



2014 Corporate Social Responsibility Report



# **Wafer Works Corporation**

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### **Introduction**

Established in 1997, Wafer Works Corporation (Wafer Works) has a headquarter based in Longtan Science Park and a founding team comprised of members from US Silicon Valley and domestic semiconductor industries, so the members have a deep foundation in semiconductor industry. Currently, Wafer Works has become one of the top ten semiconductor silicon wafer material suppliers in the world. To uphold the concepts of sustainable development, we published our first Corporate Social Responsibility Report

in 2012. In line with the spirit of the previous reports, this report shall provide information such as management strategies, risk management, environment management, so as to offer complete disclosure to the public and investors concerned with the development of Wafer Works.

### **Scope of Report**

This report shall include our performances in corporate social responsibility between January 2014 to December 2014 and organizations participating in the disclosure are mainly plants producing silicon wafer products in Taiwan, such as Wafer Works Corporation and Wafer Works Corporation Science Park Branch Office. The previous issue was on December 2013. We shall continue to issue corporate social responsibility reports annually.

### **Disclosure Basis**

This report is based on the G4 Sustainability Reporting Guidelines in The Global Reporting Initiative (GRI). The GRI G4 contents may be found included at the back of the report. The information and statistics disclosed in this report are corporate information while the time is expressed in AD. Although the report has yet to be verified externally, the information and statistics have passed rigorous reviews and the financial figures are verified by Ernst & Young Accounting Firm. Financial figures are calculated in New Taiwan Dollars (NTD).

### **Contact Methods**

If you have any questions or suggestions, please contact us by phone, or you can click the button “Contact Us” on the right of the Company Home page.

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## Ch1 Responsibilities and Challenges

### World Class Supplier of Semiconductor Silicon Wafer

After 20 years of hard work, Wafer Works has become the 7<sup>th</sup> largest semiconductor silicon wafer supplier in the world. With 4 advanced semiconductor silicon wafer manufacturing plants in Taiwan and China, Wafer Works has a total plant area of over 120 thousand square meters and over two thousand employees around the world. In 2007, Wafer Works was nominated as one of the Forbes “Best Under a Billion” enterprises in Asia.



Establishment Date	July 1997
IPO Date	May 2005
Number of Employees	>800
Paid-in Capital	NT\$ 3,831,733,250
Products	Silicon Rods, Polished Silicon Wafers, Epitaxial Wafers
Chairman	Pat Chiao
Headquarter	No. 100, Longyuan 1st Rd., Longtan Science Park, Taoyuan, 32542

## Operational Risk Management

In response to the latest development trends in risk management, Wafer Works has actively strengthened corporate risk management mechanisms in recent years and has taken a serious approach towards risk detection, evaluation, report and handling procedures. In order to implement comprehensive risk management concepts, our company does not have Chief Risk Officers (CRO) to avoid the negligence or bias due to a single person.

Currently, risk management is classified into 3 levels (mechanisms):

“First Mechanism” will involve initial risk identification, evaluation, management and proposing of suggestions by responsible departments or supervisors.

“Second Mechanism” will be the holding of regular management meetings for feasibility assessment and a variety of risk assessments.

“Third Mechanism” is the review of legal and audit departments and review by directors and supervisors.

## Stakeholder-related Communications and Key Issues

Regarding internal and external stakeholders and their key concerns, Wafer Works has utilized survey investigation methods in which company internal executives conducted weighted surveys that are focused on the perspectives of sustainable development to collect the various concerns of stakeholders. Survey targets include employees, clients, investors, contractors, suppliers and other stakeholders (Out of 185 surveys issued, 123 responses were collected, allowing a response rate of 66.5%) and company executives (26 responses were collected from 26 issued surveys, allowing a response rate of 100%). The surveys allowed the company management to understand better the impacts of different issues on the company.

Last but not least, through substantial analysis, 18 key issues were listed and consulted with company management before being planned as major key issues for 2014 to conduct disclosure on company management policies and indicators.

