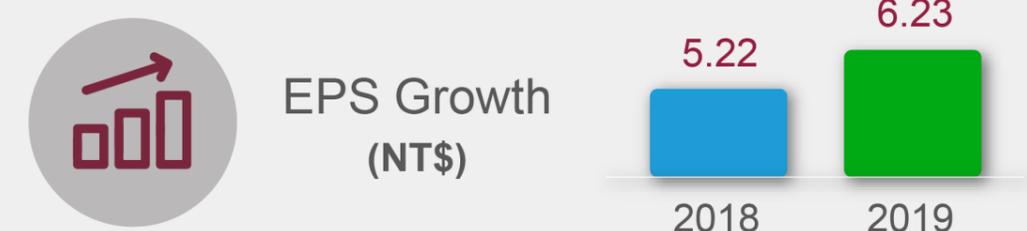


# Economy and Corporate Governance

## Performance Highlight



## Company Governance

Wistron ITS is committed to establishing an effective corporate governance structure, protecting and respecting shareholders' rights and interests, strengthening the functions of the Board of Directors, and enhancing information transparency. We will continue to gradually implement various systems and methods to continuously enhance the quality and effectiveness of corporate governance to ensure the implementation of the spirit of corporate governance and the pursuit of maximizing shareholders' equity and the sustainable operation of the enterprise.

We believe that a good board governance system is the fundamental foundation of good corporate governance. In order to strengthen the effective and sound governance mechanism of Wistron ITS' Board of Directors,

since October 2010, independent directors and independent supervisors have been added to the Board of Directors, all of whom have extensive experience and reputation in the industry, helping the company to pursue growth while complying with ethical and legal regulations. In 2011, in recognition of the fact that the compensation system for directors and managers is an important aspect of corporate governance and risk management, the Company's Board of Directors resolved to establish a Compensation Committee and established the Company's "Compensation Committee Charter", which is a major step forward in implementing the spirit of corporate governance. The replacement of the supervisory system with an audit committee as approved by the ordinary general meeting of shareholders in 2013. The Audit Committee was established by all independent

directors under the Board of Directors to carry out the operations of the Board of Directors and the Audit Committee in accordance with the “Rules of Conduct of Board Meetings” and the “Audit Committee Organizational Rules” and related regulations.

## Board of Directors

In accordance with the Articles of Incorporation, the Company shall have five to nine directors with three-year terms of office, who shall be nominated for election by the shareholders’ meeting and shall be eligible for re-election. The Board of Directors of the Company currently consists of nine members, all of whom have extensive experience and reputation in the industry, of whom three are Independent Directors. Their independence is in compliance with the “Regulations for the Establishment of Independent Directors and Matters to be Followed by Public Companies”. General directors comprise of Mr. Ching Hsiao, Mr. Frank Lin, Mr. David Lee, Mr. Marty Chiou, Mr. Philip Peng, Mr. Rick Chang, and the other three Independent Directors are Mr. Frank Juang, Mr. Allen Fan, and Mr. C.K Chieng. The Chairman of the Board of Directors of the Company is elected by the Board of Directors and is the Chairman of the board internally and represents the Company externally. Detailed information about the board members’ academic experience, concurrent positions in other companies, attendance and background is disclosed on the company’s corporate website and the annual reports.

The Board of Directors meets at least quarterly and the Company has held a total of seven meetings in 2019. The Board of Directors is the highest

governance unit of the Company and is primarily responsible for sound oversight functions and strengthening management functions. Board members are required to supervise the management team’s compliance with laws and regulations, enhance information transparency, and provide guidance to the management team on major decisions based on their own experience to avoid erroneous policies that would undermine the company’s value in order to establish good ethics and fulfill corporate responsibility to achieve sustainable business operations and protect the interests of shareholders. The management team also reports regularly to the Board of Directors on the Company’s operations, development strategies or other important issues, and maintains a smooth and good communication channel with the Board of Directors. (Note: Due to personal reasons, Mr Rick Chang resigned as director of Wistron ITS on March 31, 2020)

## Audit Committee

The operation of the company’s audit committee aims to supervise and establish a risk control system. Its scope includes: the appropriate expression of the company’s financial statements, the selection (and termination) of the certified accountants and their independence and performance, the effective implementation of the company’s internal control, and the company’s compliance of laws and regulations and the control of the company’s existing or potential risks. In addition, the Audit and Accounting Officer and the Certified Public Accountant attend quarterly meetings of the Audit Committee to report on updates to the internal audit, financial position and relevant laws and regulations.





