



# SUSTAINABILITY REPORT 2020

YOUR **ALLY** IN TECHNOLOGICAL DISCOVERY, ALWAYS.



# ABOUT THIS REPORT

This report covers topics identified through a materiality assessment to be most relevant to the operations and stakeholders for Kulicke & Soffa (K&S).

The reporting scope covers all six operational sites for the period September 29, 2019 through October 3, 2020 (FY2020) with FY2019 data for comparison, where applicable.

This report has been prepared in reference to the Global Reporting Initiative (GRI) Standards – Core Option. It applies the reporting principles of materiality, stakeholder inclusiveness, sustainability context and completeness. 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' performance among its peers.

This year, K&S will continue disclosing 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 feel free to contact Ms. Helen Siew (Senior Manager, Corporate Quality) at [lhsiew@kns.com](mailto:lhsiew@kns.com).





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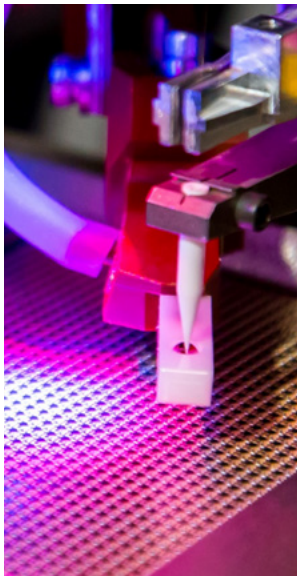
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 **Kulicke & Soffa**

**ABOUT  
KULICKE &  
SOFFA**



# A MESSAGE FROM OUR PRESIDENT & CEO



I am pleased to present Kulicke & Soffa's (K&S) annual Sustainability Report for the financial year ended October 3, 2020 (FY2020).

This report covers our policies, practices and performances on economic, environmental, social and governance (EESG) issues to update where we are in our sustainability progress and provide visibility of our journey ahead. In the same way that we work with underserved communities, you will also read about how we ensure environmental and social well-being in our operations.

On this note, I would like to congratulate the staff and management at the sites of Eindhoven, Haifa, Fort Washington and Santa Ana in successfully attaining the Occupational Health and Safety Management System Standard (ISO 45001:2018) Certification this year. With this achievement, K&S' six global sites including Singapore and Suzhou are certified and committed in providing a robustly safer and healthier workplace for our employees.

## Our Culture of Entrepreneurialism Continues to be a Key Value Driver

The COVID-19 pandemic on top of climate and socio-economic concerns has presented uncertainties and challenges. While global circumstances have had an impact on us, I am heartened by the resilience of our organization. Our well maintained Enterprise Risk Assessment program and Business Continuity plan is a timely endeavor that has

allowed us to respond with speed and focus in continuing to cater to business needs at optimal levels, such as maintaining timely delivery of products and services to our customers.

At the same time, we strived to optimize business excellence with over USD\$120 million invested in developing new generation machines and processing upgrades. The outcomes of which include the piloting of new systems such as the RAPID™ Pro, the first in our Gen-S Series of next-generation ball bonders that delivers advanced process capabilities, real-time monitoring and diagnostics to ensure the best quality and efficient assembly serving high-performance and high-reliability semiconductor applications.

Our efforts in keeping environmental and community commitments also ran in parallel. We continued our push for the increased adoption of renewable energy and efficient waste management practices in our operations. Since January 2020, 100% of electricity at K&S Eindhoven is derived from wind farms and solar parks. As for the community, we leveraged our global network in securing and distributing more than 25,000 masks and 500 hot meals to communities and healthcare frontiers during the pandemic. This was in addition to supporting our on-going commitments to other underserved segments of the community such as the intellectually disabled and visually handicapped.

In FY2021, we will launch a new integrated

social framework that will better harness K&S' global competencies and resources by placing a strategic lens and framework to our sustainability efforts, to create greater impact going forward.

## Making Strides with a Focus on a Sustainable Supply Chain Management

For the first time, we also share a closer look at how we embed sustainability into our everyday activities and practices throughout our supply chain. While sustainability begins in our culture, it is also crucial to ensure that our suppliers and contractors uphold the same standards as us.

The topic of supply chain is today playing a bigger and active role in influencing the corporate strategy, beginning from ethical sourcing all the way to the delivery of the final product.

We owe our progress in these areas to the vision and guidance of our management committee and the hard work of our employees and partners. I am proud of the work we have done and will continue to achieve as we pursue more active engagement with our stakeholders. I look forward to sharing more exciting news going forward.

**Fusen Chen**

President & CEO,  
Kulicke & Soffa



# OUR BUSINESS IN BRIEF

Founded in 1951 with a majority of corporate headquarters functions located in Singapore since 2010, K&S is a leading 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 that supports 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.



- 5 Manufacturing Sites
  - 8 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)



Collectively, we seek to continuously sharpen our expertise in two ways. Firstly, we prioritize innovation to expand and improve on our portfolio of offerings to deliver enhanced 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.



GENERAL SEMI & LED



AUTOMOTIVE & INDUSTRIAL



MEMORY

S  
O  
L  
U  
T  
I  
O  
N  
S

Aftermarket Products and Services (APS)		
Ball Bonding (BB)		
Wedge Bonding (WB)		
Electronics Assembly		
Advanced Packaging (AP)		
Hybrid Solutions		

ABOUT KULICKE & SOFFA





## OUR VISION

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

## OUR CORE VALUES



### DELIGHT OUR CUSTOMERS

Impress existing customers and win new ones



### PEOPLE MATTER

Develop our people as our primary asset



### MAKE A DIFFERENCE

Take responsibility and be accountable for your actions



### LEARN, GROW, EXCEL

Pursue personal growth and business excellence through learning



### INNOVATE FOR SUCCESS

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

## OUR MISSION

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

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

Enable technology leadership through strategic partnerships across the value chain

Provide solutions for the entire served markets to ensure continuous dominance and relevance to customers

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

Evolve to be the supplier of choice in smart manufacturing solutions

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

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

Consistently grow and deliver superior financial performance

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

# ECONOMIC PERFORMANCE

K&S stands by the belief that prudent market expansion, effective new product development and direct shareholder returns provide a powerful combination of value creation and delivery.

Supported by improving end market conditions and strategic decision making, overall demand for our products and services increased sequentially in fiscal year 2020. Year-over-year revenue increased by 15% and operating income increased by 171%, as we continued to ramp up R&D investments.

We remained committed to the development programs and engagements with partners and customers. This strategic priority allowed us to better support fundamental technology transitions in the display, automotive and semiconductor markets.

## FY2020 ECONOMIC HIGHLIGHTS:



Generated free cash flow<sup>#</sup> of

**USD\$79.9 MILLION**



Returned capital of

**USD\$85.2 MILLION**



Reduced outstanding shares by

**3.9%**

Financial Results <sup>1</sup>	FY2020*	% change from FY2019	FY2019*	FY2018*
<b>ECONOMIC VALUE GENERATED</b>				
Revenue	623,176	15%	540,052	889,121
<b>ECONOMIC VALUE DISTRIBUTED</b>				
Operating costs	239,465	3%	232,978	242,809
Employee wages and benefits	205,604	8%	190,236	217,294
Payments to governments	13,271	-40%	22,073	13,180
Community investment <i>**includes internships and COVID-19 contributions</i>	746	1%	739	514
Direct Shareholder Returns	85,223	-36%	132,380	99,236
Economic Value Distributed	544,309	-6%	578,406	573,033
<b>ECONOMIC VALUE RETAINED</b>				
Economic Value Retained	78,867	306%	(38,354)	316,088

\*In USD\$ '000

<sup>1</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 is made available in the K&S Annual Report for FY2020

Dividends were distributed in FY2018 - FY2020

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



# OUR ACHIEVEMENTS IN FY2020

## ECONOMIC

Over  
**69 YEARS**  
of excellence in technology,  
innovation and solutions



**15%**  
net revenue increase from FY2019



**>USD\$120 MIL**  
invested into Research and  
Development

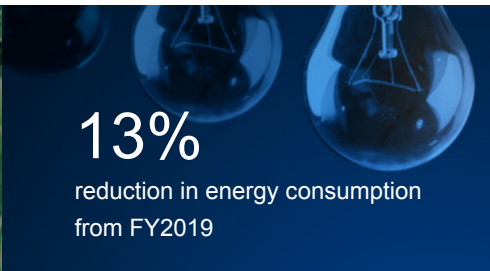


## ENVIRONMENT

**60%**  
recycling rate achieved above target  
of 50% for waste recycling



**13%**  
reduction in energy consumption  
from FY2019



## COMMUNITY

**30**  
CSR events carried out globally, with  
**1,500**  
volunteer hours




**USD\$489 MIL**  
economic value distributed to  
employees, government, suppliers  
and communities




## SUPPLY CHAIN

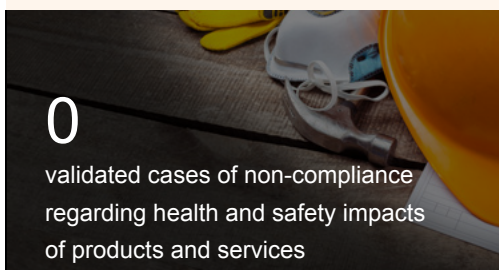
**1**  
Restriction of Hazardous  
Substances Directive (RoHS)  
compliant core platforms launched  
in FY2020



**84%**  
Conflict-free Smelters (CFS)  
identified or active in FY2020



**0**  
validated cases of non-compliance  
regarding health and safety impacts  
of products and services




**6** K&S Design & Manufacturing  
sites achieved Integrated ISO  
9001, ISO 14001 and ISO 45001  
Management System Corporate  
Certification

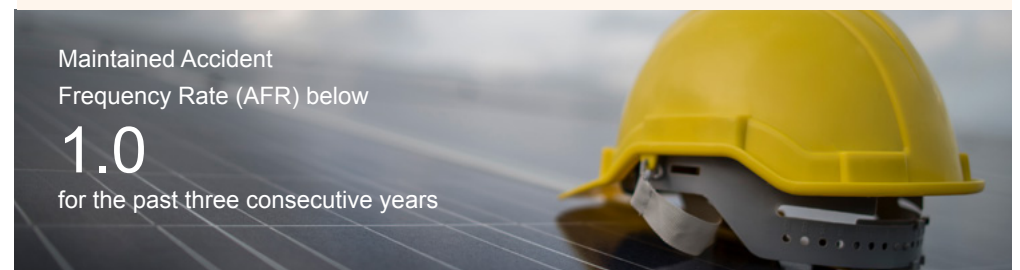
## PEOPLE

**>2,400**  
employees globally, of which  
**>550**  
R&D employees with average  
tenure of over 11 years

**100%**  
completion of annual Code of  
Conduct training by K&S business



Maintained Accident  
Frequency Rate (AFR) below  
**1.0**  
for the past three consecutive years







# TACKLING COVID-19



## K&S' UNITED RESPONSE

*"Despite well-known challenges due to the global COVID-19 pandemic, our prior efforts supporting continuity planning allowed our global workforce to efficiently transition to a new way of conducting business. This transition allowed us to efficiently meet our operational needs, expand our development roadmaps and enter new exciting markets, while providing a safe, productive workplace for our global employees."*

*- Lester Wong,  
Senior Vice President and Chief Financial Officer*





As part of our business continuity measures, we 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 six global sites as early as February 2020.

We held regular communications with country management teams and tailored policies according to the latest developments and guidelines provided by global authorities such as World Health Organization (WHO) and local authorities such as the Center for Disease Control and Prevention (CDC), Orange County Health Care Agency, Singapore Ministry of Health, Singapore Ministry of Manpower, Singapore Ministry of Trade and Industry, Center for Disease Control (USA) and the Pennsylvania Department of Health (Fort Washington). The goal was to ensure the safety of all our team members while minimizing disruption to operations and to provide support to our local communities.



Marketplace



Environment



Customers



People



Community



### Marketplace

#### Strengthening Our Supply Chain Networks

- Ensured continued supply of critical components from suppliers to support manufacturing needs
- Expanded list of reliable suppliers to maintain healthy inventory levels of components
- Developed alternative shipping routes with new shipping agents to support timely business deliverables

### CASE STUDY

## FULFILLING ORDERS AT THE HEIGHT OF THE PANDEMIC THROUGH COLLABORATION

At the height of the various country lock-downs from February to March 2020 in China, Singapore and Malaysia, K&S managed to partially fulfill a time-sensitive customer order despite the many global logistical disruptions.

With the usual air and sea transportation routes disrupted, our Supply Chain, Global Business Operations and Customer Support units worked closely over months to explore alternative transportation routes to first ship machine parts from a supplier in China to Singapore for assembly, and then send the finished order back to the customer in China.

We successfully leveraged alternative transportation routes such as cross-border trucking and secured limited vessel availability and, as a result, the customer in China was able to go ahead with their intended factory launch right after the lockdown was lifted in China.



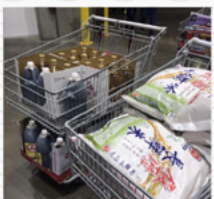
### Customer Continuing to Support Our Customers

- Continued to provide on-ground engineering support to customers as required while ensuring our employees remain protected with health and safety gear such as lock-out-tag-out kits, face masks and safety boots
- Sustained on-going communication with customers through increased use of virtual meetings to provide frequent updates on important information such as delivery schedules
- Rolled out online programs to provide continuous technical training for engineering, business and customer support teams



### Community Supporting Communities in Need

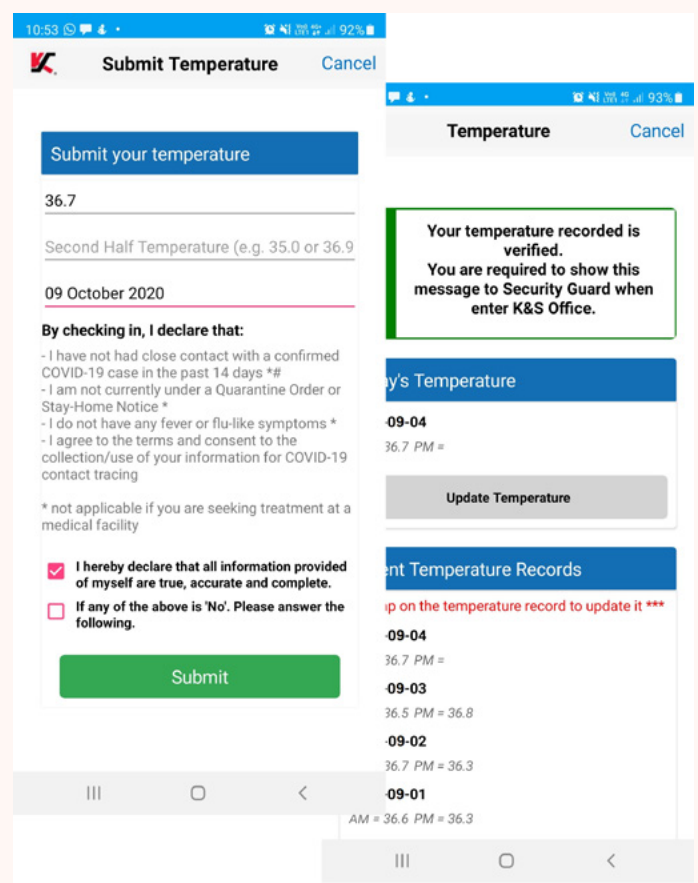
- Leveraged our global network to donate over 25,000 masks to communities or healthcare frontiers in regions that had shortages
- Supported local F&B businesses by purchasing food through funds raised to be distributed to frontliners and needy families
- Donated over USD\$200,000 to support underserved causes related to migrants and people with disabilities such as the hearing and speech impaired



## CASE STUDY

# LEVERAGING TECHNOLOGY TO PROTECT STAFF WELL-BEING

K&S Singapore created its own proprietary mobile application to record temperatures and monitor check-ins to the office, enabling us to track the temperature of our employees daily. K&S Singapore also created an online portal to keep employees up-to-date on the evolving situation with information such as national guidelines, workplace safety measures, as well as a platform to hear from our CEO directly.







