safety (pages 54-55) |
|  | 103-2         | The management approach and its components  | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 103-3         | Evaluation of the management approach   | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
| GRI 403: Occupational Health and Safety 2018 | 403-1         | Occupational health and safety management system  | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 403-2         | Hazard Identification, risk assessment, and incident investigation                                | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 403-3         | Occupational health services  | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 403-4         | Worker participation, consultation, and communication on Occupational Health and Safety           | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 403-5         | Worker training on occupational health and safety   | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |
|  | 403-6         | Promotion of worker health  | Refer to the “Occupational Health & Safety” section in this report.  | Occupational Health & Safety (pages 54-56)   |

| GRI Standard                                       | Disclosure No | Disclosure Title  | Remarks and/or Reasons for Omission (if applicable)   | Section of Report and Page Reference  |
|--|---------------|---|---|---|
| <b>Occupational Health &amp; Safety</b>            |               |   |   |   |
| GRI 403: Occupational Health and Safety 2018       | 403-7         | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Refer to the “Occupational Health & Safety” section in this report.   | Occupational Health & Safety (pages 54-56)  |
|  | 403-9         | Work-related injuries   | In FY2021, there were zero fatalities and zero cases of occupational diseases reported across all six sites.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.                       | Occupational Health & Safety (pages 54-56), Key ESG Performance Summary (page 65)   |
| <b>Energy Usage &amp; Associated GHG Emissions</b> |               |   |   |   |
| GRI 103: Management Approach 2016                  | 103-1         | Explanation of the material topic and its Boundary  | Refer to the “The K&S Materiality Assessment Process” and “Embracing Eco-Efficient Operations” sections in this report.   | Our Materiality Assessment Process (pages 19-21), Embracing Eco-Efficient Operations (page 34), Reducing Energy & Emissions (page 35) |
|  | 103-2         | The management approach and its components  | Refer to the “Embracing Eco-Efficient Operations” sections in this report.  | Embracing Eco-Efficient Operations (page 34), Reducing Energy & Emissions (page 35)   |
|  | 103-3         | Evaluation of the management approach   | Refer to the “Embracing Eco-Efficient Operations” sections in this report.  | Embracing Eco-Efficient Operations (page 34), Reducing Energy & Emissions (page 35)   |
| GRI 302: Energy 2016                               | 302-1         | Energy consumption within the organization  | In FY2021, a total of 92,102 GJ of energy was consumed across our six global sites.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.  | Reducing Energy & Emissions (page 35), Key ESG Performance Summary (page 63)  |
|  | 302-3         | Energy Intensity  | In FY2021, K&S’ electricity intensity was 16.9 MWh / million \$USD of net revenue, achieving a 53% decrease from FY2020.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.           | Reducing Energy & Emissions (page 35), Key ESG Performance Summary (page 63)  |
| GRI 305: Emissions 2016                            | 305-2         | Energy indirect (Scope 2) GHG Emissions   | In FY2021, K&S’ Scope 2 GHG emissions across our six global sites was 14,944 tons of CO <sub>2</sub> e.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.                            | Reducing Energy & Emissions (page 35), Key ESG Performance Summary (page 63)  |
|  | 305-4         | GHG emissions intensity   | In FY2021, K&S’ Scope 2 GHG emissions intensity was 16.9 MWh / million \$USD of net revenue, achieving a 54% decrease from FY2020.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown. | Reducing Energy & Emissions (page 35), Key ESG Performance Summary (page 63)  |

| GRI Standard                      | Disclosure No | Disclosure Title                                       | Remarks and/or Reasons for Omission (if applicable)  | Section of Report and Page Reference  |
|-----------------------------------|---------------|--|--|---|
| <b>Material Use</b>               |               |  |  |   |
| GRI 103: Management Approach 2016 | 103-1         | Explanation of the material topic and its Boundary     | Refer to the “The K&S Materiality Assessment Process”, “Sustainable Sourcing”, and “Embracing Eco-Efficient Operations” sections in this report.   | Our Materiality Assessment Process (pages 19-21), Sustainable Sourcing (pages 32-33), Embracing Eco-Efficient Operations (page 34), Enabling Water Positivity (page 36) |
|                                   | 103-2         | The management approach and its components             | Refer to the “Sustainable Sourcing” and “Embracing Eco-Efficient Operations” sections in this report.  | Sustainable Sourcing (pages 32-33), Embracing Eco-Efficient Operations (page 34), Enabling Water Positivity (page 36)   |
|                                   | 103-3         | Evaluation of the management approach                  | Refer to the “Sustainable Sourcing” and “Embracing Eco-Efficient Operations” sections in this report.  | Sustainable Sourcing (pages 32-33), Embracing Eco-Efficient Operations (page 34), Enabling Water Positivity (page 36)   |
| GRI 303: Water and Effluents 2018 | 303-1         | Interactions with water as a shared resource           | Refer to the “The K&S Materiality Assessment Process” and “Embracing Eco-Efficient Operations” sections in this report.  | Our Materiality Assessment Process (pages 19-21), Embracing Eco-Efficient Operations (page 34), Enabling Water Positivity (page 36)                                     |
|                                   | 303-2         | Management of water discharge-related impacts          | Refer to the “Embracing Eco-Efficient Operations” sections in this report.   | Embracing Eco-Efficient Operations (page 34), Enabling Water Positivity (page 36)   |
|                                   | 303-5         | Water consumption                                      | In FY2021, K&S’ total water consumption across our six global sites was 82,080 tons. Among them, Suzhou site was the main contributor, consuming 71,226 tons of water which made up 87% of our total water consumption.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown.   | Enabling Water Positivity (page 36), Key ESG Performance Summary (page 63)  |
| GRI 306: Waste 2020               | 306-1         | Waste generation and significant waste-related impacts | Refer to the “Embracing Eco-Efficient Operations” sections in this report.   | Embracing Eco-Efficient Operations (page 34), Minimizing Waste Discharge (pages 37-38)  |
|                                   | 306-2         | Management of significant waste-related impacts        | Refer to the “Embracing Eco-Efficient Operations” sections in this report.   | Embracing Eco-Efficient Operations (page 34), Minimizing Waste Discharge (pages 37-38)  |
|                                   | 306-3         | Waste generated  | In FY2021, K&S’ total solid waste generated across our six global sites was 1,025 tons, achieving a 60.8% recycling rate for solid waste.<br><br>In FY2021, K&S’ total hazardous waste generated across our six global sites was 542.2 tons. Among them, Suzhou site was the main contributor, generating 370.5 tons of hazardous waste which made up 68% of our total hazardous waste generated.<br><br>Refer to the “Key ESG Performance Summary” section in this report for a detailed breakdown. | Minimizing Waste Discharge (page 37-38), Key ESG Performance Summary (page 63)  |



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