

Corporate Governance

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5.1 About Wistron

5.1.1 Company Profile

Global Leader in the ICT Industry

Wistron Corporation is a global leading technology service provider supplying innovative ICT (information and communications technology) products, service solutions, and systems to top branded companies worldwide.

Our product and service lines include PCs, server and networking systems, enterprise storage solutions, professional display products, communication devices, after-sales services, and electronics scrap recycling, as well as cloud and display vertical integration solutions. With the development of cloud computing, Wistron combines hardware devices and cloud data systems through software services to provide technical service platforms and solutions to our customers. In addition, Wistron has been dedicated to building value chains

in the ICT industry and innovation platforms in the new era of education and enterprise services, IoT, and medical services. Wistron is dedicated to realizing the vision of "sustainability through innovation."

Global Operations

Wistron has more than 80,000 employees in 13 manufacturing sites, 10 R&D centers, and 14 after-sales service centers worldwide. Located strategically across Asia, Europe, and North America, our worldwide facilities are arranged to provide comprehensive product development and customer services to global customers. Stable growth and sustainable operations are achieved through collaborative effort of Taiwan headquarters with overseas sites. For more information of global operations, please visit Wistron's official [website](#).

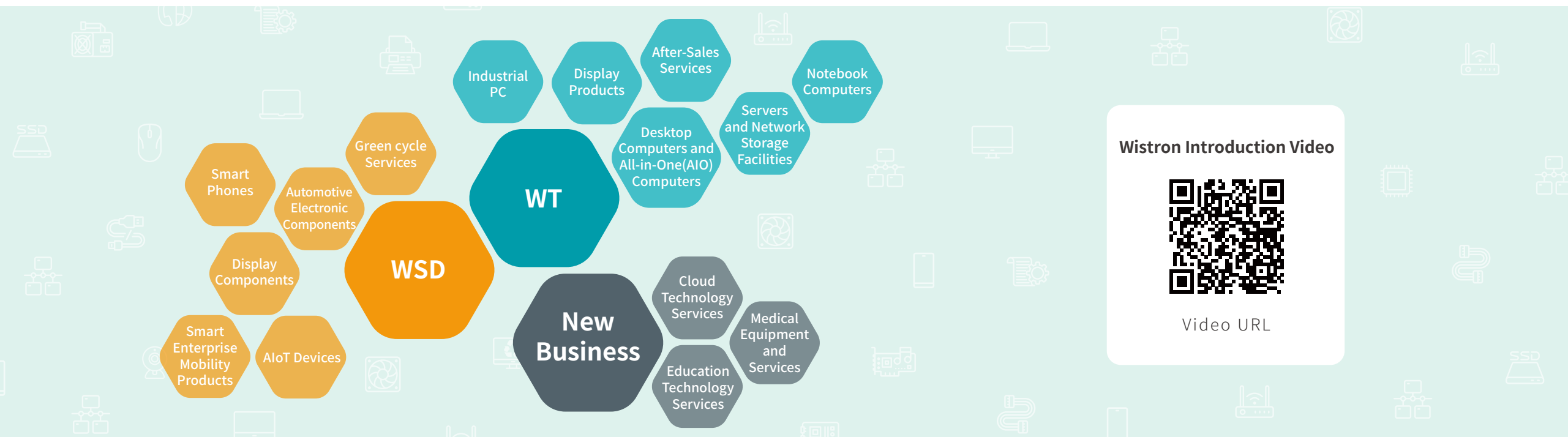


5.1.2 Products and Services

Wistron retains strong R&D and technological innovation capabilities. Powered by the growth and development of a diverse ICT product portfolio, we provide environmentally friendly products with high added value, and we are committed to our transformation into a comprehensive technology service provider (TSP). Following cloud application development trends, Wistron has integrated hardware devices such as computers and smart devices with cloud data systems through software services to provide technical service platforms and solutions and meet customer and consumer demands.

Wistron's revenue mainly comes from the manufacturing of consumer electronics. Besides actively acquiring orders from international companies, we also understand the key factors of controlling cost and maintaining stable profit margin amid intensifying price wars. In terms of the performance of Wistron's products in 2021, laptop computers, display products, smart products, and enterprise products have achieved more prominent growth while the performance of other products remained the same or declined slightly.

Main Products and Technology Services



Product Sales

Sales volume unit : thousand units/thousand pieces/thousand products
Sales value unit : NT\$ million

Year	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Computers/ Communication/Consumer Electronics	717	5,222	88,669	749,737	942	7,727	99,088	797,696
Other Products	143	206	71,260	89,847	717	803	42,769	55,857
Total	860	5,428	159,929	839,584	1,659	8,530	141,857	853,553

Wistron Introduction Video



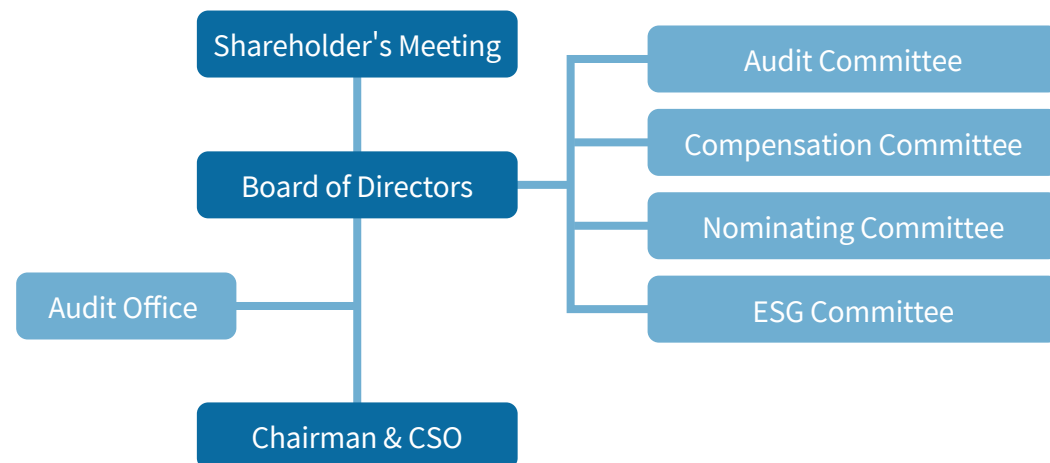
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5.2 Corporate Governance

Top 5% in the Corporate Governance Evaluation

Taiwan Corporate Governance **100** Index Constituent Stock

Wistron believes that good corporate governance is the foundation for corporate sustainable developments. Therefore, for many years, we have been dedicated to establishing an effective corporate governance structure, protecting shareholder interests, strengthening the functions of the Board of Directors, respecting stakeholder interests, and improving information transparency. We gradually promote various systems and measures to continuously improve corporate governance quality and effects, in order to implement the spirit of corporate governance. Our goal is to maximize shareholder interests and pursue sustainable corporate management.



5.2.1 Functions of Board of Directors

Composition and Diversity of the Board of Directors

According to the Articles of Incorporation rules, the Board of Directors shall be composed of 7 to 9 individuals, who shall serve for 3 years. The directors shall be nominated and elected by the Shareholders' Meeting according to the nominee list. The elected candidates will be appointed as directors. The current Board of Directors of the Company consists of nine directors, who have served for an average of 7.44 years. Among the directors, five are independent directors, accounting for 56% of the Board. The independence of the directors comply with the related regulations in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." For the procedures related to Board of Directors elections, please see the company [website](#).

The Board of Directors of the Company consists of directors with extensive industry experience and reputations. According to Article 20 of Wistron's "Corporate Governance Best Practice Principles," the composition of the Board of Directors shall be determined by taking diversity into consideration. The Board had one female independent director in 2021. In addition to the number of the Company's directors who also serve as managers should not exceed one third of the board, the Company shall formulate appropriate policies on diversity based on the Company's business operations, operating dynamics, and development needs. For the diversification and professional backgrounds of the the Company's Board of Directors, please see the company [website](#). The specific management goals and implementation of director diversification policies are as follows:

Management Objectives	Goals Achieved
Independent Directors exceeding one-half of the total director seats	✓
Number of Directors who concurrently serve as Company managers do not exceed one-third of the total director seats	✓
At least one seats of directors is female	✓

The company's Chairman is elected by the Board of Directors and represents the company externally. Please refer to our website and annual reports for the detailed biography of each member of the Board.

The Board is required to hold at least one meeting

each quarter, and a total of eight board meetings were held in 2021. The Board is the highest government unit in the company, which is mainly responsible for improving supervision function and strengthening the management mechanism. The Board members oversee the operations team to ensure that the team strictly abides by all regulations and enhances information transparency. Moreover, it instructs the operation teams in major decision-making instances by using its own experience, so as to achieve sustainable operations for the company and further guarantee the shareholders' rights and interests. The management team regularly reports to the Board regarding the operations, development strategies, and other important issues, so as to maintain smooth and open communications with the Board.

