



2017
SUSTAINABILITY
REPORT



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Statement from our President

As a responsible global organization, K&S is committed to ethical and responsible business practices, environmental stewardship, and the well-being of our communities in which we operate. In the operation of our business, we are determined to minimize resource consumption and waste generation, while we work to further enhance the local communities we operate in. This encompassing effort, outlined in our Code of Conduct and Ethics, describes a baseline of ethical and sustainable business practices which extends to both our employees and suppliers.

In addition, our Conflict Minerals report describes a framework and organizational structure which ensures our highly-complex products and their supply chains adhere to the OECD Due Diligence Guidance. Our global suppliers, partners and employees are committed in driving strict compliance with this ongoing effort.

Finally, K&S continues to take proactive measures by further instilling the need for social responsibility through hands-on-involvement of employees. Our global base of employees frequently partners with many non-profit organizations, who are aligned with our underlying ethos of driving ongoing sustainability and assisting those in need. Our collective organizational outreach efforts enact meaningful change on the local level, but more importantly, sets a precedent and awareness at the individual employee level.

President & Chief Executive Officer

Fusen Chen



Highlights during the year

At K&S, we are committed to delivering quality products and services to our customers. As a leading provider of semiconductor packaging and electronic assembly solutions, we aim to provide extensive expertise and excellent support to our customers to help them meet their needs while also fulfilling our sustainability agenda.

FINANCIAL HIGHLIGHTS



29%

Increase in net revenue to
USD 809 million from FY2016



\$100.2 million

Invested into Research &
Development in FY2017



19.2%

Increase in total asset value to
USD 1,171 million from FY2016.



12.1%

Operating margin

SALES AND RESEARCH & DEVELOPMENT HIGHLIGHTS



since FY2013, more than

30,000

cumulative wire bonders sold



Patents issued

worldwide



542

R&D employees
globally



More than

80%

Of sales attained
through Direct
Channels since
FY2013



1.32

Achieved Accident
Frequency Rate
lower than 2 for
3 consecutive years



16%

Reduction in electricity
consumption from CY2016



0

validated cases of non-
compliances regarding
health and safety
impacts of products and
services



18%

Reduction in paper
usage from CY2016

About Kulicke & Soffa (K&S)

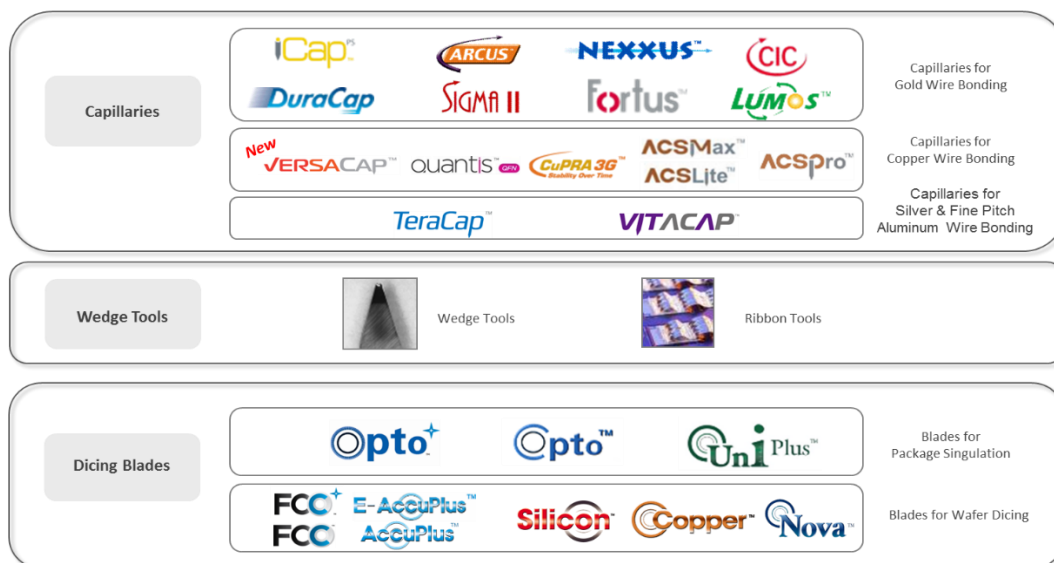
Listed on the NASDAQ (NASDAQ: KLIC) since 1971, Kulicke & Soffa (“K&S”) has been innovating solutions for its customers through its position as a global technology and market leader in semiconductor assembly equipment. Headquartered in Singapore since 2010, K&S has a strong presence in Asia making up with over 80% of our sales. Today, K&S operates from six main facilities all across the globe consisting of manufacturing plants, research and development (R&D) centers and sales and service offices.

K&S specializes in the design, manufacture and sale of capital equipment and expendable tools used in the assembly of semiconductor devices, including integrated circuits (“ICs”), high and low powered discrete devices light-emitting diodes (“LEDs”) and power modules. K&S also provides after-sales services such as the maintenance, repair and upgrading works on its equipment. K&S’ goal is to become one of the technology leaders and the most competitive supplier in each of its major product lines. Through the continuous improvement and optimization of operations, K&S aims to be cost effective and to generate savings without a compromise on overall product quality and service levels.

Figure 1: Our Products – Equipment



Figure 2: Our Products - Consumables



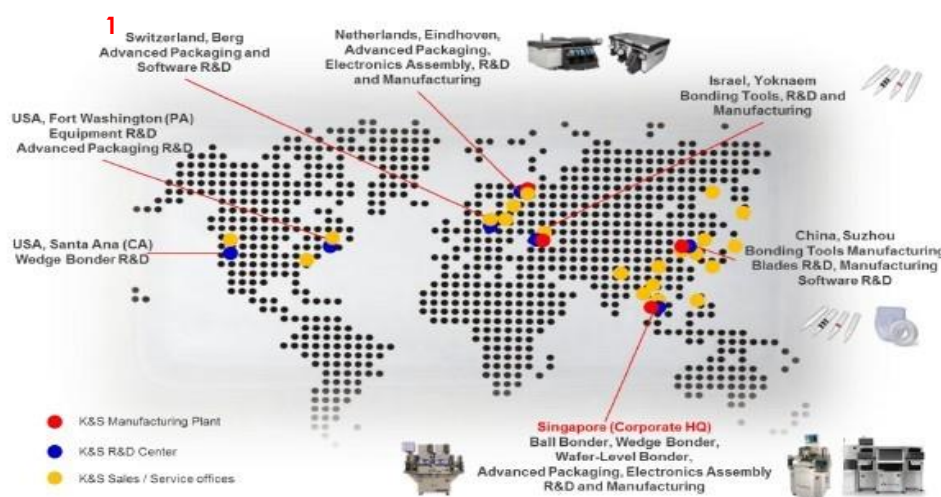
About the Report

Kulicke & Soffa (K&S) is pleased to present its second Sustainability Report which has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards – “Core” reporting requirements for the first time.

This report attempts to encapsulate material sustainability matters that are of importance to K&S’ business and its stakeholders. Specifically, the reporting scope covers all six¹ operational sites (Figure 3) for the period 1 January 2017 to 31 December 2017, with 1 January 2016 to 31 December 2016 being the year of comparison, with the exception of all financial data which are reported in accordance to the financial year term of 1 October to 31 September.

K&S has not sought external assurance for this report but will be considering doing so when our reporting matures.

Figure 3: K&S on the World Map



Commitment to Sustainability

K&S has always been an advocate of sustainable practices since incorporation. We seek to conduct our business in a responsible manner socially, environmentally and economically, while delivering exceptional value to all of our stakeholders, and to make a difference for a better tomorrow.

Since 2015, initial steps were taken towards our formal sustainability reporting journey. K&S Sustainability Committee was established and tasked with the responsibility of overseeing the Company’s sustainability agenda and performance across six global sites. The Sustainability Committee spearheads the harmonization and alignment of key sustainability indicators across a wide range of aspects such as electricity usage, waste recycling, and accident frequency rate. K&S’ first CY2016 Sustainability Report was published in February 2017.

K&S has chosen to adopt a progressive approach to sustainability reporting and in CY2017, we have taken further steps in refining our reporting practices. A rigorous materiality assessment process (further elaborated in the “Materiality Assessment” section) was conducted and the international GRI

¹ Switzerland is an extension of R&D support from Fort Washington. Due to the small scale operations which consists of a small Engineering department, the data collated for this scope of reporting does not extend to this site.