The Audit Committee may, by resolution, appoint attorneys, accountants or other professionals to conduct audits or provide advice within its terms of reference, and has direct access to the Company's internal auditors, certified public accountants and management. The Audit Committee meets at least quarterly and the Company has held a total of seven meetings in 2019, the attendance of which can be found in the Annual Report and the Public Information Bulletin.

## Remuneration Committee

The responsibility of the Remuneration Committee of the Company is to formulate and periodically review the remuneration policy for the Company's directors and managers and to make appropriate adjustments in conjunction with the Company's operating performance and objectives in order to attract and retain high caliber personnel and enhance corporate competitiveness. The remuneration of the Company's directors is provided in accordance with the Company's Articles of Incorporation, and any amendment thereto must be approved by the shareholders as a method of measuring the performance of the highest governance unit, taking into account the authority, attendance and other performance evaluations of individual directors. In terms of executive remuneration, it includes a base salary, annual bonus and benefits for fixed items and a combination of bonus, dividends (cash/equity) and share options for variable items, with a focus on variable items. The fixed items are based on the principle of maintaining the Company's average competitive level in the industry. The changes are based on the consolidated results of the Company and its individual operations. The better the operating performance of the company and its individ-

uals, the higher the ratio of moving items to fixed items. The performance evaluation criteria are based on the achievement of annual financial (turnover, profit, etc.), market/customers, organizational and personnel growth/development, and other comprehensive objectives. At the beginning of each year, the evaluation items, objectives and weightings are determined based on the development of the internal and external business environment. The remuneration of managers shall be based on individual performance and shall be reviewed and evaluated individually by the Remuneration Committee and recommended to the Board of Directors for approval.

The Company's Remuneration Committee shall be convened at least twice a year and shall have three members, all of whom are independent directors. On June 24, 2019, all members elected Mr. Allen Fan as Convenor and Chairman of the meeting, the Committee shall invite the Chairman of the board to attend, whom shall abstain from participating in the discussion of motions in which he has an interest. In addition, directors, managers of relevant departments of the Company, internal auditors, accountants, legal advisors or other personnel may attend the meeting and provide relevant necessary information. The Company has held a total of three meetings and one interim meeting in 2019, the attendance of which is referenced in the Annual Report and the Public Information Bulletin.

## Corporate Compliance

Since its public offering in 2010, the Company has complied with the relevant regulations of public companies in formulating various internal operating procedures. Since its listing on the Taiwan Stock Exchange, the



Company has also followed up on amendments to the Companies Act, the Securities and Exchange Act, the Personal Data Protection Act and other laws and regulations related to corporate governance and operations to appropriately adjust internal operating procedures, norms and processes. In addition, in order to implement the Company's core values, uphold a high level of professional ethics, and to ensure that employees strictly comply with the Company's relevant operating regulations and standards in their daily work and business, and to maintain the Company's reputation and gain the respect and trust of customers, suppliers and other parties. In addition to incorporating confidentiality obligations into labor contracts, we have established regulations regarding the prohibition of infringement, management of personal data protection, and information security management for all employees.

The Company's management team has been closely monitoring any domestic and international policies and regulations that may affect the Company's operations, finances and business, and has established relevant risk management procedures to enhance employees' awareness of compliance through continuous education and training. Looking back at 2019, the Company acted in accordance with the law and therefore did not suffer any significant monetary fines or other non-monetary penalties.