Please refer to the Company's Annual Report and [website](#) for information related to the continuing education of directors in 2021.

With regards to meeting agendas that present conflicts of interest to the Directors or the legal entities they represent, the matter shall comply with Article 15 of the "Rules and Procedures of Board of Directors Meetings." They shall explain the important information related to the conflict of interest in the matter during the meeting. If their relationship with the matter may harm company interests, they shall recuse themselves from the discussion and voting. The related director shall abstain from the discussion and resolution, and shall not exercise their voting rights through other directors. If the spouse or relative within second degree of kinship of the director, or company where the director holds a controlling interest is a stakeholder in the meeting agendas, the director shall be deemed to have a conflict of interest.

Board of Directors and Functional Committee

Committee	Responsibilities	Members	Attendance Rate	Key Resolutions
Audit Committee	Supervise the adequacy and accuracy of the Company's financial reports, appointment (dismissal) of CPAs and assessment of their independence and performance, the effective implementation of the Company's internal controls, the Company's compliance with related laws and regulations, and management of existing and potential risks for the Company.	Mr. Jack Chen, Independent Director Mr. S. J. Paul Chien, Independent Director Mr. Christopher Chang, Independent Director Mr. Sam Lee, Independent Director Ms. Pei-Pei Yu, Independent Director	100%	<ul style="list-style-type: none"> Annual and quarterly financial reports Important investments Internal control system Loans of funds, endorsements, or provision of guarantees of a material nature
Compensation Committee	Establish and regularly review the remuneration policies, systems, standards and structures, and performance of directors and managers. Regularly evaluate and establish the remuneration of directors and managers.	Mr. Paul Chien, Independent Director Mr. Sam Lee, Independent Director Ms. Pei-Pei Yu, Independent Director	100%	<ul style="list-style-type: none"> Review and adjustment of Director and Functional Committee remuneration payment principles Manager performance bonus distribution and adjustment suggestions Suggestions for managers receiving employee remuneration
Nominating Committee	Select and review suitable candidates for directors, managers, and members of the committees under the Board of Directors. Formulate and review the establishment and operations of the functional committees of the Board of Directors.	Mr. Christopher Chang, Independent Director Mr. Simon Lin, Chairman Mr. Paul Chien, Independent Director Ms. Pei-Pei Yu, Independent Director	100%	<ul style="list-style-type: none"> Nominate candidates for the 9th Board of Directors Nominate members of the Remuneration Committee and the ESG Committee Nominate the employees for promotion to manager
ESG Committee	Stipulate the corporate social responsibilities and sustainable development directions and goals. Formulate related management approaches and specific implementation plans. Monitor and review the implementation and effects. Promote and implement corporate ethical management and risk management.	Mr. Robert Huang, Vice Chairman Mr. Sam Lee, Independent Director Mr. Jeff Lin, President Mr. David Shen, President Mr. Frank FC Lin, Chief of Staff Mr. Donald Hwang, Chief Technology Officer Mr. Kenny Wang, Chief Digital Officer and Chief Information Security Officer	100%	<ul style="list-style-type: none"> Review the implementation of sustainability goals in 2020 Adjust the Company's 2021 sustainability goals Formulate the risk map for 2021 Formulate the Company's "Code of Conduct" Revise the Company's "Risk Management Policies and Procedures" and "Sustainable Development Best Practice Principles"



Performance Evaluation of the Board of Directors and Functional Committee

In order to implement corporate governance and improve the functions of the Board of Directors, Wistron has established performance goals and strengthened the operational efficiency of the Board of Directors. The Company has stipulated the "Board of Directors and Functional Committee Performance Evaluation Guidelines," which states that a Board of Directors and Functional Committee Performance Evaluation shall be conducted each year. It also states that an external professional and independent institution or external expert group shall perform a Board of Directors Performance Evaluation at least once every 3 years. The evaluation is expected to be conducted in 2022. The evaluations related to the operations of the Board of Directors, Audit Committee, Remuneration Committee, Nomination Committee, and Corporate Sustainable Development Committee have been completed in 2021. After the various procedures and evaluations were completed, the performance attainment rate for the Board of Directors and Functional Committees were 99.33%, 98.80%, 100%, 100%, and 99.14%, respectively. The evaluation result was "above standard," and the result has been reported to the Board of Directors and Functional Committees.

5.2.2 Ethical Management

In order to implement ethical management, Wistron has formulated the "Code of Ethical Conduct," Ethical Corporate Management Best Practice Principles and "Corporate Governance Best Practice Principles." Apart from requiring all employees to clearly understand and comply with the ethical requirements, employees must respect the confidentiality agreements with customers, and shall not accept gifts or special treatment. We hope to invite all customers, suppliers, business partners, and other cooperating organizations to share and support our core values of integrity. In 2021, Wistron formulated the "Code of Conduct" to establish shared values and a share culture among all employees. The code acts as the highest behavioral regulations for the Company, subsidiaries, and joint ventures where the Company has major influence. All employees are expected to comply with the code when conducting business activities.



Code of Conduct Training and Promotion

In order to ensure that our employees fully understand the related regulations, Wistron implemented education, training, and promotion, including asking all foreign plants to conduct ethics training for all new employees. The new employees are asked to sign the "Code of Ethical Conduct." The signing rate in 2021 reached 99.9%. In Taiwan, Wistron asks all new employees to take online ethics training and implements annual training for all employees, strengthening the culture of integrity. In addition, the Company also classifies capital, procurement, supply chain management, and administrative units as units with potential risks. Such units are subject to internal audits or job rotations at regular intervals, and the Company also invites professional entities to provide compliance awareness training to supervisors at Wistron.

Code of Conduct Signing and Training

Company	Item	2018	2019	2020	2021
Wistron	Code of Conduct coverage (%)	100%	100%	100%	100%
	Code of Conduct signing (%)	99.4%	99.9%	99.7%	99.9%
	Coverage of orientation training for new employees (%)	100%	100%	100%	100%
	Coverage of periodic training for all employees (%)	100%	100%	100%	100%
	Training completion rate	99.4%	99.9%	99.7%	99.9%

Whistleblowing and Protection

Wistron encourages all internal and external employees to report any unethical behavior to the Company through the reporting channels. The Company has established an email address for reporting cases that violate the Code of Conduct (ethic@wistron.com). Administration & Human Resources units act as the main handling unit and the matters are reported to the Board of Directors each year. The measures state that the whistleblower will not be unfairly punished for reporting the violation to strengthen the corporate culture of transparency. Wistron has not discovered major violations of the integrity and ethics in 2021. No cases of unethical actions or corruption occurred between 2018 and 2021.

Type/number of Code of Conduct violations	2018	2019	2020	2021
Accepted cases	0	0	0	0
Rejected cases	0	0	0	0
Number of cases not related to Code of Conduct/ethics violations	0	0	0	0
Number of cases related to Code of Conduct/ethics violations	0	0	0	0
Corruption and bribery	0	0	0	0
Conflicts of interest	0	0	0	0
Fair competition	0	0	0	0
Insider trading	0	0	0	0
Trade secrets	0	0	0	0
Privacy/personal data protection	0	0	0	0
Others	0	0	0	0
Number of cases (business ethics violations confirmed after investigation)	0	0	0	0

Anti-Competitive Behavior

Ethical management is the most fundamental social responsibility of companies. Wistron has established the Ethical Corporate Management Best Practice Principles which require the Company to conduct business activities in accordance with applicable competition laws and regulations. The Company may not fix prices, rig bids, restrict output or set quotas, or share or divide markets by allocating customers, suppliers, territories, or businesses. The Company understands that compliance with fair-trade practices is crucial in business activities. Wistron strictly complies with all related laws and regulations in every matter. From 2018 to 2021, the Company was never penalized by the competent authority for matters related to anti-trust/anti-competitive practices.

Political Donations

The Company has always remained politically neutral. Wistron has always maintained an objective and discreet stance on public policies. We do not actively participate in political parties or political activities, and do not actively participate in lobbying. From 2018 to 2021, the Company did not make any political donations. Employees have the freedom to express their political beliefs, and are encouraged to fulfill their civic duty, and vote for their preferred candidate during elections.

Ethical Management and Anti-Corruption Management Mechanisms

With regard to the operations of the Board of Directors, Directors may express their opinions and respond to inquiries for meeting agendas that conflict with interest between the Company and themselves or the legal entities they represent. Directors may not participate in discussions or exercise their voting rights, and they are required to recuse themselves from discussions and voting. They also may not exercise voting rights on behalf of other Directors. Wistron pays close attention to anti-corruption management. We have established an internal control system that includes the accounting system in accordance with related laws and regulations. We evaluate the effectiveness of the design and implementation of the system each year and perform self-inspections. The auditors are responsible for reviewing the results. The Company always evaluates the legality, ethical policies, and records of unethical conduct of distributors, suppliers, customers, or other transaction counterparties before establishing business relations with such entities.