Standards was adopted as a reporting framework. Building upon these key fundamental steps, K&S will gradually work towards more comprehensive reporting practices in the subsequent years.

As we strengthen our sustainability efforts in the years ahead, we look forward to your continued support and feedback on our sustainability practices.

For any queries in relation to this report or other feedback, please feel free to contact:

Ms. Helen Siew

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Figure 4: K&S' Vision and Mission

THE K&S VISION

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

OUR MISSION

Global solutions provider for advanced interconnect and electronics assembly with long-standing tradition of delivering disruptive innovations	Delight our customers through deeper collaboration and delivering innovative solutions of the highest quality
Enable technology leadership through strategic partnerships across the value chain	Provide solutions for the entire served markets to ensure continuous dominance and relevance to customers
Broaden products and value added services organically and inorganically to be no. 1 in all served and adjacent markets	Evolve to be the supplier of choice in smart manufacturing solutions
Maximize productivity and operation efficiency in all parts of our current and future targeted K&S value chain	Increase market intelligence to improve predictability of our business and alignment of solution development to market needs
Consistently grow and deliver superior financial performance	Foster a creative and positive work environment by embracing our core values



Figure 5: K&S' Core Values



Engaging our Stakeholders

At K&S, we recognize the importance of active stakeholder engagement to building strong, lasting relationships and creating long-term growth that is of value to all our stakeholders. Through engagement with our stakeholders, we are able to direct our efforts towards addressing their key concerns which will in turn enhance and strengthen our sustainability strategy, and ultimately ensure our organization's continued sustainability. Figure 6 details our approach to stakeholder engagement.

Figure 6: K&S Stakeholder Engagement

Stakeholders	Key concerns/ interests raised by Stakeholders	K&S' Response	Methods of Engagement	Frequency of Engagement
Employees	Uphold human rights through equal provision of benefits, training opportunities, health and safety	Ensure competitive remuneration and benefits provided to all employees	Employee Engagement Survey	Once every 2 years
		Maintain a holistic training and development program for career progression, also encouraging work-life balance	Training and workshop	As appropriate
			Educational site visits and voluntary activities (i.e. Beach Cleanup, participation in Earth Hour)	Annually
		Engage with employees through various channels to gather feedback	Email correspondence and updates through K&S Intranet and noticeboard postings	Ongoing
Customers	Receive products which are safe and in compliance to all legislations at a competitive price	<ul style="list-style-type: none"> Dedicated customer service department to ensure customer satisfaction and manage after sales services Maintain robust quality management system in line with international standards such as ISO 9001, ISO 18001 and OHSAS 14001 	Customer Satisfaction Survey	Once every three years (Past surveys were conducted in 2012 and 2015)
			Customer portal	Ongoing
			Email correspondence	Ongoing
Suppliers	Build and maintain good and long-term business relationship with K&S	Review of suppliers' deliverables	Business review	Quarterly (with key suppliers)
		Ensure suppliers are in compliance with K&S Supplier Code of Conduct and Business Ethics	Supplier Code of Conduct and Business Ethics endorsement	Every 2 years
			On-site audits	Ongoing
			Training and awareness programs	As required

Stakeholders	Key concerns/ interests raised by Stakeholders	K&S' Response	Methods of Engagement	Frequency of Engagement
Shareholders / Investors	Long-term business growth of K&S resulting in positive financial performance	<ul style="list-style-type: none"> Investor relations website for all financial-related news Stable profit generation Periodic and transparent communication of financial and non-financial information 	Announcements on website	Quarterly
			Annual Report	Annually
			Meeting with shareholders	As required
Government/ Regulators / Certification Bodies	Implement and enforce standards and regulatory requirements in countries of operations	Comply with all fair trade, workplace health and safety and the environment	Participation in Industry and technology conference/s	As appropriate
NGOs / NPOs	K&S's social responsibility to the local communities and environment as a manufacturing company	Timely, transparent and prompt information disclosure	Volunteering and public relations initiatives	As appropriate
Communities	Provision of goods and services to the communities through various initiatives	Organize and participate at various local Corporate Social Responsibility ("CSR") events across six countries	Monetary donations	As appropriate
			Fundraiser events (Festive Bazaar)	Annually
			Donation drives (Consumables and non-consumables)	Annually
			Blood Donation Drives	Annually
			Training and empowerment programs for youths	As appropriate

Materiality Assessment

Facilitated by our independent sustainability consultants, K&S' sustainability matters were prioritized and assessed based on the Economic, Environmental, Social and Governance (EESG) impacts of our operations. Through a four-step process (summarized in Figure 7), a total of nine matters, comprising of five material matters and four additional matters were selected for reporting. Figure 8 displays the finalized materiality matrix and the matters have also been mapped to the relevant GRI Standard topic in Figure 9.

