



# CWTC Chang Wah Technology CO., LTD

## CORPORATE SOCIAL REPORT

CSR REPORT 2020

(Translation)

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## **About**

This report is written based on the core option of the GRI standard issued by the Global Reporting Initiative (GRI). It is issued spontaneously, and it will be released on the CWTC site under the CSR.

The content of this report includes the economic, the environment and social information of CWTC and its subsidiaries.

The financial report is prepared based on the International Financial Reporting Standards, and it is verified by Deloitte & Touche. Unless there is a special note, the money is in Taiwanese dollars.

## **The Period of Information Disclosure**

The disclosure period of this report is from January 1st, 2020 to December 31st, 2020.

## **Contact**

In order to keep the communication with the stakeholders, feel free to contact and share your recommendation, please find the contact information down below:

Address: 811 No.24, Kaifa Rd., Nanzih Dist., Kaohsiung City 811, Taiwan (R.O.C.)

Tel: +886-7-9621258

Fax: +886-7-3684393

Email: [cwtkh@cwtcglobal.com](mailto:cwtkh@cwtcglobal.com)

Website: <http://www.cwtcglobal.com/>

### **A Note from the Chairman**

Chang Wah Corporation was founded in 1989. Right now the company is in its thirty years of establishment. Looking back, I comprehend the meaning from the past thirty-year entrepreneurship experience; that is to always “be grateful, be responsible, be cherished, and be thankful”. These four phrases become the best description of the company, and are used as the foundation of the corporate culture in order to implement the sustainable development.

#### **Be Grateful**

Along the way, there have been many noble people who have helped us, especially Mr. Furukofu Nobore, the former director of Sumitomo Metal Mines in Singapore. Because of the trust and the help that we received from Mr. Gu Guofu at the beginning of the CWTC founding period, we obtained the agency rights of Sumitomo, which then helped to establish Chang Hua’s leading position in packaging material agency in the future.

#### **Be Responsible**

As the old saying goes, “God helps others to help themselves.” Since we received the help from the nobles, we should have the courage to take the responsibility of all kinds so that we are able to continue pursuing the ultimate goal of sustainable development. We continue to improve the company’s physique, create stable profits, and integrate corporate social responsibility thinking into the business process. Recently, we have successively sponsored local community sports activities to make the company become more energetic.

#### **Be Cherished**

In order to earn profit for our stakeholders and investors, putting effort in maintaining the relationship between clients, stakeholders and employees is the most fundamental step to create economic value for the company. Besides that, enterprises should fulfill their social responsibilities. In other words, they need to have the concept of cherishing the society to create the social value because caring for the social is as important as agreeing with companies earning money. This is the root of creating sustainable development of enterprise.

#### **Be Thankful**

As an old saying goes, “to do a good job, an artisan needs the best tools.” We believe only having advanced production equipment can help to increase the capacity of our production and the quality, to further maximize the efficiency of the production and to reduce the cost. In other words, CWTC continues to invest in equipment and R&D so that we can return the profit back to our clients, meaning to enhance the competitiveness between the clients and CWTC to create a win-win situation.

Forecast



For the forecast of CWTC, we not only now transform to the manufacturing and development industry, but also eagerly are seeking the opportunity to invest by combining upstream industries which can offer both parties the technical support.

In the future, I hope that CWTC is not just the supplier in the semiconductor industry, but I hope it can also become the maker of product specifications in the market.

CHANG WAH GROUP President Canon Huang

# 1. Sustainable Development

## 1.1 Company Profile

CODE	6548	Company Name	CHANG WAH TECHNOLOGY CO., LTD	Industry	Semiconductor
Address	NO. 24,Kai-Fa Road Nan-Tze Dist., Kaohsiung. Taiwan, R.O.C.				
Chairman	Hung Chuen Sing	General Manager	Hung Chuen Sing		
Main business	Lead frame Production				
Date of establishment	1998/12/24	Identity	70849957		
Capital	364,131,050	Par Value	NTD\$1		

CWTC was established on December 24th, 2009, a subsidiary company of CWE. In the early stage, CWTC was dedicated to the development and production of LED lead frame and molding compound material, and became a publicly listed company on September 13th, 2016. (Code 6548). In 2017, CWTC had acquired Singapore company SH Asia Pacific Pte. Ltd. (SHAP), a subsidiary of Japanese company SH Material Co., Ltd. (S.H.M), and expanded our business to the semiconductor metal lead frame industry, becoming the leading manufacturer of global IC substrates. In the industrial supply chain, CWTC plays a significant role in integrated circuit (IC) and Light Emitting Diode (LED) for mainly offering materials that will be used for the IC packaging. This is an essential process for the molding. After molding, the product can finally be installed in the finished semiconductor devices for selling. CWTC is similar to other IC and LED packaging manufacturers, the upstream supplier of the whole industrial chain of the final in process



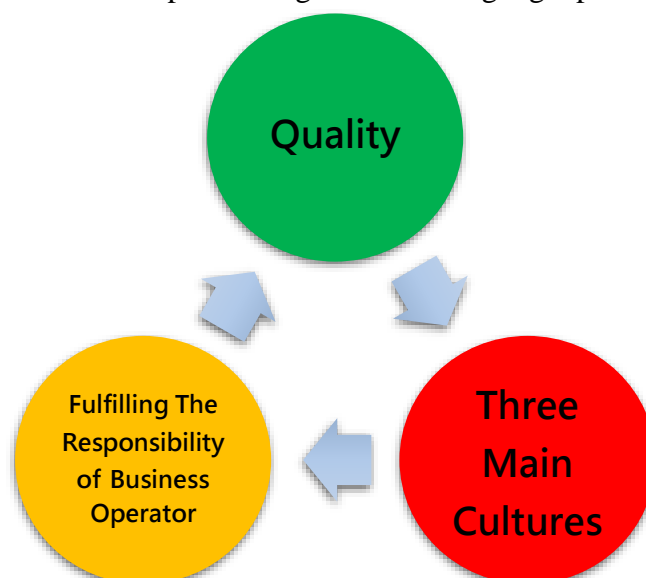
material supplier. We are also one of the top five suppliers of lead frames in the world.

## \*Achievement

Item	Important Event
The key technology and service model	<ul style="list-style-type: none"> <li>• Dedicated in Pre-mold IC technology. The top international clients, such as IDM, ASTS...,etc begin to introduce our products to their companies.</li> <li>• Taiwan is the main R&amp;D center. The expenditure of R&amp;D is gradually increasing each year. Right now we have 117 patents.</li> <li>• The structure of palladium-nickel plating equipment is the top technology of the world.</li> <li>• Having the only premold metal substrate technology in the world.</li> <li>• We are the only manufacturer in the world that can vertically (or horizontally) integrate the supply chain of IC substrate products.</li> <li>• In 2011,LED lead frame production was certified by AFNOR ISO9001. In 2015, our quality assurance management system was certified by AFNOR ISO/TS16949, and in 2016, the environmental management was rewarded by JAS-ANZ ISO14001.</li> </ul>
Marketing position	<ul style="list-style-type: none"> <li>• Dedicated in the metal substrate manufacturer industry. Our lead frame products are among the top three in the world.</li> <li>• The EMC LED lead frame products that CWTC develops belong to EPOXY lead frames which have high density, high heat resistance, non-yellowing, high air tightness, etc.</li> <li>• The core technology in CWTC is having the key producing process of precision lead frame which has a very different producing process and structure compared to the traditional PPA LED.</li> <li>• The pre-molding technique of IC packaging that we developed that can be used in LED lead frames is currently the lead in this industry.</li> </ul>
Brand development	<ul style="list-style-type: none"> <li>• We use “CWTC” as our brand name for marketing purposes.</li> <li>• CWTC has become the top five strategy partner of the well-known factories such as IDM in the world.</li> <li>• The total value of sales exceeded NT\$ 9 billion, becoming one of the profitable metal substrate industries in the world.</li> <li>• Currently, CWTC has 9 overseas branches/ subsidiaries and sub-subsidiaries, mainly located in the Asia-Pacific region.</li> </ul>
Business performance	<ul style="list-style-type: none"> <li>• The revenue of 2020 is NT\$ 96 billion. Compared to 2019, the revenue is up to 4% and gross margin is up to 19% this year.</li> <li>• EPS of 2020 is 2.62. Compared to 2019, the EPS is up to 27%.</li> </ul>

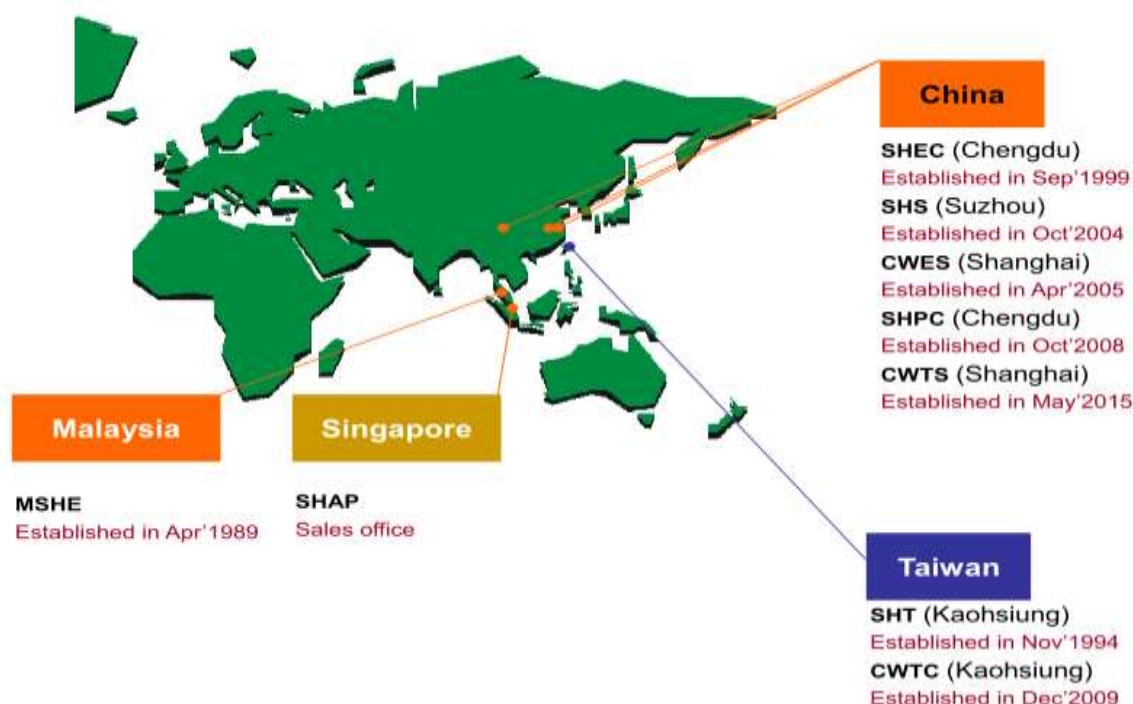
## \*Business Philosophy

1. Quality Assurance
  - a. Satisfying and exceeding the expectation of our customers.
  - b. Fulfilling the quality requirements that are made by the customers and delivering the products to them on time.
  - c. Offering outstanding service and craftsmanship
2. Three Main Cultures
  - a. People oriented
  - b. Creating a safe and healthy working environment for our employees, mainly focuses on the working environment safety and continuing on cultivating talents
  - c. Offering a complete promotion pipeline, creating a highly professional developmental place for our employees
  - d. Integrity
  - e. Honesty is the foundation of sustainable business
  - f. Innovation and change
  - g. Innovation is the source of growth. In order to meet the expectation of consumers, CWTC continues on improving and innovating our products.
3. Fulfilling The Responsibility of Business Operator
  - a. Stakeholders: through effective management and sustainable development, CWTC is able to maximize the shareholder's equity.
  - b. Customers: in terms of the market segmentations, we divide them into four groups including technology, quality, delivery time and production cost which helps the company become a highly competitive enterprise.
  - c. Employees: establishing a healthy work environment and building a clear division of responsibilities.
  - d. Government: implementing and following legal principles