When engaging in business activities, our employees are required to explain the Company's ethical management regulations to the transaction counterparty. They must also expressly refuse to



provide, promise, request, or accept, directly or indirectly, any illegitimate interests in any form or name. Where the Company discovers unethical conduct, it shall immediately suspend transactions and blacklist the entity. At the same time, the Company also includes anti-corruption policies into the terms and conditions of business contracts: Clear and reasonable payment terms, handling of unethical matters, commission restriction for violations, rebates, or terms related to other rights and interests.

Internal Controls and Internal Audits

Wistron's internal control system is designed by the management in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" in consideration of the Company's overall business activities and approved by the Board of Directors. The internal control system includes constituent elements and key control points for sound operations to reasonably ensure that the following objectives are achieved:

1. Effectiveness and efficiency of operations.
2. Reliability, timeliness, transparency, and regulatory compliance of reporting.
3. Compliance with applicable laws, regulations, and bylaws.

The internal control self-assessment is conducted on a digital platform. The President supervises internal

units and subsidiaries which are required to perform at least one internal control self-assessment each year. The Audit office reviews the self-assessment reports of all units and subsidiaries and uses the internal control discrepancies and irregularities found by the Audit office in the past as the basis for the Chairman and President's evaluation of the effectiveness of the overall internal control system and the preparation of the Internal Control System Statement.

The internal Audit office reviews the suitability of the internal control system and ensure the implementation of general operations according to the "Internal Auditing Enforcement Rules." The unit conducts continuous and project based audits, which cover all internal operations and subsidiaries of the Company. The internal Audit office formulates the annual audit plan according to the risk assessment results, which is implemented after receiving approval from the Board of Directors. The monthly audit reports must be reviewed by the Audit Committee. The deficiencies identified in the audit must be continuously tracked until improvements are done. The internal Audit office supervisor must attend the Audit Committee and Board of Directors meetings to report the findings every quarter. Due to the effective implementation of internal control systems, Wistron did not discover major internal deficiencies in 2021.

Supplier Anti-Corruption Policy

Wistron communicates its Anti-Corruption Policy

to all suppliers through the Wistron Supplier Relationship Management (WSRM). We reiterate the Ethical Corporate Management Policy and ideals in annual supplier conferences and the company profile provided to suppliers. The Company also reviews the implementation status of suppliers each year. According to the promotion measures and management mechanisms described above, there were no cases of corruption or unethical behavior among the suppliers in 2021.

5.2.3 Legal Compliance

The Company has established internal operation regulations in accordance with standards in related regulations for public companies since 2001. After Wistron became a publicly-traded company, we adjusted the internal operation regulations in accordance with amendments of laws by the competent authority. We also require all subsidiaries of the Group to comply with changes in regulations. The Company also seeks to fulfill its core value, uphold high levels of professional ethics, and ensure that employees rigorously abide by the Company's ethical standards in daily work and businesses to protect the Company's reputation, and earn the respect and trust of our customers, suppliers, and the society.

The Company has therefore established the "Code of Ethical Conduct" to provide guidance to employees and supervisors of all levels. The Company's management pays close attention to any domestic or foreign policy or regulation that may affect the Company's finance and businesses. We have also established related risk management procedures and employee continuous education and training to improve employees' legal expertise. The Company complied with the laws and regulations between 2018 and 2021. Therefore, the Company did not receive major fines or other non-monetary punishments for matters related to social and economic regulatory compliance.

5.3 Risk Management

Risk Management and Business Continuity Policy

The Company adheres to the principle of sustainability. By establishing, implementing, and maintaining an active risk management mechanism, Wistron continues to keep abreast of internal and external issues and environmental changes, conduct impact analysis and risk assessment, and improve its capability to effectively and flexibly respond to relevant challenges. Through performing regular self-inspection, the Company continuously improves its resilience in order to fulfill the commitment to ensure business continuity and protect the best interests of customers and interested parties. In order to effectively control the risks related to operations, the Company should establish a risk management culture within the organization through the optimization of mechanisms such as

education and training, performance management, early warning notification, and public disclosure.

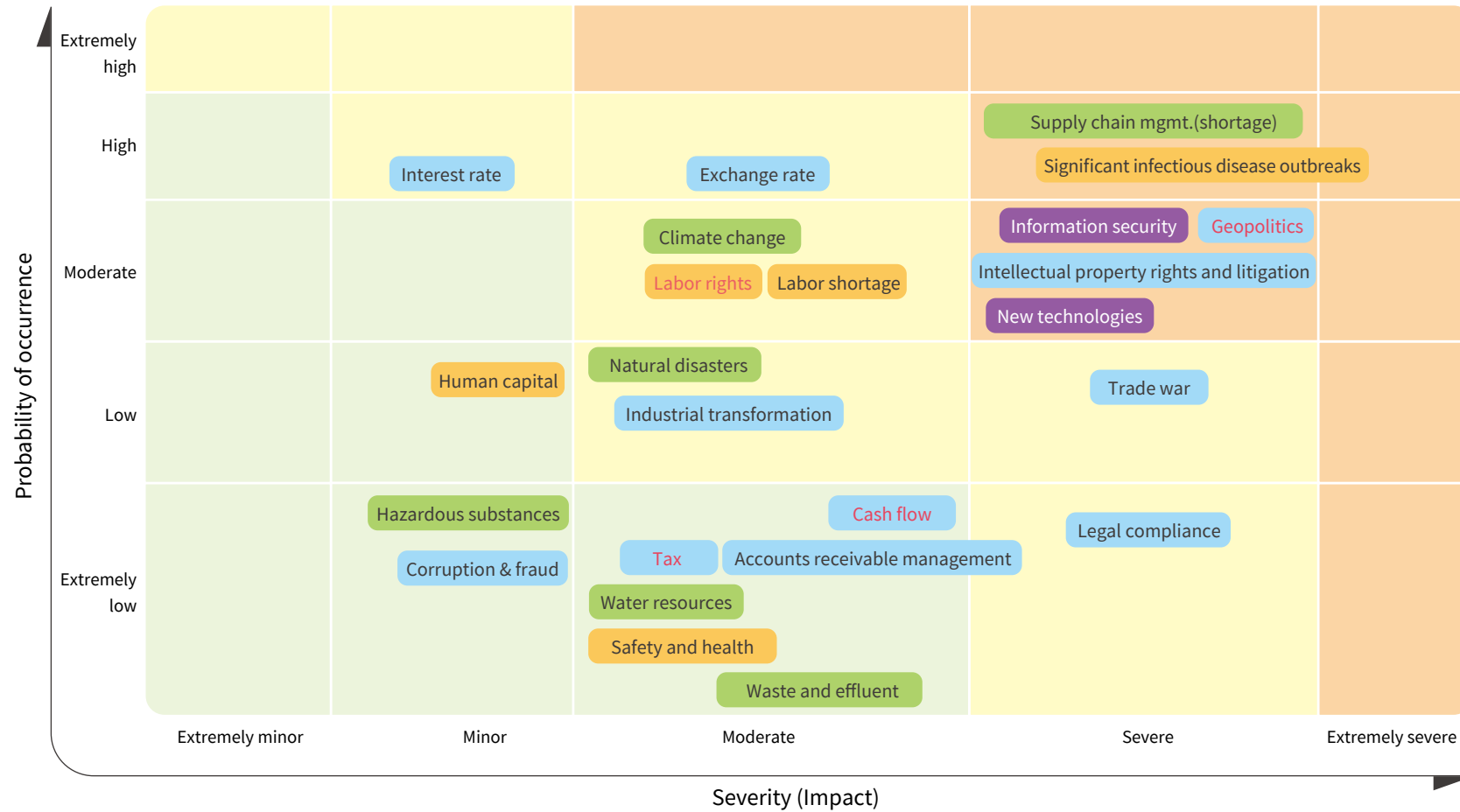
In order to implement sustainable development, Wistron not only follows the existing organizational management system and internal control system to manage the risks at all operation levels but also commits taking top-down approaches to oversee and control the risks that should be considered at strategic levels. The Company established the systematic "Risk Management Policy and Procedures" in accordance with ISO 31000 Risk Management Principles and Guidelines in 2020. To better tackle relevant risks, we adopted proactive and effective methods for assessing major economic, social, environmental, and innovative technology risks across the world and their potential threat to the Company's sustainable development.

The highest responsible unit for risk management in the Company is the Board of Directors and is responsible for approving risk management policies and related regulations. The Board supervises the overall implementation of risk management to ensure the effective control of risks. We have established the ESG Committee, and the Vice Chairman serves as the Chairperson of the Committee. The Committee is composed of independent directors, supervisors, and senior managers of the Company. Under the committee, the Risk Management Team has been established, with the Chief Financial Officer acting as the convener. The Risk Management Team conducts corporate operating risk and emerging risk combined evaluations and submits the risk management report to the ESG Committee. The ESG Committee reports to the Board of Directors regularly every year.