Figure 7: Four-Step Materiality Assessment Process

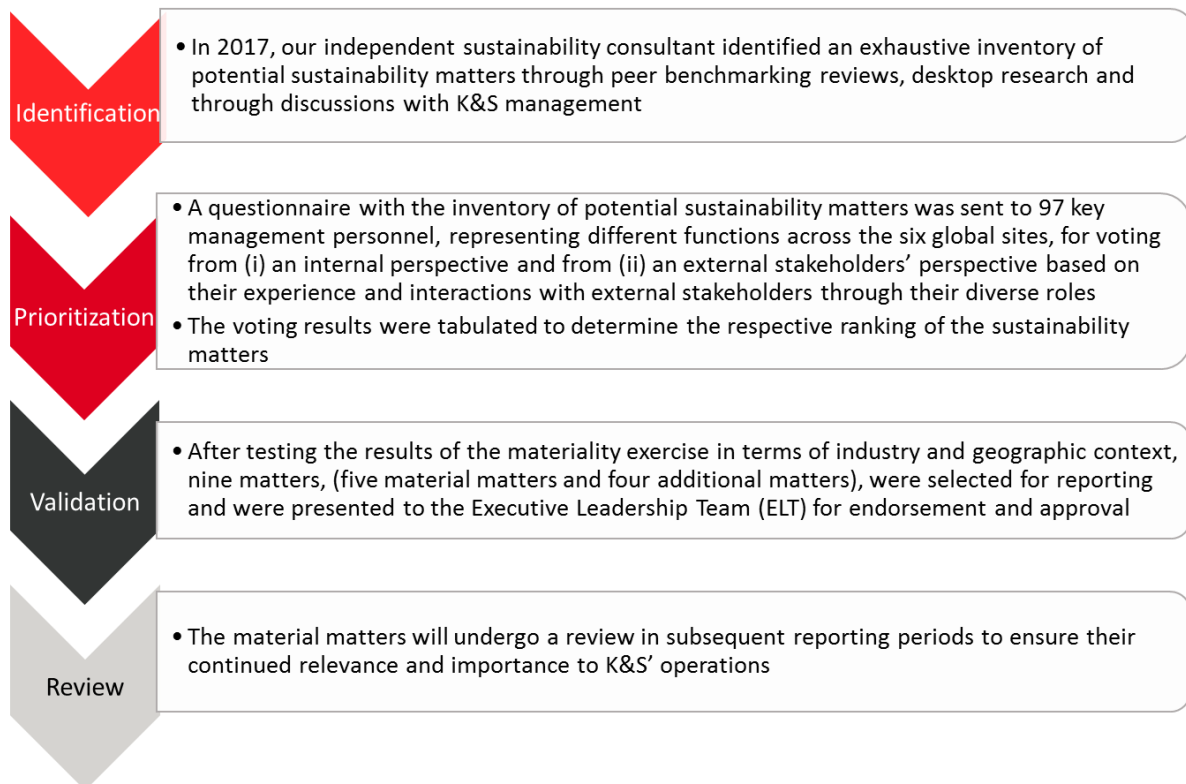


Figure 8: K&S Materiality Matrix

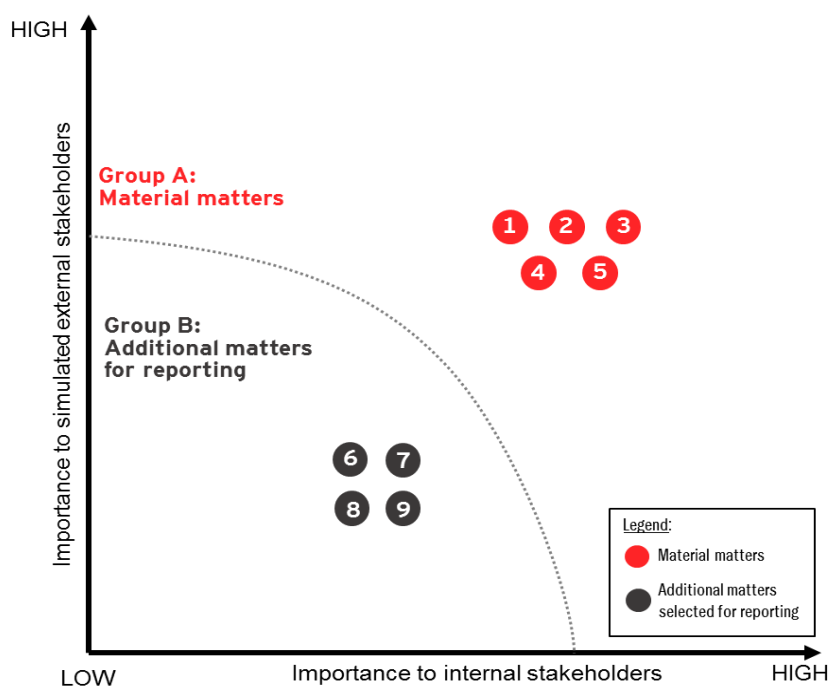


Figure 9: Material Matters and Mapped GRI Topic-specific Standards

Material Matters		Corresponding GRI Topic-specific Standards
1	Ethics, Bribery & Corruption	GRI 205: Anti-corruption
2	Product and Service Innovation	No relevant GRI topic-specific standard for this matter
3	Customer Health and Safety	GRI 416: Customer Health and Safety
4	Customer Satisfaction	GRI 102: General Disclosure
5	Occupational Health & Safety	GRI 403: Occupational Health and Safety
Additional Matters Selected for Reporting		Corresponding GRI Standards Topics
6	Employment and Labor Practices	GRI 401: Employment
7	Material Use	GRI 301: Materials
8	Energy Usage & Associated GHG Emissions	GRI 302: Energy
		GRI 305: Emissions
9	Economic Performance	GRI 201: Economic Performance

Governance

Sustainability Governance

Established in 2015, the **Global Sustainability Committee Oversight** comprises of key management personnel and the supporting departments located across six global sites (illustrated in Figure 10). K&S has in place strong governance and policies which ensure that our approach to sustainability gets ingrained throughout the various functions in our company and translated in our business operations. The ELT (Figure 11) manages and sets the direction of the **Global Sustainability Committee Oversight**. This will be the main committee responsible for coordinating the corporate and supporting departments located across six global sites to ensure actions are taken in achieving the targets set, ultimately working towards sustainability across all operations.

Figure 10: K&S Sustainability Governance Structure



Figure 11: K&S Executive Leadership Team



Business Continuity

Our Business Continuity Plan (“BCP”) is designed to facilitate the prompt resumption of our business operations and functions arising from an event which may potentially impact our business operations. This framework allows us to build organizational resilience and possess the capability to effectively manage any crisis to safeguard our stakeholders and assets

As the scale, timing, and impact of disasters and disruptions are unpredictable, the BCP has been designed to be flexible in responding to actual events as they occur. Disaster scenarios have been put in place to assess BCP mitigation and is unique to each K&S site. Some of the examples include:

- Denial of access or loss of key facilities
- Prolonged unavailability of computing services, voice or data communication
- Manpower shortages due to epidemic or pandemic
- Unavailability of key internal and external suppliers

Through regular review of existing processes and conducting BCP exercises such as emergency evacuation exercises, K&S continually improves this framework.

Ethics, Bribery & Corruption

In order to ensure continued success in providing high quality products and services to our customers and to maintain market presence, we seek to uphold the highest level of ethical business conduct in our operations. The **K&S Code of Business Conduct** serves as a guiding framework for ethical and legal business decisions. All employees of K&S are expected to exercise sound judgment and have a proclivity towards fair and just behavior in their daily interactions with colleagues, customers, suppliers and other business associates. An online e-training course on **K&S Code of Business Conduct** has been conducted annually to ensure that employees are aware of its policies and are kept up-to-date on any changes. We have attained 100% completion rate in our recent global e-training course conducted in July 2017.

In engaging with our suppliers, we endeavor to uphold ethical business conduct through our supply chain. Set out in the **Supplier Code of Business Conduct & Ethics** which all suppliers will have to endorse and adhere to, the Code aims to enforce responsible business conduct in areas such as provision of a safe and healthy working environment, fair employment practices and environmentally friendly business practices. It also serves as a guidance to inform and guide suppliers in dealing with potential ethical risks and establishes an avenue to report unethical business conduct should the need arise.

K&S will not tolerate any cases of corruption or any appearance of cases of ethical transgressions. All employees and suppliers are encouraged to report any violations of K&S's policies through the K&S' whistleblowing mechanism. Figure 12: Whistleblowing Process

Upon identifying a potential non-compliance, the whistleblower may file a report either to

- (1) Their immediate supervisor or to any member of the Company's Compliance Committee; or
- (2) The third-party provider retained by the Audit Committee to receive complaints anonymously





All reports will be reviewed and processed by the Compliance Committee to ensure they are appropriately dealt with in a manner consistent with applicable laws and Company policies. For reports involving an Accounting Matter, it will be forwarded to the Audit Committee for their immediate action

The Senior Vice President (General Counsel) will report to the Audit Committee on the status of all reports or complaints received on a quarterly basis, or more frequently as if deemed necessary. The Audit Committee will review and resolve any matters at its sole discretion

The whistleblower will be kept informed of the investigation status and informed if any appropriate relief will be given. However, disclosure of the corrective actions taken will be at the discretion of the company and may be kept confidential by K&S

Our Employees

Occupational Health and Safety (OHS)

Focus Area	Perpetual Target	CY2016 Performance		CY2017 Performance	
Occupational Health and Safety	Accident ² Frequency Rate ("AFR") ³ below 2	1.40	 Achieved	1.32	 Achieved
	Accident Severity Rate ("ASR") ⁴ below 10	11.7	 Did not achieve	12.1	 Did not achieve

Our employees' health and safety are of paramount importance. We recognize that a workplace free of occupational health and safety hazards⁵ is essential in enhancing the quality of our products and services. At K&S, we strive to provide and maintain a healthy and safe working environment for all by conducting a thorough risk assessment and investing in control measures which will minimize the likelihood and impacts of hazards occurring.

The formation of a Safety Committee in each of K&S' facilities supervises and ensures that all workplace health and safety regulations are strictly adhered to. Overseen by a site Environmental Health and Safety ("EHS") Manager, the EHS Manager is responsible for overseeing operations within the facility and to ensure that all safety standards are met. Any new hazards or near misses will be reported to and promptly investigated by the respective EHS Manager to safeguard the safety of our employees.

The Committee ensures that Health and Safety-related trainings are planned and executed for all levels of employees to raise their awareness and emergency preparedness. In line with our Business Continuity Plan, regular emergency evacuation exercises are also organized to familiarize our employees with emergency procedures. In addition, various audits are conducted across departments to ensure that K&S are not only compliant with legal requirements but also match up to industry best practices.

Since 2016, we have achieved an AFR performance of below 2 for two consecutive years. Zero accidents have been recorded at Suzhou, Fort Washington and Santa Ana. In CY2016 and CY2017, our ASR had increased from 11.7 to 12.1. This was due to one particular case which occurred because of human negligence and resulted in considerable man-day loss. In response to this, K&S conducted a thorough investigation on the case and has since taken appropriate corrective actions. Moving forward, K&S will continue to work towards attaining the target of AFR below 10 through effective communication and raising the awareness to all employees on health and safety at the workplace.

CEO Occupational Health & Safety ("OHS") Challenge

Held annually since CY2015, the K&S CEO OHS Challenge was initiated by the ELT to inculcate a safety culture within the company. It serves to reward the best K&S site for achieving excellence in OHS. The sites are assessed based on OHS Corporate Metrics such as AFR, ASR, hours of OHS training

² An accident is defined as a non-fatal injury or illness that causes time loss from work beyond a day or shift.