## Anti-corruption and Integrity

In order to improve corporate governance, Wistron ITS has established the "Code of Corporate Governance Practices," the "Code of Ethical Conduct," and the "Code of Conduct for Ethical Conduct," which clearly define

procedures for handling conflicts of interest, gifts and business entertainment, political contributions, and donations or sponsorships, as well as behaviors to be followed by relevant personnel. We expect our customers, suppliers, business partners and other parties with whom we do business to understand and support our integrity policy. For more details, please refer to our website and Public Information Bulletin.

In the future, all new employees in Taiwan will be required to receive industry ethics training to ensure that they fully understand the regulations. All employees have a responsibility to report unethical conduct to the Company through the appropriate channels, and the Company protects its employees from unfair retaliation or treatment when they report or participate in the investigation of incidents.

The effectiveness of the design and implementation of the internal control system, including the accounting system, is evaluated and self-checked annually and reviewed by the auditors, in order to establish a robust anti-corruption management system. In addition, capital, procurement, supply chain management, and administrative units are also classified as potential risk units, which are subject to internal audits or regular work rotations. Any material irregularities should be reported to the Board of Directors.

In the operation of the board of directors' meetings, each director may express opinions and answer questions on matters in which they or the legal entity they represents has an interest and which may be detrimental to the interests of the Company, and may not participate in the discussion and voting, and shall refrain from discussing and voting. In addition, they shall not be entitled to exercise their voting rights on behalf of any other Director.



Externally, before establishing a business relationship with an agent, supplier, customer, or other business counterpart, the Company must evaluate the agent's legality, integrity policies, and record of dishonest behavior. In the course of engaging in business activities, the Company shall explain to the other party the Company's integrity management policy and related regulations, and shall expressly refuse to offer, promise, demand, or accept, directly or indirectly, any form or name of improper benefits, and upon discovering any dishonest behavior, the Company shall immediately cease to deal with the other party and shall be listed as a rejecting party. Compliance with the anti-corruption policy is also included in the terms and conditions of business contracts, including: clear and reasonable payment, handling of cases involving dishonest behavior, and violation of contract terms prohibiting commission, kickbacks or other benefits.

In addition, Wistron ITS will fully communicate Wistron ITS' anti-corruption policy to suppliers, publicize the company's integrity management policies and beliefs, and review the implementation status of the supply every year. As a result of the above advocacy measures and management mechanism, no corruption or ethics violations occurred in 2019.

## Public Policies

Public policy is the guiding principle by which public organizations such as governments manage the public affairs of society, and it determines the direction and objectives of management activities. Correct policies and effective implementation will bring good results to the national economy and the development of society and the environment. Wistron ITS has established

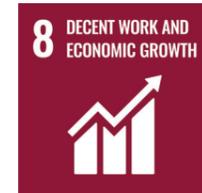
a social responsibility policy to address this issue. This policy includes: Wistron ITS is committed to complying with international standards and local laws and regulations related to social responsibility, continuously promoting employee rights and benefits, establishing an honest, healthy, and safe operating environment, and fulfilling social responsibility. The Company keeps abreast of the development of domestic and international corporate public policies and reviews and improves the corporate governance system established by the Company in order to enhance the effectiveness of corporate governance. In addition, the Company has always been politically neutral and has always maintained an objective and low-profile position on public policy. We do not participate in political parties or any political activities, nor do we engage in any lobbying, or make any political contributions. Our employees are free to express their political opinions, and we encourage our employees to fulfill their civic responsibilities and participate in voting for the candidates they deem most desirable for public office.

## Protect Client Privacy

"Strictly observing customer confidentiality and adhering to the principle of good faith" is our commitment to customer privacy. We have policies and strict internal control mechanisms in place to guard the information provided by our customers. In addition to controlling software and hardware that contain technical data and data that may involve customer's intellectual property and trade secrets, we also sign confidentiality agreements with customers and suppliers to protect the security of customer's confidential information.