\*Business base



<b>Chang Wah Technology Co., Ltd./ 191 employee</b>	
<b>Address</b>	No. 24, Kai-Fa Road Nan-Tze Dist., Kaohsiung, Taiwan, R.O.C.
<b>Main business</b>	Lead Frame Production
<b>Chang Wah Technology Co., Ltd. Japan Branch/3 employee</b>	
<b>Address</b>	Branch office in Japan: 1746-2, Ohkuchi-Ushio, Isa, Kagoshima, Japan
<b>Main business</b>	Lead Frame Sales
<b>SH Electronics Taiwan Co., Ltd. /440 employee</b>	
<b>Address</b>	No.16, East 7 <sup>th</sup> Street Nsn-Tze Dist., Kaohsiung, Taiwan, R.O.C.
<b>Main business</b>	Lead Frame Production
<b>SH Electronics Suzhou Co., Ltd./ 530 employee</b>	
<b>Address</b>	No. 123, Longtan Road, Suzhou Industrial Park, Jiangsu Province, China
<b>Main business</b>	Lead Frame Production
<b>SH Electronics Chengdu Co., Ltd./150 employee</b>	
<b>Address</b>	No.6, West Zone, No.8, Kexin Road, West Park, Chengdu Hi-tech Zone, Sichuan Province, China
<b>Main business</b>	Lead Frame Production
<b>SH Precision Chengdu Co., Ltd./ 65 employee</b>	
<b>Address</b>	No. 7, Xin Yuan South 2nd Road, Singapore Industrial Park, Chengdu Hi-Tech Zone, Sichuan Province, China
<b>Main business</b>	Lead Frame Production
<b>Shanghai Chang Wah Electromaterials Inc./22 employee</b>	

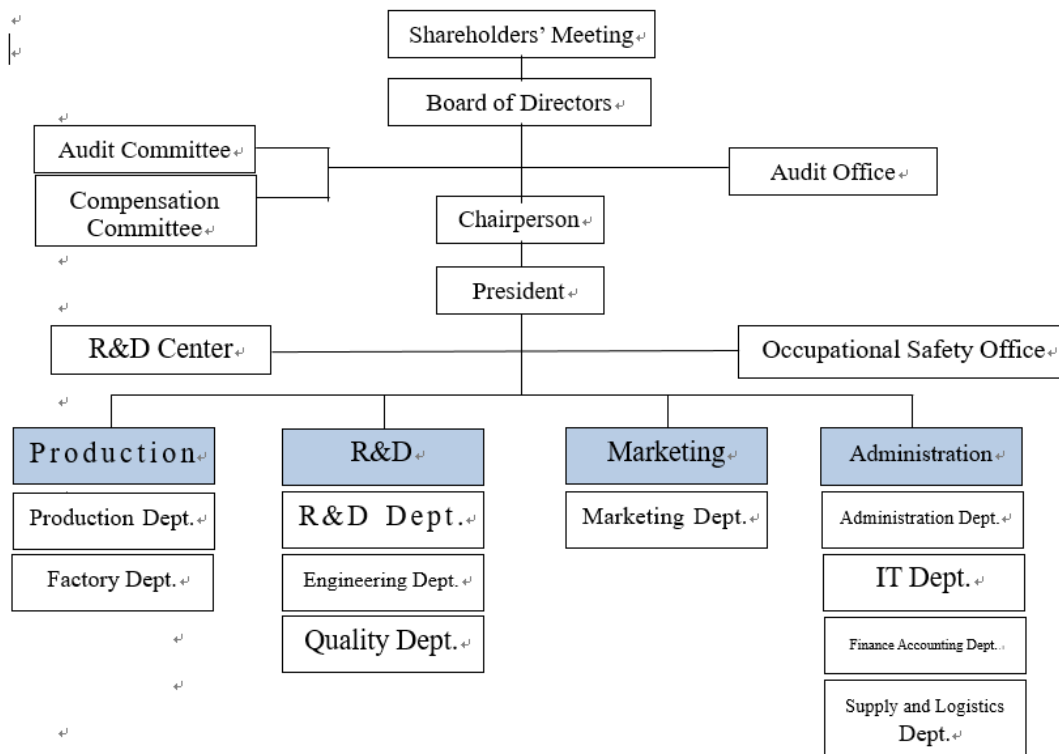
<b>Address</b>	Room 2101, Mega Plaza, 1027 Changning Road, Changning District, Shanghai, China	
<b>Main business</b>	IC packaging materials and equipment distribution business	
<b>CWTC (Shanghai) Inc. /6 employee</b>		
<b>Address</b>	Room E01, 2/F, No. 207, Fute North Road, China (Shanghai) Free Trade Pilot Zone	
<b>Main business</b>	Lead Frame Sales	
<b>SH Asia Pacific Pte. Ltd /30 employee</b>		
<b>Address</b>	10 Eunos Road 8 #09-04 Singapore Post Centre Singapore 408600	
<b>Main business</b>	Lead Frame Sales	
<b>Malaysian SH Electronics Sdn. Bhd. /560 employee</b>		
<b>Address</b>	Lots 5,7&9, Jalan Ragum 15/17, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia	
<b>Main business</b>	Lead Frame Production	

## 1.2 Corporate Governance

To make the company more sustainable, CWTC not only needs to maximize its value and improve the company management, but also takes protecting the shareholders' rights and interests as the starting point.

We promoted the company management evaluation, which is based on Taiwan Financial Supervisory Commission (FSC), and it was passed by the Board of Directors under the code of practice on corporate governance in 2020. The purpose of the evaluation is to review the status of corporate governance practices and effectiveness. Through the process of self-assessment, it allows the management to pay more attention to the continuous improvement of the corporate governance system. We hope this can further shape and enhance the quality of CWTC.

### \* Organizational structure



DEPARTMENT	MAIN DUTIES
Audit Department	<ul style="list-style-type: none"> <li>Evaluates business procedures, risk management, control functions and governance, measuring the operational efficiency</li> <li>Provides suggestions on system improvement and the implementation of subsidiary supervision.</li> </ul>
General Manager	<ul style="list-style-type: none"> <li>Planning and managing the overall operations of a company, including:               <ul style="list-style-type: none"> <li>The development of the company's medium and long-term business strategies</li> <li>The establishment of the operation system for each department, the supervision and management.</li> </ul> </li> </ul>
R&D	<ul style="list-style-type: none"> <li>Provides insights into the market</li> <li>Develops medium and long-term products</li> </ul>

DEPARTMENT	MAIN DUTIES
	<ul style="list-style-type: none"> <li>• Conducts technology research and development</li> </ul>
Sales Administration Department	<ul style="list-style-type: none"> <li>• Focuses on sales and market development</li> <li>• Provides customer services, consulting, managing and planning for the usage of business resources</li> <li>• Investigates and collects the industry data.</li> </ul>
Development Department	<ul style="list-style-type: none"> <li>• Conducts market surveys of new products, new technology, and mold development and production.</li> <li>• Launches business activities of the new products</li> <li>• Provides customer service.</li> </ul>
Engineering Department	<ul style="list-style-type: none"> <li>• Maintains the process yield control as well as the quality yield improvement.</li> <li>• Is responsible for product development projects, product testing, preparing delivery plans and shipping inspection</li> <li>• Focuses on the estimation of equipment components and loss in the factory.</li> </ul>
QC Department	<ul style="list-style-type: none"> <li>• Is responsible for establishing and maintaining the quality system and the uniformity of the products</li> <li>• Conducts several audits including supplier audits, internal and external audits as well as the customer audits which help to improve the service quality.</li> <li>• Is responsible for implementing the product reliability testing and instrument calibration system maintenance</li> <li>• Handles customer complaints to ensure consistent quality throughout the manufacturing process.</li> </ul>
Production Department	<ul style="list-style-type: none"> <li>• Production line operation mode</li> <li>• Production process planning</li> <li>• Production schedule control</li> <li>• Production target planning</li> </ul>
Factory Affairs Department	<ul style="list-style-type: none"> <li>• Set up for the safety operation standards</li> <li>• Check and coordinate the elimination of risk factors</li> <li>• Labor laws and regulations</li> <li>• Labor safety and hygiene training</li> <li>• Environmental protection equipment operation</li> <li>• Sewage treatment</li> <li>• Plant affairs</li> <li>• Maintaining water and electricity projects</li> </ul>
Logistics Department	<ul style="list-style-type: none"> <li>• Mass production arrangement</li> <li>• Delivery time control</li> <li>• Sales and production coordination</li> <li>• Material planning and production cost control</li> <li>• Outsourcing production management as well as warehouse control</li> </ul>
Finance Department	<ul style="list-style-type: none"> <li>• Accounting management</li> <li>• Fund scheduling</li> <li>• Tax management</li> <li>• Investor relations</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Human resource planning</li> <li>• Providing various education courses</li> <li>• Integrated company operation management and general affairs</li> </ul>
Information Department	<ul style="list-style-type: none"> <li>• Build, import and maintain software and hardware information system</li> <li>• Applying the development of smart technology</li> </ul>

### \*Board of Directors

Chang Wah Technology's highest governing body is the board of directors who are responsible to the shareholders. The board needs to have good judgement skills in operation, accounting and financial analysis, as well as management abilities, etc. Because they have very defined roles and responsibilities within the business

organization, it is crucial to have a high degree of self-discipline and prudence when exercising the power.