<b>Key Issues<sup>↕</sup></b> <b>(Acknowledged as key imperative disclosure both internally and externally.)<sup>↕</sup></b>
Economic Performance <sup>↕</sup>
Market Image <sup>↕</sup>
Energy <sup>↕</sup>
Water <sup>↕</sup>
Waste water and Waste product <sup>↕</sup>
Regulatory Compliance <sup>↕</sup>
Environmental Issue Complaint Mechanism <sup>↕</sup>
Employer / Employee Relations <sup>↕</sup>
Labor Relations <sup>↕</sup>
Occupational Safety and Health <sup>↕</sup>
Training and Education <sup>↕</sup>
Child Labor <sup>↕</sup>
Regulatory Compliance <sup>↕</sup>
Client Safety and Health <sup>↕</sup>
Product and Services Indicator <sup>↕</sup>
Marketing Communication <sup>↕</sup>
Client Confidentiality <sup>↕</sup>
Regulatory Compliance <sup>↕</sup>

## **Ch2 Friendly Environment**

Based on the concepts of sustainable development, fulfilling our responsibilities to protect the environment and resources, and protect the environment and health of neighboring communities, Wafer Works has established effective risk management such as potential emergencies, natural disasters and environmental impacts, and we have established comprehensive response plans and procedures in place. In terms of environmental protection and management, the operations of Wafer Works are compliant with environmental protection regulations. Both Yangmei Plant and Longtan Plant have passed the ISO 14001 certification for environment management system to ensure environmental protection can be managed in a systematical way.

### **Air Pollution Prevention**

At Wafer Works, our air pollution prevention strategy is to firstly, utilize advanced processing techniques to reduce the number of pollutants that will enter in the emissions, followed by the use of highly efficient equipment to process the pollutants in the emissions, so as to ensure that the concentration of pollutants in the waste air emissions are less than or compliant with government regulations. Depending on the characteristics of the waste air emissions, the emissions can be broadly divided into 4 categories of alkaline exhaust, acidic exhaust, volatile organic compounds and particulate pollutants. There are different types of air pollution prevention equipment dedicated to the different types and characteristics of pollution. At the same time, we also respect the right of neighboring companies and residents, which is why we have integrated the operation status of all equipment into our central monitoring system which will be observed 24 hours a day by staff on rotational shifts. All operation condition changes will be within the scope of constant surveillance and any deviation exceeding the preset values will trigger an immediate alarm. Wafer Works ensures that the various air pollutants and emissions conditions are compliant with local government regulations.



## **Water Resources and Water Pollution Prevention**

### **Water Recycling Effectiveness of Yangmei Plant**

In 2014, through the recycling and backwash system, online analyzer water recovery, the pure water system improvement has reached 111.2 tons / day. In addition, in management of source water usage, we have also introduced recycling procedures in the preceding cleaning processes, allowing a total recovery of 502 tons / day in preceding cleaning processes.

### **Water recycling effectiveness of Longtan Plant**

In 2014, the sand filtration, A/C backwash water recycling and pure water meter recycling recovered a total of 160 tons / day.

## **Waste Management**

In order to ensure the destination and proper handling of waste, Wafer Works has carefully chosen our contractor for waste disposal and reuse. Each year, Wafer Works will conduct annual waste treatment contractor audit checks to review the certification of the contractor and conduct on-site inspections so as to ensure all waste are handled or recycled in compliance with regulations.

At Wafer Works, the waste management has changed from the conventional disposal and treatment to an approach with more emphasis on recycling and reuse. We have also set up a dedicated department to manage the recycling and reuse of waste products. At the same time, the plants will also actively strive to reduce the amount of raw materials required in production. Taking Yangmei Plant for example, the 2013 raw material reduction program has greatly reduced the amount of waste produced.

As Wafer Works does not have any hazardous industrial waste, therefore there are be no leakage incidents or complaints of environmental impacts.

In 2014, Wafer Works has no violation of environment regulations and there are no incidents of fines by government departments.

## **Greenhouse Gas Investigation**

In 2010, Wafer Works began its first autonomous greenhouse gas investigation and took the initiative to disclose the greenhouse gas emission on the greenhouse gas website, Industrial Development Bureau. Due to client requests and international trends in recent years, Wafer Works participated in the greenhouse gas investigation guidance plan organized by Ministry of Economic Affairs in 2011. Cooperating with the promotion by consulting firms, Wafer Works successfully published its first greenhouse gas investigation report and passed the IUL ISO 14064 certification. As of 2014, Wafer Works has been constantly conducting investigation and analysis of greenhouse gas emissions, to be used as corporate targets for energy saving and carbon reduction.

### **2014 Yangmei Plant Greenhouse Gas Investigation Results**

The main source of emission of greenhouse gases for Yangmei Plant is Category 2, purchased electricity which accounts for 83.4% of total greenhouse gases, followed by Category 1 which accounts for 16.6%. Category 1 includes gases used for CVD (nitrous oxide and octafluoropropane), fuel used in boilers (natural gas and diesel); diesel used in generators and transportation, gasoline and refrigerants used in official cars, carbon dioxide filling used in fire-fighting equipment, refrigerant used in chillers, refrigerators and drinking fountains.