**Environment**  
Keeping Our Green Commitment

- Continued to support energy, waste and water efficient initiatives such as turning off all non-essential lights and equipment for Earth Hour in March, and embracing the 3Rs for paper use
- Remained committed in adopting use of renewable energy in operations



**People**  
Ensuring the Health and Safety of Our Employees

- Distributed care packages consisting of thermometers, hand sanitizers and masks to employees
- Adopted workforce separation and IT support arrangements for remote working
- Implemented stringent health and safety measures at our sites to protect essential workers at the workplace
- Rolled out online activities such as exercise classes taught by a trainer and cooking demonstrations by K&S staff to improve morale and interconnectedness of employees working from home

We are grateful for the help that our K&S family has provided in supporting the public health response and in our transition to working well remotely. We will continue to do all that we can to protect our employees, our company and help the world emerge stronger on the journey to recovery.



Earth Hour 2020







**OUR GREEN  
BUSINESS  
STRATEGY**

# OUR CORPORATE RESPONSIBILITY POLICY

We lead in the management of our sustainability matters through our Corporate Responsibility (CR) Policy that identifies four strategic areas in which we aim to continue to drive our efforts in creating positive change, while minimizing negative impacts.

- **Governance:** Maintain transparency in sustainability governance and communication with 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 also aligned with the United Nations Sustainable Development Goals (UN SDGs) in which we have determined **five** UN SDGs most relevant to our business through our operations, initiatives and programmes.



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



*Promote inclusive and sustainable economic growth, employment and decent work for all (promote safe and secure working environments)*



*Build resilient infrastructure, promote 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 and Labor Practices

- Internship openings and opportunities
- Open houses for undergraduates and potential candidates to introduce K&S operations and technologies
- Student grants and scholarships for undergraduates
- Employee development and mentoring programs

### Occupational Health and Safety Employment and Labor

- Diversity and female representation in the workforce
- Safety committees in every K&S facilities ensure safe and healthy workplace and compliance
- Annual CEO Occupational Health & Safety challenges across sites promote safety awareness and culture
- ISO 45001 for all K&S design and manufacturing sites

### Economic Performance Product and Service Innovation

- Increasing investments in human capital and 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 manufacturing processes

### Material Use

- Efficient use of natural resources
- Management of waste in proper disposal and recycling
- Commitment towards compliance to Restriction of Hazardous Substances (RoHS)
- Commitment to be Conflict Minerals Free

### Energy Usage and Associated GHG Emissions

- Responsible energy consumption and monitoring carbon emissions
- Targets to reduce energy consumption intensity year-on-year

# SUSTAINABILITY GOVERNANCE

K&S' sustainability commitments are led by a Global Sustainability Committee (GSC) comprising leadership representatives from nine core business functions. The committee is supported by site Environmental Health and Safety (EHS) managers, who are responsible for integrating sustainability practices and monitoring performance across all six K&S sites to ensure that initiatives are carried out adequately with performances recorded.

Every quarter, the GSC reviews K&S' sustainability metrics performance and supports its initiatives to achieve the set annual goals and targets. Thereafter, the GSC ensures that sustainability performance is communicated to the Executive Leadership Team (ELT) on an annual basis through the Sustainability Report.



Meets Annually  
**EXECUTIVE LEADERSHIP TEAM**



Meets Quarterly  
**CORPORATE GLOBAL SUSTAINABILITY COMMITTEE**

- Supply Chain
- Engineering
- Corporate Finance & IT
- Legal
- Environment, Health and Safety (EHS)
- Sales
- Corporate Quality
- Corporate Human Resources (HR)
- Corporate Marketing Communications (Marcom)



**SITE ENVIRONMENTAL HEALTH AND SAFETY (EHS) MANAGERS**

- Singapore
- Suzhou, China
- Eindhoven, Netherlands
- Fort Washington, PA, USA
- Santa Ana, CA, USA
- Haifa, Israel

# STAKEHOLDER ENGAGEMENT & ALIGNMENT

We believe that effective communication with K&S stakeholders brings about stronger and longer-lasting relationships. Regular engagement facilitates better understanding of our stakeholders' needs and concerns, and guides us on formulating corresponding strategies and goals.

KEY STAKEHOLDERS & THEIR INTERESTS	ENGAGEMENT MECHANISM	FREQUENCY OF ENGAGEMENT	INTEREST & CONCERNS
<b>CUSTOMERS</b> Look to K&S to offer quality and innovative products and services	Voice of Customer	Every 3 years	<ul style="list-style-type: none"> <li>Product and Service Innovation</li> <li>Customer Health and Safety</li> <li>Customer Satisfaction</li> </ul>
<b>EMPLOYEES</b> Look to K&S to be a fair and just employer, upholding human rights through equal provision of benefits, training opportunities, health and safety	Voice of K&S Engagement Survey	Every two to three years	Employment and Labor Practices
	Townhalls, K&S intranet, staff meetings, emails and notice boards	On a regular basis	Occupational Health and Safety
<b>SHAREHOLDERS/ INVESTORS</b> Seek long-term business growth of K&S resulting in positive financial performance	Annual Report, Sustainability Report	Annually	Financial and Non-Financial Performance
	Performance announcements on K&S' website	Quarterly	
	Investor meetings and an investor relations website	On a regular basis	
	Communication of financial and non-financial information	On a regular basis	

KEY STAKEHOLDERS & THEIR INTERESTS	ENGAGEMENT MECHANISM	FREQUENCY OF ENGAGEMENT	INTEREST & CONCERNS
<b>SUPPLIERS</b> Look to build sustainable business relationships with K&S	Engagement surveys and events	Quarterly	<ul style="list-style-type: none"> <li>Product and Service Innovation</li> <li>Material Use</li> <li>Customer Health and Safety</li> <li>Customer Satisfaction</li> </ul>
	Business reviews supplier deliverables	On a regular basis	
	Supplier events	As and when needed	
<b>GOVERNMENT &amp; REGULATORS</b> Look to K&S as an industry example of adhering to regulatory compliance	Industry and technology conferences	As and when opportunities arise	<ul style="list-style-type: none"> <li>Ethics, Bribery and Corruption</li> <li>Energy Usage and Associated GHG Emissions</li> </ul>
<b>COMMUNITIES</b> Look to K&S to generate positive engagement and impact outwards	Volunteer activities	As and when opportunities arise	<ul style="list-style-type: none"> <li>Local community engagement</li> </ul>
<b>NON-GOVERNMENTAL ORGANIZATIONS (NGOs) and NPOs</b> Seek to foster long-term collaborative partnerships with K&S to increase meaningful interaction and improve lives	Community and environmental initiatives	As and when opportunities arise	<ul style="list-style-type: none"> <li>Ethics, Bribery and Corruption</li> <li>Employment and Labor Practices</li> <li>Local community engagement</li> </ul>
	Disclosure on environmental, social and other related aspects	As and when needed	



# MATERIALITY ASSESSMENT: IDENTIFYING OUR FOCUS

A formal materiality assessment was conducted in FY2017 with 90 K&S employees from various departments. An assessment was conducted to solicit their perspective on economic, environmental, social and governance (EESG) topics that are significant to K&S and also the perspective of external stakeholders they engage with. In FY2018, we included Suppliers and Community partners in the same assessment review. These identified EESG topics by stakeholders are mapped onto a materiality matrix to visualize our key focus areas. We also establish yearly targets for each topic to measure our performance progress which allows us to calibrate courses of action to achieve targets successfully.

The material topics are subsequently reviewed on an annual basis internally, informed by feedback garnered from the various stakeholder engagement mechanisms to ensure their relevance and significance to K&S and our stakeholders. In FY2021, we will include Customers' input based on analytics done from the Voice of Customer 2021 survey.



In FY2020, we included

## Customers

as a new key stakeholder group for the year's annual materiality review



Through our FY2020 annual materiality review

## Responsible Supply Chain Management

was included as a new material topic for K&S

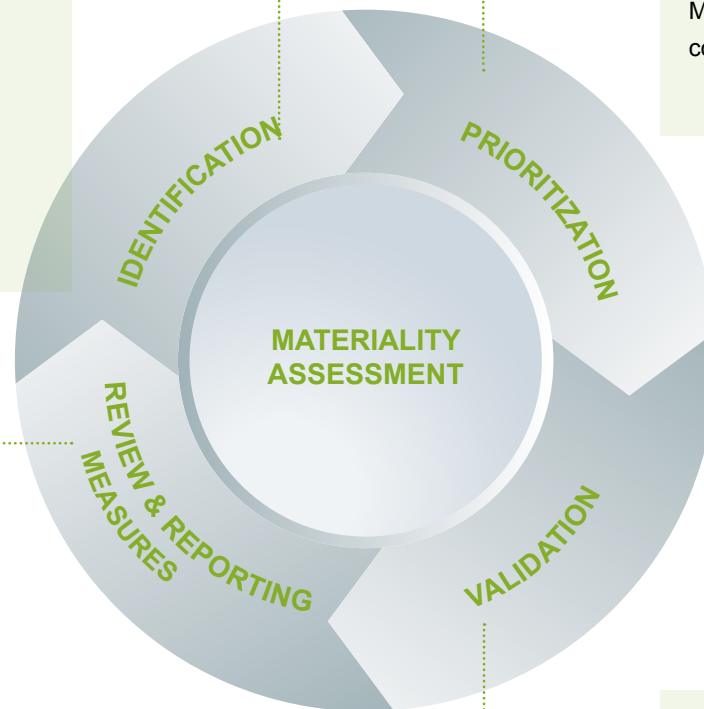
## THE K&S MATERIALITY ASSESSMENT PROCESS

### 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 stakeholders through an online survey and one-to-one interviews to gather quantitative and qualitative insights in areas in which they felt was important for K&S to make an impact in.

### 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.

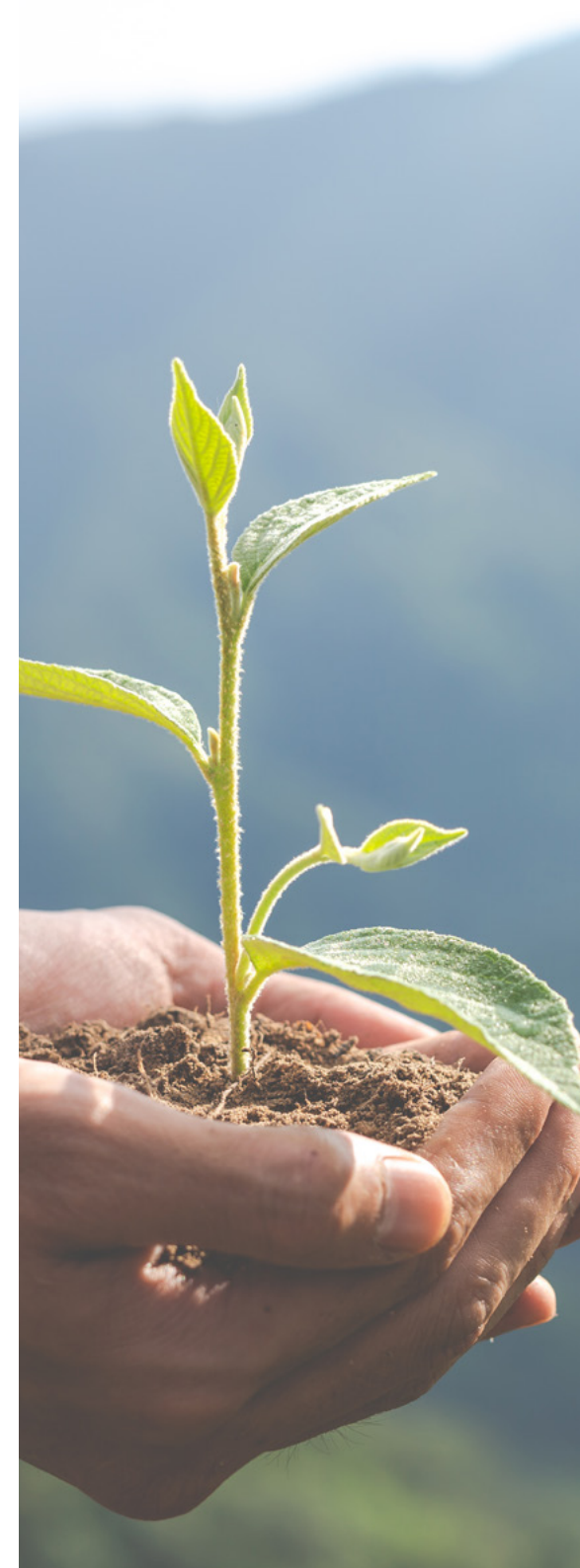


### Phase 2: Prioritization of topics

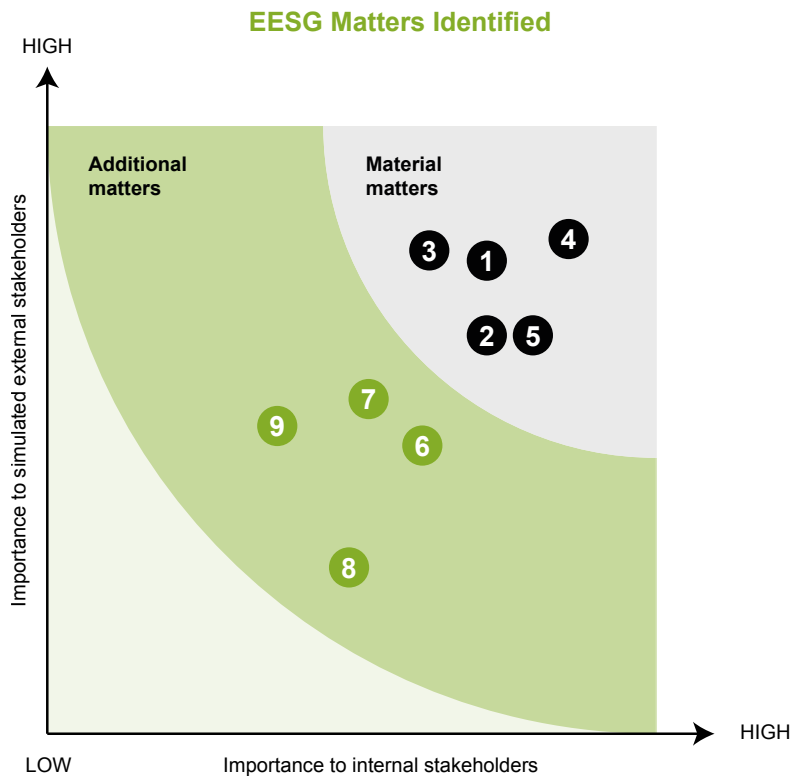
To ensure that reporting is performed on topics that matter the most to K&S, EESG topics identified by stakeholders are prioritized into two categories - Material Matters denoting great significance, and Additional Matters denoting the requirement to comply to stakeholder expectations.