As for performing the business of the corporation, they need to not only thoughtfully deliberate issues and policy proposals, but also formulate corporate social responsibility and sustainable development strategies.

In 2008, CWTC held a shareholder meeting for re-election. Also, the fourth board of directors has held 18 board meetings in 2020. The attendance of directors as follow:

Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Canon, Huang	18	0	100%	
Chang Wah Electromaterials Inc.	6	1	86%	Resignation on May 6, 2019
Representative: Chen ,Bing-Hong				
Chang Wah Electromaterials Inc.	18	0	100%	
Representative: Tsai, Rong-Dong				
Chang Wah Electromaterials Inc.	17	1	94%	
Representative: Hung, Chuen-Sing				
Chang Wah Electromaterials Inc.	11	0	100%	Inaugurated May 7, 2019
Representative: Chou, Kang-Chi				
Huang, Siou-Cyuan	16	1	89%	
Chen, Cheng-Hong	17	0	94%	
Lin, Yi-Jing	18	0	100%	
Chuang, Chen	17	1	94%	
Lin, Ren-Lin	18	0	100%	

#### \*Director's Training Situation

Course	Training hours (Hours x the numbers of people)
New corporate governance norms and trends that directors must know in 2020, and analysis of recent cases	3
2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar	9
ESG indicators and long-term company growth	3
Operational Practices of Functional Committees of the Board of Directors	3

Course	Training hours (Hours x the numbers of people)
How does the audit committee implement the financial report review	3
2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	3
Corporate Governance and Securities Regulations	3
Criminal Legal Risks and Responses of Corporate Directors and Supervisors	3
Integrity Management and ISO37001	3
Key technologies and market applications of 5G and IoT	3
The general trend of CSR and sustainable governance	3
Comparison, Legal Responsibility and Case Analysis of "Economic Espionage Crime" in the United States and my country's "Business Secrets Act"	3
Strengthen corporate governance with the self-evaluation system of the board of directors	3
Looking for new growth drivers in the 2020 strategic turning year	3
International implementation of the "Overseas Company Economic Substance Law" on the financial and taxation impact of enterprises and its response	3
Analysis of the latest corporate governance policies and the establishment of "corporate governance personnel" law compliance practices	6
Industry 4.0 and how companies can lead innovation and transformation	3
Introduction to corporate governance and compliance with relevant laws and regulations	3
Insider trading prevention and countermeasures	3
<b>Total</b>	<b>66</b>

## \*Director's Performance and Compensation

CWTC established an evaluation system, which is not based on the financial indicators, for the board. However, this system incorporates some sustainability factors to measure the performance of the board and the individual directors in leading and supervising the company's operations to enhance its overall effectiveness.

In addition to completing the internal performance evaluation, in 2020, the directors conducted the performance evaluation of the functional committee for the first time. This assessment heavily focuses on the aspects of "participation in company operation", "cognition of functional committee responsibility", "improving the decision-making quality of functional committee", "functional committee composition and member selection", and "internal control" ..., etc. The method helps the company to make specific recommendations because it provides a clear guideline for enhancing the functions as well as the efficiency of the board. Moreover, the result of the assessment will be submitted to the members of the compensation committee in 2021 as a reference

for directors' remuneration.

The company's article of association clearly stipulates that the compensation will not be higher than 1.5% of the current year's profit. Also, the salary of directors and managers must be reviewed by the remuneration committee before receiving the approval from the board.

### \*The Audit Committee

The goal of the audit committee is to assist the board of directors in supervising the quality and integrity of CWTC in the implementation of relevant accounting, auditing, financial reporting processes and financial control. The main purpose of its operation is to inspect the following matters:

1. The appropriate expression of the company's financial statements
2. The selection (dismissal) of accountants and their independence and performance
3. Effective implementation of the company's internal control
4. The company complies with relevant laws and regulations
5. The audit committee needs to control and manage the existing or the potential risks of CWTC

Operational information:

- The committee consists of three members.
- The term of office of the current members:2018/5/8~2021/5/7
- The following is the information of the second audit committee's members:

Name	Education	Experience	Current job
Lin, Yi-Jing	Department of Accounting, Tunghai University	Vice general manager, Deloitte & Touche Assistant manager, Deloitte & Touche Representative of juristic person supervisor, An Wei International Co., Ltd.	Certified public accountant, Ching Cheng Accounting Firm Responsible person, Ching Cheng Management Consultants Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Drewloong Precision Inc. Independent Director/Audit Committee Member/ Compensation Committee Member of Control Technology Co., Ltd. Supervisor of Ken Sean Industries Co., Ltd. Supervisor of Ken Sean Investment Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Sun Rise E&T Corporation Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.



Name	Education	Experience	Current job
Chuang, Chen	Dept. of Law, Chung Hsing University	Judge and concurrently President of Kaohsiung Branch, Taiwan High Court Prosecutor of Taiwan Taipei District Court	Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd Independent Director/Audit Committee Member/ Compensation Committee Member of Thinflex Corporation Co., Ltd Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.
Lin, Ren-Lin	Master of Information Management, the City University of New York	General manager, Konlin Digital Technology Co., Ltd. Vice general manager, Hanyu Electronic Technology Co., Ltd. Manager, Walsin Lihwa Corporation	General manager, Hsin Yi Recreation Enterprise Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.

### \*Compensation Committee

The composition:

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 3)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of Public Commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lin, Yi-Jing	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	3
Independent Director	Lin, Ren-Lin	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Not applicable to the provision of Note 3
Independent Director	Chuang, Chen	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in Director, Independent Director or Other.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or a director, supervisor, or employee of a corporate shareholder who is designated to act as a representative of the director of or supervisor of the company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).

(6) Not a director, supervisor or employee of another company who is not controlled by the same person as more than half of the directorships or voting shares of the company (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).

(7) Not the same person with the Chairman, President or person of equivalent positions of the Company or spouse of the director, supervisor or employee of other companies or organizations (this, however, does not apply to the situation where the independent directors of the Company are concurrently the directors of its parent company, subsidiary or subsidiary that belongs to the same parent company in accordance with this law or the law of the country).

(8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is not in financial or business dealings with the Company (this, however, does not apply to the specific company or organization holding more than 20% and less than 50% of the shares of the Company and the independent directors of the Company are concurrently the directors of its parent company, subsidiary or subsidiary that belongs to the same parent company in accordance with this law or the law of the country).

(9) Professionals, sole proprietors, partnerships, companies or organizations or their owners, partners, directors, supervisors, managers or their spouses who do not provide audits for the Company or its affiliates or who have received a cumulative amount of remuneration in the past two years not exceeding NT\$500,000. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their duties in accordance with the Securities Exchange Act or the relevant laws and regulations of the Business Mergers and Acquisitions Act.

(10) Not been a person of any conditions defined in Article 30 of the Company Act.

Note3: If the member is a director, please specify whether the status is in compliance with Section 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".



The responsibilities of the compensation committee:

1. Formulate and regularly review the performance and evaluation of directors and managers as well as the policies, systems, standards, and structure of the compensation system.
2. Regularly evaluate and lay down the remuneration policy of directors and managers.

Operating information of compensation committee:

- The committee consists of three members.
- The term of office of the current members: 2018/5/8~2021/5/7

### \*The Code of Integrity Management

The board of directors has successively adopted relevant regulations on business conduct and ethics, clarified policies, standards, operating procedures, conduct guidelines and complaint systems to prevent dishonest behavior and to promise upholding integrity in all business activities. Besides that, CWTC also sets up an employee code of conduct in the work rules, which is applicable to all employees and its subsidiaries.

Related Regulations:

The name of regulation	Effective date
Code of Ethics Conduct	2015/10/21
Code of Integrity Management	2015/10/21
Operating Procedures of Integrity management and Behavior Guideline	2015/10/21
Operating Procedures of Insider Trading Prevention Management	2015/10/21
Corporate Social Responsibility Code of Conduct	2016/02/23
Corporate Governance Code	2020/12/18

## Follow matters



## \*Prevention and Reporting

To help our employees and stakeholders to understand the company's ethical standards, we announced some relevant policies and practices on CWTC's website. Also, through educating and communicating with our employees, we are able to convey the business ethics and the approaches CWTC takes.

## Whistleblowing Procedure



In order to offer channels for our stakeholders to provide inquiries and report improper interests, they can contact Michelle at [michelle.hsu@cwtcglobal.com](mailto:michelle.hsu@cwtcglobal.com). The identity will be kept confidential at all stages. If there is illegality, it will be punished in accordance with the work rules, and if necessary, it will be dealt with in accordance with relevant laws.

### 1.3 Business Performance

Chang Wah Technology's products are mainly based on metal substrate, including manufacturing, developing, and selling IC lead frame packaging materials to serve the world's first-line IC manufacturing and packaging foundries as well as vertically integrated manufacturers. We will continue to implement our own capacity expansion, and mergers and acquisitions in order to accomplish the goal of becoming the world's largest IC lead frame supplier by 2025. Besides that, our sales revenue in 2020 reached to NTD 9,678,146 thousand, which accounts for approximately 10% of the global frame output value and its market share is second only to the Japanese company, MHT.