We obtained the Taiwan Intellectual Property Management Standards

(TIPS) certification in 2016 to effectively manage our intellectual property in accordance with TIPS specifications, thereby protecting our customers' privacy and safeguarding their interests. The management of our intellectual property has been certified by the state, which also enhances our clients' trust in our company. We have signed a confidentiality agreement with each of our employees at the time of their arrival, and through training and management, we ensure that each employee is able to maintain confidentiality when dealing with customers. Under the specific control mechanism, there was no violation of customer privacy or loss of customer information that harmed the rights of customers in 2019.



## Operation Performance

Wistron ITS continues to enhance customer satisfaction and improve service quality, with high quality and reasonable profitability as short-term business development indicators. In the long run, we will strengthen our core competencies and keep pace with our strengths in IT services. We will continue to improve in the four directions of “quality customers, promising areas of expertise, mainstream new technologies, and service value enhancement” to help our customers make profits, increase employee satisfaction, and create long-term shareholder value. The Company has not received significant financial assistance from the government in Taiwan in recent years. The relevant financial information is disclosed in the “Financial Performance Snapshot”.



## Economic Performance

### Financial Performance Snapshot

Unit: NT\$ million

Items	Year 2019		Year 2018	
	Value	%	Value	%
Operation Income	5,323	100%	3,953	100%
Operation Margin	1,302	24%	929	24%
Operation Expenses	-863	-16%	-722	-19%
Operation Profit	438	8%	207	5%
Net Profit Before Tax	458	9%	275	7%
Consolidated Net Income After Tax (incl. Minority Equity)	413	8%	253	6%
Basic Earnings per Share (EPS)	6.23		5.22	
Retained Surplus	834		583	
Staff Costs	3,559		2,663	
Employees Remuneration	50		48	
Cash Dividend	212		102	
Stock Dividend	-		60	



## Total Capitalization of Debt and Equity

Unit: NT\$ million

Items	Year 2019		Year 2018	
	Value	Percentage	Value	Percentage
Assets	3,362	100%	2,964	100%
Shareholders' Equity	2,109	63%	1,827	62%
Short-term Loans (Note)	-	0%	45	2%
Long-term Loan	71	2%	81	3%
Corporate Debt Payable	-	0%	-	0%

(Note) Including long-term loans due within one year

## Profitability Analysis

Unit: NT\$ million

Items	Year 2019		Year 2018	
	Value	Percentage	Value	Percentage
Profitability	Return on Assets (%)	13.26%	10.50%	
	Return on Shareholders' Rights (%)	20.99%	17.85%	
	Ratio of Net Income Before Tax to Paid-in Capital (%)	69.00%	45.60%	
	Net Profit Rate (%)	7.76%	6.40%	
	Earnings per Share (NTD)	6.23	5.22	

(Note) For related financial information, please refer to the Company's website homepage/Investor Services (www.wistronits.com).



## Product (Service) Sales Status

Wistron ITS is not a hardware manufacturer company. The sales status is shown by major product (service) sales region. In recent years, Chinese and Japanese enterprises have been interacting more frequently with the Taiwan market, and it has become common for Taiwan-invested enterprises to develop in China or Japan. We are actively expanding our network in the Asia Pacific region to provide various IT services to our cross-regional customers. The company also established a subsidiary in the United States in 2014 to serve international customers in close proximity, and will continue to grow stronger in the future.

## Product (Service) Sales

Unit: NT\$ million

Year Region	Year 2019		Year 2018	
	Sales Amount	Proportion(%)	Sales Amount	Proportion(%)
China	2,871	54%	2,018	51%
Japan	833	16%	806	21%
Taiwan & Hong Kong	1,436	27%	959	24%
Other Countries	183	3%	170	4%
Total	5,323	100%	3,953	100%

## Risk Management

### Operational Risk Management

To protect shareholders' interests, Wistron ITS focuses on the performance of its business and does not engage in high-risk, high-leverage investment activities. However, Wistron ITS actively evaluates the risks and benefits of introducing new technologies, strengthens the competitiveness of its core businesses, and improves service quality to control operating cost risks. Wistron ITS also holds yearly strategic development meetings to discuss long-term business strategies for future development.