### 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



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



As a result of the assessment, K&S has identified ten material topics which we are confident will create the most positive impact in demonstrating our core competencies.

EESG MATTERS	FY2020 TARGETS	PERFORMANCE FOR FY2020
<p><b>NEW</b></p> <p><b>Responsible Supply Chain Management</b> Performing due diligence to ensure suppliers are responsible for their practices in social and environmental aspects</p>	<p>RoHS:</p> <ul style="list-style-type: none"> <li>Achieve RoHS compliance for new products launched from FY2020</li> </ul> <p>CM:</p> <ul style="list-style-type: none"> <li>Annual Conflict Minerals reporting and progress to be CM-free</li> </ul> <p>CoC:</p> <ul style="list-style-type: none"> <li>All key suppliers to endorse K&amp;S Supplier Code of Business Conduct and Ethics</li> </ul> <p>Supplier localization:</p> <ul style="list-style-type: none"> <li>Increase the proportion of local and regional sources by 15% by FY2021</li> <li>Drive down carbon footprint by 20% by FY2021</li> </ul>	Achieved
<p><b>Ethics, Bribery and Corruption</b> Developing efforts or policies to ensure business practices are ethical and free of bribery and corruption</p>	Zero tolerance towards unethical acts, bribery or corruption across K&S	Achieved
<p><b>Product and Service Innovation</b> Encouraging efforts to drive innovation to meet ongoing and future needs of the company and customers</p>	'On time, on target' approach in delivery of products and services	Achieved
<p><b>Customer Health and Safety</b> Adhering to health and safety commitments to ensure that products and services do not pose any risks to customers</p>	Zero validated cases of non-compliance regarding health and safety impacts of products and services	Achieved
<p><b>Customer Satisfaction</b> Maintaining product and service satisfaction levels that encourage customers to continue engaging the company as a service &amp; goods provider</p>	<p>Achieve an improved response rate from the previous survey</p> <p>Achieve an improved percentage of customers who rated "Good" and above from the previous survey</p>	<p>Voice of Customer survey will be conducted in May 2021 and results will be reported in SR2021</p>

EESG MATTERS	FY2020 TARGETS	PERFORMANCE FOR FY2020
<p><b>Occupational Health and Safety</b> Developing initiatives or policies to ensure a healthy and safe workplace, including the monitoring of health &amp; safety performance of employees and contract workers, including contractors</p>	<p>All six sites to attain ISO 45001:2018 certification by FY2020</p> <p>Accident Frequency Rate (AFR) &lt; 1.5</p> <p>Accident Severity Rate (ASR) &lt; 10</p>	<p>Achieved</p> <p>Achieved</p>
<p><b>Employment and Labor Practices</b> Ensuring the implementation of fair employment and labor practices across business units and operation locations</p>	<p>Improvement in Engagement Score from FY2016 Voice of K&amp;S</p> <p>Maintain global women workforce above 35%</p> <p>100% of annual performance reviews to be completed and delivered to our employees</p>	<p>Achieved</p> <p>Achieved</p>
<p><b>Material Use</b> Ensuring that materials used in the company's operations are ethically obtained and sustainably sourced</p>	<p>Achieve waste recycling above 50%</p> <p>Reduce paper usage from previous year by 3%</p>	<p>Achieved</p> <p>Achieved</p>
<p><b>Energy Usage and Associated GHG Emissions</b> Ensuring that energy consumption and its associated greenhouse gas (GHG) emissions can be minimized where possible</p>	Reduce total electricity consumption from FY2019 by 2%	Achieved
<p><b>Economic Performance</b> Ensuring that sustained economic value is generated by the organization and distributed to its stakeholders</p>	Please refer to <a href="#">Annual Report 2020</a>	



# DOING GOOD BUSINESS

*“Increasing interdependencies in today’s business context encourage K&S to drive sustainability beyond operating silos. This year, for the first time, we have included supply chain management as a new material initiative. This allows us to extend our practice of good governance involving environmentally and socially-sound policies across our extended suppliers network to make a wider impact.”*

*- Shai Soloveizik,  
Vice President of Global Operations and Supply Chain*



# DEVELOPING A RESPONSIBLE & ETHICAL SUPPLY CHAIN

## The Great Reset to Generate Increased Sustainable Value from our Supply Chain

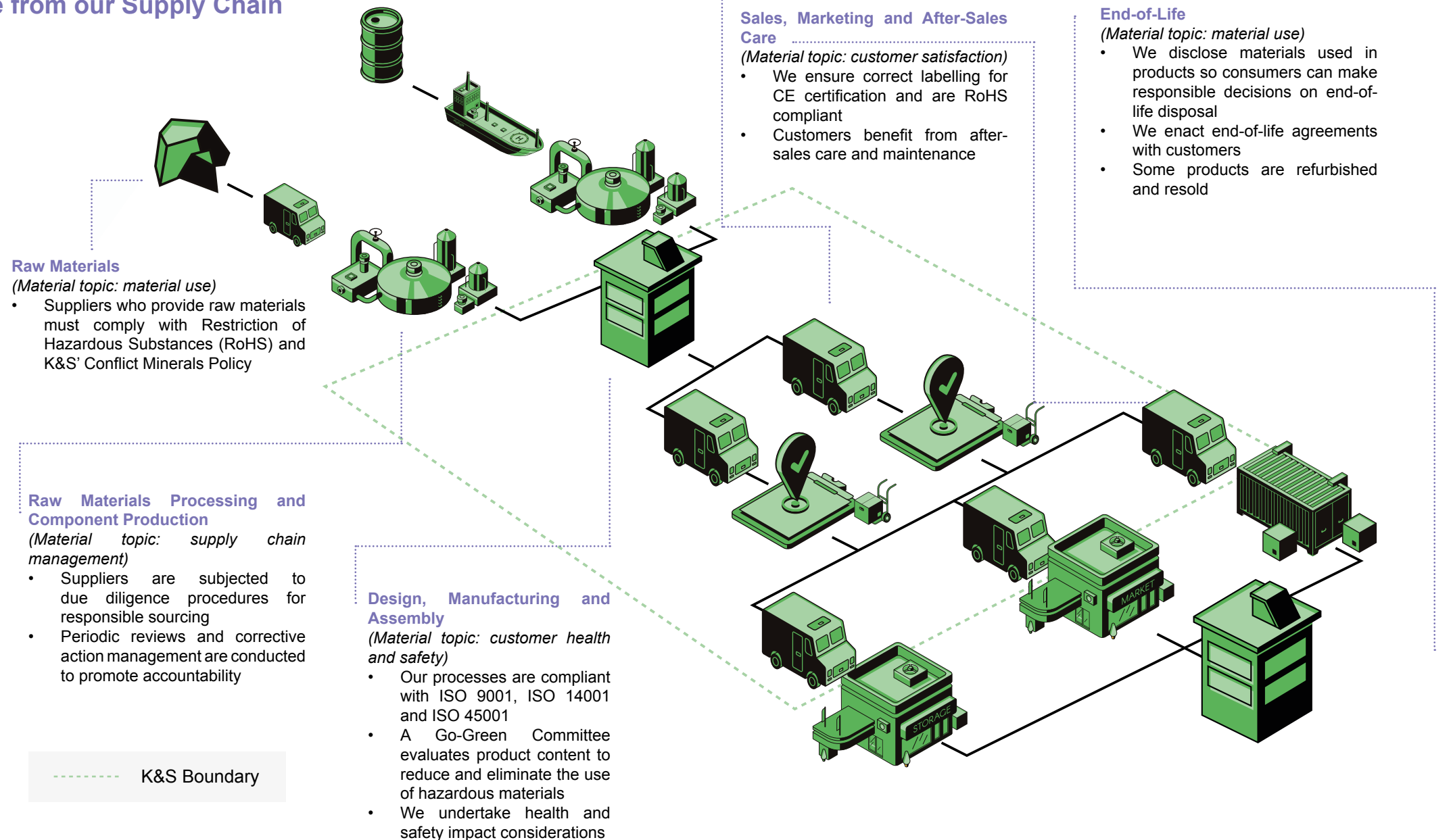
As a leading provider of semiconductors with manufacturing facilities located across Singapore, Suzhou, Netherlands and Israel, we are cognizant that our supply chains have sizeable impacts on the environment and communities we operate in.

While including sustainable supply chain management as a core focus is only a recent move for us, it is now an integral aspect in our responsible business practices. A robustly ethical supply chain balances K&S' business viability with social and environmental well-being by enhancing trust for our brand and driving business growth, while improving the lives of our key stakeholders such as the workforce, suppliers and customers along the chain.

Developing sustainable value also includes diversification of the supply chain as a key success factor in ensuring sustained, long-term business resilience. To ensure continuity of business operations in the event of disruptions which today happens with increasing frequency, we source from a mix of local, regional and global suppliers in different parts of the world as one way to strengthen business resiliency and prevent costly downtime.

In particular, we are working to increase procurement from local or regional suppliers to reduce our environmental footprint from transportation. We have plans to increase the proportion of the local and regional sources by 15% over the next two years to drive carbon footprint down by 20%.

As we work towards building an increasingly circular model, K&S takes a source-to-customer approach to embed sustainability into our entire manufacturing process. By scrutinizing each node of the supply chain, we are able to identify opportunities for improvement and develop efficient and long-term strategies.





# DEVELOPING A RESPONSIBLE & ETHICAL SUPPLY CHAIN

## Including Suppliers as Part of our Sustainability Solution

In an interconnected global economy, we recognize that we are only as sustainable as the people we partner with. Taking the lead, we seek to influence our sector partners to embed more responsible and ethical practices in their operations to achieve greater sustainable supplier behavior.

To ensure that our extensive network of suppliers are on the same page as us, we adopt a structured approach of evaluation, codes and training support.



## DRIVING SUSTAINABLE ACTION AMONG OUR SUPPLIERS

**Adhering to a Supplier Code of Conduct**

All 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).

**Developing Robust Supplier Evaluations**

To ensure that our suppliers are socially and environmentally compliant, all suppliers must undertake our four-part evaluation process annually.

**Assessment**

Suppliers are assessed through the Supplier Quality Scorecard which covers areas of risk, health and safety, human rights and environmental impacts.

**Risk Profiling**

Suppliers are ranked according to their Supplier Quality Scorecard results.

**Audits**

Suppliers have to 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.

**Elevating Suppliers Through Training and Awareness**

We also equip suppliers with renewed capabilities to comply with our enhanced standards by investing in supplier training workshops, training and engagement.

- Trainings are held twice a year to update suppliers on new and improved process methods
- Supplier Day is held annually to share best-practices with the entire supplier community and engage in mutual learning
- K&S Enhanced Change Control Training conducted for suppliers over four sessions in FY2020. The objective is to communicate K&S' expectation for the supplier to notify K&S in advance on changes in their products, suppliers, and processes that may impact K&S products and seek approval prior to their implementation. This is to ensure consistent and controlled quality of our products.

## LATEST DEVELOPMENTS

In May 2018, we updated the **Direct Supplier Code of Business Conduct and Ethics** to reference the internationally recognized standard for managing corporate social responsibility in supply chains by the Responsible Business Alliance (RBA).

On-boarding for **new suppliers**:

- We have developed a **Disclosure Survey** to ensure that suppliers comply with our Supplier CoC

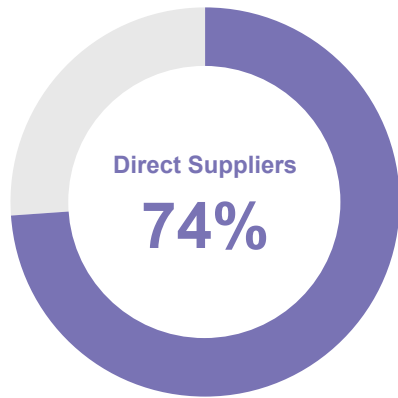
Assessment process for **current suppliers**:

- A **Follow-up Review** is then ordered before re-approval of contracts

**Supplier Trainings** are conducted by K&S if suppliers, especially new ones, are unable to meet the updated standards.

These efforts to elevate our supply chain are particularly important as we work with more than 1,300 suppliers across Asia, Europe, the United States, and the Middle East, who support our global requirements for manufacturing related and non-manufacturing related materials.