#### \*Financial Performance

Item Unit: Thousand dollar	Year of 2020		Year of 2019		Difference	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating income	9,678,146	100%	9,320,275	100%	357,871	4%
Operating margin	1,804,906	19%	1,580,824	17%	224,082	14%
Operating profit	960,286	10%	832,870	9%	127,416	15%
Net profit before tax	966,360	10%	899,022	10%	67,338	7%
Income tax expense	175,742	2%	280,107	3%	(104,365)	(37%)
Net profit after tax	790,618	8%	618,915	7%	171,703	28%
Cash and cash equivalents	2,501,535	21%	3,075,827	29%	(574,292)	(19%)
Current assets	7,413,573	61%	6,502,446	62%	911,127	14%
Current liabilities	3,215,572	26%	2,963,698	28%	251,874	8%
Non-current liabilities	3,250,392	27%	2,141,175	21%	1,109,217	52%
Total equity	5,426,259	45%	4,986,410	47%	439,849	9%
Total assets	12,164,162	100%	10,543,972	100%	1,620,190	15%
Cash flow ratio	31%		49%		-	
Return on assets (ROA)	7%		6%		-	
Return on equity (ROE)	15%		12%		-	

#### \*2020 Operating Income

Unit: NT\$ thousands

Region	FY2020		FY2019	
	Sale Revenue	(%)	Sale Revenue	(%)
Domestic Sale	2,398,924	25%	2,094,708	22%
Asia	6,390,551	66%	6,123,987	66%
Others	888,671	9%	1,101,580	12%
Total	9,678,146	100%	9,320,275	100%

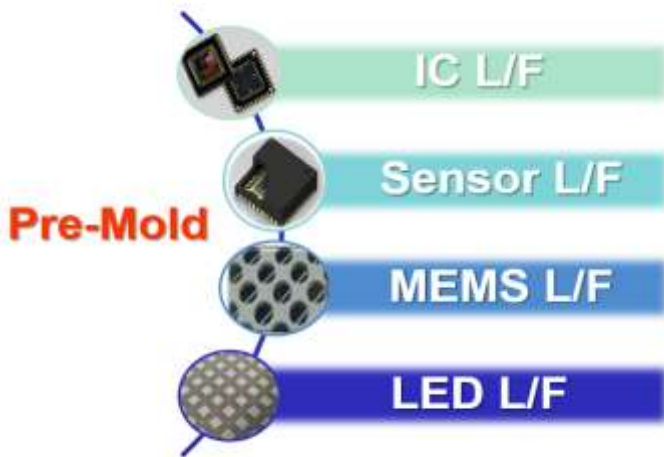
\*Government Financial Subsidies

Item	Year of 2020	Year of 2019
Government grants income	83,183 thousand dollars	14,590 thousand dollars

Due to the impact of COVID-19, CWTC and its subsidiaries received the relief package from the local government and the loan subsidies for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan.

## 1.4 Innovation and service

Since the demand of electronic and automotive electronic markets will continue to grow, the future market requires the technique of MEMS, Sensor and Power. With the



development of small, high efficiency and diversified electronic devices, IC packaging not only has very limited spaces to use, but also heavily emphasizes the technique with multiple pins, special functions, and multiple components,

especially automotive electronics that require more on the weather resistance and safety. In other words, those types of metal substrate carrier board of IC packaging have better electrical and heat dissipation performance which increases the demand for metal substrate. However, both traditional and current technologies still have a lot of drawbacks. Therefore, CWTC implements the technique of Pre-Mold Metal Substrates (PMMS) to fix the problems such as the bond between metal and plastic, the bond between subsequent packing materials and Metal Substrate, the surface deterioration and deformation of Metal Substrate, reliability, the capabilities of process control and process, etc.

Through forward-looking technology research and development, CWTC is able to master the key technologies of packaging metal substrates which helps to enhance the company's competitive niche. Also, through the commercialization of the R&D results, CWTC is able to develop thinner, more sophisticated, more reliable and more diversified metal substrate packaging products that we actively expand this application in consumer electronics and automotive electronics.

To widen the difference between our techniques and products with our competitors, we reduce the design and production cost of IC products in the overall industrial chain, and

the packaging defects. Besides that, we accelerate the production time of IC products.

\*R&D Investment situation and performance

Project		Year	2020	2019
The input of R&D	Operating Income (A)		9,678,146 thousand dollars	9,320,275 thousand dollars
	R&D Funding(B)		228,583 thousand dollars	149,707 thousand dollars
	Total Number of Employees (C)		1,758	1,918
	Total Number researchers in R&D (D)		188	55
	The Average Expenditure of R&D (B/D)		1,216 thousand dollars	2,722 thousand dollars
	The Ratio of R&D Expenditure (B/A)		2.12%	1.61%
The output of R&D	Cumulative Patent Rights	Domestic	39 cases	37 cases
		Foreign	78 cases	74 cases

## 1.5 Risk Management

By establishing the risk assessment and crisis management system, we can reduce the operational impacts that are caused by the change in business strategy and environment to protect the rights and interests as well as safety of the company, our clients, investors, suppliers, and employees. The company is responsible for each functional unit to carry out risk identification based on the division of expertise. From there, we categorize them into two different groups, Risk Response Strategy, and Information Security Policies. The purpose of establishing the policies is not just to reduce the business risk but to prevent the possibilities from happening.

### \*Risk Response Strategy

#### Financial Risk

<b>The Impact of Interest Rate</b>	<p><b>Regularly assess money market interest rates and financial information.</b></p> <p><b>Understand when to implement a proper capital budgeting in order to reduce the cost of capital and possibility of risk while increase the reward</b></p>
<b>The Impact of Exchange Rate</b>	<p><b>Understand the trend of future exchange rate and the impact of exchange rate and determine the most suitable quotation.</b></p> <p><b>Timely adjust the position of foreign currency assets and liabilities to achieve a certain degree of natural hedging effect through the transaction.</b></p>
<b>The Impact of Inflation</b>	<p><b>Pay close attention price functions in the upstream raw material market.</b></p> <p><b>Maintain good interaction with suppliers and customers in order to adjust the inventory of raw materials appropriately.</b></p>

## Operational Risk

Peer Competition	<p>To highlight the advantages, we plan out cross regional strategies that mainly cultivate in the Asian market.</p> <p>Cultivating the customer relationship helps the company to improve the connection with our clients and the trust.</p>
Profitability	<p>Increase product application area.</p> <p>Strengthen product reliability in design as well as in the product verification process. Also, improving the customer's scarification helps to increase sales opportunist.</p>
The Effect of Customition on Production Efficiency	<p>Target on our major customers and focus on developing the advantages of mainstream products and planned production to improve production efficiency.</p> <p>Strengthen ties, increase the timeliness as well as the efficiency of production, and reduce the inventory of work-in-progress.</p>

## Climate Change Risk

Water Resources	<p>Promote water reduction, built wastewater recycling equipment and improve the efficiency of wastewater treatment.</p> <p>Plan for short, medium and long-term recycling targets that we expected the recycling volume will be raised by 10% each year.</p>
Carbon Management	<p>Implement energy saving plans, regular track carbon emissions and review the reduction measure.</p> <p>Increasing renewable energy by implementing more solar roof which helps the green power goes up about 98 kw.</p>

## Social Risk

Recruiting	<p>Initiate the talent cultivation policy which is a planned and systematic stately for training our employees and decreasing the negative impact of temporary deficit in manpower.</p> <p>To solve the manpower shortage, CWTC hires some foreign colleagues in accordance with the law to supplement the manpower gap and to ensure the production capacity.</p>
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## \* Information Security Policy

To enhance the information security of each plant and reduce information security threats and risks, the company regularly reviews and communicates the information management and incident response policies with each plant. Therefore, the company has formulated an "information security policy" to regulate that all employees are obliged to assist in the promotion of information Security policy to ensure four things as followed:

1. Confidentiality and integrity of company and customer information.
2. Authorized to access information and use related information resources when needed.
3. Protect company and customer information resources from improper use, leaks, tampering, sabotage, etc.
4. Establishing the security of information collection, processing, transmission, storage, and circulation to protect the safety of employees, customers, suppliers, and intangible assets that are related to company operations.

## 1.6 Interested Parties

We established transparent and effective multiple communication channels with our interested parties and hope to understand the issues that they are concerned about. We also use that as an important indicator for the sustainable development of the company to understand the issues as an important reference indicator for the sustainable development of the company, to understand the issues they care about, and to make business decisions for the company.

CWTC follows the GRI standards that are issued by the Global Sustainability Standards Council. The relevant steps are described as followed:



Step one.

Identify the interested parties: The information that the promotion team received is based on experiences that are from different departments and the industry. The interested parties here include the government, the society, investors, employees, customers, and suppliers.

Step two.

Collect sustainability data: As for the communication issues of the interested parties, CWTC uses the classification of GRI G4 indicators as a reference. In addition, each unit will include the issues into their annual work lists and goals and use the “Operating Measures for the Preparation and Filing of Corporate Social Responsibility Reports by OTC companies” as a guideline to prepare for the report.

Step three.

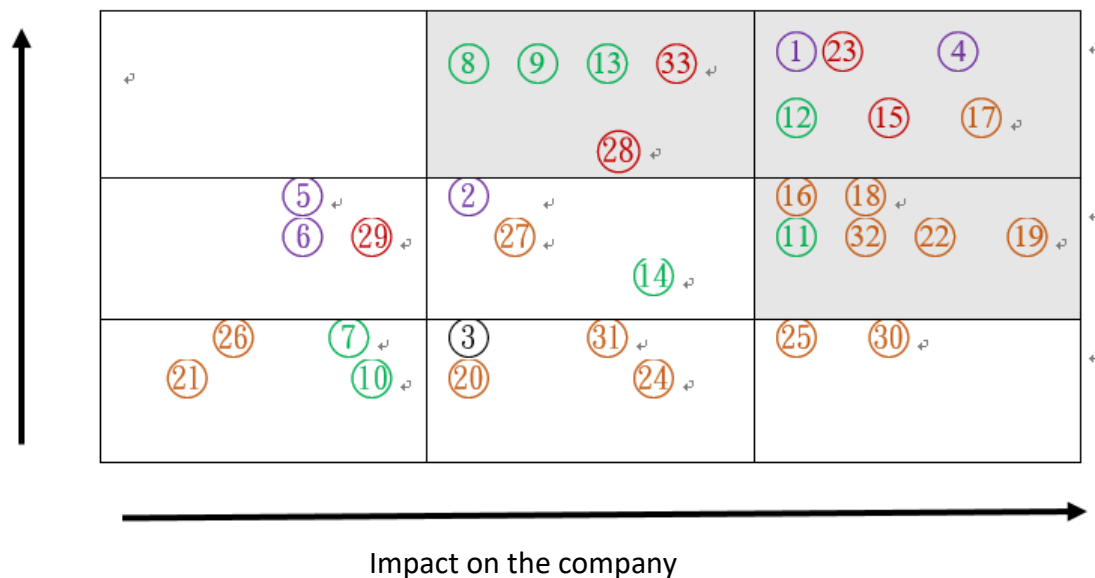
Identify major issues: After the promotion team held a meeting with representatives of various departments of the company to score the attention of the interested parties and the degree of impact on sustainable operation, it became the major theme.

Step four.

Review and discuss : We will continue to strengthen our management and disclose relevant information in the report based on the major themes of the substantive analysis, which are also the priority disclosure topics.