Risk Management Organization Structure



Risk Map



Risk management procedures

The Company's risk management procedures include risk identification, risk analysis, risk assessment, risk mitigation, risk monitoring, risk reports and disclosure. The ESG Committee convenes regular meetings each year and requests the Committee Members and Work Group responsible for each aspect to evaluate and discuss the Company's potential risks and emerging risks based on the frequency, level of impact, and level of control on the 4 areas of environmental, social, corporate governance, and technological innovation. Regular reports are made to the Board of Directors.



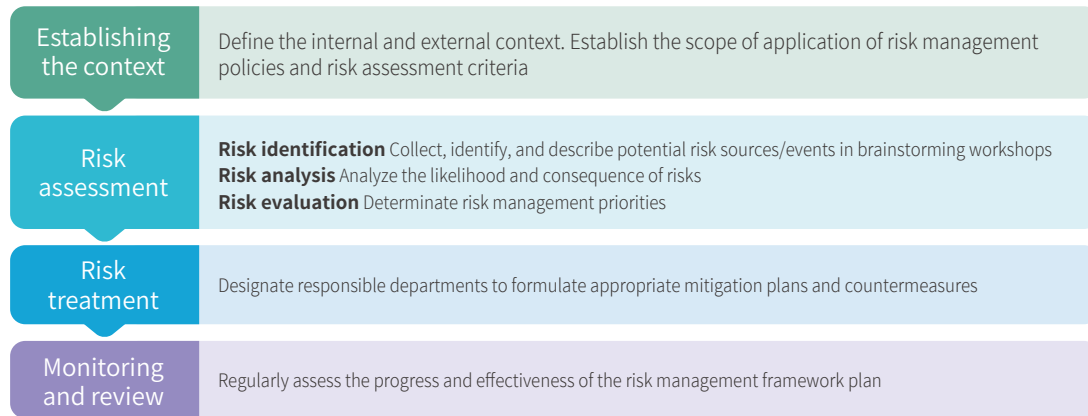
Risk identification and operations

The members of the Risk Management Work Group of the Company include units responsible for corporate governance, legal affairs, finance, investment management, corporate PR, information management, quality, sales, human resources, general affairs, materials (supply chain management), products, and manufacturing. They collect information on risk incidents, causes, and effects in the 4 areas of environmental, social, corporate governance, and technological innovation. A total of 24 risks were identified through discussions and revisions by the ESG Committee, including supply chain shortages, spread of major diseases, geopolitics, information security, intellectual property rights and litigations, and new technology related risks. The risk levels were identified and determined priorities for risk management. The Company then assigns a unit to take charge of formulating corresponding risk mitigation procedures and incorporates them into the risk management items to be regularly defined and reviewed by the ESG Committee.



Emerging Risk Management

In 2020, Wistron started to reference the emerging risk reports released by external institutions every year (such as the Global Risk Report by the World Economic Forum), in order to identify emerging risks through the 4 main processes of "confirm the environment and background of the industry, evaluate the risks (risk identification, risk analysis, and risk assessment), risk handling, and monitoring and review." We compiled the comments of the managers to identify emerging risks and formulate risk reduction measures. The results are reported to the ESG Committee for early deployment and response. With regard to the emerging risks identification results in 2021-2022, information security risk, climate change transition risk, and overall economic risk are the main emerging risks.



Risk Management Operating Status

The Company actively promotes and implements risk management mechanisms. The operating status is reported to the Board of Directors once a year. The main operating status in 2021 was as follows:

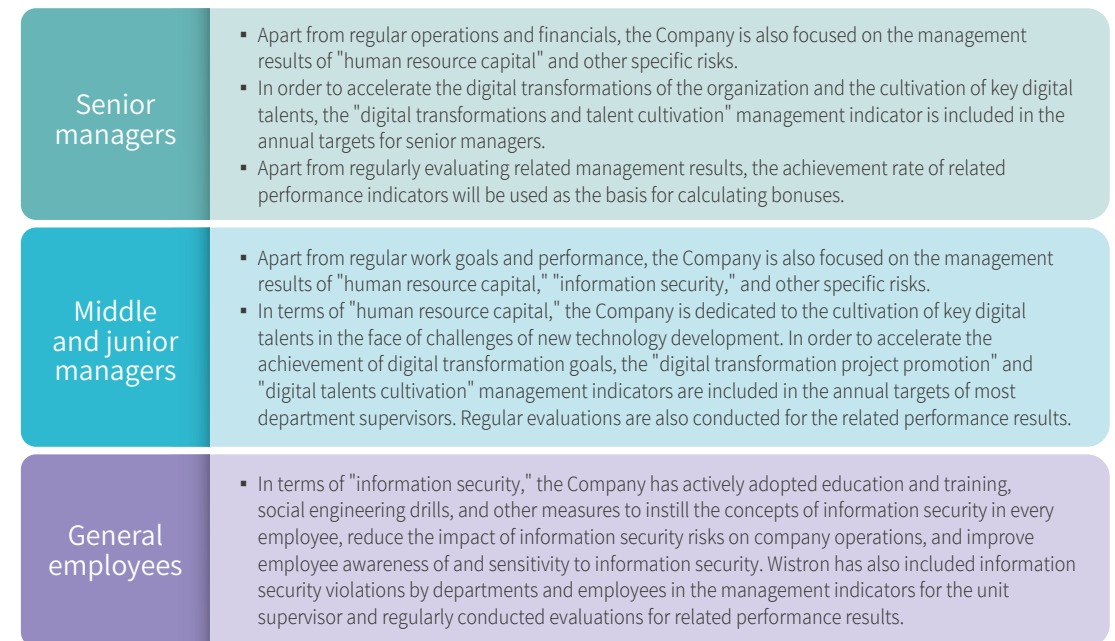
- The 3rd meeting of the first ESG Committee was convened to evaluate important risk issues of the Company according to the possibility of different risks occurring and the impact of the risks, in order to confirm the priorities of risk management.
- The Sustainability Promotion Team uses the "governance," "strategy," "risk management," and "indicators and goals" frameworks of the Task Force on Climate-related Financial Disclosures (TCFD) to identify climate risks and opportunities and used it to create measurement indicators and targets for management.
- The Information Security Committee was established, with the President, Chief Digital Officer and Chief Information Security Officer acting as co-chairpersons. The Committee is responsible for organizing information security matters and stipulating the "Information Security Policy" to protect the IT assets of employees, customers, suppliers, and company operations.
- The Sustainability Promotion Team convenes risk management meetings to conduct sensitivity analysis and stress testing on financial risks, climate change risks, water resource risks, information security risks, geopolitical risks, new technology risks, and intellectual property rights risks of the Company and important subsidiaries. We aim to

strengthen risk awareness within the Company and our subsidiaries and further quantify the tolerability of the risks mentioned above.

- The President supervises internal units and subsidiaries which are required to perform two internal control self-assessments each year. The Audit office reviews the self-assessment reports of all units and subsidiaries and uses the internal control discrepancies and irregularities found as the basis for the annual Internal Control System Statements.
- We revised the Company's risk management policies and procedures, and established the Risk Management Team under the ESG Committee.

Shaping Risk Culture

Wistron places importance on the cultivation and shaping of risk awareness. We have established performance indicators and evaluations for employees of different levels, and incorporated risk culture in daily operations.



Risk Management Courses

The Company has included risk management in the training system, and specifically implemented programs for human resource capital risks faced by senior and middle managers. In Taiwan, a total of 3,968 people completed training, with a total training hours of 8347.5. For the higher levels of intellectual property rights and litigation risks, comprehensive courses were organized for general employees, such as patent lessons, trademark concept introductions, and legal knowledge courses for new employees. A total of 15,584 people completed the training, totaling 7,422.3 training hours.

To implement the concepts of information security in its employees, the Company provides e-Learning resources and executes social engineering drills every six months to enhance the information security awareness and vigilance of each employee. For employees who violate the Information Security Policy, the Company imposes penalties in accordance with the "Implementation Guidelines for Employee Rewards and Penalties" and includes the results as the basis for performance management to reduce information security risks and the impact on the Company's operations. In 2021, the Company completed 20,314.42 hours of employee information security training for 75,219 participants, including information security lessons and phishing emails recognition and prevention for new employees. Facing the challenges of new technology development, the Company established the digital academy in 2019, which is dedicated to the cultivation of key digital talents. We used systematic online and offline structures to conduct training related to digital transformation information and tools, including training for translators, product owners (PO), tech. leads, robotic process automation (RPA) experts. To date, 613 people have completed the training. 33,956 participants have taken related basic training courses.