³ AFR = (Total accidents / total employee work hours) x 1 million

⁴ ASR = (Total man-days lost/ total employee work hours) x 1 million

⁵ A hazard is any source of potential damage, harm or adverse health effects on something or someone. Some examples of hazards may include use of hand tools, machines, wet floors, working at height, etc.

provided per employee⁶ and the attendance rate⁷. The site with the highest performance in all categories will be awarded with a plaque of recognition, the CEO Challenge Trophy. The trophy will be displayed at the winning site for a year until the next winner is announced. If a winning site comes in first place for three consecutive years, they will get to keep the trophy permanently.

In CY2017, Santa Ana was crowned the winning site for two consecutive years. The site has zero accidents since CY2015 and has the highest record of OHS trainings received per employee. Through the challenge, we strive to raise the awareness of OHS and to encourage all K&S sites to continuously improve on their performance.

Image 1: K&S Santa Ana



Employment and Labor Practices

Focus Area	Perpetual Target	CY2016 Performance		CY2017 Performance	
Employment Engagement	Achieve an improved engagement score from previous survey conducted (For the CY2018 survey, K&S is targeting an engagement score of above 80%)	77.6%	● Achieved	N.A. as next survey will be conducted in 2018	
Women in Global Workforce	Maintain above 35%	36.2%	● Achieved	42.9%	● Achieved

⁶ OHS training per employee is calculated by taking the total training hours provided over the site headcount.

⁷ Attendance is calculated by the percentage of employees who have completed the provided training over total number of employees planned for training.

Human capital is the greatest asset in any business and it is no different for us. With a contented and healthy workforce, not only does this ensure the delivery of their best products and services to our customers, it paves the road towards continued success of K&S.

We believe that every employees' voice matters. Their input is important towards our efforts in transforming our workplace to one that is conducive where employees can learn, grow and excel together. To achieve this, K&S conducts the "Voice of K&S" employee engagement survey once every two years to gather feedback from employees worldwide. In CY2016, 96% of K&S employees participated in the survey. We achieved an employee engagement score of 77.6% from the 71% in CY2015. From this trend, we target to further improve our engagement score, setting an 80% score to be achieved in CY2018. Results from each survey were communicated to all employees and managers. From the feedback, we have directed efforts and resources to address the areas of concern while we continue to enhance the positive performance.

The next employee engagement survey slated to be conducted in CY2018 will allow us to assess the improvements made since the last survey and its results will be reported in our next sustainability report.

Positive actions taken from CY2016 Voice of K&S Survey

From the past survey conducted in CY2016, positive actions have been taken in addressing the concerns of our employees. From the analysis of responses received, majority of the employees' concerns were regarding the promotion process and criteria. In response to this, K&S has revamped the Performance Review process and integrated the previously separate performance reviews and goals setting into one single process. Some of the improvements made are highlighted below:

Areas of Concerns	Improvements made
Performance Evaluation and Feedback	Increased frequency of performance feedback discussion from annually to semi-annually
	Self-evaluation assessment implemented semi-annually to encourage employees to voice out and participate in feedback sessions
Employee Development	Dual goal rating process for both employees and managers to rate the achievement of goals set
	Training provided for managers to provide constructive feedback, guide employees on setting robust SMART ⁸ goals and support development opportunities

The implementation of such positive changes leads to better alignment of goals, accountability and results for K&S in the long run. K&S seeks to continue to work towards further increasing frequency and quality of employee-manager interactions.

We continually strive to provide benefits and welfare to our employees so that they feel valued and supported at K&S. According to our Corporate Code of Conduct, we need to comply with all the rules and laws in the cities, states and countries which we operate in. We provide a list of comprehensive welfare benefits ranging from life insurance, health and disability coverage, parental leave, retirement provision to stock ownership. Figure 13 summarizes the types of benefits which full-time employees

⁸ SMART stands for Specific, Measurable, Attainable, Relevant and Time-based which is an effective process for setting and achieving business goals.

are entitled to as denoted by a tick. For the benefits which K&S does not provide for, the explanations are listed in the respective cells.

Figure 13: Benefits for Full-Time employees at K&S

K&S Sites	Life Insurance	Health Care	Disability/ Invalidity Coverage	Parental Leave	Retirement Provision	Stock Ownership
Singapore	✓	✓	✓	✓	✓	✓
Suzhou, China	✓	✓	✓	✓	✓	✓
Ft. Washington, USA	✓	✓	✓	✓	✓	✓
Santa Ana, USA	✓	✓	✓	✓	✓	✓
Eindhoven, Netherlands	✓	Voluntary insurance which premium will be paid by the employee	✓	✓	✓	✓
Yokneam, Israel	Employees to independently purchase insurance	All employees pay into a socialized medical plan as per Israel's Law and can choose to insure themselves independently.	✓	✓	✓	✓

Profile of our Workforce

In 2017, our total workforce stood at 2,839, an increase from 2,476 in CY2016. This increase in headcount across K&S' six global sites was to support the growing orders for both equipment and consumable products during the year. Currently, Singapore and Suzhou operations account for the majority of the workforce at K&S. For CY2017, there were no significant variances in K&S' headcount.