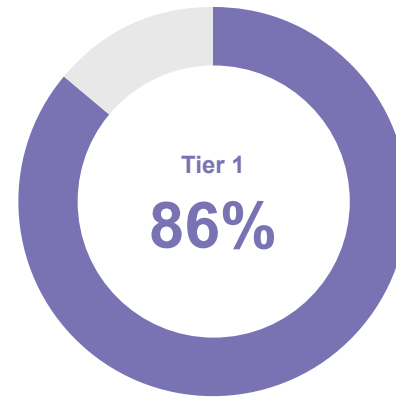
### Supply Chain Spend Trend Breakdown



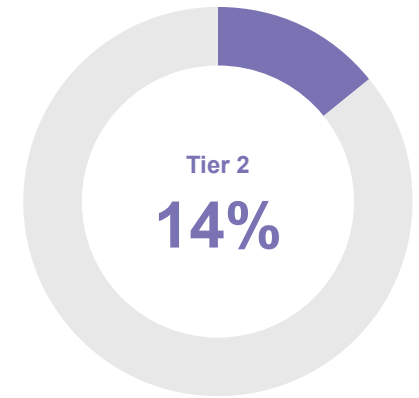
Manufacturing-related materials such as mechanical modules, consoles and fabricated sub-assemblies



Packaging or non-manufacturing-related materials/services  
IT and facility-related services

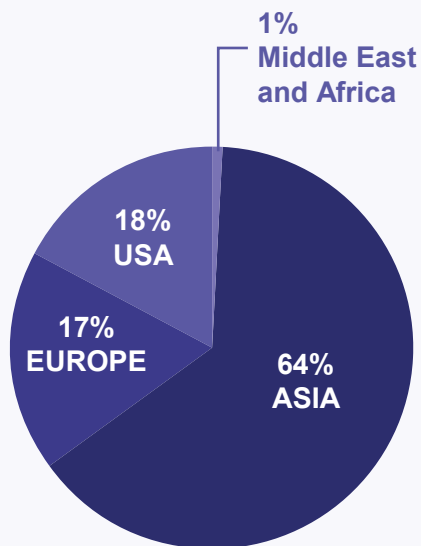


Strategic suppliers ranked first or second in respective commodity spend

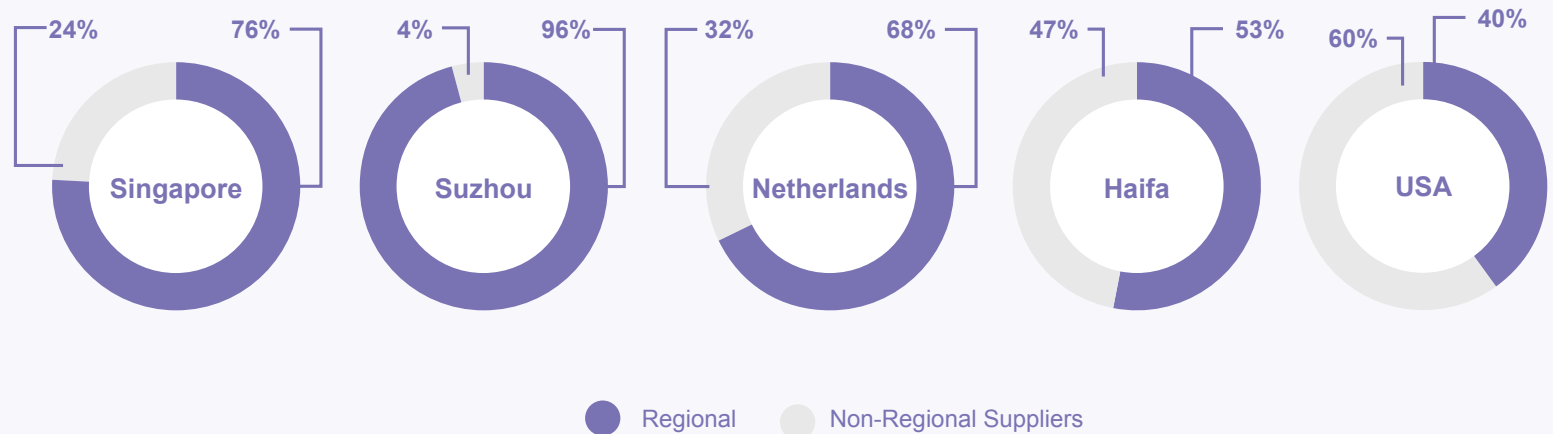


All other approved suppliers

### Amount Spent by Geographical Region



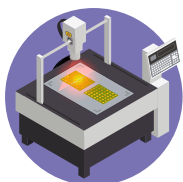
### Breakdown of Regional and Non-Regional Suppliers





## Building Internal Sustainability Competencies

Raising the standards of sustainability in our supply chain not only entails managing our suppliers well externally, but also building our internal capabilities. We strive to increase our awareness and knowledge in socially and environmentally positive matters to build enhanced competencies, tools, processes and governance policies that create transformations that last. We adopt a three-pronged strategy that leverages knowledge and innovation as key value drivers.



### Keeping pace with trends

We are part of industry associations such as Semiconductor Equipment and Materials International (SEMI) and the International Electronics Manufacturing Initiative (iNEMI), where we stay informed of the latest in the industry happenings based on quarterly updates.



### Tapping the expertise of consultants

We engage the services of 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 and driving industry knowledge

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

## CASE STUDY

### EYES ON THE FUTURE

We keep abreast of trends in the dynamic semiconductor arena to ensure that we are primed to capture opportunities and respond to changes swiftly and decisively. Supporting us in this endeavor are our strong collaborations and connections with industry authorities. We engage and consult with industry experts such as Prismark and Yole Development regularly to keep abreast of the market and technology trends, as well as forecasts and industry updates.

Tapping on the expertise and insight from a broad spectrum of sector specialists allows us to plan and strategize both in the short and long term. This knowledge supports us not only in anticipating and predicting customer and market demand, it also raises our ability to strengthen business resilience.

This sensitivity towards wider geo-economic and socio-political affairs enables us to build robust business continuity plans so that we can address supply interruptions, logistic constraints and market capacity issues for better organisational responsiveness.

*“We value the commitment of our suppliers in developing a shared culture of sustainability through trainings and engagements. By working together, we have elevated our processes to achieve a 20% reduction in our carbon footprint over the next two years by localizing more of our suppliers. This has helped put us in good stead to meet the evolving demands of the marketplace which is increasingly seeking more sustainable options.”*

*- CF Cheng,  
Senior Director of Supply Chain*

# GOVERNANCE, ETHICS & BUSINESS RESILIENCE

## Building Strong Foundations For Business Resilience

K&S puts 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 our strong ethical foundation to pave pathways to success in the new societal context in which businesses operate today.

### A Code for Organizational Integrity

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

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, conflicts of interest, corporate opportunities, protection and use of K&S assets and competition and fair dealing. The Code adheres to NASDAQ guidelines.

To cascade and reinforce our Code, we conduct company-wide e-training to reiterate our expectations of employee conduct. This includes sound judgement as well as fair and just behaviour in interactions and decision-making. The Code also includes a firm stance against corruption, bribery and other improprieties.

## CASE STUDY

## OUR NEW ‘CHIEF OF ETHICS’



In FY2020, K&S welcomed Stephen Drake, Vice President of Legal Affairs & General Counsel, to oversee all ethical matters of the company. His role will be to understand where ethical concerns may arise within the business operations and stay abreast on knowledge to better build up a progressive ethical culture within the company.

In today’s digitalized economy, an area of particular focus involves the protection of K&S’ intellectual property (IP). Since joining, Stephen has personally overseen the inclusion of specific guidelines in the IP section of the Code. More details can be found in our Code of Business Conduct at <https://investor.kns.com/corporate-governance>.

*“Organizational resilience is more than just improving year-over-year financial metrics. The role of ethics has taken on an increasingly significant role in today’s business context as companies recognize that how we live our values affects everything that we do. Doing good business today has therefore evolved to include ethics as the backbone of our future success.”*

*- Stephen Drake,  
Vice President of Legal Affairs & General Counsel*



In FY2020, we attained  
**100% completion rate**  
for our annual ethics training



In FY2020, we enhanced  
**IP protection**  
measures in our Code of  
Business Conduct

In the event of illegal activity, unethical behavior or violations of the Code, witnesses are encouraged to report to our whistleblower hotline or contact our Compliance Officer, who will enact the relevant Whistleblower Policy (which covers the procedures for reporting, investigation and treatment of complaints).

All calls received will be investigated and reviewed by Legal, HR and Audit departments where appropriate and reported to the Audit Committee on a quarterly basis.





# MANAGING RISK, BUILDING CONTINUITY AND INTEGRATING OUR MANAGEMENT SYSTEMS

In a world characterised by increasing disruptions, business resilience measures have never been more important and relevant. At K&S, we have long managed and prepared for uncertainty through a comprehensive business resilience strategy. We use 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

Resilience, continuity and risk management are all interconnected and work together to protect against business disruption. Risk management is the starting point where we identify potential risks so as to develop targeted strategies.

In FY2020, we developed a holistic Enterprise Risk Assessment framework to better determine, assess and mitigate critical business risks and opportunities, and overall promote a culture of prevention and improvement. The new framework helped us to:



### Broaden business perspectives and horizons for risks and opportunities

- We expanded engagement with over 70 K&S leader representatives from the ELT, global site leads and functional Heads of Departments to develop a strategic view of internal and external risks through workshops, interviews and online risk ratings
- We identified individual risk owners to gather more information on risk reduction activities for a more in-depth view on current strategies
- We included residual risk measurements into a risk monitoring cycle to develop a more comprehensive view of risks



### Prioritise and direct attention to “high-risk” areas to narrow the crucial risk-gaps

- We matched risk reduction activities and actions with timelines and followed-up closely with risk owners on progress updates
- We held Risk Council discussions with ELT to better strategize mitigations plans for risks

# ANNUAL RISK MANAGEMENT FRAMEWORK

Identifying Uncertainties and Defining Strategies to Futureproof Our Business



# Business Continuity Management

Business Continuity Management (BCM) is the next complementary step in ensuring that our business continues as per usual 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.

In FY2020, we referenced the ISO 22301 Business Continuity Management System to refresh our BCM framework and developed a streamlined Business Continuity Plan (BCP) that can be effectively and easily referenced in the event of a disruption. We adopted a staged approach in rolling this plan out across our six global sites and target for full completion by Q3 FY2021, beginning with Singapore.

Our refreshed BCM framework adopts a Plan-Do-Check-Act cycle (PDCA) and entails the following steps.



- We form the Business Continuity (BC) Governance team by confirming the global Crisis Management Team (CMT), a Disaster Declaration Officer (DDO) and the respective BC site leads
- We also establish a BC Policy, Scope and Minimum Business Continuity Objective (MBCO) for K&S through interviews with members of the ELT

- We perform an in-depth Threat Analysis (TA) and Business Impact Analysis (BIA) with CMT members to determine BC risks, and match them with relevant critical process timelines required to meet the MBCO

- We develop BCP recovery materials consisting of recovery strategies to four identified disaster scenarios

- We implement BC procedures in the organization and ensure that our employees understand and are familiar with them. We also perform a quarterly update of BC records

- (An ongoing process) We conduct BC audits and simulation testing and submit the results for reviews with Management for improvement actions, if any
- We have planned for all sites to undergo a desktop simulation test upon implementation of the refreshed BCM framework and BCP, and will share the results in the next report



## Develop - Four Disaster Scenarios & Recovery Strategies

### 1. Loss of use of premises

- Suspend non-critical functions
- Primary staff: work from alternate sites/home, with supporting IT systems and applications
- Alternate staff: work at alternate sites

### 2. Unavailability of staff

- Separate working location/ segregate workforce
- Provide emergency access and authority to alternate staff
- Alternate staff to perform functions at alternate sites

### 3. Loss of IT services, voice and/or data communication

- IT to recover critical data, systems and applications from alternate sites

### 4. Unavailability of key suppliers

- Build inventory of high-risk materials
- Qualify additional sources
- Backup design engineering



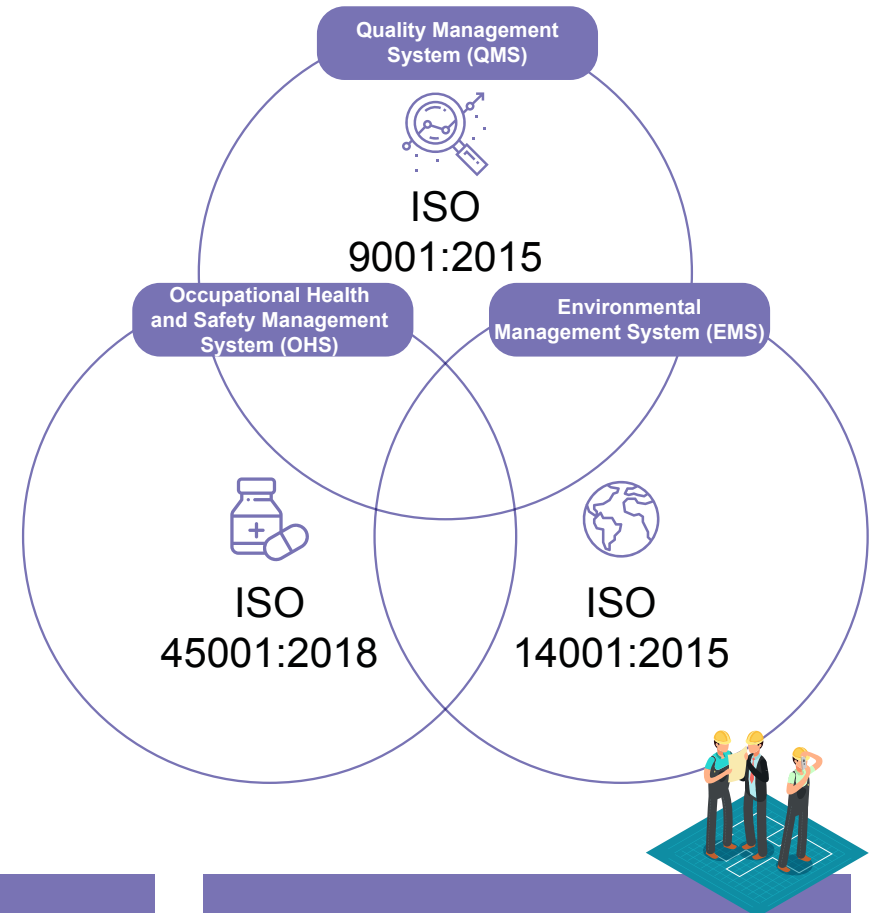
## OUR IMPROVED BUSINESS CONTINUITY PLAN

In FY2020, we streamlined our 400-page Singapore BCP file into a shorter and concise document where procedures can be easily followed in the event of a disruption. It now constitutes the following:

- A 15-page BCMS corporate level manual that applies to all global operations
- A 30-page Singapore Business Continuity Plan (BCP) complete with crisis management and business recovery plans
- Work is in progress to streamline the BCP for other sites in FY2021 followed by a desktop simulation test to ensure effectiveness.

## Integrated Management System

Forming the third aspect of ensuring business resiliency, we adopt a globally harmonized IMS approach towards quality, environmental, occupational health and safety (QEHS) management across all K&S' processes and documentation in ensuring consistency, improving its performance and meeting the expectations of internal and external stakeholders. We strive to continually improve in our commitment to conduct sound and sustainable operations, guided by global IMS objectives and goals.



**All six of K&S' design and manufacturing sites have achieved the following certifications:**

- Quality Management System (ISO 9001:2015)
- Occupational Health and Safety Management System (ISO 45001:2018)
- Environmental Management System (ISO 14001:2015)



In FY2020, K&S achieved its commitment in promoting its employees' safety:

**Singapore and Suzhou site transitioned from OHSAS 18001 to ISO 45001:2018**

**Fort Washington, Santa Ana, Haifa and Eindhoven sites added ISO 45001:2018 certification**



# MAKING THE ENVIRONMENT A PRIORITY

*“K&S believes business viability and growth can go hand-in-hand with environmental sustainability. We re-think our systems approaches and use advanced technology powered by innovation to create a step change within our industry, building the green sustainability advantage and reducing our environmental footprint.”*

*- Nelson Wong,  
Senior Vice President of Global Sales*



# DEVELOPING SOLUTIONS WITH ENVIRONMENTAL INTEGRITY

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

To meet this challenge, K&S has developed and launched ULTRALUX™, our latest generation ball bonder for LED-related projects.