Risk Reporting Mechanism

Apart from the active risk management, Wistron has also set up related organizational structures and the corresponding responsibilities. We have included all employees in the scope of overall risk management. Employees can use the "President's mailbox," "employee opinion box," "employee complaint hotline," and "counselor on-site interview" to report potential risks, in order to help manage the impact of various internal and external risks. For special risks, such as the Covid-19 pandemic, Wistron has established specific reporting channels, including the "Wistron Epidemic Prevention Hotline 21995." If an employee receives a home quarantine or isolation notice, he/she can report the matter through the channels, so that the Company can immediately adopt related responses and preventative measures. We have also revised the "Implementation Guidelines for Employee Rewards and Penalties" and other internal management measures. Every employee may submit proposals related to corporate risk reduction, and work environment improvements for health and safety. Those who create significant benefits will be commended orally, rewarded with written document, celebrated, recommended for commendation, or rewarded with project bonuses.

5.3.1 Business Risks

To protect shareholder interests, Wistron focuses on business performance in its own industry and does not engage in high-risk investment activities. We carefully evaluate the risks and benefits of adopting new technologies and take appropriate response measures for ensuring information security. Wistron has accelerated the development of new businesses with the rise of 5G, AI and electric vehicles. We also convene regular operation development meetings every 6 months to discuss futural long-term development strategies in order to provide more comprehensive products and services.

5.3.2 Financial Risks

With the rapid changes in the global financial market, the fluctuations in exchange rates, interest rates, and even commodity prices, all these created additional challenges for the Company's operations. If such risks are not adequately managed, they may erode the company's profitability and impact the shareholders' interests. As approximately 99% of Wistron's sales derives from export businesses, which are mainly quoted in U.S. dollars, most of the foreign currency positions can be automatically offset and neutrally hedged. Furthermore, the Company established the Rules and Procedures of Derivative Transactions to specify the qualified hedging tools and authorization procedures, and mitigate the financial risks under suitable regulations through timely applying the various types of financial instruments such as spot/forward, swaps, and options.



5.3.3 Information Security

Wistron is committed to promoting digital transformation and has introduced comprehensive information security management mechanisms to ensure the accuracy and availability of information processing and the security of related IT systems, equipment, and networks. Also, the Company regularly implements internal exercises and training for information security to increase employees' information security awareness and vigilance while ensuring customer and product information security. We ensure the information security of customers and products.

ISO 20000 IT Service Management System

In February 2018, Wistron obtained the information service management system international standard ISO/IEC 20000-1:2011 certification. The Company seeks excellent IT service management and internationally recognized IT management standards to ensure that our information technology infrastructure library (ITIL) operations meet the required the standards. Wistron completed the certification for the updated ISO 20000-1: 2018 in January 2021 and continues to optimize the IT service management system and related procedures to continue to strengthen data governance.

ISO/IEC 20000 changes the method for implementing internal IT services or outsourcing IT services. The benefits are as follows:

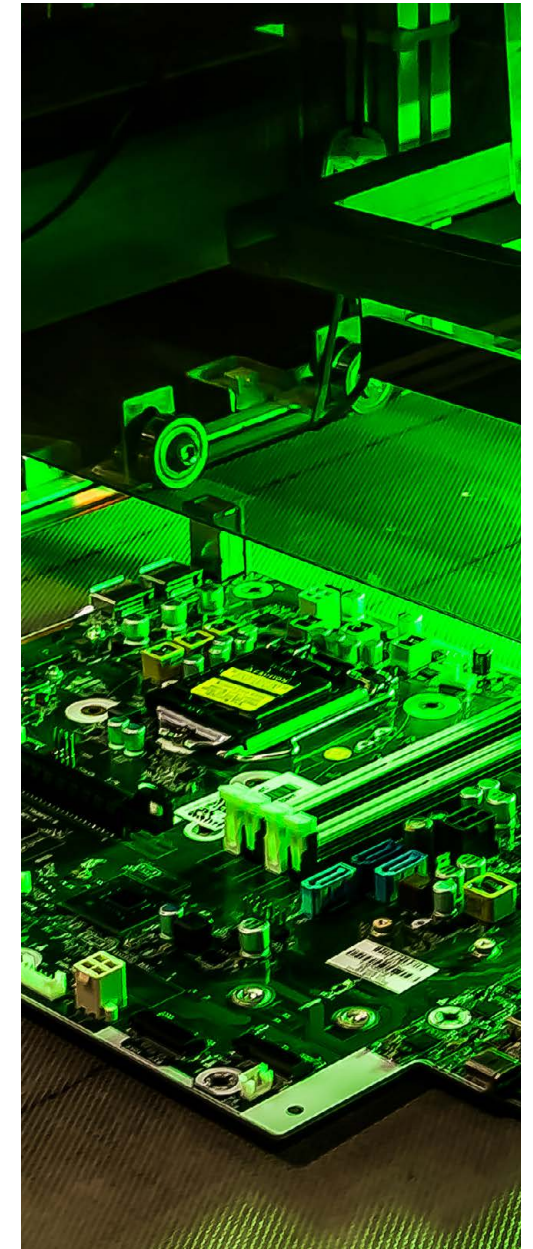
- Meet best-practice standards for international IT management.
- IT services support the fulfillment of company goals.
- Integrate personnel, processes, and technologies to support company goals.
- Use control measures for evaluation and to maintain consistent service quality.
- Compatibility between ISO/IEC 20000 and Information Technology Infrastructure Library (ITIL) supports continuous improvement.



ISO 27001 Information Security Management System

Wistron obtained the information security management system international standard ISO/IEC 27001 : 2013 certification in August 2017 and implemented the "Plan-Do-Check-Act" (PDCA) cycle according to the standards. The Company conducts at least one internal self-audit and one audit by an impartial third party every year. To ensure the Company's implementation of ISO 27001 management mechanisms, the Company executes re-certifications every three years to maintain the validity of the ISO 27001 certification.

- To ensure that IT operations and IT systems are adequately protected, Wistron head offices (Neihu and Xizhi Offices), Hsinchu Plant, Zhongshan Plant, Kunshan Plant, Kunshan Opt Plant, Taizhou Plant and Chengdu Plant have been certified with ISO/ IEC 27001:2013 information security international management standards certification, with a coverage rate of 72.7%.
- The certification scope will be expanded to include other manufacturing plants around the world in 2022. The expected coverage will reach 100%.
- The Company has not received complaints regarding breach of customer privacy or loss of customer information in 2021.



Information Security Policy and Organization

Wistron seeks to implement the requirements of the ISO 27001 Information Security Management System and focuses on the process and system, legal compliance, employee training, and use of technologies to strengthen the security and protection of data, information systems, equipment, and network communication. These measures effectively reduce the risks of theft, inappropriate use, leak, alteration, or damage of IT assets as a result of human error, sabotage, or natural disasters. They help us uphold our commitment to shareholders and customers and ensure the continuous operations of the Company.