### Financial Risk Management

The Company's finance department works closely with its operating units to identify, evaluate and plan mitigation measures to address various financial risks arising from operations. The Board of Directors has written principles for financial-related risk management, and has written policies and guidelines for specific areas and issues, such as foreign exchange risk management and guidelines for the operation of derivative financial instruments, to ensure the adequacy and effectiveness of the implementation of mitigation instruments.

The Company's principal financial risks and management measures:

- **Credit Risk:** The risk of financial loss arising from customers' failure to meet contractual obligations. In accordance with the credit policy, the financial department shall analyze the credit rating of individual clients and



continuously evaluate the credit rating of counterparties and credit limits through the financial system to control credit risk before granting payment terms and credit limits.

- **Exchange Rate Risk:** The Company is exposed to exchange rate risk arising from sales, purchases and borrowing transactions that are not denominated in a functional currency. The Company's functional currencies are mainly NTD, as well as RMB, USD and Japanese Yen. The main currencies traded are New Taiwan Dollars (NTD), Renminbi (RMB), US Dollars (USD) and Japanese Yen (JPY). The Company holds foreign currency assets and foreign currency liabilities, which may result in fluctuations in the future cash flows of such assets and liabilities as a result of changes in market exchange rates, creating exchange rate risk. The Company collects information on exchange rates in order to monitor the trend of exchange rates and maintains contact with foreign exchange departments of banks in order to obtain market information and determine the appropriate timing for exchange rate fluctuations.

ress and results of Wistron ITS' climate change management work according to the TCFD recommendation framework.

## Climate Change Risk Management



Wistron ITS focuses on global climate change issues. We have been recognising our own greenhouse gas emissions annually since 2015 as a basis for energy saving and carbon reduction. Based on the Task Force on Climate-related Financial Disclosures (TCFD), in 2019 Wistron ITS will take stock of key climate change risks in terms of governance, strategy and risk management indicators and targets. We also disclosed the prog-

## TFCD Core Elements



### Governance and Risk Management

Wistron ITS, with members of the Corporate Sustainability and Social Responsibility Implementation Committee, evaluates climate change risk management, formulates strategies, and oversees the promotion and implementation of climate change related issues within the company.

### Strategy

Wistron ITS identifies and ranks the relevant risks through a climate change risk matrix, evaluates the possible impact of key risk factors on Wistron ITS' operations, and takes stock of strategies to address them.

### Indicators and Objectives

The IT services sector is the most important target for climate change mitigation, with energy consumption being the most important. Every year, Wistron ITS tracks its energy usage in Taiwan and China, and sets energy usage reduction targets.

In response to climate change, Wistron ITS continues to track the financial impact of various physical risks (such as natural disasters) every year and conducts reviews and improvements.



## Climatic Change Risk Factor Identification Program

The Wistron ITS Climate Change Risk Identification Program is as follows:



We created a climate risk list based on the TCFD's recommendations and industry characteristics. Transformation risks include policy and regulatory risks, technology, market, and business reputation, and physical risks include immediate and long-term climate risks. The assessment is then based on the likelihood and magnitude of impact of climate change risks and opportunities. The following is a list of climate risks and opportunities for Wistron ITS:

## Climate Change Risk Analysis

Risk Item		Potential Financial Impact	Responding Measures
Transformation Risk (Transformation risks associated with low carbon economy)	Policy and Regulatory Risk	<ul style="list-style-type: none"> <li>International agreements governing the carbon reduction commitments and policies of countries around the world, and Taiwan's implementation of the "Regulations for Implementation of the Greenhouse Gas Reduction and Management Act".</li> </ul>	<ul style="list-style-type: none"> <li>Set greenhouse gas reduction target commitment, effective control of greenhouse gas emissions.</li> <li>Take stock of the impact of regulations and the current status of enforcement, and plan in advance for solutions.</li> <li>Strengthen energy monitoring and management systems to reduce overall electricity consumption by upgrading energy efficiency through equipment replacement and upgrades.</li> </ul>
		<ul style="list-style-type: none"> <li>Governments of various countries are discussing carbon, energy or environmental taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Possible increase in business operating costs</li> </ul>
	Reputational Risks	<ul style="list-style-type: none"> <li>Stakeholders and outside groups expect companies to improve environmental performances</li> </ul>	<ul style="list-style-type: none"> <li>Failure to meet the expectations of interested parties, resulting in damage to the company's image</li> </ul>