## Lower energy use:

- 10% reduction in carbon emissions generated due to in-built suite and ability to perform wide combination of specialty interconnects allow for increased range of actions to be performed at one go

## More efficient use of resources:

- Greater precision due to automatic recipe generation over traditional manual trial-and-error work for reduced inaccuracies in output
- Improved hardware design for longevity of machine

## Greater unit-per-hour rate

- 10% cost savings due to fewer ULTRALUX™ machines needed to produce the same output as conventional ball-bonders for greater productivity gains
- Improved UPH translates to space savings

Overall, the ULTRALUX™ has not only allowed us to reduce our environmental impact through lowered energy use and improved material usage, but also reduce running costs and increase overall product efficiency and accuracy to turn sustainability expectations into business value.



Our customer - a major LED manufacturer - deployed the ULTRALUX™ in its operations, and recorded

# 10% reduction

in energy use



# SUSTAINABLE SOURCING OF MATERIALS

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, which takes reference from internationally recognized standards. We are committed to these standards with targets and continue achieving annual progress towards compliance.

These include the 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's) Conflict Minerals rules.

A similar level of oversight applies to our suppliers, who must abide by our Supplier Code of Conduct as part of our sustainable supply chain framework.

Our responsible materials use focuses on two key areas:



Conflict Minerals

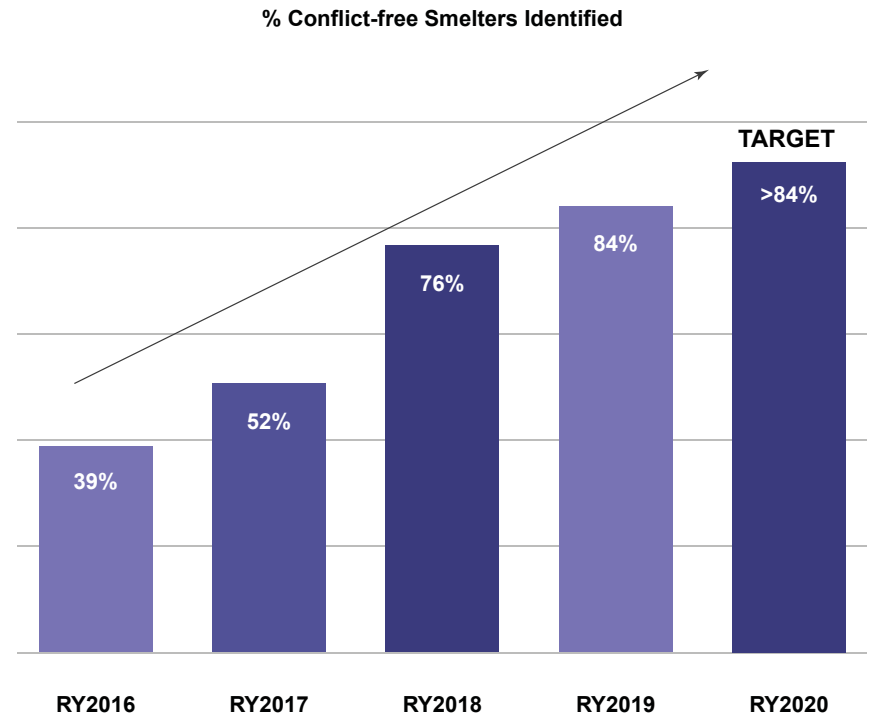


Hazardous Substances

## Ethical Sourcing of Conflict Minerals

Materials such as tin, tantalum, tungsten and gold (3TGs) are necessary raw materials for the semiconductor sector, but are however classified as conflict minerals due to the mining of these items in conflict areas. K&S is cognizant of the concerns surrounding the material source, and commits to be free of conflict minerals in our products and supply chain.

To manage our efforts, a cross-functional global Conflict Mineral Committee led by Corporate Quality strives to ensure that our 3TGs come from ethical sources, guided by our Conflict Mineral Sourcing Policy.



Based on these efforts, every year since 2013, the Committee declares annually<sup>1</sup> to the Securities and Exchange Commission (SEC) our annual progressive efforts.

To complement, we ensure that our Tier-1 suppliers are also in full alignment to achieve our conflict mineral free goal. We do this through two methods:

**Conflict minerals reporting template**

- Annual full disclosure of origin information of 3TGs in components and assemblies, including those from sub-tier suppliers and smelter sources

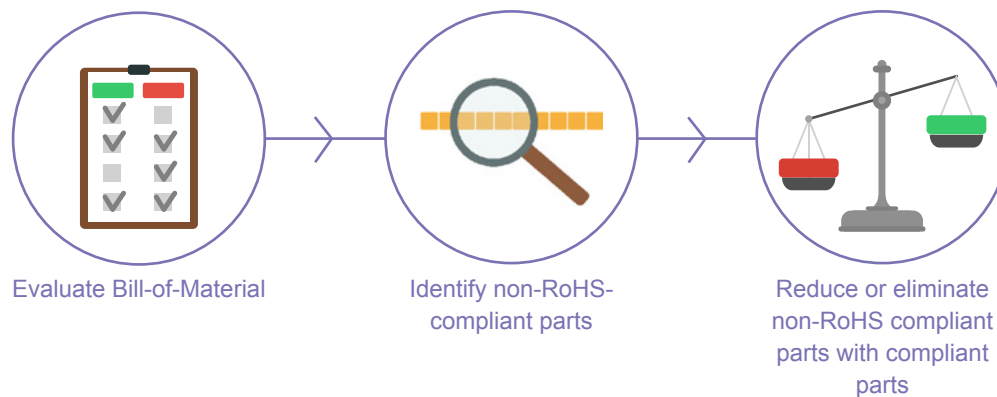

**Conflict minerals audit**

- Assessment of Tier-1 suppliers’ processes and policies, including their monitoring process of sub-tier suppliers’ activities

**Reducing Use of Hazardous Materials**

Electronic equipment containing hazardous content when not disposed properly can cause major environmental issues. While K&S equipment is not required to be subjected to Restriction of Hazardous Substances (RoHS) guidelines mandated by the European Union (EU), in the interest of health and safety, since 2018, we have strived to ensure that we are in full compliance with the global benchmark and any updated restrictions that follow.

Our RoHS compliance is overseen by a Go-Green Committee which uses a three-step process to ensure product compliance to eliminate use of hazardous materials in K&S products. Information from these product content evaluations are recorded and maintained on K&S’ RoHS database for future reference and traceability.

In July 2019, the EU added four new phthalates<sup>2</sup> to its existing list of restricted substances. By FY2020,

**all K&S new platforms are declared RoHS for six substances.**

K&S is currently working towards having new platforms to be 100% compliant to the ten substances.

<sup>1</sup> The SEC’s Reporting Year runs from January to December. Read our latest Conflict Mineral Report at <https://www.kns.com/Corporate-Responsibility>.

<sup>2</sup> Products containing butyl benzyl phthalate (BBP), di(2-ethylhexyl) phthalate (DEHP), dibutyl phthalate (DBP) or diisobutyl phthalate (DIBP) cannot be transacted on the EU market.

# ACHIEVING ECO-EFFICIENCY IN OUR OPERATIONS

We aim to reduce the remaining footprint of our manufacturing sites and offices across the markets we operate in, to drive and ultimately ingrain in K&S a green organizational culture and mind-set for the long-term. To do so, we adopt a three-pronged framework that focuses on two key aspects - optimizing resource usage and effective waste management.



**Shaping environmentally-geared mind-sets** through education, awareness and advocacy



**Elevating design infrastructure** to create an environmental-friendly work surrounding



**Shifting toward best-practice eco-friendly practices and processes** through green investments

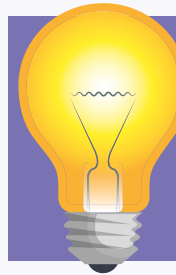
## CASE STUDY

### MAKING POSITIVE CHANGES FOR GREATER ENERGY EFFICIENCY

Understanding that the world we live in is not only for the current generation but for future generations as well, K&S Fort Washington has revamped the organizational mindset to embrace more efficient electrical appliances across the facility where possible. These include:

- Modified Clean Room HVAC system parameters
- Replaced external metal halide lights with LED lighting
- Replaced fluorescent lights in labs with LED lighting

Complementing these changes, employees are also encouraged to be more conscientious about energy use and prompted to turn off non-essential electrical systems when not in use.



The swap to more efficient electrical appliances and parameters saves the site

**>4,200 kWh/day**

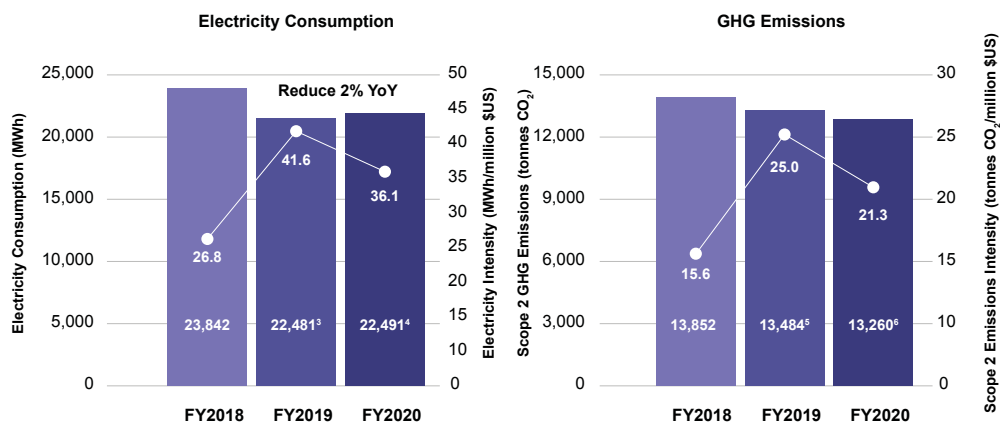


## Moving Towards Greener Energy

As part of the semiconductor industry, we recognise 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 is rigorously conducted to ensure that systems operate efficiently and anomalies in consumption identified quickly and rectified. Quarterly energy management meetings are held to monitor progress and evaluate effectiveness of energy conservation measures. **Overall, our global goal is to reduce energy usage by 2% across all sites.**

As of FY2020, a total of 80,968 GJ of energy was consumed across our six global sites. Grid electricity consumption stood at 22,491 MWh. This is a 13% decrease from FY2019 for electricity intensity and a corresponding 15% drop in greenhouse gas emissions intensity.



<sup>3</sup> Total amount disclosed has been revised from 23,206 to 22,481 due to duplication in previous calculation.

<sup>4</sup> Amount disclosed includes 1,026 MWh of renewable energy derived from wind and solar energy from K&S Eindhoven.

<sup>5</sup> Total amount disclosed has been revised from 13,567 to 13,484 due to duplication in previous calculation.

<sup>6</sup> Amount disclosed includes 461.7 tonnes CO<sub>2</sub> of renewable energy derived from wind and solar energy from K&S Eindhoven.

## CASE STUDY

# K&S EINDHOVEN'S ROAD TOWARDS CARBON NEUTRALITY

Spurred by the Dutch government's push for the Netherlands to become carbon neutral by 2050, K&S Eindhoven will implement a CO<sub>2</sub> reduction management system in consultation with a consultancy company during the course of 2021. Also known as the Energy Efficient Directive (EED) plan, it is managed by an Environmental Committee made up of supply chain/production director, QHSE/facility manager, electrical engineering manager and facility supervisor.

Based on the latest EED energy audit report which visualizes and analyses possible long-term cost-effective carbon strategies for FY2021-2024 implementation, we have begun to put action behind plans to achieve our ambitious target, such as preparing for the replacement of installations, buildings and production equipment. In FY2020 alone, we achieved a savings of 8,596 kg in carbon emissions from the recent installation of solar films on all our site windows.

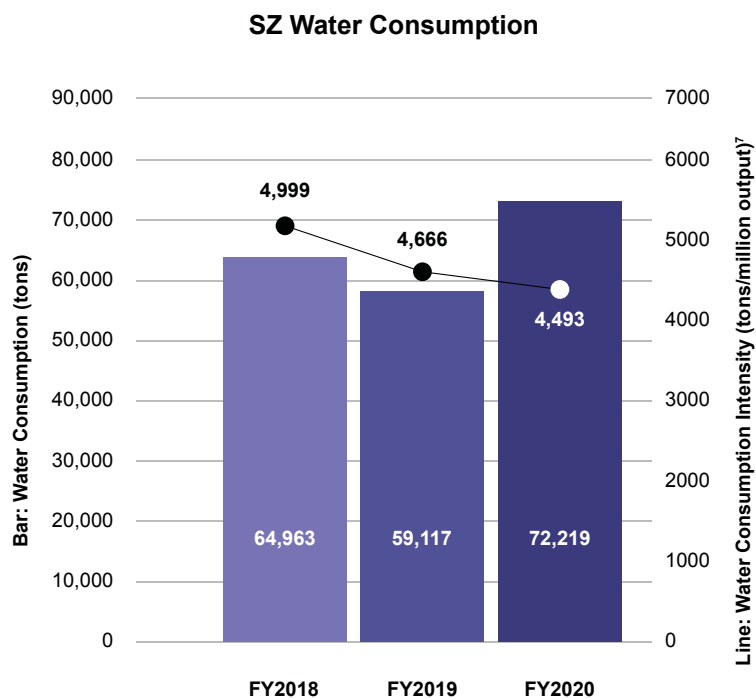
In addition, employees are encouraged to take more sustainable means of transportation to work, such as the use of electric cars or bicycles. As of FY2020, we have saved 6,383 kg of carbon emissions from our employees cycling to work alone.

Since Jan 2020,  
**100% of electricity use**  
 at K&S Eindhoven is derived from Dutch wind farms and solar parks

## Enabling Water Positivity

Water is a critical raw material in our processes. Due to the local circumstances and infrastructure of our sites, a large proportion of our water is drawn from municipal sources. All our sites are cognizant of the need to conserve water and this is achieved through process changes that reduce rinse water use, reverse osmosis pre-treatment as well as regular pipeline maintenance and underground leak detection and repairs.

As Suzhou is the main contributor for water consumption, consuming 90% of our global usage, we are tracking Suzhou water consumption and setting goals for it for reduction YoY. The water consumption in Suzhou in FY2020 totals 72,219 tons while water intensity measured 4,493 tons/million output. Even though the actual consumption increased, but when normalized over production output, this is a reduction of 4% from FY2019.



<sup>7</sup> Metric disclosure for Line: Water Consumption Intensity will be revised from “tons/million \$USD” to “tons/million output” from FY2020 moving forward.