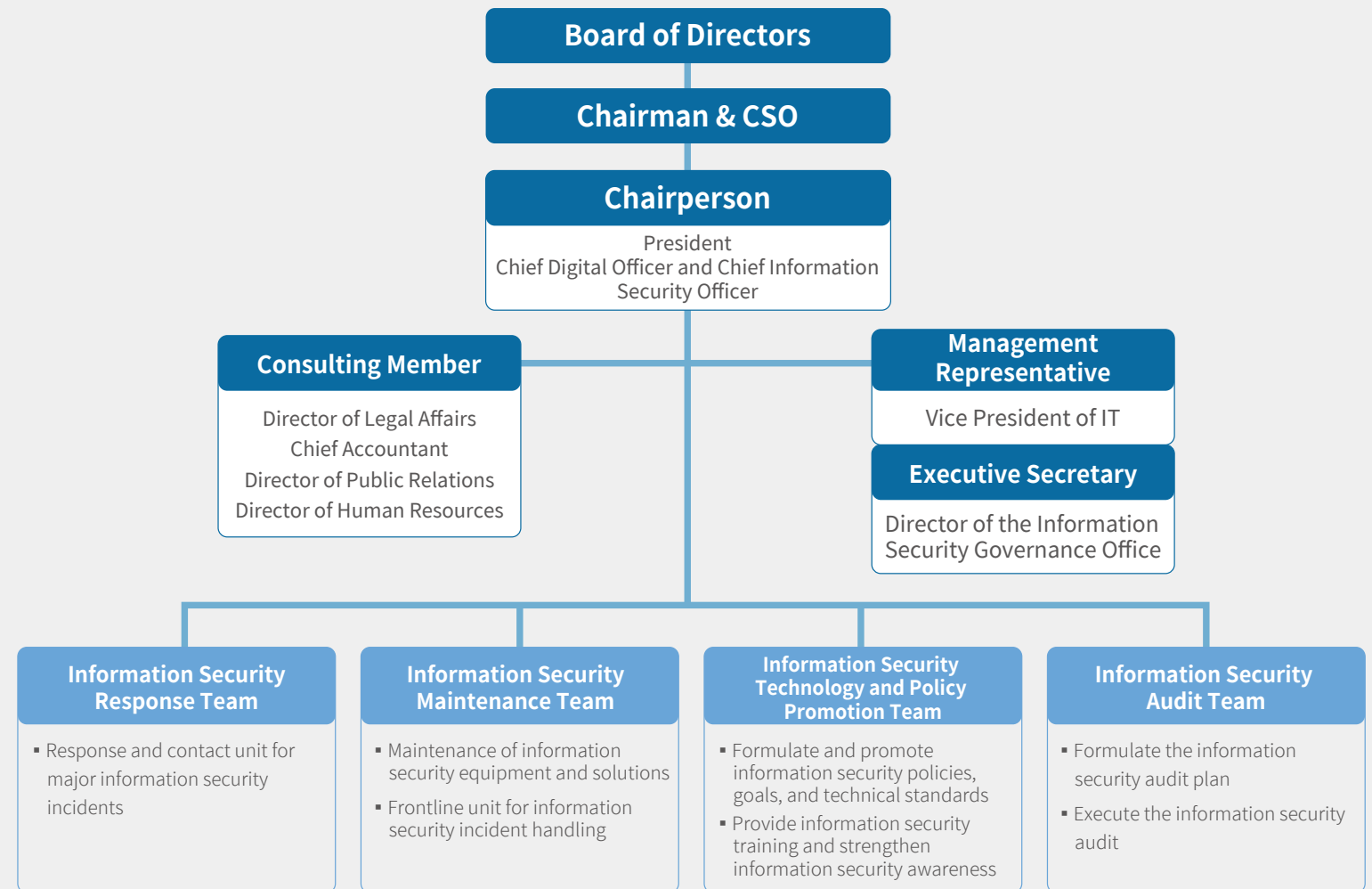
Wistron established the Information Security Committee to supervise the Company's information security management system, technical standards, and maintenance operations. The President, Chief Digital Officer and Chief Information Security Officer act as Co-chairpersons and are responsible for fulfilling the Company's commitment to information security. The Vice President of IT acts as the management representative. The Information Security Governance Office was established and a supervisor is appointed as the executive secretary to organize information security matters. The Company established the "Information Security Policy" to protect the IT asset security of employees, customers, suppliers, and operations, ensuring corporate sustainable management.

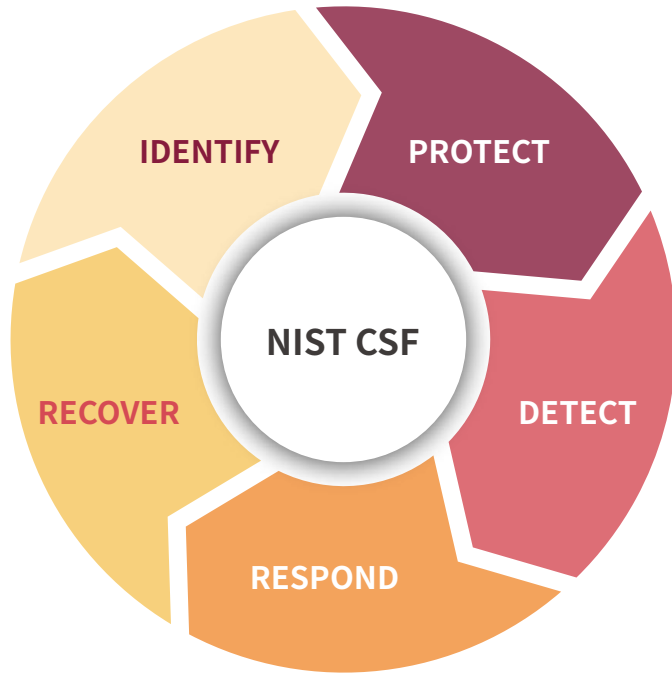
Information Security Policy



Information Security Committee Structure

The Information Security Committee convenes once per quarter. Extraordinary meetings may be convened when necessary and members of the teams must attend. The agenda of the meeting includes information security incident reports, the report of each team on the implementation of the team's affairs, issues that require the cooperation of different units, other related suggestions, or extemporary motions.





Information Security Protection Strategy

Wistron utilizes the Cybersecurity Framework (CSF) stipulated by the National Institute of Standards and Technology (NIST). We evaluate the overall information security maturity and plan development blueprints for information security. We decide the priority of each matter and allocate resources accordingly, while continuously implementing improvement plans. The framework provides the 5 key functions of identification, protection, detection, response and recovery. The functions include management measures for every stage of an attack against the Company, that is, pre-incident (identification and protection), during the incident (detection), and post-incident (response and recovery). In 2022, the scope of information security protection will include cloud security (including public and private clouds) and smart manufacturing technology (or OT, operating technology), and related information security standards will be introduced (e.g. IEC 62443) to strengthen overall information protection for work controls.

Information Security Measures and Execution Results

Information Security Management and Audit Mechanisms

In order to protect the Company's intellectual property (including confidential information) and confidential customer information, Wistron started to conduct multiple self-evaluations and external third-party audits every year in 2017. The self-evaluations use NIST CSF and ISO/IEC 27001:2013 standards. The external third-party audits use ISO/IEC 27001:2013 standards and the information security regulations of customers. The aforementioned information security audit operations ensure the Company's implementation of information security regulations and continues to maintain the validity of ISO/IEC 27001 certification.



Information Security Operation Measures

- Identify stakeholder groups associated with the information security management system and regularly verify the needs of stakeholder groups for the information security management system (including customers' demands for information security).
- Execute social engineering drills and information security training for employees to fully increase employees' information security awareness.
- Establish comprehensive and clear operating procedures to institutionalize the operations of the information security management system.
- Perform regular risk assessments to identify high risk items and invest appropriate resources to reduce or transfer risks.
- Use tools and technologies to achieve timely and effective identification, protection, detection, response, and recovery.
- Establish operating procedures for response and recovery in the event of information security anomalies with the aim of rapid isolation of information security incidents, elimination of threats, and reduction of the scope and extent of impact.
- Perform regular disaster recovery exercises for key applications to ensure their effectiveness.
- Perform regular annual internal and external audits each year to review the entire management system and ensure normal operation and continuous improvement.
- Continuously pay attention to new information security development and technologies and update defense or management practices to effectively block new forms of information security threats and reduce risks for operations.



Results

- The information security audit team training program was conducted in 2021. All 18 members of the team successfully obtained ISO 27001: 2013 Lead Auditor certification.
- Participation in the ISO/IEC 27001:2013 certification was planned for the Hsinchu Plant, Kunshan Plant, Kunshan Opt Plant, Taizhou Plant, and Chengdu Plant in 2021. The certification was obtained in January 2022. Along with the three sites in the Neihu and Hsichih office areas and the Zhongshan plant where continued validation of certification, the overall certification coverage 72.7%.
- The certification scope will be expanded to include other manufacturing plants around the world in the future. The expected coverage will reach 100%.

18 members
Obtained Lead Auditor certification.

72.7%
Coverage of ISO27001: 2013 certification

Strengthen Information Security Awareness among Employees

To implement the concepts of information security in its employees, the Company provides e-Learning resources and executes social engineering exercises every six months to conduct phishing email simulations, reviews of employee information security awareness, and information security education and training, and enhance the information security awareness and vigilance of each employee. If an employee commits a violation of the Information Security Policy, the Company imposes penalties in accordance with the "Implementation Guidelines for Employee Rewards and Penalties" and includes the results as the basis for performance management to reduce information security risks and the impact on the Company's operations.

The phishing email click rates for social engineering drills conducted in the last 3 years on all company employees are as follows

Measures	Goal	2019 Outcome	2020 Outcome	2021 Outcome
Execute social engineering drills every six months	The social engineering drill email click rate among employees was < 15%.	H1 : 14.5% H2 : 12.9%	H1 : 10.6% H2 : 10.5%	H1 : 10.8% H2 : 10.7%



Results

- The training conducted for general employees through online or in-person lessons in 2021 mainly consisted of information security awareness training, information security lessons, and phishing email awareness and prevention. The Company completed 20,314.42 hours of employee information security training for 75,219 participants.
- In 2021, 1,066.4 hours of information security related seminars and training were completed by 114 information security employees. The course content mainly consisted of the annual Wistron information security seminar, ISO 27001 information security management system lead auditor training, EC-Council Ethical Hacking and Countermeasures (CEH) certification course, Trend Micro Trend Certified Security Expert (TCSE) certification course, and information security updates and related technologies seminars organized by Gartner, Microsoft, and information security suppliers.