\*Substantial Analysis Chart of the issues that interested parties concern

The level of the attention



No	Topic	No	Topic	No	Topic
1	Business performance	7	Materials	15	Labor-employer relation
2	Market image	8	Energy	16	Labor-management relation
3	Indirect economic impact	9	Water	17	Labor health and safety
4	Procurement practice	10	Biodiversity	18	Training and education
5	Anti-corruption	11	Discharge	19	Employee diversity and equal opportunities
6	Anti-competitive behavior	12	Waste water and materials	20	Non-discrimination
		13	Compliance with environmental laws	21	Freedom of association and collective bargaining
		14	Environmental assessment of suppliers	22	Child labor
				23	Forced and compulsory labor
				24	Security practice
				25	Aboriginal rights
				26	Human rights
				27	Local communities
				28	Supplier Social Assessment
				29	Public policies
				30	Health and safety of customers
				31	Marketing and Labeling

No	Topic	No	Topic	No	Topic
				32	Client Privacy
				33	Social and economic laws compliance

### \*Interested Party's concern- The Boundary Identification

Material Issues	Indicator	Corresponding indicator chapter	Within the organization	Outside the organization			
			CWTC Group	Client	Supplier	Investor	Non-profit organizations
Economy							
Business performance	GRI201	1.3 Performance of enterprise	●		●	●	●
Procurement practice	GRI204	2.3 Green purchasing policy	●		●		
Environment							
Energy	GRI302	3.2 Energy management	●				●
Water	GRI303	3.3 Water resource management	●				●
Discharge	GRI305	3.2 Energy management	●				●
Waste water and materials	GRI306	3.4 Management of waste pollution emission and prevention	●				●
Compliance with environmental laws	GRI307	3.1 The development of the environmental sustainability	●				●
Society							
Labor-employer relation	GRI401	4.1 Human resource structure and management	●			●	●
Labor-management relation	GRI402	4.3 The plan of employee benefits	●				●
Labor health and safety	GRI403	4.4 Occupational safety and health	●			●	●
Training and education	GRI404	4.2 Talent cultivation and development	●				●
Employee diversity and equal	GRI405	1.2 公司治理	●				●
Child labor	GRI408	4.1 Human resource structure and management	●				●
Forced and compulsory labor	GRI409	4.1 Human resource structure and management	●				●
Supplier Social Assessment	GRI414	2.1 Supply chain sustainability	●		●		
Client Privacy	GRI418	1.5 Risk management	●	●			
Social and economic laws	GRI419	4.3 The plan of employee benefits	●			●	●

## \*Communication Channels with Our Interested Parties

Interested Party	Communication Channel
<b>Employee</b>	<ol style="list-style-type: none"> <li>1. Proposing ideas for improving the reward and recognition policy: Our employees can provide suggestions they have at any time. After the proposal is adopted, a bonus will be issued to the employee.</li> <li>2. Suggestion mailbox and complaint hotline for employees : This system offers our employees a channel to submit suggestions, comments, and complaints anonymously. After receiving it, we will have people to process the file immediately.</li> <li>3. Labor-management meeting and welfare committee meeting : Make suggestions and negotiate with the company.</li> <li>4. Personnel Review Committee : Conduct a performance appraisal and review promotion lists twice a year, as well as hold non-scheduled review meetings for reward and punishment lists.</li> </ol>
<b>Client</b>	<ol style="list-style-type: none"> <li>1. Track and discuss product quality and manufacturing process from time to time and provide technical support.</li> <li>2. Communicate the orders and delivery dates with our clients.</li> <li>3. Conduct annual customer interviews and audits to communicate product quality, new product development and the company's future development.</li> </ol>
<b>Supplier</b>	<ol style="list-style-type: none"> <li>1. Supplier audits and interviews</li> <li>2. Factory surveys for our equipment suppliers</li> <li>3. Interview/ telephone communication/ email contact</li> <li>4. Construction safety commitment</li> <li>5. Supplier evaluation form</li> </ol>
<b>Investor</b>	<ol style="list-style-type: none"> <li>1. Investor section on CWTC official site</li> <li>2. Annual general meeting</li> <li>3. Announce financial reports regularly</li> </ol>
<b>Non-profit organization (government/ society)</b>	<ol style="list-style-type: none"> <li>1. Comply with relevant laws and regulations of all level agencies</li> <li>2. Exchange of official documents</li> <li>3. Irregular corporate briefing</li> </ol>

## **2. Supply Chain Management**

### **2.1 Supplier Sustainability Management**

Not only Suppliers are one of the important resources that a company has, but also, they are the most crucial partner. Therefore, CWTC values the sustainability of our suppliers. Besides that, we implement the supplier management procedure to ensure the safety of the working environment in the supply chain, and to protect the environment, working conditions, human rights, social responsibility that complies with ethics.

We will confirm the supplier's basic financial status, quality management, environmental management, and other system certifications through the supplier's data sheet, and will require the signing of conflict-free minerals.

For new suppliers, CWTC will plan a factory tour and prepare for appraisals which help to ensure the suppliers meet the relevant specifications. Besides that, each year, we have regular visits and prepare the appraisals to help existing suppliers improve their performance by establishing and enhancing multiple lines of communication. The content of on-site visit evaluation includes quality management, delivery date, system management and sustainability risk assessment. After completing all the processes that we mentioned above, CWTC will start to collect the approvals from the department of procurement, quality assurance, engineering, and all related units, then the provider will become a qualified supplier.

None of the existing suppliers and contractors that have any actual or major negative impacts on the environment, labor conditions, human rights, and society in 2020.

## **2.2 Conflict Minerals**

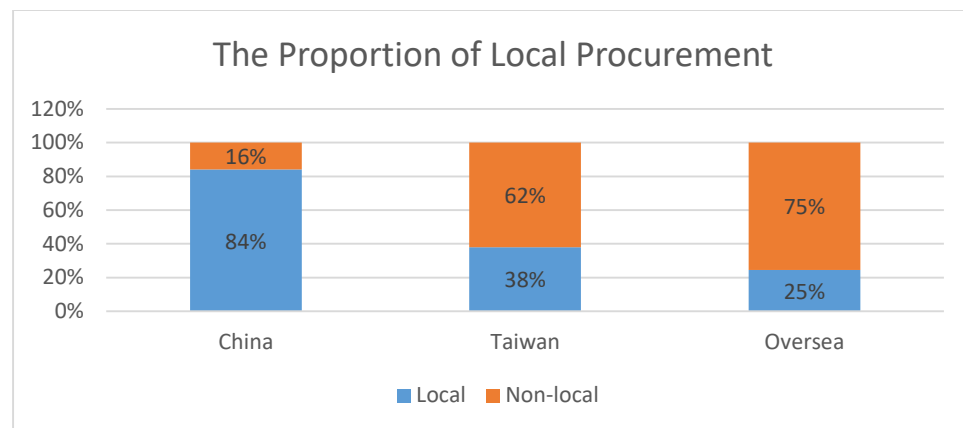
CWTC and its subsidiaries have committed to complying with the Responsible Business Alliance (RBA) and the global sustainability issues e-initiative organization, which also includes the Responsible Minerals Initiative (RMI).

As a good corporate citizen, CWTC is committed to fulfilling its social responsibilities, respecting human rights, and continuing to pay attention to conflict mineral issues. Moreover, we are committed to detailed supply chain investigations to ensure tin (Sn), tantalum (Ta), tungsten (W), gold (Au), cobalt (Co), palladium (Pd) and other metals are not mined by mining areas or smelters in the Democratic Republic of the Congo and its neighboring areas controlled by armed groups. CWTC also expects to cooperate with suppliers who are responsible for the environment and society, and requires suppliers to abide by the Code of Conduct of the Responsible Business Alliance as followed:

1. Any illegally obtained conflict minerals is not allowed.
2. Any purchasing of conflict metals that are produced in conflict affected and high-risk areas is not allowed.
3. Encourage all suppliers in our supply chain, including outsourcers and smelters to participate in RBA and RMI programs
4. Committee to due diligence investigation of conflict minerals to provide more transparent sources of conflict metal and minerals.

## 2.3 Local Procurement Policy

The increase in the proportion of localized procurement has always been the focus of the company's procurement strategy. We create local employment rates and promote local economic growth by improving localized procurement, which can provide faster services and more direct communication while reducing transportation costs and shortening delivery time. Since the transportation distance is shortened, it can also reduce carbon emissions as well as environmental pollution. The number of raw materials purchased locally by each plant is continuing to increase in 2020.





## **3.Eco-Friendly**

### **3.1 The Development of Environmental Sustainability**

CWTC is a professional manufacturer of metal lead frames, and we dedicated our products into production, manufacturing, and product development. Due to that, we uphold the humanized, rationalized, institutionalized, and internationalized business philosophy, and a fair and open management method in order to establish a business operating model. We also have a deep understanding on how our products, activities, and services can possibly impact the environment. Therefore, we decided to implement the “Environmental Management System” and advocate employees for full participation, cherish social resources and abide by laws and regulations.

The environmental management organization, including the environmental management committee of the head office, the environmental safety center of each plant and the industrial safety office, is responsible for implementing the internal and external issues and the environmental consideration and evaluation, and is responsible for reviewing the environmental consideration of each department and its content. Each plant has a committee and a chairperson who will hold meetings quarterly for reviewing the company’s performance. Besides that, supervisors and employee representatives are invited to discuss and review Environment, Health and Safety (EHS) issues to emphasize the importance of EHS management.

Both onshore and offshore companies have introduced and verified the ISO environmental management system. The ones in Taiwan introduced the latest version of ISO 14001:2015 in 2016 and overseas factories introduced and completed the system in 2020.

CWTC extends the environmental safety and health management to the entire product life cycle, as well as the environmental safety, health risks and opportunities at each stage. After that, we will determine the strategy and action plan at a macro-level to comply with the latest international management trend.

In 2020, the equipment has been improved to strengthen wastewater treatment, and the

discharge of wastewater has been controlled to comply with regulations and standards. Other plants have followed the local regulations and there are no environmental violations, except the Suzhou plant, which was fined 300,000 yuan due to the total copper concentration exceeding the standard.