## CASE STUDY

# RECYCLING WASTE WATER FOR NON-POTABLE USE

Water use is particularly intensive at our Suzhou site – comprising 90% of our global usage. This is because water is used for product cleaning during operating processes such as the fabrication of capillaries, wedge bonding tools and slicing blades as well as in firefighting water tank refills. Water is also used in smaller quantities for cooling towers. To make the most of the water used in the manufacturing process, K&S Suzhou installed a waste water treatment plant on-site in 2018. This allows the facility to treat and clean waste water using reverse osmosis. The non-potable water is piped back to the facility and used to flush toilets, offsetting some demand on the municipal pipeline. As of FY2020, we have reduced our water intensity by 4% by performing water consumption mapping and gauge installation.



CASE STUDY

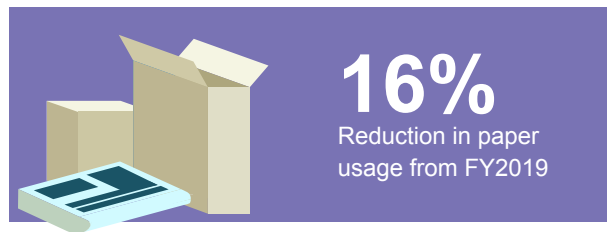
# SETTING THE LOCAL EXAMPLE FOR RECYCLING

## 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, we do so through two methods:

### Reducing Generation of Non-hazardous Waste

- Packaging Materials: Plastic, wood and paper
- E-waste: Batteries and lamps



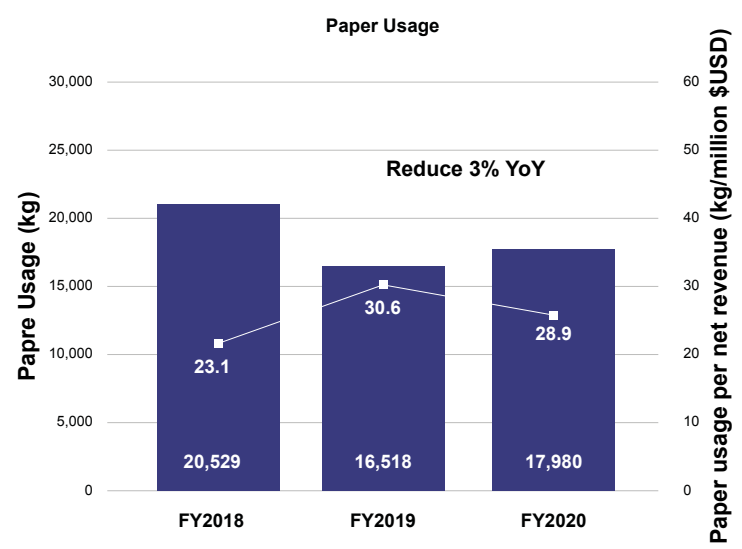
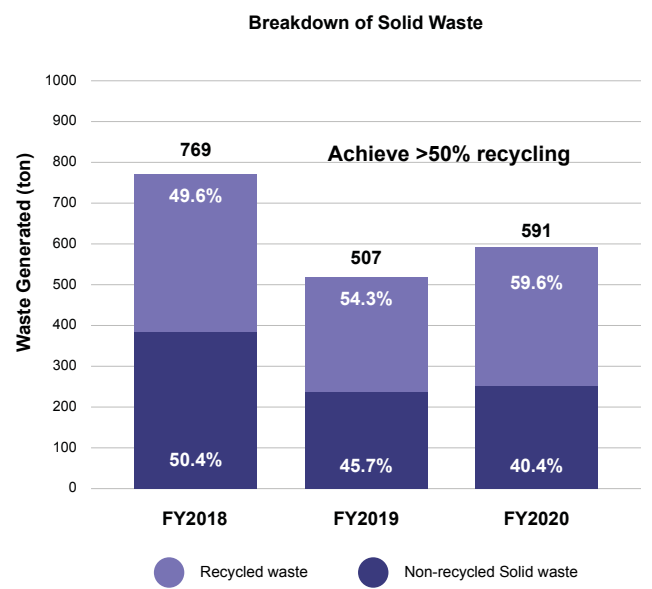
**Safely Disposing Hazardous Waste:** Factory waste of potentially toxic chemical nature

### Reducing non-hazardous waste with the 3R approach

Adopting the **3R approach of Reduce, Recycle and Reuse**, we believe in inculcating and adopting an environmentally-positive mind-set that affects daily habits which involves eliminating single-use disposables, conserving paper use and limiting printing, and repurposing paper, cardboard or e-waste for future use.

K&S Santa Ana has been lauded for their recycling efforts which not only meet ISO standards, but the city's recycling mandate. In FY2020, the site achieved a 52% plant-filled diversion rate for recycling waste cardboard, aluminum, glass, metals as well as e-waste, such as batteries and fluorescent tubes. Based on one key activity of digitizing training manuals, we have reduced paper use by 62% alone.

These efforts have been widely featured in Santa Ana, with the site identified as a case study best-practice for other companies in the area to emulate.





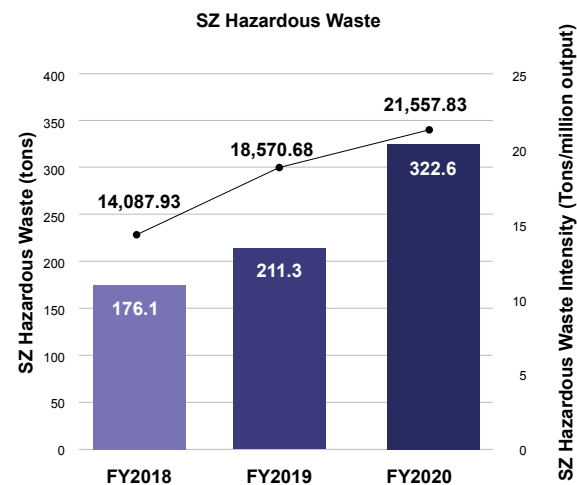
**Managing hazardous waste safely**

During the manufacturing process, some hazardous waste is generated in the form of liquid chemicals and solid waste contaminated by chemicals. As our operations and output grow, so has the volume of our hazardous waste generation. However, we are committed to matching this increase with safe disposal protocols that comply with regulatory standards. All K&S sites dispose of these wastes according to standards set by the Environmental Protection Agencies in each respective country. In FY2020, the amount of hazardous waste K&S generated measured 464 tons while solid waste generated measured 591 tons.

Suzhou contributes to 90% of hazardous waste generated at K&S currently. To ensure compliance to regulations and also for continual improvement, new initiatives on treatment of waste have been introduced, which has set a new baseline on hazardous waste generated. Reasons for the site's FY2020 rise in hazardous waste generated includes the following:

- Sludge generation from the increase in waste water treatment cycles to remove nickel (Ni) from waste
- Waste acid being treated outside of operations
- Inclusion of a new type of hazardous waste accounted for - active carbon for VOC emission treatment

As our waste water treatment plant becomes more advanced with new technology, we plan to start trials in FY2021 to reduce hazardous waste generated by reducing waste emulsion liquids generated and treating waste acid within operations.







# DELIVERING VALUE TO CUSTOMERS

*“With increased digitalization in the economy, K&S’ pursuit of innovation and Industry 4.0 is even more of an imperative amid the disruptions of FY2020. We continue to uplift sector standards as the industry leader and deliver higher value to society by making automation, efficiency and sustainable solutions a core priority.”*

*— Chong Chan Pin,  
Executive Vice President and  
General Manager of Products and Solutions*



# DELIVERING EFFICIENCIES WITH SMART MANUFACTURING

For over 65 years, we have driven the development of innovative solutions to create strategic competencies that enable us to deliver progressive value for our customers. As customers raise their standards for products and services that simplify lives and deliver greater value, advances in smart manufacturing present a huge opportunity to make business sense out of Industry 4.0.

Our vision of smart manufacturing involves the building of a digitally connected factory to drive new manufacturing efficiencies by combining physical and cyber technologies. Integrating discrete systems and harnessing the power of large volumes of data to move towards greater automation, our roadmap to integrating Industry 4.0 seamlessly into our operations involve four key areas.





The beauty of smart manufacturing is the thread of connectivity that connects machines, devices and people. Smart manufacturing uses data to predict outcomes of a process step or machine operation. By collecting data from various processes of the value stream, analytics is then applied to perform statistical modelling and examine trends in factory or machine operations. Anomalies in machine behavior can be identified early based on past data to prevent undesirable outcomes. Through this continuous feedback loop between our direct-facing business units and service teams that work on the machine systems, we have secured greater results both for the business and the customers we serve.



#### Business benefits

- Higher factory productivity
- Improved cost efficiencies
- Reduced labor usage



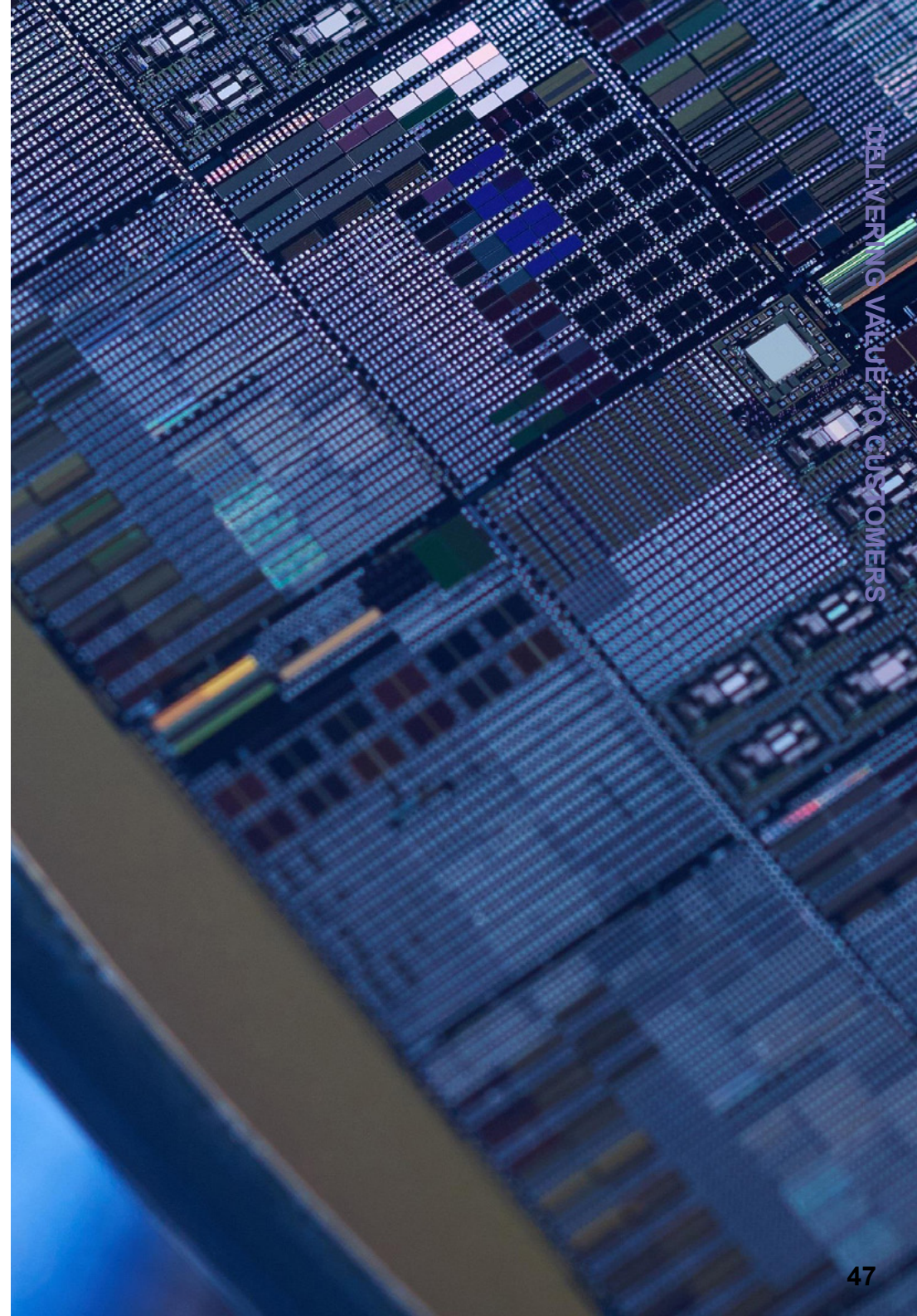
#### Customer benefits

- Improved productivity and efficiency
- Improved product and service quality
- Shorter lead-time

We have made great strides in the following areas of automation:

- **Virtual Technology:** We run simulations by adopting the Digital Twin technology that acts as a bridge between the physical and digital world to uncover learning and opportunities within the virtual environment that can be applied to the physical world. This helps us improve on our quality of products and services at a low cost.
- **Proprietary K&S software:** We use our own cloud platform, KNet as a host for communications. This is where we keep a secure inventory of data in the cloud system to harness big data.
- **Strategic Logic Flow Chains:** We use run-to-run logic chains to ascertain accuracy of workflows through the use of barcode readers. This ensures that the operating process proceeds smoothly without errors through validation checks.

These efforts in smart manufacturing have placed K&S in an advantageous position in meeting the challenges and demands brought on by the industry's transformation and evolving stakeholder needs. Moving forward, our continuous push toward smart manufacturing entails mobilizing capital into Artificial Intelligence (AI), 5G, the Internet of Things (IoT) and other Industry 4.0 technologies to continue improving machine yields, productivity and efficiency in our drive to continue the positive growth for the business.



# PRODUCT INNOVATION & SERVICE STEWARDSHIP

K&S strives to consistently deliver innovative solutions to meet our customers' needs and expectations. Year-on-year, we invest in research and development (R&D) and build on our technical capabilities.

We adopt a Knowledge Driven Product Development (KDPD) framework comprising four stages that defines the product development process from conceptualization to market release, based on concise customer understanding.



In FY2020, we increased our investments in R&D by

**6%**

## Our Knowledge Driven Product Development framework



### 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



## CASE STUDY

# PUSHING THE FRONTIERS OF BALL BONDER TECHNOLOGY

Delving deep into R&D to drive our Industry 4.0 push, we have developed the RAPID™ Pro. This is the first in our Gen-S Series of next-generation ball bonders.

Introducing Smart Bonder capabilities, the RAPID™ Pro meets the rising demand for greater factory automation, manufacturing productivity and enhanced intelligent solutions that increase precision and optimise resources.

This latest generation of ball bonder delivers the most robust process performance at maximum throughput. It provides advanced real-time process monitoring (RPM) and health monitoring capabilities to ensure the highest yield possible for automotive, memory and other high performance semiconductor packages.

A comprehensive suite of on-bonder inspection capabilities makes use of advanced analytics and modeling to verify process stability and prevent yield loss.

At its core, the RAPID™ Pro maximizes operational efficiency, and supports sustainability through the reduction of power and facility consumption for a smaller carbon footprint.



## Deepening Our Value Proposition

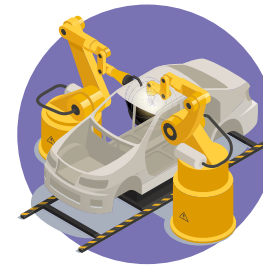
FY2021 brings an optimistic outlook for the broader semiconductor industry, bolstered by smartphone demand improvements, 5G rollouts and changing consumer patterns.