### **2014 Longtan Plant Greenhouse Gas Investigation Results**

The main source of emission of greenhouse gases for Longtan Plant is Category 2, purchased electricity which accounts for 90.17% of total greenhouse gases, followed by Category 1 which accounts for 9.83%. Category 1 includes gases used for CVD (nitrous oxide and octafluoropropane), fuel used in boilers (natural gas and diesel); diesel used in generators and transportation, gasoline and refrigerants used in official cars, carbon dioxide filling used in fire-fighting equipment, refrigerant used in chillers, refrigerators and drinking fountains.

### Safe Workplace

To achieve the objectives of zero hazards, every year the Company will stipulate annual occupational hazard prevention plans and detailed implementation plans to ensure the plan contents are implemented on schedule. The implementation results will then be tracked by the Occupational Safety and Health Committee. Through the implementation, auditing, reviewing and revision of the plans, the hazards and risks of business units can be controlled via PDCA means, and ultimately achieve the goals of reducing incidents of hazards.



### Emergency Response Measures

We have established comprehensive hazard response procedures while trainings and drills will also be conducted regularly to ensure instant appropriate emergency handling during incidents. These measures will be expected to reduce the losses in lives, damages to company properties and social and environmental impact due to the hazard to a minimum.

➤ **Fire Hazard Emergency Response Mechanism**

Fire Hazard Response Drills are conducted twice a year to strengthen basic firefighting capabilities of employees while the evacuation drills will train their response and escape skills. We have also developed a reporting system that will develop a clear communication channel with local fire departments and external support.

➤ **Chemical Hazard Emergency Response Mechanism**

As acidic and alkaline chemicals are primarily used in the production processes, the usage and storage of these chemicals pose certain hazards and risks. By establishing a material safety datasheet and categorizing and labeling of hazardous materials, we can understand the characteristics of these chemicals and conduct autonomous chemical disaster drills specific to these characteristics. The establishment of mechanics from leakage, containment, warning, evacuation and resume production will increase the leakage handling capabilities of the personnel in the department.

### ➤ Typhoon Emergency Response Mechanism

We have established the following measures:

- ✓ Establish Report Mechanism: Factory Director Office will be in charge of all response information.
- ✓ Preparation of Contingency equipment: Sandbags, water pumps and other equipment.
- ✓ Factory environment Inspection and confirmation of typhoon precautions after sea warning is issued.
- ✓ Inspection patrol during typhoon.
- ✓ Review of mistakes and Improvement Plans.

### Healthy Workplace

Special health hazards in Wafer Works plants include categories such as noise, ionizing radiation, arsenic, and other chemical compounds. The plant work safety department shall submit the names of department staff that fits the bill of such operation categories so that they may receive annual special health hazard inspections and categorized health management.

### Badge of Accredited Healthy Workplace

We have actively promoted healthy workplace culture and various events to introduce a smoke free workplace. Our efforts have won us the Badge of Accredited Healthy Workplace.



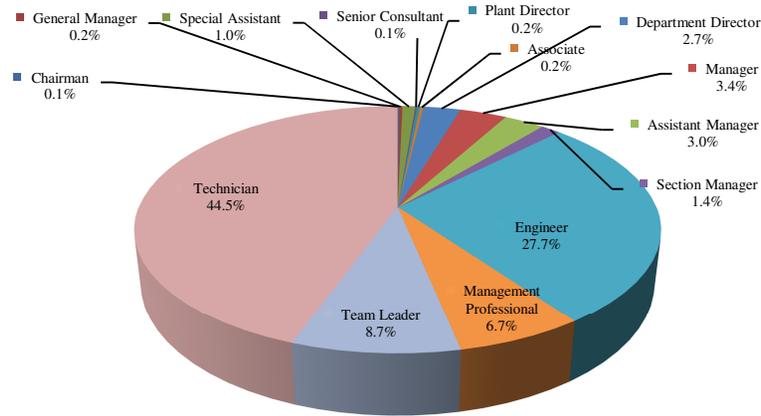
### Health Promotion Activities

To improve employee health, we have organized a series of activities such as:

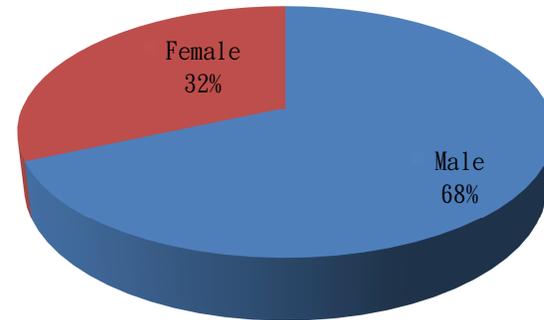
1. Health Seminars
2. Administration of vaccination by plant doctors
3. Message by the visually impaired, twice a month
4. Blood donation
5. Weight reduction activities

### Ch3 Friendly Workplace

All Wafer Works employees, including company executives above director positions, are formally hired staff. In 2014, the total number of employees number 842, amongst which 401 are located at Yangmei Plant and 441 at Longtan Plant. There is little change in the number of hired staff. 32.4% of the Taoyuan county/city people were hired as high level executives above director positions.



2014 Employee Distribution Chart



2014 Employee Gender Distribution Chart

In 2014, Wafer Works recruited 104 new employees, amongst which 73 were male and 31 were female showing a percentage of 70% and 30% respectively. New recruited staff below 35 years of age numbered 86 people (83%) while 18 were above 35 years of age (17%).

In 2014, 223 employees left Wafer Works, amongst which 163 were male and accounted for 71% of the new employees while 60 were female and accounted for 27% of the new employees. 148 employees were below 35 years of age, accounting for 66% of the new employees while 75 were above 35 years of age, accounting for 34% of the new employees.

● **Equality Treatment to All Employees**

In compliance with regulations, and in line with gender equality and ethnic harmony, all employment positions will not discriminate based on applicant gender, nationality and ethnicity. As long as job seekers possess the ability and have confidence, all applicants shall engage in fair competition. There will be no differences in terms of work, promotion or employee training.

● **Competitive Salary and Benefits**

Wafer Works place a strong emphasis on the salaries, welfare and benefits of the employees. Every year, the market and regional salary standards are measured through various means to make appropriate adjustments in the salaries of our employees so as to ensure competitive salary and the attraction of talents.

Salary measurement standards are determined based on academic qualifications, work experience, professional knowledge or skills. The salary will not be affected by gender, ethnicity, political stand, marital status, age or religious beliefs.

● **Humanistic Female Space**

Wafer Works plants are equipped with nursery rooms with independent access. These rooms are solely dedicated for breastfeeding.

● **Conditions of Working after Maternity Leave**

At Wafer Works, our employees showed higher rates of reinstatement after maternity leave, which is a sufficient display of our friendly workplace environment.

Conditions of Maternity Leave and Reinstatement	M	F
Number of employees eligible for maternity leave in 2014	50	34
Number of employees applying for maternity leave in 2014	1	9
Number of employees reinstated after maternity leave in 2014	0	5
Percentage of reinstatement	N/A	56%
Number of employees still working after 12 months of reinstatement following maternity leave in 2014	0	1
Ratio of retaining employees to reinstated employees after maternity leave in 2014	N/A	20%

### **Staff Professional Ethics and Code of Conduct**

Wafer Works will abide by the Labor Standard regulations to protect the legal rights of employees. Wafer Works will abide by internationally accepted norms (such as Electronic Industry Code of Conduct (EICC)).

The contents of Wafer Works Staff Professional Ethics and Code of Conduct are as follows:

1. Integrity: Adhere to the highest ethical standards of probity in the faithful implementation of company tasks.
2. Respect for the individual and customers: Respect and protect individual and customer privacy and ensure equality treatment to clients.
3. Avoidance of conflicts of interest: Prior to involvement in activities with potential conflicts of interests of the Company, the employee should disclose the details and obtain approval from the Chairman and General Manager, and a report should be made to the auditing department.
4. Gifts and business hospitality: Employees and their families are not allowed to accept gifts or hospitality from customers or suppliers (except for weddings and funerals) or give rebates or other inappropriate interests.
5. Disclosure of full, adequate, correct, timely and understandable information
6. Report, Protection and Immunity: when any violation of government regulation, business ethics or fraud is found, the employee should report to the appropriate personnel with named e-mail.

### **Staff Training, Organizational Learning and Development**

Employees are the most important asset of Wafer Works and educational training is a key tool that allows the asset to upgrade, mature and grow stronger, hence organizing educational training will enable employees to engage in active participation and learning, increase worker performance, and improve the professional knowledge and skills of the workers which are also the goals of the Wafer Works.