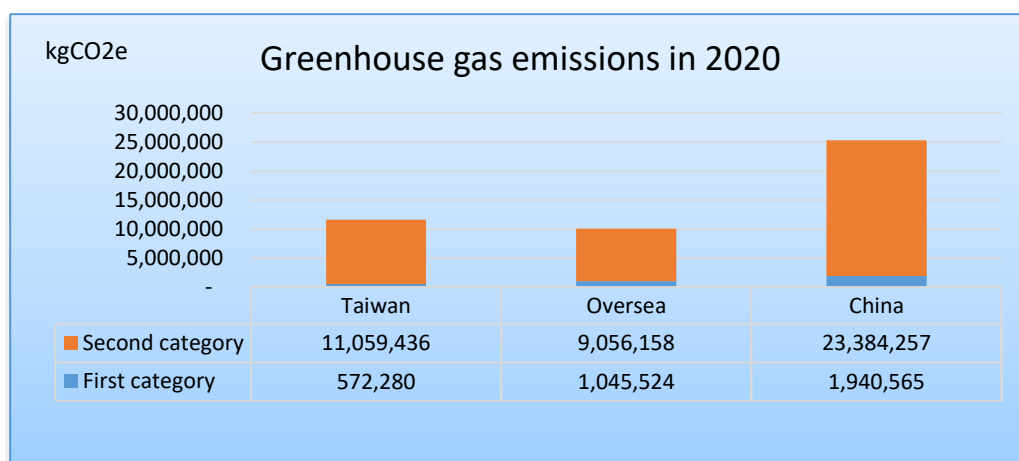
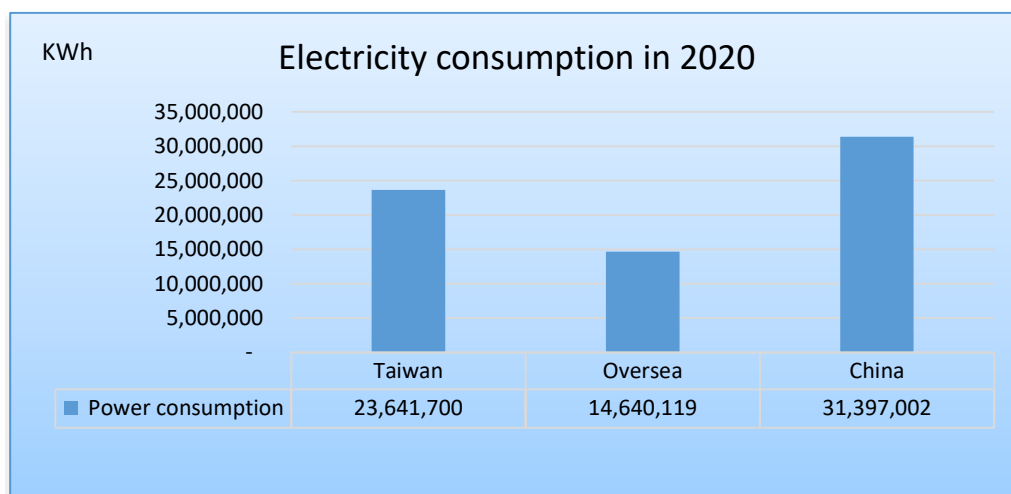




### 3.2 Energy Management

In response to the crucial environmental issues such as global energy crisis and the urgency of reducing greenhouse gas emissions, CWTC strives to promote the evaluation of production line machines. By doing so, we hope it can help to reduce the consumption of energy resources as well as to discuss and improve the energy efficiency of the factory's utility system. Each year, we will set energy saving goals and implementation plans by integrating the proposals for the measurement of energy saving, tracking the result process regularly and controlling the implementation results.

In line with the government encouragement of renewable energy use, we have installed additional solar panels with a capacity of approximately 98 kWp in the Kaohsiung plant in 2020, which helps CWTC to fulfil its responsibility as a global citizen and a corporation.

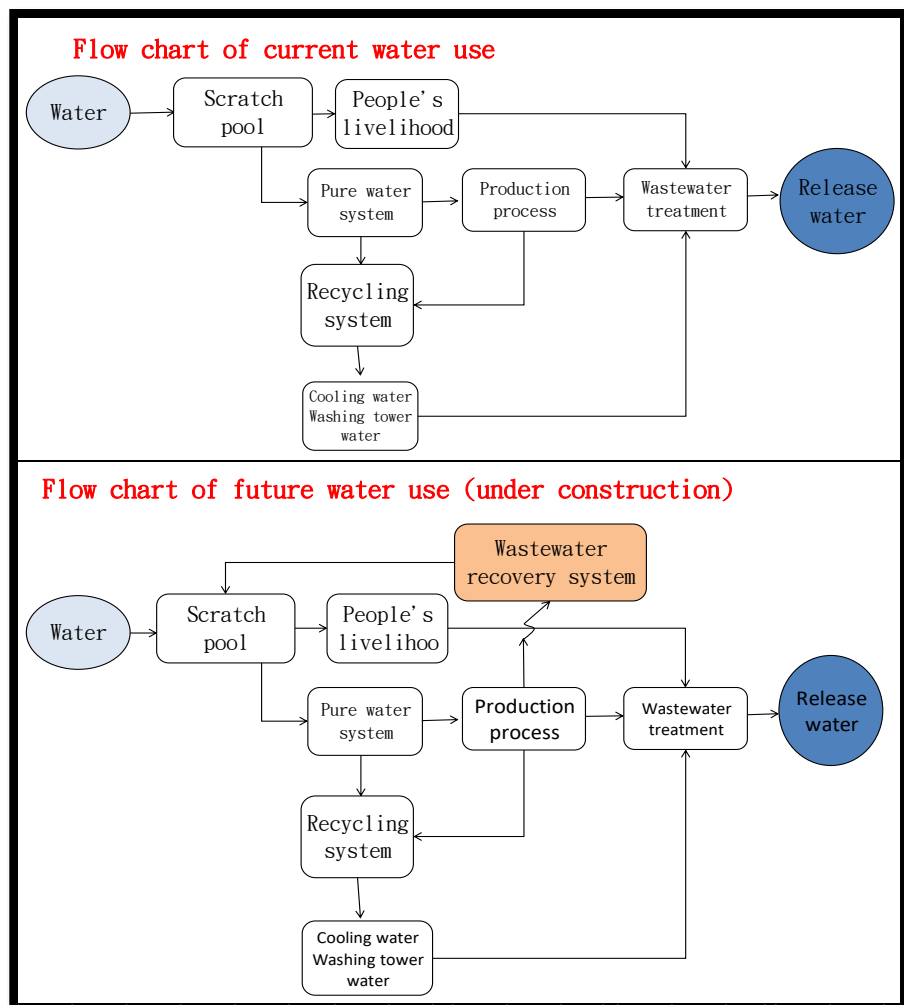


<b>First category</b> <b>Direct green house gas emissions</b>	Mainly come from generators, refrigerator, air conditioners, vehicles, stackers, etc. Gas emissions count for approximately 8% Main gases are CO <sub>2</sub> 、CH <sub>4</sub> 、HFCs The target reduction in 2021 is 5%.
<b>Second category</b> <b>Indirect green house gas emissions</b>	Mainly come from outsourced power Gas emissions count for approximately 92% The target intensity of greenhouse gas energy in 2021 is to increase by 5%.
<b>Third category</b> <b>Other indirect green house gas emissions</b>	Mainly come from outsourcing transpiration, employee commuting, waste disposal, etc.

### 3.3 Water Resources Management

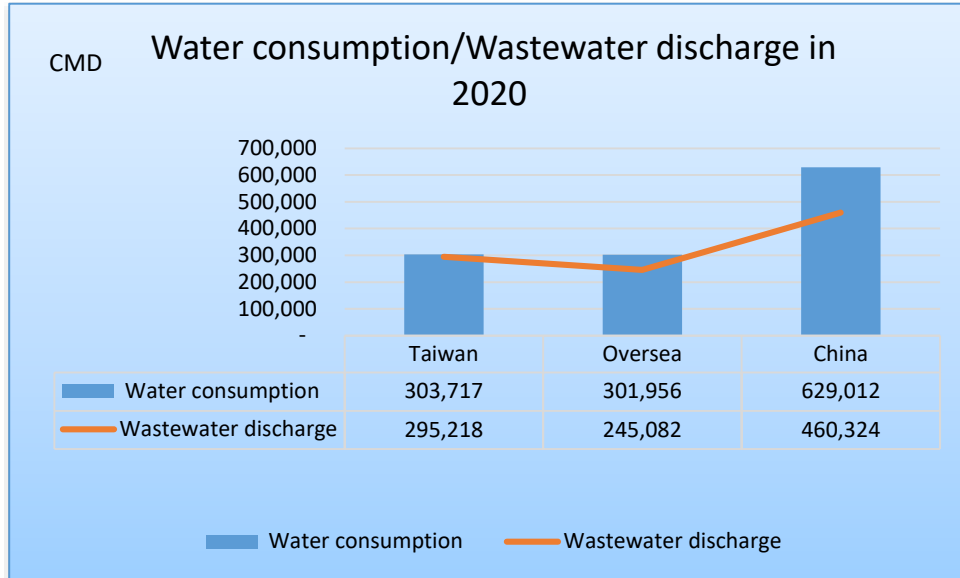
CWTC is located in the Nanzi Processing Zone. Water that CWTC uses is entirely from the Taiwan Water Supply company so it will not affect the head-water point. Because of the limited water resources we have in Taiwan, the company implements water resource recovery facilities that pass the cooling tower wastewater through the filtration system to improve water efficiency as well as to reduce water consumption.

Furthermore, the water that the overseas plants use comes directly from the local water company. In line with water saving and recycling policy, the Suzhou plant prioritized the installation of a reclaimed water system that can recycle and



reuse the production water with a certain water quality in the production line. The system is mainly for processes that require large water consumption such as washing and electroplating. By recovering secondary water and then processing it, the overall internal water cycle of the company can reach a certain standard, thereby reducing the supply of raw water and achieving the goal of water conservation. In view of the water-

saving benefits that has brought to the Suzhou plant, we are currently planning to install the reclaimed water system in each plant.



### **3.4 Pollution Discharge and Prevention**

The responsibility of the waste management officer in CWTC is to manage the waste disposal by dividing into three different categories including “general industrial waste”, “hazardous industrial wastes”, and “resource recovery”. Then, follow the waste classification guideline and the storage principle as well as entrust legal waste removal treatment. Since some waste has the value of recycling and reuse, we delegate legal institutions to reprocess the products to eliminate pollutants and waste. By doing so, we can reduce the costs of production and protect the environment.

CWTC upholds the concept of "giving back to the society", and deeply understands "the limited natural resources" and "the importance of environmental protection". As a result, we promise to protect the environment in all aspects of business operations, products, and services.

1. We use raw materials and clean the production chain to reduce pollution and the impact of product supply to the environment.
2. We comply with relevant environmental protection laws and regulations and other environmental responsibilities that the subsidiary companies should follow as well.
3. Through environmental goal setting, regular audits, and management reviews, CWTC improves continuously and enhance the environmental performance.
4. CWTC adopts the risk control technology to reduce the risk of harm to stakeholders effectively and continuously strengthen the interactive relationship with contractors, suppliers, etc.
5. CWTC is able to protect natural resources through effective use and waste reduction programs.
6. We reduce and prevent the impact of harmful substances, wastewater, and exhaust gas on the environment to protect employees and the environment.