Figure 15: Employment Contract by Gender

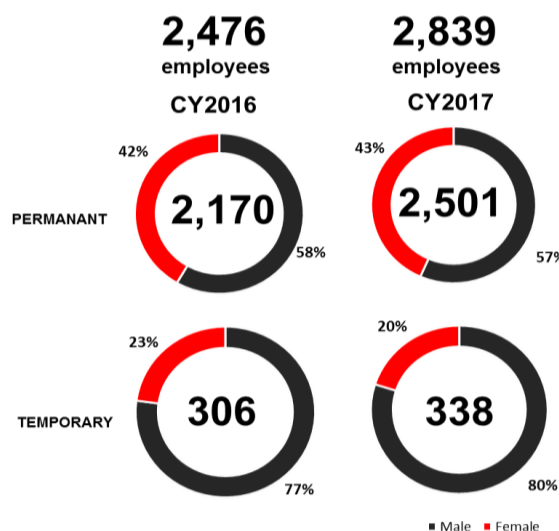


Figure 14: Employment Type by Gender

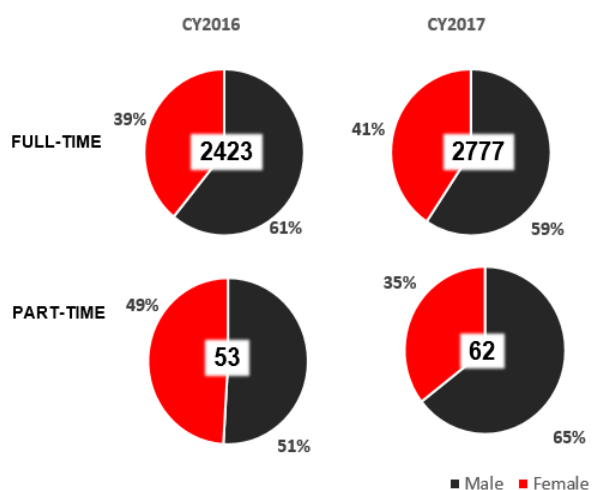


Figure 16: Breakdown by Sites

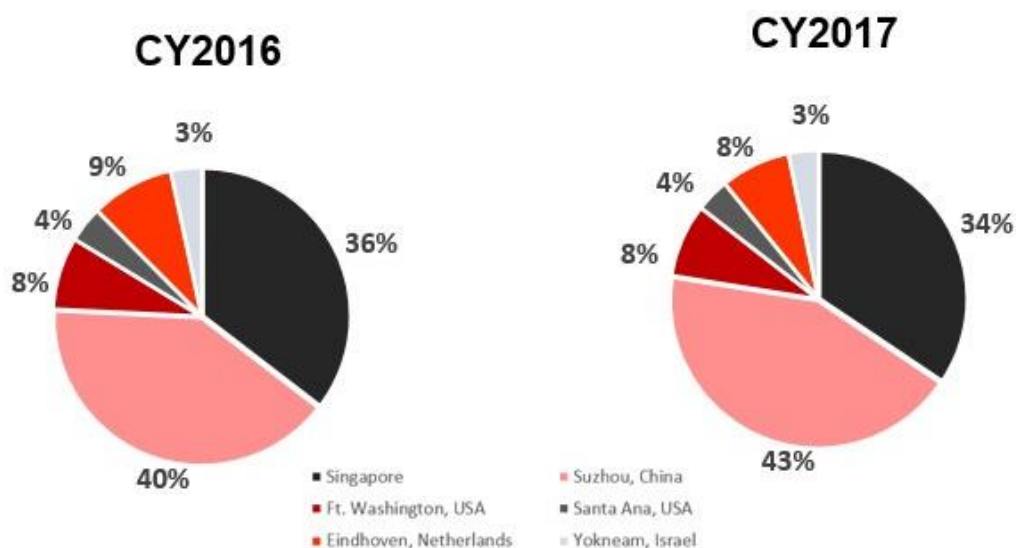
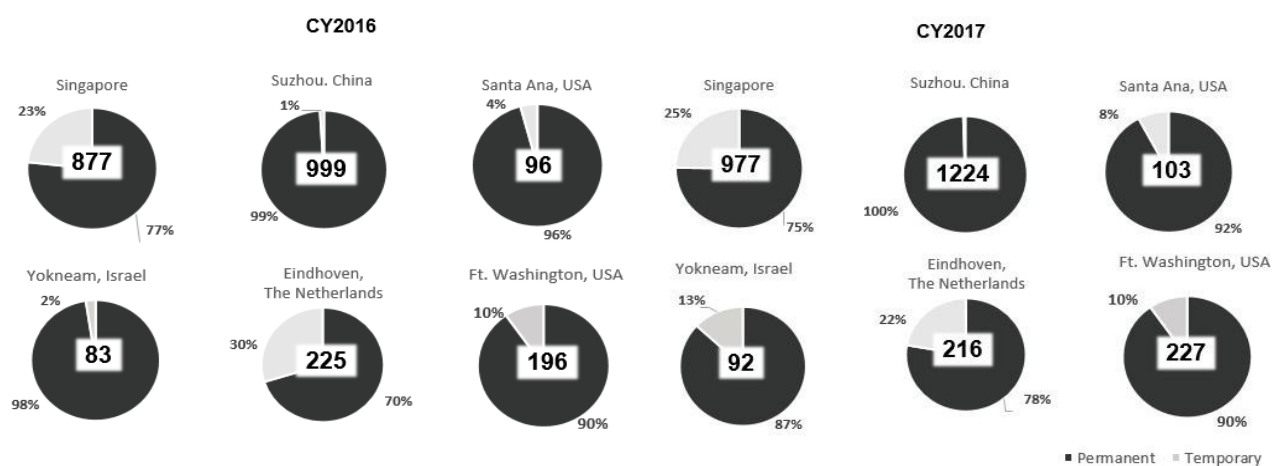


Figure 17: Employment Contract by Region



We advocate gender equality and strive to achieve a balance in our workforce. Our current aim is for women to form more than 35% of our global workforce. This goal has been achieved in the past two years and we also made significant progress from CY2016 to CY2017. The increase in headcount at Suzhou site to support consumables production led to a higher proportion of women being hired was the main contributor to the increase in women in K&S' workforce in CY2017. We seek to continue maintaining this benchmark in the coming years.

Our Customers

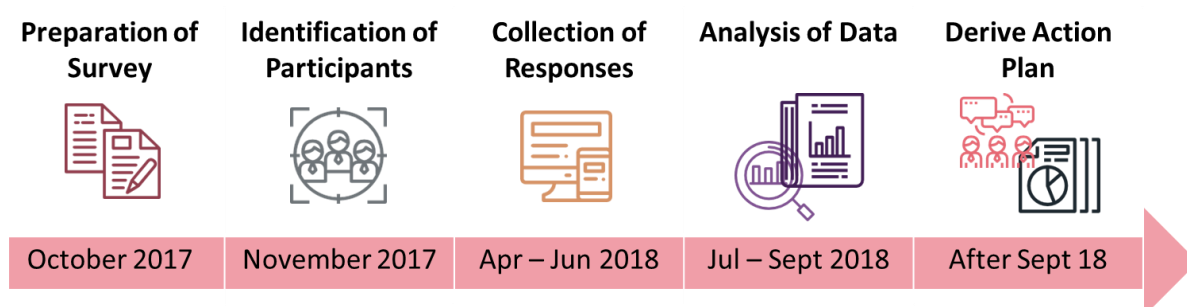
Focus Area	Target for CY2018	CY2012 Performance		CY2015 Performance	
Customer Satisfaction	Achieve an improved response rate from past survey's results	31%	First year of Customer e-survey	47%	● Achieved
	Achieve an improved percentage of customers who rated above "Good" from past survey's results	66%	First year of Customer e-survey	75%	● Achieved

At K&S, customer satisfaction is an indication of our success as an organization. The quality of our products matter to our customers and is integral to their satisfaction. We maintain the quality of our products by ensuring that our quality management system is aligned to best practices in the industry as well as by meeting our customers' requirements and applicable regulatory requirements. All six sites are certified to the Management System Standards such as ISO 9001, ISO 14001 and OHSAS 18001.

We have a Quality Policy, that underpins a robust quality framework, and sets out K&S' quality objectives. Managed by the Global Sales and Aftermarket Products & Services Business Unit, our dedicated Customer Support Department ensures effective communications with employees who also receive appropriate training to deliver the highest levels of after-sales support. We offer a series of scheduled after-sales service as well as on an ad hoc basis to respond to the needs of our clients. Our service spans three areas, namely Basic, Professional and Comprehensive, which are designed to suit each customer's needs and help them operate their machines optimally.

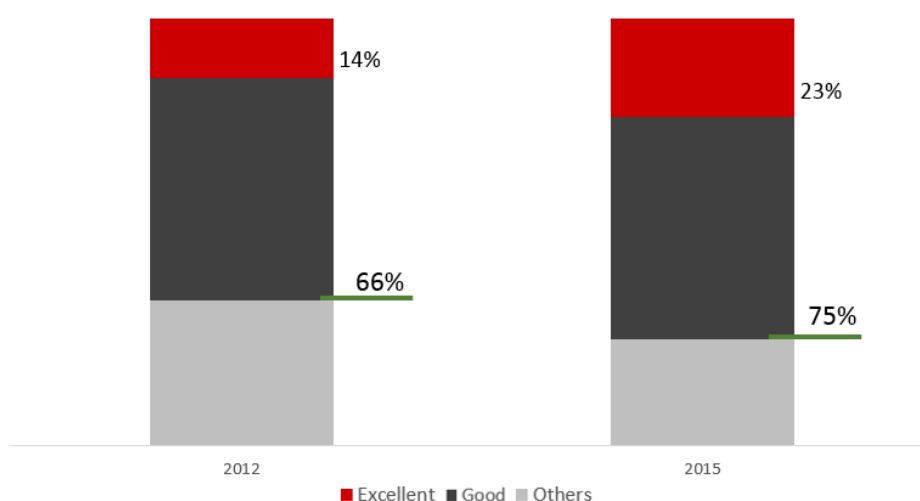
Besides providing our best to our customers, it is necessary to engage with them and gather feedback to understand them better. Our Voice of Customer ("VOC") e-survey is conducted once every three years. This survey assesses our performance in technical expertise, order processing, timely delivery, quality of products and after sales support. The rigorous five-step process which K&S adopts shown in Figure 18 sets out in sequence the key stages in our year-long VOC e-survey.

Figure 18: Five-step process of VOC e-survey



Since CY2012, we aim to achieve an improved response rate and score from the previous survey conducted. In CY2015, we have a 16% increase in response due to the larger number of customers participating in the survey. This similar trend was also seen in CY2015 where 75% of our customers rated K&S services to be "Good" or "Excellent".

Figure 19: Voice of Customer e-survey results



We value our customers' inputs greatly and through the analysis of the survey results, we have embarked on an action plan to continuously improve ourselves. We hope to maintain this track record and uphold high levels of customer satisfaction, ensuring the effectiveness and relevance of our quality management system to keep our customers satisfied.

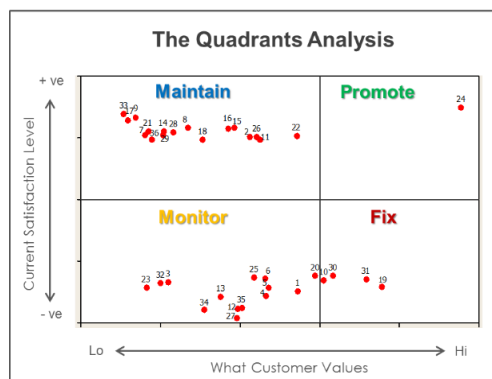
Key Findings from VOC CY2015

With every VOC conducted, K&S pays close attention to what our customers say. Gaps identified will be taken into account and formulated into our action plan, to be rolled out in the following years before the next survey.