75,219 participants
Completion of Information Security Training Course

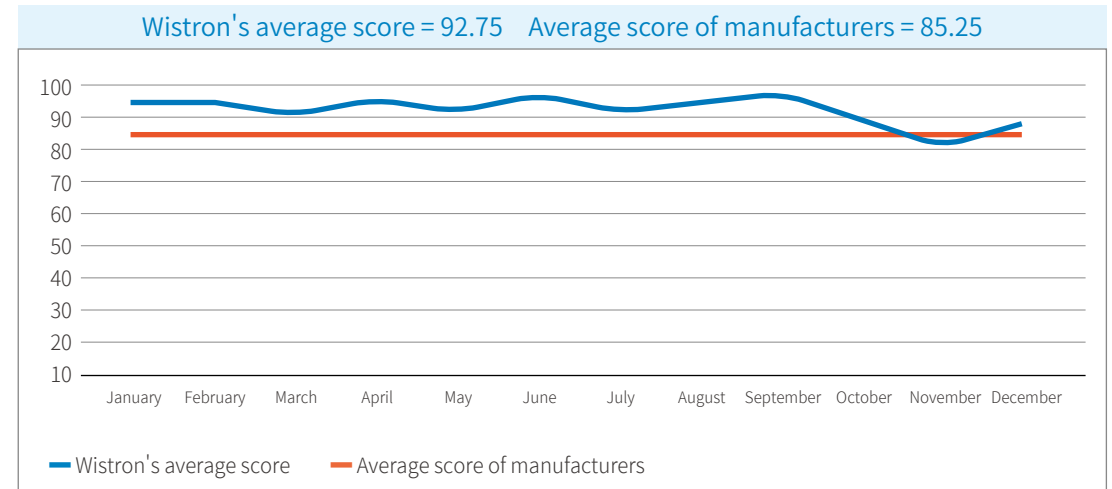
20,314 hours
Total Hours of Information Security Training Courses

Vulnerability Detection for Networks and Systems

Apart from monthly internal vulnerability scans, Wistron entrusts a third party professional organization to conduct network and system penetration tests each year to protect the corporate and personal information and prevent losses caused by leaks, theft, destruction, other human factors, or natural disasters. These tests reduce the impact of human factors or natural factors on the Company's operations. The purpose of the tests is to understand and evaluate the status of the organization network environment and system security and verify the current information security protection safety rating and effectiveness to resolve vulnerabilities, improve operations, and strengthen system security.

In 2021, the head offices introduced red team assessments. External information security teams simulated attacks on the Company and attempted to achieve the specified goals without affecting the Company's operations. The company's services were comprehensively reviewed and the Company's network was examined for vulnerabilities and human errors in deployment. Moreover, we checked if the identification, protection, detection, and response mechanisms of the information security maintenance and response team were functioning smoothly. In 2021, Wistron's average information security review score by third party evaluations was 92.75, which was higher than the average for international manufacturers.

Wistron's Third Party Information Security Evaluation Results in 2021



Information Security Alerts and Incident Management

According to the information security incident management regulations, we can ensure the institutionalization and systemization of information security incident reporting, sorting, classification, handling, recording, and tracking. When an information security incident occurs, Wistron can quickly report and handle the situation. We are able to respond in the shortest possible time to ensure normal operations. Wistron has introduced Advanced Persistent Threat (APT) monitoring and Security Operation Center (SOC) operations. Together with the resources of external information security experts, the information security operations and response teams can quickly grasp the information security alerts and incidents, strengthening and accelerating detection and response mechanisms.

Disaster Recovery Drills

In order to ensure the sustainable execution of operations and important matters, Wistron conduct annual disaster recovery drills to prevent the loss of service of important information systems during major disasters. We aim to utilize our disaster response capabilities and disaster recovery mechanisms to quickly restore our operations to normal or acceptable levels during key moments, in order to maintain key applications and systems and prevent operation interruption of the Company. Furthermore, backup management personnel of the IT center conducts recovery testing for selected backup storage mediums or recovery equipment at least once a year, in order to confirm the readability of the backup data, the usability of the storage medium, and the possibility of important asset recovery. We aim to create effective backups and recovery procedures that can be completed within the allocated time.

In 2021, the IT center also chose 25 backup storage mediums for 6 major functions and systems. Recovery testing was successfully completed for the backup data. The results of the Disaster Recovery drills in 2021 revealed that the maximum tolerable data loss time during disasters (RPO: Recovery Point Objective) is 0.8 hours. After a disaster occurs, the maximum tolerable information service recovery time (RTO: Recovery Time Objective) is 22 hours. The results of the drills in the last 3 years have met the Company's targets. The details can be found in the table below.

Strategy	Goal	2019 Outcome	2020 Outcome	2021 Outcome
Disaster recovery simulations are conducted for key applications and systems every year to ensure continued operations and the uninterrupted provision of Company services.	RPO of SC2 Services ≤ 4 hours RTP of SC2 Services ≤ 24 hours	RPO=0.9 hours RTO=19.95 hours	RPO=0.5 hours RTO=21.0 hours	RPO=0.8 hours RTO=22.0 hours

*RPO: Recovery Point Objective (the maximum tolerable data loss time during disasters)

*RTO: Recovery Time Objective (the maximum tolerable information service recovery time after a disaster occurs)

Purchased Information Security Insurance to Mitigate Information Security Risks

In 2021, Wistron purchased global information security insurance policies as a group. Apart from mitigating risks, we also hope to further receive the help and resources of external information security experts through the international insurance market. We provide preventative solutions to strengthen existing information security measures, in order to respond to growing information security threats and achieve the goals of corporate sustainable management.

Information Security Incidents in the Most Recent 4 Years

No major information security incidents occurred between 2018 to 2021. Because no confidential information leaks affected the personal information of customers and employees, no fines were issued.

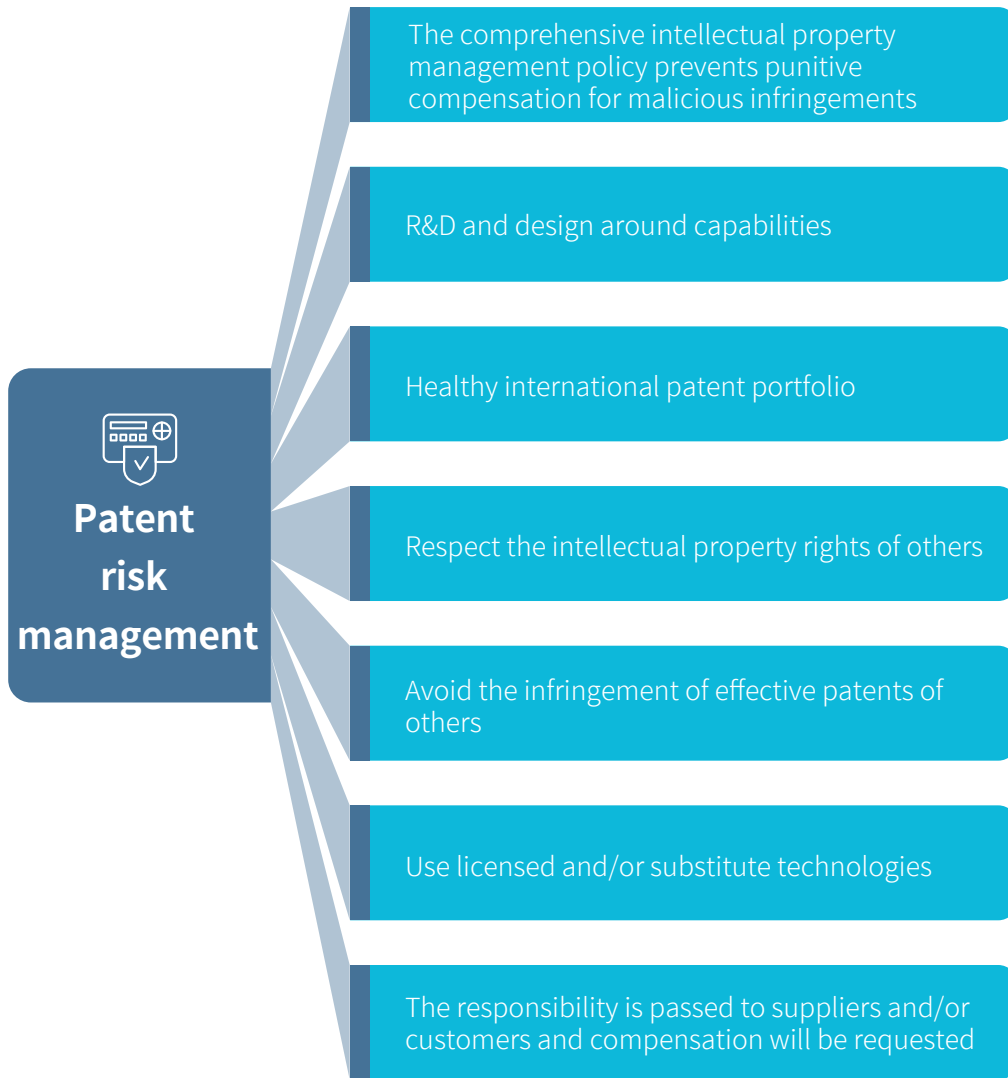
Number of information security violations and fines/year	2018	2019	2020	2021
Number of information security or network security violations	0	0	0	0
Data leak incidents (number of cases)	0	0	0	0
Number of information security violations that involve customer information	0	0	0	0
Number of customers and employees affected by the data leak (number of people)	0	0	0	0
Amount of fines for information security or network security related incidents (NTD)	0	0	0	0