## 4. Harmonious workplace

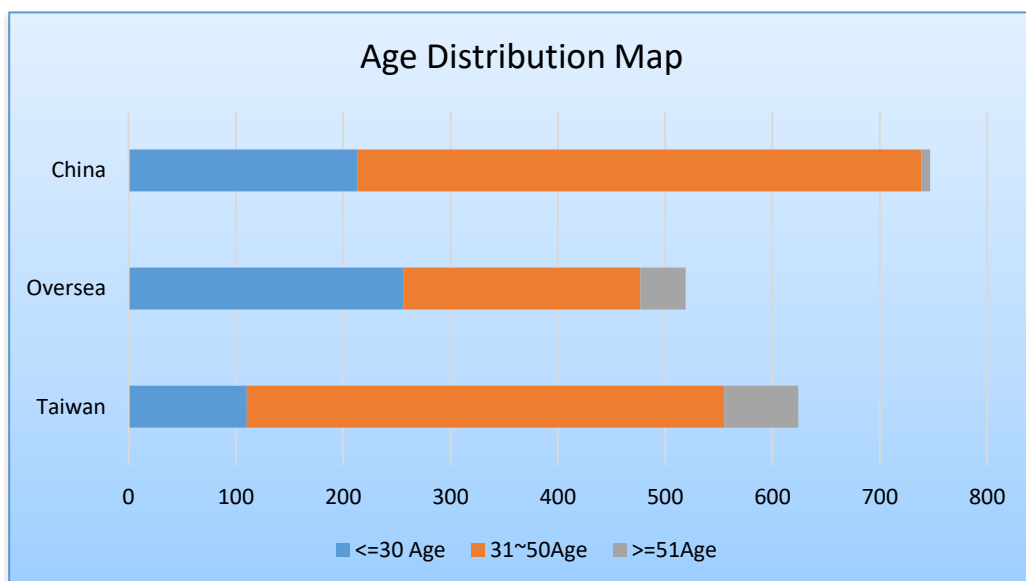
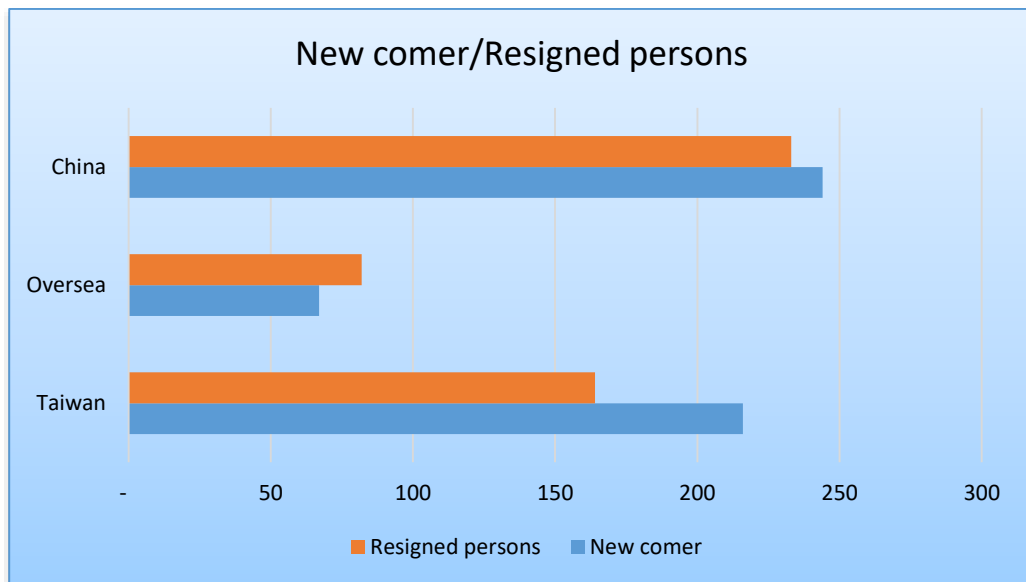
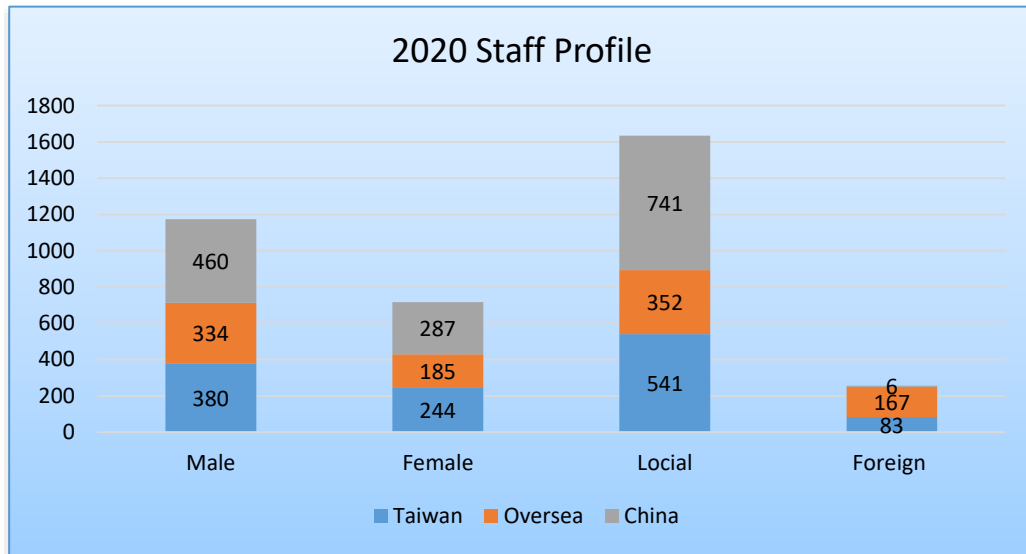
### 4.1 Talent recruitment and human structure

In CWTC, our employees are one of the most important assets. In terms of policies and systems such as recruitment, salary design, performance management and training development, we will consider one's potential who can help to strengthen the company's growth momentum and can maintain his or her work efficiency. Besides that, CWTC always considers hiring the citizens as the priority qualification because we believe that only by working with the citizens can help our employees to achieve the vitality of the company's sustainable development.

Moreover, CWTC does not employ child labor to perform work in accordance with the provisions of the United Nations International Labor Organization and the Labor Standards Law. CWTC also will not force or coerce any unwilling individual to perform any services.

Based on the basic human rights of equal employment opportunities for nationals, when hiring employees, we will only consider one's professional ability as well as his or her aptitude. Other factors such as race, ideology, religion, party affiliation, nationality, gender, marriage, physical and mental disabilities will not affect employment. Besides that, CWTC abides by relevant laws and regulations to employ people with disabilities and arrange competent work according to their abilities.

Area(unit : person)		Taiwan	Oversea	China
Number of Employees	Sales Personnel	4	17	34
	Management Staff	45	33	54
	Research and Development Staff	98	-	-
	Production Staff	472	476	638
	Total	619	526	726
Average Age		41	33	36
Average Years of Service		9	8	8
Education	Ph.D.	-	-	-
	Masters	34	2	3
	Bachelor's Degree	247	99	253
	Senior High School (and Below)	338	425	470



## 4.2 Talent cultivation and development

Cultivating the right work attitudes and behavior can help the company to achieve the business goal more efficiently by enhancing the work knowledge and skill of our colleagues. The training courses we offer include newcomer education training and on-the-job training which helps them to have a better understanding about the working environment in CWTC as well as their responsibilities. Besides that, CWTC will conduct the evaluation of the courses.

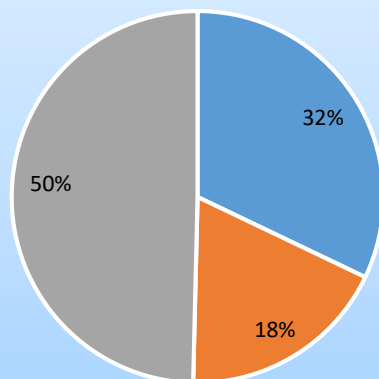
**Newcomer education and training:** departmental internal training and basic skills training.

**On-the-job training:** including departmental internal training, quality system, industrial safety and environmental safety, internal audit and internal control, production management and administrative management.

**Manpower training:** this training is regarded as a long-term investment by the company for employees. Besides the various on-job-training we provide for the employees, CWTC also offers the opportunities for foreign country inspections, visiting famous domestic companies, attending various meetings, work rotations, etc.

The statistics of relevant training courses in 2020 are as follows:

Distribution map of education and training hours by region in 2020



□ Taiwan □ Oversea □ China

Statistics of Education and Training Hours in 2020



### 4.3 Employee benefit plan

One of the primary things that CWTC takes into consideration is the treatment and welfare of employees. To comply with the laws and regulations, the salary of each employee will not be different due to gender. Our employees' benefits include salary, allowances, bonuses, retirement funds, and insurance. Besides that, we create a standard of salary to satisfy the local price level according to the academic qualifications, experience, and the comparison with market salary survey results.

The company's overall operations, personal performance, consumer price index and government policies are the criteria that we take into consideration for salary transformation.

The performance appraisal is conducted twice a year. CWTC will use the results as a guideline to affirm, reward and motivate the outstanding performance of employees. Under a fair salary and performance appraisal system, our employees are able to maximize their work potential.

In 2020, employee benefit expenses are TWD 1,305, 307 thousand dollars which is an increase of 3% over the previous year.

Comparison of the number of full-time employees who are not in supervisory positions and their average salary in 2020 with the previous year.

Item/Year	2020	2019	Compared
<b>Number of employees</b>	159	175	(9%)
<b>Average salary</b>	568 thousand dollars	565 thousand dollars	1%
<b>Median salary</b>	503 thousand dollars	484 thousand dollars	4%

Note: The number of employees in this table does not include company managers. The definition of manager is based on the applicable scope of "manager" stipulated by the competent authority's 3/27/2004 Taiwan Caizheng Sanzi Letter No. 920001301. It is consistent with the scope of managers disclosed in the company's annual report.

In addition, special leaves, half-paid sick leave, personal leave, marriage leaves, injury leave and family care leave are provided in accordance with the law. In a harmonious and fair working environment, females are entitled to menstrual leave, maternity leave

and childbirth leave, and colleagues with spouses are entitled to paternity leave. If colleagues have family needs, they can also apply for parental leave and leave without pay and apply for reinstatement after the period expires.

The company has established labor-management meetings in accordance with the law, and meetings are held regularly at least quarterly. The association is also appointed representatives of both parties apto solicit employee proposals except the labor-management matters submitting for the plans by various units in accordance with the law. Through this meeting, the opinions of both parties were fully communicated and negotiated. In 2020, there was no labor dispute.