The survey results for CY2015 were plotted onto a matrix (Figure 20) showing our customer satisfaction levels against what they value. The four different quadrants indicate to us what we have done well and what we should improve further on.

Some of the key findings from our customer's satisfaction levels are summarized below.



Figure 20: Quadrant Analysis of VOC



What we did well	What we need to improve on
<ul style="list-style-type: none"> ✓ Technical leadership, knowledge and competency ✓ Quality of equipment, its respective features and performance ✓ High levels of satisfaction with Field Service Engineers 	<ul style="list-style-type: none"> ❖ Frequency of contact: Service touch points across all regions in areas such as Sales, Field Technical Support, Repairs and Warranty ❖ Timely response towards customers' inquiries to resolve problems

In the past two years, we have actively worked on all the gaps identified and issues raised by our customers. We will be publishing the results of our next VOC, as well as the improvements, made in our sustainability report.

Customer Health and Safety

Focus Area	Perpetual Target	CY2016 Performance	CY2017 Performance
Customer Health and Safety	Zero validated cases of non-compliances regarding health and safety impacts of products and services	 Achieved	 Achieved

Product safety is at the core of K&S' customer care philosophy as it ultimately contributes to customer satisfaction levels. In the interest of our customers, it is crucial that we safeguard their health and safety when using our products. At minimum, all our products are Conformité Européene ("CE") certified. This means that our products have been assessed to meet health, safety and environmental protection requirements and can be traded freely within the European Economic Area ("EEA"). Upon additional requests, we will work alongside our customers to further improve on the product safety as well. We are committed to achieving the Product Safety certification for all our products by complying with all product and customer safety regulations and requirements.

Internally, we have the K&S Product Development Policy which sets out the specific requirements for each product to comply with. The focus areas include environmental, health and safety considerations, product and customer cost of ownership as well as maintenance and ease of serviceability. As such, we are proud to disclose that we have recorded zero validated cases of non-compliance regarding the health and safety impacts of our products and services in CY2016 and CY2017. Moving forward, we aim to maintain this track record.

Additionally, for new products launched under core equipment, we are also in progress towards achieving Restriction of Hazardous Substances ("RoHS") compliance from CY2018 onwards. More information on RoHS can be found under "Materials" section.



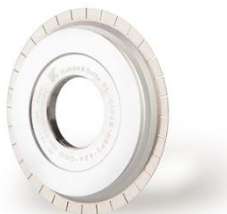
Product and Service Innovation

In order for us to continue to provide smart and innovative solutions to our customers, K&S consistently invests in R&D. Through R&D collaborations with specialized equipment manufacturers, industry consortia and customers, we were able to provide better solutions to the markets we serve, and ensure our market leadership and relevance to customers at the same time. As of FY2017, our R&D department stands strong at 542 employees with 12% of our revenue has been invested towards R&D. This is our largest amount invested into R&D the past three fiscal years.

Percentage of Net Revenue Invested into R&D		
	FY2016	FY2017
Amount invested into R&D (in millions)	\$92.4	\$100.2
Percentage of net revenue invested into R&D	15%	12%

Through our R&D efforts, we launch new products every year in the last five years. As we continue to invest and innovate for success, this allows us to adapt and thrive in the competitive semi-conductor industry.

Some of our new products launched in FY2016 and FY2017 are shown below. For a more comprehensive catalogue of our equipment, consumables, software and support services available, they can be found at www.kns.com

Equipment	
<p><i>ConnX^{PS} ELITE™ Ball Bonder</i> Automatic High Speed Wire Bonder</p> 	<p><i>Asterion™ EVC</i> Enhanced Capability Hybrid Wedge Bonder</p> 
Consumables	
<p><i>FCC™ Blade</i> Customizable wafer dicing solution for advanced packaging</p> 	<p><i>Opto™ PLUS Blades</i> Hub or hubless dicing solutions for LED package singulation</p> 
<p><i>VERSACAP™ Capillary</i> Capillary for low-pin count applications such as LED and discrete semiconductors micro-chips</p> 	<p><i>TeraCap™ Capillary</i> Dedicated for advanced memory and logic devices using gold/silver wire</p> 

Environment

Energy Usage & Associated GHG Emissions

Focus Area	Target for CY2018	CY2016 Performance		CY2017 Performance	
Energy Usage	Reduce electricity consumption from past CY by 2%	16.2% reduction from CY2015	● Achieved	16.1% reduction from CY2016	● Achieved

Operating in an energy intensive manufacturing industry, K&S seeks to be cost effective alongside minimizing the impact of our operations on the environment. K&S has set a formal target of reducing the energy consumption normalized by net revenue by 2% from past CY's performance. From Figure 21 and 22, we see a 10% increase in total electricity consumption from 20,043 MWh in CY2016 to 22,947 MWh in CY2017 and the corresponding increase in total carbon emissions. However, when normalized by net revenue, we still continue to see a downward trend in reduction of electricity consumption by 16.1%, meeting our target for two consecutive years.

Electricity Consumption (MWh) (Electricity consumption for all 6 K&S sites normalized by net revenue)		
CY2015	CY2016	CY2017
37	31	26

Figure 22: Electricity Consumption

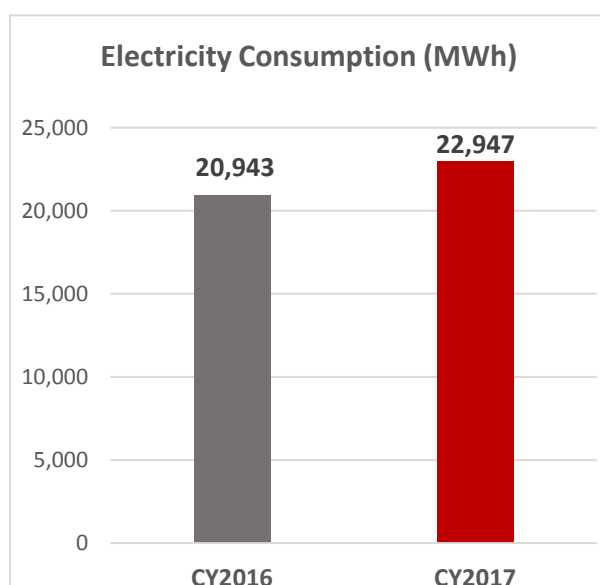
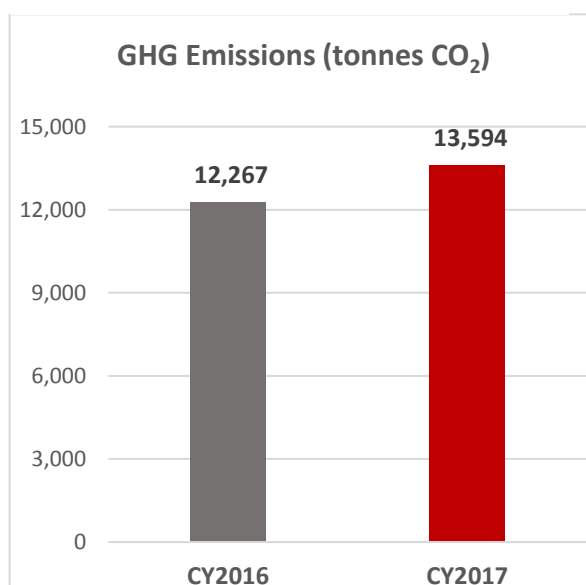


Figure 21: GHG Emissions



Through the concerted efforts of all six sites, K&S has embarked on various energy-saving initiatives. Some of our initiatives at the Fort Washington and Singapore sites are highlighted in the case study below.

Fort Washington

In 2017, electricity saving initiatives were implemented at the Fort Washington site during the year. The reduction in electricity consumption is attributed to initiatives such as the installation of motion sensors and the replacement of metal halide lamps to energy-saving LED lights in December 2017. In the compressor systems, air pressure and regulator settings were optimized, and a leaking shut-off valve in the compressed air line was replaced. The operation of heating, ventilation and air-conditioning ("HVAC") systems are one of the most energy-intensive components in buildings. In September 2017, 39 roof top HVAC units were retrofitted with upgraded economizers which contributed to the reduction in electricity usage.

Singapore

In Singapore, we have implemented a compressor monitoring system which allow for real time monitoring of demand and supply of compressed air. The data gathered will enable the system to adjust compressor settings and utilization to an optimal level. Thus this has resulted in cost and energy savings.