5.3.4 Intellectual Property

Wistron places great importance on the management of intellectual property and capital. We have strengthened our R&D capabilities, introduced high value added products and technical services for innovative functions, and improved manufacturing efficiency and quality through the smart asset management policy. Wistron has establishes, accumulates, maintains, and manages a more comprehensive IP portfolio for the future. Furthermore, we use risk management to enhance the competitive capabilities of the Company and increase profits. In the future, we will continue to implement our intellectual property and capital management plan. We integrated the Company's strategic considerations and operating goals to implement the real time production, management, and application of intellectual property rights.



- 1 Develop recruitment technologies and professional talents
- 2 Reinforce intellectual property concepts and capabilities of the organization
- 3 Strengthen R&D and intellectual property investments
- 4 Encourage independent R&D and innovation
- 5 Systematic management of intellectual property rights and licensing
- 6 Establish complete and highly efficient intellectual property deployments
- 7 Respect and protect customer intellectual property rights
- 8 Comply with intellectual property laws and contracts
- 9 Properly manage intellectual property documents and secrets
- 10 Manage intellectual property risks and internal and external audits



Patent Portfolio Management

Wistron's patent strategy is based on developing healthy and high performing global patent portfolios. As of today, we have acquired over 6,000 approved international patents. We protect all technologies, designs, and inventions developed by the company through the comprehensive patent portfolios, in order to maintain customer interests. When implementing the overall strategy for patent portfolio management with the strategic considerations and operating goals of the Company, we promote real time inventions and creations, production, right protection, and patent operations.

The patent team does not only work closely with the technology and product development units. The team develops excellent ideas and production oriented inventions based on the brainstorming meetings, big data analysis for patents, proposal review meetings, and other related mechanisms. We have established more than a hundred review items to implement strict management of patent quality. The items cover the entire patent application process, from the invention proposal, indexing, design of the protection label and scope, drafting and translation of the manual, application strategy, rejection response and appeal, and pre-certification review. The team maintains the level of quality of each patent. We continue to improve the expertise of patent personnel and the patent knowledge of all employees internally, and evaluate patent agencies externally. In order to encourage employees to invent and create, we have stipulated the creativity reward measures to improve service and product quality and functions, strengthen our competitive capabilities, and explore future development opportunities. We provide bonuses and rewards for inventors and publicly recognize their efforts during the annual patent commendation meeting.

For the quantity and quality control of patents, in addition to producing, purchasing, and investing in acquisition and accumulation of high value patents, we also sell or eliminate unused patents. We use consistent standards to quantify patent evaluations, in order to clearly grasp the value of patents and improve the deployment of patent portfolios through various indicators. While maintaining the scale of patent portfolios, expanding the scope of technologies, improving patent quality, and increasing the overall value and benefits of patents, we will continue to improve the transparency and integrity of patent portfolios. Wistron promotes the vitalization of patents to achieve the optimization and value maximization of patent operations and patent portfolios.

Protect Trade Secrets and Confidential Information

Trade secrets and confidential information are important intellectual properties of Wistron. We use related control mechanisms to ensure the protection of trade secrets and confidential information. Apart from maintaining our competitive edge, the protected information provides the drive for innovation and ensures the customer's rights and interests. No substantiated complaints concerning breaches of customer privacy and losses of customer data were received by the Company in 2021.

In order to protect the confidential information of Wistron and our customers, Wistron obtained the information security management system international standard ISO/IEC 27001 certification and implemented management. We conduct social engineering drills once every 6 months to improve employee awareness of phishing emails. The click rate in the 2021 drill has been lowered to 10.5%. Meanwhile, we conduct confidential information and trade secret protection training for all new employees, in order to ensure that employees fulfill our confidentiality commitments to our customers.

We have signed confidentiality agreements with our customers and related suppliers. Both parties are required to protect confidential information. In the past 5 years, we have signed an average of 400 to 700 confidentiality agreements every year. Customer information is handled by designated units to reduce the possibility of improper disclosure and leaks. We have also joined the Taiwan Association for Trade Secrets Protection to continue tracking changes to related laws and the industry.

5.4 Operating Ability

5.4.1 Financial Performance

Wistron's consolidated revenue in 2021 was NT\$862.1 billion. The net operating profit was NT\$16.375 billion. The net profit after tax was NT\$14.728 billion. The revenue and profit showed growth compared to 2020 and the net profit after tax reached a 10-year high. In response to the intense industry competition, we continue to improve our operation efficiency, material cost management, and manufacturing productivity in our operation management. In addition, we aggressively engaged in product innovation and business transformation.

Financial Performance Indicators for the Most Recent 3 Years

Unit: NT\$ million

Items	Year	2019	2020	2021
Operating revenue		878,255	845,012	862,083
Net operating profit		13,300	14,471	16,375
Consolidated net income after tax (including minority shares)		9,726	12,908	14,728

Note : Refer to the appendix for the complete financial performance list

5.4.2 Tax Policy

Wistron is a global citizen and upholds the ideals for the continuous creation of value in the Company's sustainable development and innovation. We are committed to information transparency and sustainable development, and we support social responsibilities by paying reasonable taxes in all countries of operations.

Tax Information in the Most Recent Two Years

Unit : NT\$ thousand

Items	2020	2021	Average
Net profit before tax	16,845,375	19,234,277	18,039,826
Income tax expenses	3,937,479	4,506,466	4,221,973
Income tax rate (%)	23.37%	23.43%	23.40%
Income tax paid	4,126,630	4,643,279	4,384,955

Note : Please refer to Wistron's 2021 Consolidated Financial Report for related information.

Income Tax Paid in Various Regions Between 2020 and 2021

Unit : NT\$ thousand

Year	2020		2021	
Region	Amount	Percentage (%)	Amount	Percentage (%)
Asia	2,885,361	70%	4,300,582	93%
Americas	105,950	3%	146,682	3%
Europe	175,976	4%	43,648	1%
Other	959,343	23%	152,367	3%
Total payment	4,126,630	100%	4,643,279	100%

Tax Policy

1

The Company makes all major business decisions in accordance with related laws and regulations and evaluates the impact of such decisions on taxation risks.

2

The Related Party Transfer Pricing Policy is established in accordance with the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations established by the Organisation for Economic Co-operation and Development (OECD). The Policy defines related party transaction principles and requires compliance with common trading practices.

3

The Company complies with the "Base Erosion and Profit Shifting" (BEPS) of the OECD and generates profits via companies with economic substance. The Company also obtains tax resident status and is governed by the taxation regulations of the country of operations.

4

The Company does not plan or operate transactions in countries with low tax rates for the purpose of tax avoidance.

5

We fully present the financial reports in accordance with relevant regulations and disclose taxation information in accordance with relevant laws and regulations.

6

We have established mutual respect and good communication with the taxation authorities of the countries in which we operate on the basis of good faith.

5.4.3 Policy Impact

Participation in External Organizations and Associations

Wistron has established positive cooperation with or become members of cross-industry or cross-sector associations and organizations. They help expand exchanges and participation levels and receive the latest news on international developments and trends to achieve continuous growth and progress.

Organizations and Associations Wistron Participated in 2021

Category	Organization or Association
Technology	<ul style="list-style-type: none"> Taiwan Electrical and Electronic Manufacturers' Association Taipei Computer Association The Allied Association for Science Park Industries Information Service Industry Association of the R.O.C. Nanotechnology and Micro System Association Taipei University of Science and Technology Electronics Manufacturing and Quality Technology Alliance Network of Intelligent Camera Ecosystem (NICE) Taiwan Industry-Academia Research for Collaboration-Integration-Development Association
Medicine	<ul style="list-style-type: none"> Taiwan Elderly Care Industry Association Taiwan Assistive Technology Industry Association Taiwan Medical and Biotech Industry Association Taiwan Society of Engineering Technology and Practical Medicine
Others	<ul style="list-style-type: none"> A member of the Responsible Business Alliance (RBA) Gap of Learning & Field (GOLF) Member of the Commonwealth Sustainability League