In addition to expanding capabilities in the core semiconductor portfolio, K&S also seeks to capture new secular growth opportunities related to fundamental technology shifts. Major markets continue to find innovative new applications to leverage the capabilities of semiconductor technology. Today, the K&S' specific competencies in high-speed motion control, vision systems, software and operational scale provide a unique position to hasten this fundamental technology change in the Display, Automotive and Semiconductor markets.



### Transitions in Display

Consumer preferences for brighter, faster, longer-life and lower-cost displays are triggering significant demand for new innovative equipment. Ongoing investments in R&D drove the success of PixaLux®, which provided an entry point into the advanced display market. K&S is focused on supporting the current production ramp of PixaLux and also expanding its portfolio of mini and micro LED solutions.



### Transitions in Automotive

Semiconductor content continues to increase within the Automotive market, where K&S has a long-term presence. Today, hybrid vehicles, battery electric vehicles and new ADAS features are further increasing the long-term need for power storage, power distribution, sensing and logic applications within this growing market.



### Transitions in Semiconductor Assembly

Fundamental transitions in the semiconductor design and fabrication process are driving external investments to identify new assembly techniques and processes that can further enable performance, power efficiency and form-factor improvements. We remain committed and engaged to further facilitate this transition with both its core and new equipment solutions.



# PRIORITIZING CUSTOMER HEALTH & SAFETY

K&S takes a serious view to 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.

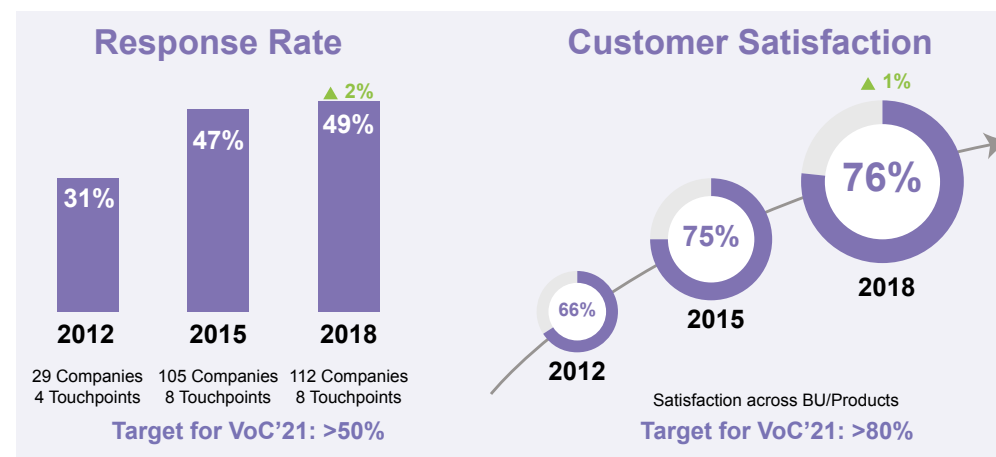


## Ensuring Customer Satisfaction

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 listening to customers through two aspects to help us understand matters that mean the most to them.

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

- Voice of Customer (VoC) survey is a triennial customer survey conducted by our Customer Quality Team to measure satisfaction with K&S across categories such as
  - Product performance
  - Technical expertise
  - Cost of ownership
  - After-sales technical and services support
- Quantitative aspects which are objectively-driven such as out-of-box quality, reliability, and issue response time. Quality KPIs and goals are set at the start of the year, and Quality Performance is a shared business goal across multiple functions such as Product Management, Operations, Manufacturing, and Quality. Performance is tracked and presented in weekly meetings and quarterly business reviews.



The last VOC survey was conducted in 2018, in which we obtained a 2% increase in response rate and a 1% increase in customer satisfaction score. The next VOC survey will roll out in May 2021.

### Pairing engagement with action

The results are collated and shared with our Marketing and Program Engineering teams to guide customer satisfaction improvement efforts. We then adopt appropriate strategies to focus on improving and developing in areas that require attention. These include the following:

- **Management meetings** help us plan budgets for customer improvement in areas such as processes, services or products
- **Staff training programs** focusing on technical and problem-based solving skills equip K&S employees to better understand requirements and serve customers in after-sales support

### Mitigating concerns and issues

In the event of any issues, we adopt the Issue Escalation Flow system to handle 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, customer feedback cases will be presented to team members during technical toolbox meetings for shared learnings and identification of areas for improvement.



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



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



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



The Product Management Business Unit will step in to make decisive calls on customer recovery

### Providing good after-care services

Building good customer relations require long term nurturing. We also strive to provide quality after-sales service that ensures increased customer value by keeping machines at peak performance through support and equipment maintenance. These include various K&S after-sales care programs that provide quick turnaround for uptime assurance to meet varying levels of needs, such as K&S Care, K&S Certified Repair & Refurbishment and K&S Service Contract & Paid Service programs.





# CHAMPIONING EMPLOYEES AS OUR GREATEST ASSET

*“At K&S our employees and the ideas they generate together help formulate our competitive advantage. We provide our employees with a wide range of opportunities to learn and grow, helping to unlock their potential in a mutually enriching way. Providing a safe working environment took on new meaning in 2020 and we are proud of how our teams across the globe found innovative ways to deliver value to our customers, while keeping themselves safe and continuing to grow and learn in challenging new ways.”*

*- Lisa Lim,  
Vice President of Global Human Resources*



# STAYING AHEAD OF OUR PEOPLE PRIORITIES

At K&S, the opinions and concerns of our employees matter. We invest time and effort to build our relationships with our employees to create an engaged workforce focused on shared goals and successes.

Every few years, we conduct Voice of K&S - a global employee engagement survey to get the pulse of employee feedback on various topics that range from Leadership and Vision, Customer Focus and Quality, Career Development, and Performance Management. This process allows us to assess workplace factors critical to high performance and in making K&S a great place to work. In addition, the survey results give us opportunities to strengthen employee loyalty and teamwork while increasing productivity and creativity. All employees have the option to participate in the survey, and our average response rates are typically about 94%.

Global representative teams review the survey results and identify priority areas for improvement. Action plans are then formulated and planned for implementation.



**78%**

Our FY2020 Voice of K&S results show that we have an improved employee satisfaction score from our prior survey<sup>8</sup>

<sup>8</sup> Higher by 1% against Mercer's global engagement average.



# ADVOCATING FOR PROGRESSIVE EMPLOYMENT PRACTICES

We are a talent-first organization and are committed to establishing a workplace that provides our employees with exciting and challenging opportunities to grow their careers. Through making the most of their talents, actions, and ideas, we are able to deliver on our core values each day to demonstrate personal, business, and societal successes. We focus on three fundamentals of a people strategy to achieve our organisational goals.



## Leadership Imbued with Values

- Enacting leadership that perpetuates the approach of best employment practices across the organization



## Robust Talent Acquisition and Development

- Developing a competent and future-ready workforce
- Building a steady and energized talent pipeline



## A Culture that Empowers and Supports

- Creating a work culture that is diverse and inclusive
- Actualizing a fair and supportive work environment





### Leadership Imbued with Values

We manage our teams according to global best practices and have created centers of excellence in Talent Management, Talent Acquisition, Learning and Development, HR Management Information System (HRMIS), and Global Compensation. These centers provide guidance and resources to support our organization. Setting the tone from the top, they are overseen directly by our Global Vice President of Human Resources, supported by regional site Human Resources (HR) Managers and local leaders. To ensure relevancy of policies in the various locations in which we operate, each country team tailors their policies and practices to comply with local legislation and best practices, and reviews them against market peers.

#### CASE STUDY

## USING TECHNOLOGY FOR LEARNING DURING COVID

As we began 2020, COVID-19 was already circulating throughout the world causing major disruptions to our lives, to how we work, and to how we did our best to keep our workforce safe as the virus moved throughout Asia, Europe and the USA. At K&S, we immediately implemented country-specific recommended safety procedures such as masks, temperature checks, social distancing, frequent surface disinfection, and work from home strategies. 2020 will forever be remembered as a pivotal time for changing the way we work, not only during a pandemic, but also for the future. We are proud that our employees showed great resilience in their ability to work effectively and efficiently from home.

During this time, we also changed the way we learned, moving from classroom learning to virtual platforms. Courses in Asia that went virtual include Mentor Training, Situational Leadership, Coaching Skills for Managers, and Empathetic Leadership.

Feedback from the participants has been consistently positive, and the virtual platform enabled positive connections between co-workers who have not seen each other during shutdown periods. Technology has become a vital way to keep connected and to continue employee development opportunities even from home.

### Robust Talent Acquisition and Development

The professional development of our employees is one of our major considerations and we commit to investing in our employees' development to gain the necessary skills and knowledge to stay relevant and valued in our highly competitive industry.

To develop a skilled and competent workforce, we apply a structured training framework to supports employee growth and development throughout the organisation. Regional HR teams partner with our Learning and Development Department to determine the appropriate training for employees in three areas of personal effectiveness, job functionality, and leadership development.



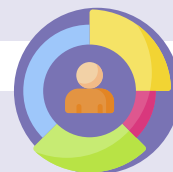
#### Getting to Know K&S *On-boarding & Orientation*

- Core Values Workshop
- Online Training
- Business Continuity Management



#### Building Core Capabilities *Enhance Workforce Effectiveness*

- Critical Thinking
- Effective Communication
- Problem Solving



#### Deepening Skills *Technical Skills*

- Value Stream Mapping
- Design of Experiment (DOE)
- Data Analytics



#### Developing Leaders *Consistent approach to People Management*

- Leadership Essentials
- Managing Performance
- Delegation



## Growing Our Talent Pipeline

K&S has made strides in developing new talent streams since we established a global team in FY2019 to strengthen our talent acquisition processes. To achieve our goal of recruiting the best talent to support our strategic priorities and business needs, we adopted a three-tiered plan to better achieve our recruitment efforts:

### Increase reach and accessibility to new talents

Expanded our job postings to include diversity job sites and skill-specific job boards and associations while increasing our brand recognition in multiple countries

### Broaden pathways of job opportunities

Formed more collaborations with leading colleges on internship programs across countries such as Carnegie Mellon and the Nanyang Technological University

### Establish robust monitoring processes

Clearly defined hiring metrics to track K&S' hiring efficiency, such as time-to-fill and quality of hires



In FY2020, we launched a new survey designed to **provide deeper insights on global recruitment effectiveness**



## A Culture that Empowers and Supports

### Engaging our employees with a fair and supportive work environment

We attract and retain our talents by offering not only progressive career paths and professional training but also competitive compensation. To ensure that all staff are paid fairly and equitably, we take part annually in compensation surveys conducted by consultants such as Radford and Mercer. This benchmarks the pay ranges for all of our positions and makes certain that our salary and benefits<sup>9</sup> are commensurate and aligned with globally recognized levels.

Employees in Singapore, Suzhou, and The Netherlands are under the purview of local trade unions. We work in partnership with trade unions to ensure that our labor practices meet the latest standards.

We also create a rewarding and engaging workplace through good employee relations that prioritize dignity and mutual respect, according to the Employee Code of Conduct. To complement the former, we implement an Open Door Policy that embraces formal and informal channels of communication for employees to share feedback, voice concerns and raise suggestions. Regular employee interactions are held to understand evolving expectations, such as the Voice of K&S – a global employee engagement survey.

We provide a global Whistleblowing Hotline for employees to share any grievances they may have. All calls received will be investigated and reviewed by Legal, HR, and Audit departments where appropriate and reported to the Audit Committee on a quarterly basis. Employees also have access to local HR representatives and the Global Vice President of HR.

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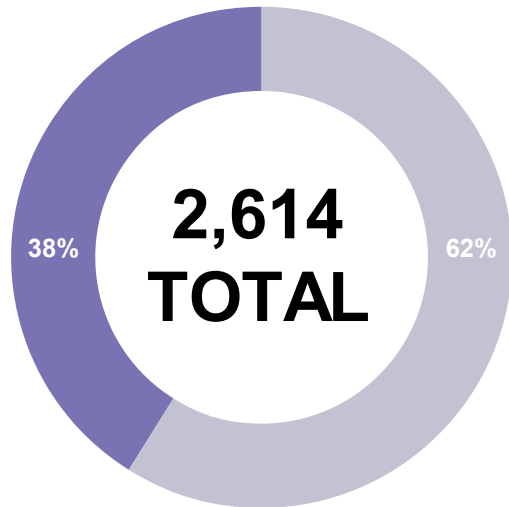
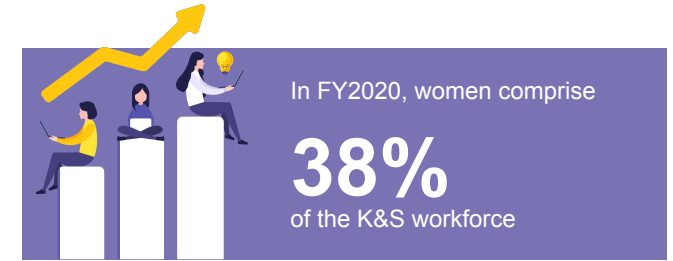
<sup>9</sup> More information on employee benefits can be found at [www.kns.com/Careers/Careers/Life-at-K-S#Benefits](http://www.kns.com/Careers/Careers/Life-at-K-S#Benefits)



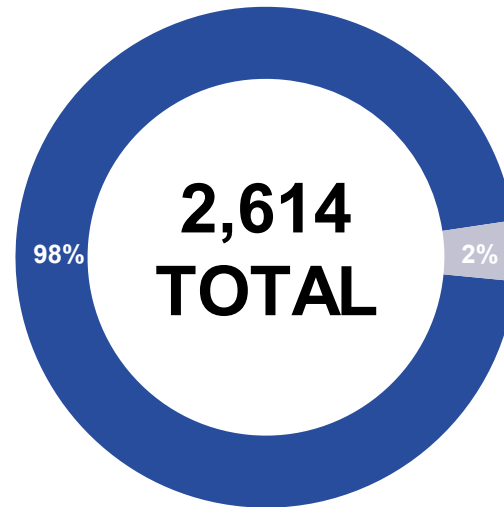
**Embracing diversity and inclusivity in our workforce**

We believe that the power of a diverse workforce lies in the full-spectrum of capabilities brought by a myriad of experiences, knowledge and ideas. This not only enables us to foster the creativity necessary for us to keep our competitive advantage, but also links individual success with our broader business purpose to create a purpose-driven culture at K&S.