Materials

Focus Area	Target for CY2018	CY2016 Performance		CY2017 Performance	
Paper Usage	Reduce paper usage from the previous CY by at least 3%	15.6%	● Achieved	18.4%	● Achieved
Waste Recycling	Achieve waste recycling above 40%	CY2016 Performance		CY2017 Performance	
		35%	○ Did not achieve	29%	○ Did not achieve









On the subject of material usage, we aim to reduce our resource consumption and production of waste annually. In our efforts to reduce paper usage, we have implemented paperless manufacturing in Singapore. We also improved our printer usage reporting. Our systems are able to record the amount of papers used and types of print by employee. Monthly paper usage by department will be collated and reported to the respective heads. This serves both to monitor and raise awareness on paper usage. In CY2017, we achieved an 18% reduction of paper usage from 38kg in CY2016 to 31kg in CY2017.

Paper Usage (kg) (Paper usage for all 6 K&S sites normalized by net revenue)		
CY2015	CY2016	CY2017
45	38	31

By monitoring our waste generated, we have improved and optimized our processes to reduce our waste production as well as improve our recycling efforts. Through simple waste recycling initiatives, we hope that our employees would proactively do so as they go about their daily work routines.

Unfortunately, we have not met our waste management goals of recycling above 40% of our waste in the past two years. One of the reasons was due to the incorrect placement of general and recycled waste at our Singapore site, resulting in a lower weight of recycled waste collected. Since then, we have taken corrective measures in order to ensure the correct placement of waste. We have implemented a more regular status reporting on waste disposal data so as to be able to track our performance closely and rectify any problems in a timely manner.

Conflict Minerals

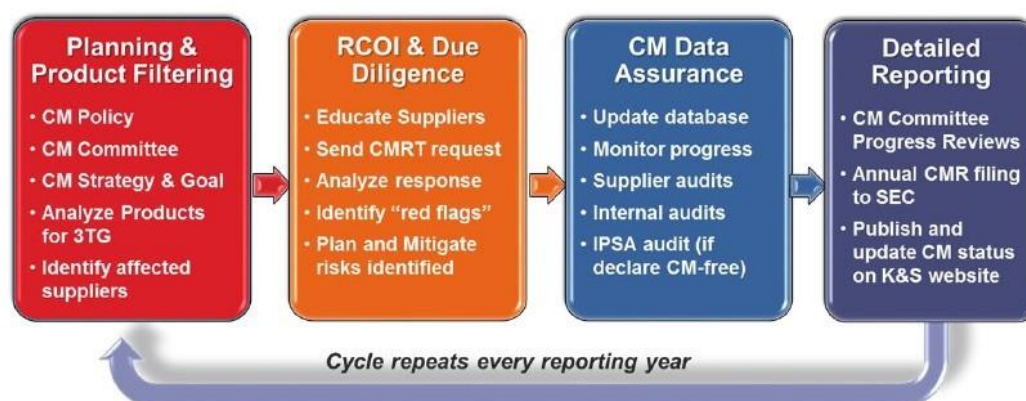
Focus Area	Target for CY2017	CY2016 Performance	CY2017 Performance
Conflict Minerals Reporting	Achieve 100% Conflict Mineral Reporting Template (“CMRT”) response for Ball, Wedge Bonders and Advanced Packaging	 Did not achieve	On track ⁷
	Increase the number of Conflict Free Smelters (“CFS”) identified	 Achieved	On track ⁹
	Target for CY2022	CY2016 Performance	CY2017 Performance
	Gradual progress towards achieving 100% Conflict Mineral-free (“CM”) products shipped from 2022.	 In progress	 In progress
Focus Area	Target for CY2018 and CY2019	CY2016 Performance	CY2017 Performance
Restriction of Hazardous Substances Directive (“RoHS”)	Achieve 100% RoHS-compliant for new core platform (Ball Bonder and Wedge Bonder)	 In progress	 In progress
	Target for CY2020	CY2016 Performance	CY2017 Performance
	Achieve 100% RoHS-compliant for all other new platforms launched	 In progress	 In progress

The use of Tin, Tantalum, Tungsten and Gold (“3TGs”) is required in most of our products. In our commitment towards corporate responsibility and support of the Securities and Exchange Commission’s (“SEC”) Conflict Minerals Rule, we ensure that our minerals used are not sourced from the Democratic Republic of Congo (“DRC”) and adjoining countries. This is in response to the discovery of several instances in the region where minerals are mined in violation of human rights and the sale being controlled by armed groups who use the proceeds to finance unlawful activities in the region. As such all K&S’ suppliers are required to be in full compliance with our K&S Conflict Minerals Sourcing Policy.

⁹ We are unable to confirm our performance in this Sustainability Report as our Conflict Minerals report can only be finalized in April 2018. Currently, we are on track to achieving our targets

K&S Conflict Mineral Policy – Due diligence process

K&S due diligence process is consistent with the Organization for Economic Co-Operation and Development (“OCED”) Due Diligence Guidance. We encourage all our suppliers to establish due diligence measures to assure that products and components supplied to K&S contain 3TGs sourced from DRC conflict-free regions.



In CY2016, the results from our due diligence process showed a total of 267 smelters identified were active in or certified by the CFS program. This was an increase from 251 smelters in CY2015. We are working towards progressively increasing the number of conflict free smelter sources. Coupled with driving 100% CMRT response rate from our 3TG Tier-1 suppliers, this enables K&S to progressively work towards the goal of achieving 100% CM-free products shipped from CY2022.

Since CY2013, K&S has filed our Conflict Minerals Report (“CMR”) to the Securities and Exchange Commission (“SEC”). Our annual reports are made available to relevant stakeholders and the public. For more information, please refer to our annual Conflict Minerals Report found on our website www.kns.com/Corporate-Responsibility

Restriction of Hazardous Substances (“RoHS”)

Even though K&S equipment are excluded from the RoHS directives, we are committed to complying with directives set out by the European Union (“EU”) such as RoHS. Through active product content evaluation, K&S is committed to reducing and eliminating use of the hazardous materials in our products. Since CY2013, K&S has been identifying and replacing non-RoHS components with RoHS parts in new equipment. Set out in the targets for future years, we aim achieve 100% RoHS-compliant for new core Ball Bonder and Wedge Bonder equipment starting from CY2018. This gradual progression will pave our journey towards CY2020 where all new platforms launched will be in full compliance with RoHS.

Economic Performance

For more information on our Economic Performance, please refer to the Annual Report at <https://investor.kns.com/financial-information/annual-reports>

Sustainability Performance Indicators

Sustainability Performance	CY2016 Results	CY2017 Results	CY2018 Goal and Beyond
Energy Usage (MWh)	31	26	Reduce 2% per year
Paper Usage (Kg)	38	31	Reduce 3% per year
Waste Recycling (%)	35	29	Achieve above 40%
Accident Frequency Rate	1.40	1.32	Achieve below 2
Accident Severity Rate	11.7	12.1	Achieve below 10
Women in Global Workforce (%)	36.2	42.9	Maintain above 35%
Employee Engagement	77.6%	N.A. ¹⁰	Engagement score above 80%

¹⁰ The Employment Engagement survey is done once every 18 months, the next survey will be conducted in 2018

Corporate Social Responsibility (CSR) Highlights



Singapore

Senoko WTE Plant Visit in January 2017

- Understand and communicate where our wastes go, the impacts we caused and what we can do to support sustainable living by practicing the 3Rs – Reduce, Reuse and Recycle

Earth Hour 2017 in March 2017

- Switched off all non-essential lights in our Singapore facility for 2 hours
- This is our second year collaborating with our landlord to participate in Earth Hour

Blood Donation Drive in May 2017

- Our blood donation drive received 72 registrations (>90% are K&S staff) and collected 56 bags of 450ml of blood

Operation Beach Clean Up in August 2017

- 45 employees participated and collected a total of 64kg of trash

Festive Bazaar in December 2017

- More than \$4,000 in donations were made to Singapore Association of The Visually Handicap (SAVH)¹¹ and Club Rainbow¹². Usable items were also collected for Movement for the Intellectually Disabled of Singapore (MINDS)¹³



Israel

Good Deeds Day in March 2017

- 10 employees from Israel participated in 'Good Deeds Day' run where donations are made proportionally to the distance ran

Celebration at Ramat Hadassah youth village in September 2017

- K&S contributed to and participated in the social activities at Ramat Hadassah Youth Village, a hostel which looks after children at risk