CWTC establishes an employee welfare committee in accordance with local laws and regulations, and provides welfare funds in accordance with relevant laws and regulations. Each factory also instructs relevant units to plan and implement the following welfare policies:

ITEM	CONTENT
<b>Employee Insurance</b>	In addition to complying with local laws and regulations, employees enjoy labor, health insurance and retirement pension insurance; they also enjoy group insurance.
<b>Employee bonuses</b>	According to the company's articles of association, the company distributes employee dividends at 1% of the current year's profit.
<b>Employee compensation plan</b>	With the company planning, employees enjoy a cash capital increase subscribed to retain employees, the transfer of treasury shares employees, employee stock options and restricted stock of equity. In 2020, employees handling the transfer of treasury shares totaled 1,341,000 shares.
<b>Employee Benefit Plans</b>	In order to enhance internal welfare, reward employees for their financial planning, and increase employees' sense of participation in the company, and to achieve win-win benefits for both employers and employees, the company started the employee stock ownership trust business in 2020.  The Company contributes 100% of the company's public funds based on the employees' contributions; the employees can receive annual dividends and all the shares after five years.
<b>Group activities</b>	Regular staff trips, departmental dinners, fun competitions and other activities, and funding to encourage employees to participate.
<b>Gifts</b>	such as birthday gifts, bonuses for the three festivals, etc. We also provide subsidies to our employees for weddings, funerals, etc.
<b>Employee health check</b>	Regular physical health checkups for employees are held every year.

#### **4.4 Workplace safety and health**

In order to solve the practical problems of occupational safety and health in CWTC, the safety and health management committee is set up in accordance with the “Occupational Safety and Health Management Measure”.

The structure of the safety and health management committee is as followed:

The chairman of the committee is assumed by the general manager of each plant. The remaining members including labor representatives should have at least one-third of the total employees. Meetings will be held regularly every three months.

The relevant duties of the committee are as followed:

1. Responsible for reviewing occupational safety and health policies
2. Responsible for reviewing occupational safety and health management plan
3. Responsible for reviewing the implementation plan of safety and health education and training.
4. Responsible for reviewing the work environment monitoring plan, monitoring results, and adopting measures.
5. Responsible for reviewing health management, occupational disease prevention and health promotion matters.
6. Responsible for reviewing various safety and health proposals.
7. Responsible for reviewing automatic inspections as well as the safety and health audit of public institutions.
8. Responsible for reviewing preventive measures against machinery, equipment, raw materials, and material hazards.
9. Responsible for reviewing occupational disaster investigation reports.
10. Responsible for assessing the performance of on-site safety and health management.
11. Responsible for reviewing the safety and health management of the contracted business.
12. Responsible for other relevant occupational safety and health management matters.



The company's factories conduct regular inspections of the operating environment in accordance with relevant regulations to eliminate and improve unsafe conditions, and potential hazards to ensure the safety and health of employees. The company provides regular annual health check-ups for the health of colleagues, such as general health check-ups and supervisor health check-ups. This helps to protect and grasp the health status of employees, and perform hierarchical management based on the results of their health check-ups to track and treat employees in a timely manner to prevent occupational diseases.

#### Occupational Disaster Statistics in 2020

Item	Factory accident case	Total man-day loss	Traffic accident case	Total man-day loss
Taiwan	7	171	3	6106
Oversea	0	0	4	36
China	1	3	0	0
Total	8	174	7	6142



△Fire Drill

▽Health Examination



## 5. Appendix

### GRI Standards Comparison Table

GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
<b>General Disclosures</b>					
<b>GRI 102 General Disclosures 2016</b>	GRI 102-1	Name of the organization	1.1 Corporate profile	4	
	GRI 102-2	Activities, brands, products, and services	1.1 Corporate profile	4	
	GRI 102-3	Location of headquarters	1.1 Corporate profile	4	
	GRI 102-4	Location of operations	1.1 Corporate profile	4	
	GRI 102-5	Ownership and legal form	1.1 Corporate profile	4	
	GRI 102-6	Markets served	1.4 Innovation and Service	19	
	GRI 102-7	Scale of the organization	1.1 Corporate profile	4	
	GRI 102-8	Information on employees and other workers	4.1 Human resource structure and management	40	
	GRI 102-9	Supply chain	2.1 Supply chain sustainability	28	
	GRI 102-10	Significant changes to the organization and its supply chain	2.1 Supply chain sustainability	28	
	GRI 102-11	Precautionary Principle or approach	1.5 Risk management	21	
	GRI 102-12	External initiatives	1.1 Corporate profile	4	
	GRI 102-13	Membership of associations	1.1 Corporate profile	4	
	GRI 102-14	Statement from senior decision-maker	A note from the chairman	2	
	GRI 102-16	Values, principles, standards, and norms of behavior	1.2 Corporate governance	9	
	GRI 102-18	Governance structure	1.2 Corporate governance	9	
	GRI 102-40	List of stakeholder groups	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-41	Collective bargaining agreements	4.3 The plan of employee benefits	44	
	GRI 102-42	Identifying and selecting stakeholders	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-43	Approach to stakeholder engagement	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-44	Key topics and concerns raised	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-45	Entities included in the consolidated financial statements	1.3 Performance of enterprise	17	
	GRI 102-46	Defining report content and topic Boundarie	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-47	List of material topics	1.6 Our stakeholders and materiality assessment	24	
	GRI 102-48	Restatements of information	About	1	
	GRI 102-49	Changes in reporting	About	1	
	GRI 102-50	Reporting period	About	1	
	GRI 102-51	Date of most recent report	About	1	
	GRI 102-52	Reporting cycle	About	1	
	GRI 102-53	Contact point for questions regarding the report	About	1	

GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
	GRI 102-54	Claims of reporting in accordance with the GRI Standards	About	1	
	GRI 102-55	GRI content index	Appendix	49	
	GRI 102-56	External assurance	About	1	
<b>Economic Performance</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 201 2016</b>	GRI 201-1	Direct economic value generated and distributed	1.3 Performance of enterprise	17	
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	1.5 Risk management	21	
	GRI 201-3	Defined benefit plan obligations and other retirement plans	4.3 The plan of employee benefits	44	
	GRI 201-4	Financial assistance received from government	1.3 Performance of enterprise	17	
<b>Procurement Practices</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 204 2016</b>	GRI 204-1	Proportion of spending on local suppliers	2.3 Green purchasing policy	30	
<b>Energy</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 302 2016</b>	GRI 302-1	Energy intensity	3.2 Energy management	34	
	GRI 302-2	Energy consumption outside of the organization	3.2 Energy management	34	
	GRI 302-3	Energy intensity	3.2 Energy management	34	
	GRI 302-4	Reduction of energy consumption	3.2 Energy management	34	
	GRI 302-5	Reductions in energy requirements of products and services	3.2 Energy management	34	
<b>Water</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	

GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
<b>GRI 303 2016</b>	GRI 303-1	Evaluation of the management approach	3.3 Water resource management	36	
	GRI 303-2	Water withdrawal by source	3.3 Water resource management	36	
	GRI 303-3	Water recycled and reused	3.3 Water resource management	36	
<b>Emissions</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	20	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	20	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	20	
<b>GRI 305 2016</b>	GRI 305-1	Direct (Scope 1) GHG emissions	3.2 Energy management	28	
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	3.2 Energy management	28	
	GRI 305-3	Other indirect (Scope 3) GHG emissions	3.2 Energy management	28	
	GRI 305-4	GHG emissions intensity	3.2 Energy management	28	
	GRI 305-5	Reduction of GHG emissions	3.2 Energy management	28	
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	3.2 Energy management	28	
	GRI 305-7	Nitrogen oxides, sulfur oxides, and other significant air emissions	3.2 Energy management	28	
<b>Effluents and Waste</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 306 2016</b>	GRI 306-1	Water discharge by quality and destination	3.4 Management of waste pollution emission and prevention	38	
	GRI 306-2	Waste by type and disposal method	3.4 Management of waste pollution emission and prevention	38	
	GRI 306-3	Significant spills	3.4 Management of waste pollution emission and prevention	38	
	GRI 306-4	Transport of hazardous waste	3.4 Management of waste pollution emission and prevention	38	
	GRI 306-5	Water bodies affected by water discharges and/or runoff	3.4 Management of waste pollution emission and prevention	38	
<b>Environmental Compliance</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 307 2016</b>	GRI 307-1	Non-compliance with environmental laws and regulations	3.1 The development of the environmental sustainability	31	
<b>Employment</b>					



GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 401 2016</b>	GRI 401-1	New employee hires and employee turnover	4.1 Human resource structure and management	40	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.3 The plan of employee benefits	44	
	GRI 401-3	Parental leave	4.3 The plan of employee benefits	44	
<b>Labor/Management Relations</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 402 2016</b>	GRI 402-1	Minimum notice periods regarding operational changes	4.3 The plan of employee benefits	44	
<b>Labor health and safety</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 403 2016</b>	GRI 403-1	Workers representation in formal joint management-worker health and safety committees	4.4 Occupational safety and health	46	
	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4.4 Occupational safety and health	46	
	GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	4.4 Occupational safety and health	46	
	GRI 403-4	Health and safety topics covered in formal agreements with trade unions	4.4 Occupational safety and health	46	
<b>Training and Education</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 404 2016</b>	GRI 404-1	Average hours of training per year per employee	4.2 Talent cultivation and development	42	
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	4.2 Talent cultivation and development	42	

GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.3 Talent cultivation and development	43	
<b>Diversity and Equal Opportunity</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 405 2016</b>	GRI 405-1	Diversity of governance bodies and employees	4.1 Human resource structure and management	40	
	GRI 405-2	Ratio of basic salary and remuneration of women to men	4.3 Talent cultivation and development	44	
<b>Child Labor</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 408 2016</b>	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	4.1 Human resource structure and management	40	
<b>Forced or Compulsory Labor</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 103 2016</b>	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.1 Human resource structure and management	40	
<b>Supplier Social Assessment</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
<b>GRI 414 2016</b>	GRI 414-1	New suppliers that were screened using social criteria	2.1 Supply chain sustainability	28	
	GRI 414-2	Negative social impacts in the supply chain and actions taken	2.1 Supply chain sustainability	28	
<b>Customer Privacy</b>					
<b>GRI 103 Management Approach 2016</b>	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	

GRI Standard	Content of GRI Indicators	Item	Corresponding Chapter	Page	Remark
GRI 418 2016	GRI 418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	1.5 Risk management	21	
<b>Socioeconomic Compliance</b>					
GRI 103 Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-2	The management approach and its components	1.6 Our stakeholders and materiality assessment	24	
	GRI 103-3	Evaluation of the management approach	1.6 Our stakeholders and materiality assessment	24	
GRI 419 2016	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	4.3 Talent cultivation and development	44	