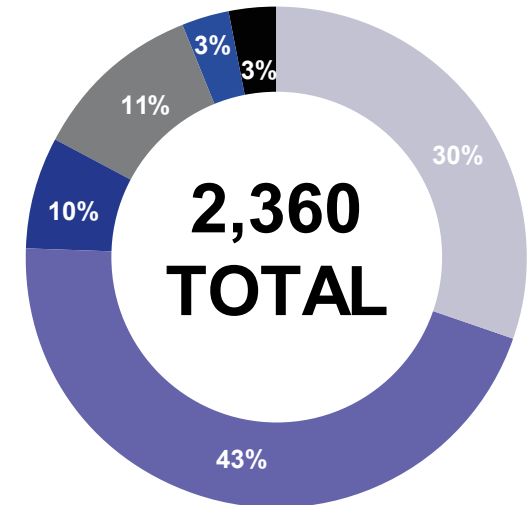
In an industry where women have traditionally been a small minority, we are proud that 38% of our workforce is female. We will continue our efforts in hiring more female employees, at both operational (e.g., engineer) and leadership levels.



**K&S global<sup>10</sup> headcount**  
 ● Female ● Male



**K&S global<sup>10</sup> headcount**  
 ● Full-Time ● Part-Time



**Breakdown for six operational sites**  
 ● Singapore ● Suzhou, China ● Eindhoven, Netherlands  
 ● Santa Ana, USA ● Fort Washington, USA ● Haifa, Israel

Employment Contract	Male	Female
Regular	1536	933
Temporary	106	39
<b>Total</b>	<b>1642</b>	<b>972</b>

Employment Contract	Male	Female
Full-time	1608	944
Part-time	34	28
<b>Total</b>	<b>1642</b>	<b>972</b>

Sites	Regular	Temporary
Singapore	661	46
Suzhou, China	1011	7
Eindhoven, Netherlands	168	54
Fort Washington, USA	224	33
Santa Ana, USA	73	4
Haifa, Israel	78	1

<sup>10</sup> Refer to page 6 for K&S global sites.



## CASE STUDY

## AFFIRMATIVE ACTION FOR INCLUSIVITY IN THE WORKFORCE

In the USA, we have an annual Affirmative Action demographics review of our USA workforce. We work with an external partner to conduct the assessment and they provide us with feedback and suggested targets for minorities, veterans, and women. The efforts we take include:

- Expanding our job posting to job boards that target minorities and women
- Manager-level training on identifying and eliminating bias

Related to the Black Lives Matter movement, we made a concerted effort to identify job boards that focus on diversity candidates. We have also taken decisive actions to hire a new Diversity and Inclusion Specialist to be located in Fort Washington, reporting directly to our Legal Department. The goal is to launch a formal program to help our global efforts not only in Black Lives Matter, but to also incorporate a more inclusive culture at K&S across all of our locations.



# MAKING HEALTH AND SAFETY A WAY OF LIFE

The health and safety of our employees is of utmost importance to K&S and forms an integral part of our organisational culture. K&S' commitment to providing a safe and healthy workplace is reflected in our FY2020 achievement of full IMS certification across all our six sites that involves the attaining of the Occupational Health and Safety standard of OHS ISO 45001. 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 organisational 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 are up-to-date and familiar with our safety standards and actions, we roll out regular health and safety-related trainings. This 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 FY2020, we achieved  
**100% global employee completion**  
in Corporate Safety Training


CASE STUDY

# K&S SUZHOU - WINNING SITE OF FY2020 CEO OHS CHALLENGE!

To instill safety as part of our organisational culture, K&S also holds an annual CEO OHS Challenge competition. Started in 2015, the award recognises K&S sites for OHS excellence and incentivises staff to integrate safety actions into their day-to-day. Based on indicators such as training hours, attendance rates, accident frequency rates and accident severity rates, sites engage in friendly 'competition' yearly for the top spot. In FY2020, K&S Suzhou came in tops at this year's CEO OHS Challenge. It achieved zero incidents and the best performance for all categories.



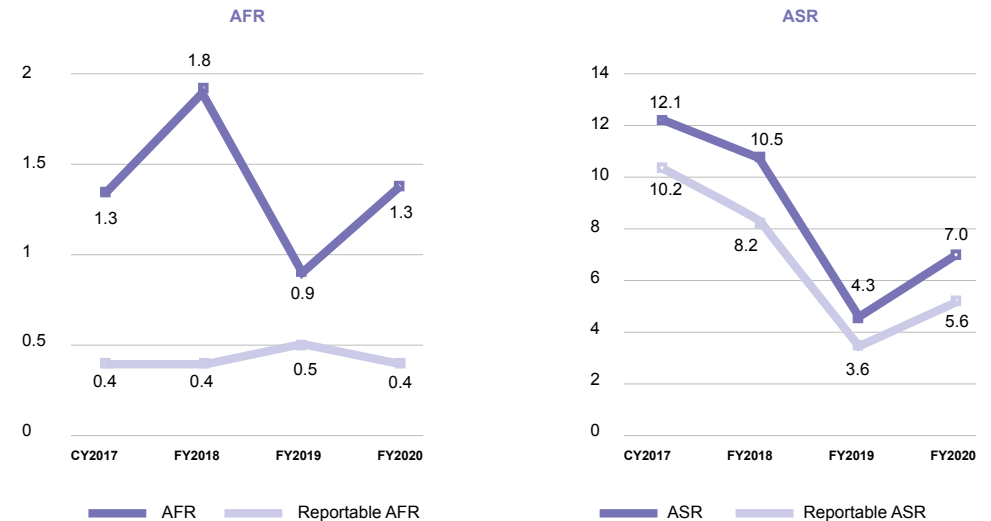
As a result of our health and safety precaution actions, there were three reportable accidents<sup>11</sup> in FY2020. Accident Frequency Rate<sup>12</sup> (AFR) and Accident Severity Rate<sup>13</sup> (ASR) was 1.3 and 7.0 respectively. Across all six sites, there were zero fatalities and zero cases of occupational diseases reported.



In FY2020, we met our safety global targets

Accident Frequency Rate (AFR) by	Accident Severity Rate (ASR) by
<b>&lt; 1.5</b>	<b>&lt; 10</b>

### FY2020 Safety Statistical Highlights



<sup>11</sup> Reportable accident: A non-fatal injury or illness which results in a medical leave taken of four or more days. Non-reportable accidents: 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>12</sup> AFR = (Total incidents / total employee work hours) x 1,000,000.

<sup>13</sup> ASR = (Total man-days lost as a result of an incident / total employee work hours) x 1,000,000.



Accident Frequency Rate		
	FY2020	FY2019
Singapore	1.3	1.3
Suzhou, China	0	0
Eindhoven, Netherlands	0	0
Santa Ana, CA, USA	0	0
Fort Washington, PA, USA	0	2.0
Haifa, Israel	0	5.4
<b>Global Reportable AFR</b>	<b>0.4</b>	<b>0.5</b>

Accident Severity Rate		
	FY2020	FY2019
Singapore	16.0	2.0
Suzhou, China	0	0
Eindhoven, Netherlands	0	0
Santa Ana, CA, USA	0	0
Fort Washington, PA, USA	0	8.0
Haifa, Israel	0	64.2
<b>Global Reportable ASR</b>	<b>5.6</b>	<b>3.6</b>

Table 1: K&S Safety Performance







**Kulicke & Soffa**

Your ally in technological discovery, always.  
We are the foundation of technologies.

# DOING WELL BY DOING GOOD

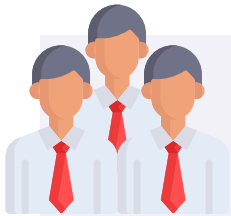
*“As part of our commitment to create lasting impact, we place societal impact as one of the focused elements in our corporate strategy. We have embarked on a journey to develop a CSR program which holistically aligns K&S’ global synergies to best position us in bringing purposeful changes to the markets we operate in, in a more systematized and sustained manner.”*

*- Tong Liang Cheam,  
Vice President of Corporate Strategy*

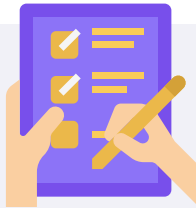


# MAKING A POSITIVE IMPACT ON COMMUNITIES

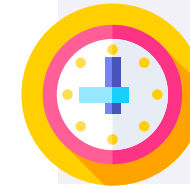
We continue nurturing our long-standing partnerships with non-governmental organizations and other social causes across all our six operational sites. In total, our community investments in FY2020 totaled USD\$546,000.



Distributed  
**> 25,000 masks  
& 500 hot meals**  
to communities and healthcare workers



**30**  
CSR activities per year



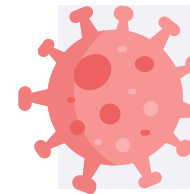
**1,500**  
Volunteer hours



**USD\$16,000**  
In gifts & donations



**19**  
Internships supported



**USD\$200,000**  
donated for COVID-19 efforts

A BIG thank you to the front-line heroes! Kulicke & Soffa Santa Ana team delivered wrap meals to the medical staff of St. Joseph hospital in Orange County to thank them for their selfless dedication.





### Building Academic Capital Through Internships



To engage young minds, our various sites offer a range of internship positions for undergraduates. In turn, this raises awareness for K&S as an employer of choice and expands our talent pipeline.

K&S Eindhoven mentored seven interns majoring in mechanical engineering for over a two year period till FY2020. While at the site, they had the opportunity to work on special projects in product engineering that entailed robot repair, PC repair and repair data management. In October 2019, the site also welcomed a learning visit from 50 Fontys University of Applied Sciences students who were studying mechanical engineering, electrical engineering, mechatronics and informatics.

Other sites that hosted internships in FY2020 include:

- Santa Ana, which hosted one intern in process engineering
- Singapore, which mentored a total of 15 interns (ten from university, five from polytechnic)

K&S Fort Washington has also recently implemented a pilot internship and scholarship program in top-ranking schools, bolstering our efforts in growing academic opportunities for students with talent and potential.

### Acts in Cash and Kind to Support Those in Need

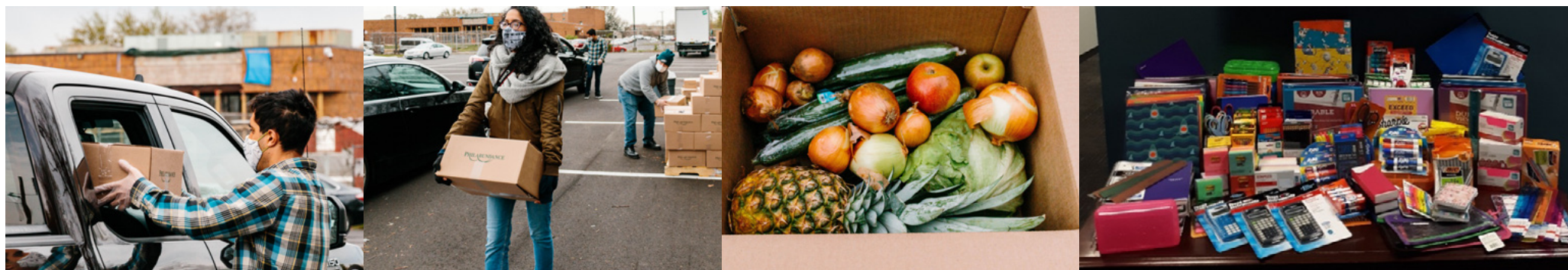


From ensuring food security to supporting families in need, K&S extends help to vulnerable segments of the community in various forms – including financial aid, time and effort.

In a similar vein, K&S Fort Washington carried out its annual School Supply Donation to the Inter-Faith Housing Alliance, and a donation of USD\$25,000 to the Philabundance Hunger relief organization. In addition, over USD\$1,300 was donated towards buying groceries, clothing and toys for eight families in need, to the Volunteers of America Delaware Valley organization.

Over at K&S Eindhoven, more than 500 food boxes were donated to the area's Food Bank, which serves over 650 families. From 2018 till 2020, the coffee supplier for K&S Eindhoven donated, on behalf of K&S, a total 80.95 liters of clean drinking water through Made Blue<sup>14</sup> in developing countries to people who currently have no access to clean drinking water. Every consumption that comes from our coffee machine ensures just as many liters of clean drinking water in developing countries.

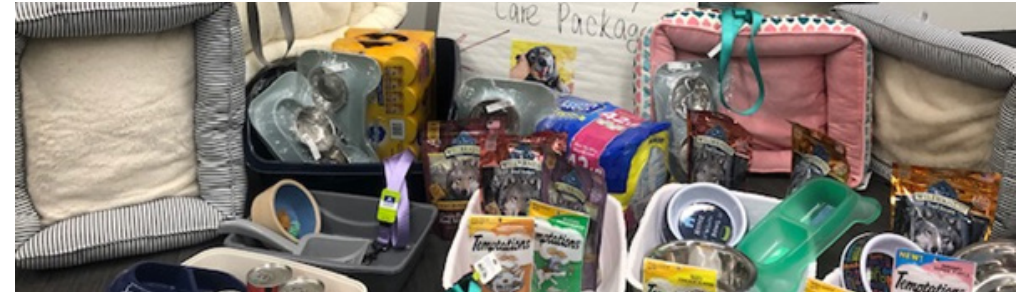
Another effort to support underserved communities is K&S Singapore's annual SG Festive Bazaar and Quality, Environment, Health & Safety (QEHS) Week. Over the years, these annual events raise funds through the sale of staff donated food and other items such as hand-sewn



<sup>14</sup> <https://madeblue.org/en/>



handbags, and environmentally friendly art and craft made by staff. Funds are then allocated to three partner charities: Movement for the Intellectually Disabled (MINDS) for the intellectually challenged, Club Rainbow for chronically-ill children and the Singapore Association of the Visually Handicapped (SAVH) for the visually impaired. At the same event, trained massage therapists from SAVH also give out massages in return for tips, adding to the day's fund collection. In FY2020 USD\$5,240 was raised.



### Acting in Solidarity for a Sustainable Future



K&S carried out a global commitment to Earth Hour on 28 March 2020, with all sites commemorating the event in one form or another by turning off non-essential lights, appliances, machines and other electrical devices. Sites such as Singapore and Suzhou turned off unneeded lights for two hours while in Eindhoven, the climate control system was also turned down over that weekend.

Beyond Earth Hour, many K&S sites carry out sustainable action as a matter of everyday practice. K&S Haifa actively collects and donates plastic bottles for recycling throughout the year. Israeli employees also donated food, toys, clothing, furniture and bottles for recycle to the Hebrew boy scouts. At K&S Suzhou, domestic waste is classified under four categories and collected separately using special bins to facilitate recycling efforts.



### In Service to our Animal Friends



K&S Santa Ana continued its annual community service project to support local animal shelters such as OC Animal Care. In its second year, 30 staff donated and packed 12 baskets of 'forever home gift bags' containing items such as water bowls, treats and toys for the cats and dogs in the shelter.

At K&S Eindhoven, a different type of animal outreach was done – namely, opening the facility as a training site for scent dogs. Scent dogs are service animals that are used to detect substances such as explosives, drugs, humans and more, thus keeping communities and people safe. A total of four dogs from the training school, Hondehof, underwent training at our site.







**GRI  
CONTENT  
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