1. Conduct different training themes and guidelines for staff at different stages so as to improve staff quality through educational training.
2. Stipulate annual educational training objectives based on the annual operation goals of the company.
3. The implementation of educational training should be included in the Key Performance Indicators (KPI) of each department.
4. Performance Management and Career Planning

## Employee Benefits

Wafer Works has always upheld the belief that employees are the most important asset of the company, and has planned a diversity of benefits to attract and retain talented employees.

- Mid-year (Dragon Boat Festival / Mid-Autumn Festival) Bonus / Year-end Bonus
- Wedding / Funeral Subsidies
- Car Parking Space
- Employee Canteen
- Employee Travel
- Year-end Celebration Dinner (Year-End Party)
- Free group insurance
- Maternity Leave
- Retirement Plans
- Stock Options
- Labor Day / Dragon Boat Festival / Mid-Autumn Festival / Birthday Gift Vouchers
- Employee Health Checkup
- Recreation and Fitness Center
- Movie Appreciation
- Employee Infirmary

## Ch4 Partnership Relations

### Customer Service and Satisfaction

#### Service Satisfaction Implementation Principles

With the top 30 customers in sales volume as main questionnaire objects, sales representative will issue questionnaires or conduct telephone interviews to obtain effective responses from the customers. The responses will be analyzed and reviewed during the monthly quality meetings to obtain customer satisfaction. Responsible departments will be appointed to propose improvement plans and to ensure the implementation. The implementations will then be replied to the customers.

#### Customer Satisfaction Management Process Table





## **Customer Privacy**

Integrity is one of the business philosophies of Wafer Works. Before commencing commercial dealings, NDA confidentiality agreements will be signed with clients to ensure that the information of both parties will not be leaked.

## **Green Procurement**

As the Wafer Works product safety datasheet has stated that there are no hazardous items in the list and the products are not end products, so there would be no issues of the social and environmental impacts and subsequent disposal of the products.

Wafer Works has invested human resources and vast resources into the investigation of raw material suppliers as our internal control on hazardous substance information and incorporated environmental protection principles into the management mechanism of suppliers. Regarding the raw materials and packaging materials used by suppliers, we have requested the suppliers to conform to environmental protection regulations.

Through our continued purchasing power, we can cooperate with our supplier partners to seek and develop better quality and more environmentally friendly products, and through our procurement, we can contribute to the local society and economic developments.

The main suppliers of Wafer Works include raw material suppliers, engineering equipment suppliers, waste disposal contractors, on-site contractors (such as company security and cleaning staff), freight contractors and others. Most are long term partnership relations. With the exception of major changes in supply and demands requiring adjustments in procurement or search for new suppliers, we have maintained a good procurement relationship with the suppliers.

2015 Raw Material Supplier Structure and Management Policies

Raw Material Supplier Types	Definition	Management Policies	Weight
Only Supplier	The raw material is exclusively produced by the supplier and there are no replacements.	Strive for optimal quality, delivery date, service, price and other factors.	0~1%
Single Supplier	The raw material can be supplied by many suppliers but due to the differences in product quality, only one supplier fulfills the material requirement of Wafer Works.	*Participation in composition analysis strategy in the early stages. *Push for the testing of Second Source Program	4~6%
Multiple Suppliers	The raw material can be supplied by many suppliers and Wafer Works has certified multiple suppliers.	*Establish competitive supply environment *Screening of suppliers to eliminate the inferior suppliers.	92~96%

**Conflict Mineral Issues**

Wafer Works has incorporated the “Conflict Minerals” into the supplier management policies. As citizens of the world, Wafer Works declare and promise not to accept the use of metals from mines in conflict zones. At the same time, we also require our suppliers to promise not to use metallic materials from mines in conflict zones in their products to prevent such conducts through the market mechanisms.



## Ch5 Community Involvement

In the past year, Wafer Works has participated in many social welfare activities, as follows.

- Sponsored and offered support to 2014 Mid-Autumn Festival Event of Bade Neighborhood Community and joined in the celebrations with the community.
- Participated in 2014 “Clean up Our Homeland” campaign organized by Science Park Bureau and contributed to the cleanliness of our homeland.
- Monthly organization of blind message in support of love and charity, and provide stress-relieving message to employees.
- Organized beach cleanup activity in 2014 and contributed towards environmental protection.
- Organized blood donation event and promote charity through donation.