Suzhou

Charity Bazaar in September 2017

- A total of CNY 13,068 was raised and donated to poor children living in rural parts of China
- Held biennially, this is the fourth charity bazaar with over 200 K&S employees participating in 2017



¹¹ Singapore Association Of The Visually Handicapped (SAVH) is the national voluntary welfare organization for the visually impaired

¹² Club Rainbow is a non-profit organization with a mission to support and empower children with chronic illnesses & their families

¹³ Movement for the Intellectually Disabled of Singapore (MINDS) is a voluntary welfare organization that provides services for the intellectually disabled



USA – Fort Washington

Troop Donation in July 2017

- Donated care packages of food and supplies to US troops serving overseas



Adopt-A-Family in November and December 2017

- Held yearly, employees fulfilled wishes to individuals and families in need with gifts in donation of groceries, toys and clothes



USA – Santa Ana

Vegetable picking in June 2017

- As part of the Second Harvest's mission to end hunger, our global Finance and IT team volunteered by planting and harvesting fresh produce which were subsequently distributed to individuals and families in need in Orange County



Shoely in July 2017

- Shoes were collected and donated to Soles 4 Souls, which is a non-profit organization that create sustainable jobs and provide relief through the distribution of shoes and clothing around the world



Socktober in October 2017

- In partnership with Oak Grove Elementary School in Aliso Viejo, K&S donated socks to Mercy House, which is an organization that provides housing and support services to reduce homelessness



6th Annual Canned food drive in November and December 2017

- Approximately 400lbs of food and \$200 were donated to the Second Harvest Food Bank in Orange Country
- Thousands of individuals benefitted from these donations



Toys for Tots in December 2017

- Held its 20th Annual Spark of Love Toy Drive to collect toys and other items for underprivileged children of all ages
- The items were distributed to places such as homeless shelters and battered women shelters



GRI Content Index

GRI Standard Disclosure Reference	Disclosure	Location or reason for omission	
GRI 102: General Disclosures			
Organizational profile			
102-1	Name of the organization	About Kulicke & Soffa (K&S)	Pg. 3
102-2	Activities, brands, products, and services	About Kulicke & Soffa (K&S)	Pg. 3
102-3	Location of headquarters	About Kulicke & Soffa (K&S); About the Report	Pg. 3 Pg. 4
102-4	Location of operations	About the Report	Pg. 4
102-5	Ownership and legal form	About Kulicke & Soffa (K&S)	Pg. 3
102-6	Markets served	About Kulicke & Soffa (K&S)	Pg. 3
102-7	Scale of the organization	About Kulicke & Soffa (K&S)	Pg. 3
102-8	Information on employees and other workers	Profile of our Workforce	Pg. 17
102-9	Supply chain	Ethics, Bribery & Corruption; Materials	Pg. 13 Pg. 25
102-10	Significant changes to the organization and its supply chain	Materials	Pg. 25
102-11	Precautionary Principle or approach	Governance	Pg. 11
102-12	External initiatives	About the Report	Pg. 4
102-13	Membership of associations	About the Report	Pg. 4
Strategy			
102-14	Statement from senior decision-maker	Statement from the President	Pg. 1
Ethic and Integrity			
102-16	Values, principles, standards, and norms of behavior	Commitment to Sustainability	Pg. 4
102-17	Mechanisms for advice and concerns about ethics	Ethics, Bribery & Corruption	Pg. 13
Governance			
102-18	Governance Structure	Sustainability Governance	Pg. 11
102-32	Highest governance body’s role in sustainability reporting	Sustainability Governance	Pg. 11
Stakeholder engagement			
102-40	List of stakeholder groups	Engaging our Stakeholders	Pg. 7
102-41	Collective bargaining agreements	About 75% of our employees are covered by collective bargaining agreements.	

GRI Standard Disclosure Reference	Disclosure	Location or reason for omission	
102-42	Identifying and selecting stakeholders	Engaging our Stakeholders; Materiality Assessment	Pg. 7 Pg. 9
102-43	Approach to stakeholder engagement	Engaging our Stakeholders; Corporate Social Responsibility (CSR) Highlights	Pg. 7 Pg. 29
102-44	Key topics and concerns raised	Engaging our Stakeholders	Pg. 7
Reporting Practice			
102-45	Entities included in the consolidated financial	10-K	
102-46	Defining report content and topic Boundaries	About the Report	Pg. 4
102-47	List of material topics	Materiality Assessment	Pg. 9
102-48	Restatement of information	About the Report	Pg. 4
102-49	Changes in reporting	About the Report	Pg. 4
102-50	Reporting period	1 January 2017 – 31 December 2017	
102-51	Date of most recent report	2016	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Commitment to Sustainability	Pg. 5
102-54	Claims of reporting in accordance with the GRI Standards	About this Report; Commitment to Sustainability	Pg. 4 Pg. 4
102-55	GRI content index	GRI Content Index	Pg. 31
102-56	External assurance	K&S has not sought external assurance for this inaugural report.	

Material matters				
GRI Standard Disclosure Reference		Description	Location or reason for omission	
Customer Satisfaction				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Our Customers	Pg. 4
				Pg. 19
	103-2	The management approach and its components	Our Customers	Pg. 19
	103-3	Evaluation of the management approach	Our Customers	Pg. 19

Economic Performance				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Economic Performance	Pg. 4 Pg. 27
	103-2	The management approach and its components	Economic Performance	Pg. 27
	103-3	Evaluation of the management approach	Economic Performance	Pg. 27
Ethics, Bribery & Corruption				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Ethics, Bribery & Corruption	Pg. 4 Pg. 13
	103-2	The management approach and its components	Ethics, Bribery & Corruption	Pg. 13
	103-3	Evaluation of the management approach	Ethics, Bribery & Corruption	Pg. 13
GRI 205: Anti-Corruption	205-2	Communications and training about anti-corruption policies and procedures	Ethics, Bribery & Corruption	Pg. 13
Material Use				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Materials	Pg. 4 Pg. 25
	103-2	The management approach and its components	Materials	Pg. 25
	103-3	Evaluation of the management approach	Materials	Pg. 25
Energy Usage & Associated GHG Emissions				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Energy Usage & Associated GHG Emissions	Pg. 4 Pg. 23
	103-2	The management approach and its components	Energy Usage & Associated GHG Emissions	Pg. 23
	103-3	Evaluation of the management approach	Energy Usage & Associated GHG Emissions	Pg. 23
GRI 302: Energy	302-1	Energy consumption within the organization	Energy Usage & Associated GHG Emissions	Pg. 23
	302-3	Energy Intensity	Energy Usage & Associated GHG Emissions	Pg. 23
GRI 305: Emissions	305-2	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Energy Usage & Associated GHG Emissions	Pg. 23
	305-4	Greenhouse Gas (GHG) emissions intensity	Energy Usage & Associated GHG Emissions	Pg. 23

Employment and Labor Practices				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Employment and Labor Practices	Pg. 4 Pg. 15
	103-2	The management approach and its components	Employment and Labor Practices	Pg. 15
	103-3	Evaluation of the management approach	Employment and Labor Practices	Pg. 15
GRI 401: Employment	401-2	Benefits provided to full- time employees that are not provided to temporary or part- time employees	Employment and Labor Practices	Pg. 15
Occupational Health & Safety				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About the Report; Occupational Health and Safety (OHS)	Pg. 4 Pg. 14
	103-2	The management approach and its components	Occupational Health and Safety (OHS)	Pg. 14
	103-3	Evaluation of the management approach	Occupational Health and Safety (OHS)	Pg. 14
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work- related fatalities	Occupational Health and Safety (OHS)	Pg. 14
Customer Health and Safety				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	Customer Health and Safety	Pg. 21
	103-2	The management approach and its components	Customer Health and Safety	Pg. 21
	103-3	Evaluation of the management approach	Customer Health and Safety	Pg. 21
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	Customer Health and Safety	Pg. 21
	416-2	Incidents of non- compliance concerning the health and safety impacts of products and services	Customer Health and Safety	Pg. 21
Product and Service Innovation				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	Product and Service Innovation	Pg. 21
	103-2	The management approach and its components	Product and Service Innovation	Pg. 21
	103-3	Evaluation of the management approach	Product and Service Innovation	Pg. 21
Non-GRI topic specific disclosure	-	Percentage of revenue invested into R&D	Product and Service Innovation	Pg. 21



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