Risk Item		Potential Financial Impact	Responding Measures	
Physical Risks	Immediate Risks	<ul style="list-style-type: none"> <li>▪ Increase in the frequency of strong typhoons, extreme rainfall or snowfall.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased repair and maintenance costs due to power outages or equipment failures caused by typhoons or extreme rainfall or snowfall, as well as operational or service disruptions</li> <li>▪ Disaster and post-disaster response resulted in an increase in operating expenses for Wistron ITS.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regularly review whether property insurance coverage needs to be adjusted to address the impact of climate change</li> </ul>
	Long-term Risks	<ul style="list-style-type: none"> <li>▪ Rise in average temperature</li> </ul>	<ul style="list-style-type: none"> <li>▪ Have to pay higher electricity bills to maintain a constant temperature for equipments.</li> <li>▪ High temperatures may increase repair and maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of more efficient machinery and equipment</li> <li>▪ Strengthen energy monitoring and management systems to reduce overall electricity consumption by upgrading energy efficiency through equipment replacement and upgrades.</li> </ul>

### Climatic Change Opportunity Analysis

Opportunities		Potential Financial Impact	Responding Measures
Resource Efficiency	Energy, water resources and waste management	<ul style="list-style-type: none"> <li>▪ Lower Operational Cost</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen energy monitoring and management systems to reduce overall electricity consumption by upgrading energy efficiency through equipment replacement and upgrades, in order to contribute in the global effort of reducing carbon emission.</li> </ul>
Energy Source	Use of low-carbon alternative or renewable energy sources Adopt an incentive policy	<ul style="list-style-type: none"> <li>▪ Potential future annual energy cost savings as the cost of alternative energy sources falls</li> <li>▪ Reduce the risk of greenhouse gas emissions and therefore reduce sensitivity to changes in the price of carbon trading.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Progressively assess the use of renewable energy when the market supply and demand are mature.</li> </ul>



## Information Management

Wistron ITS' core business is IT services and we understand the importance of implementing information security. In December 2008, Wistron ITS obtained the international standard ISO/IEC27001:2005 for information security management systems, which was transitioned to ISO/IEC27001:2013 certification in 2013. Wistron ITS' continuous efforts in the field of information security management and its determination to improve the performance of information security are thus demonstrated. In the future, we will strengthen the security control of confidential information related to business operations and the information security of related critical applications to ensure the stable operation of information systems required for continuous business operations, and will continue to improve information security management and practical operations.

Information security is an essential part of Wistron ITS' commitment to our clients. In order to achieve information security objectives, we regularly conduct internal information security audits to review the implementation of information security and ensure the confidentiality, integrity and availability of information through the purpose of the audit, and follow the "Plan-Do-Check-Act Cycle" management mode to improve audit deficiencies. To continuously monitor and review management performance through an institutionalized, documented and systematic management mechanism.

Information security threats are everywhere. In order to implement information security concepts to every employee, interactive eLearning has been implemented, newly recruited employees are to complete information secu-

urity concepts and practices and pass an exam to strengthen the promotion of information security.

### Wistron ITS' Information Security Policy

#### Purpose of Information Security Policy:

1. Ensuring Information Integrity
2. Safeguarding Corporate Confidentiality
3. Ensure Smooth Company Operations
4. Protecting the Company's Reputation
5. Maintain Credibility in Project Development for Delivery to Client

#### Vision of Information Security Policy:

1. Enhance Employees' Awareness of Information Security.
2. Avoid Disclosure of Confidential Information.
3. Implementation of Daily System Maintenance.
4. Ensure Zero Down-Time Service.
5. Data Protection Optimization.
6. Improve Business Continuity Plan.



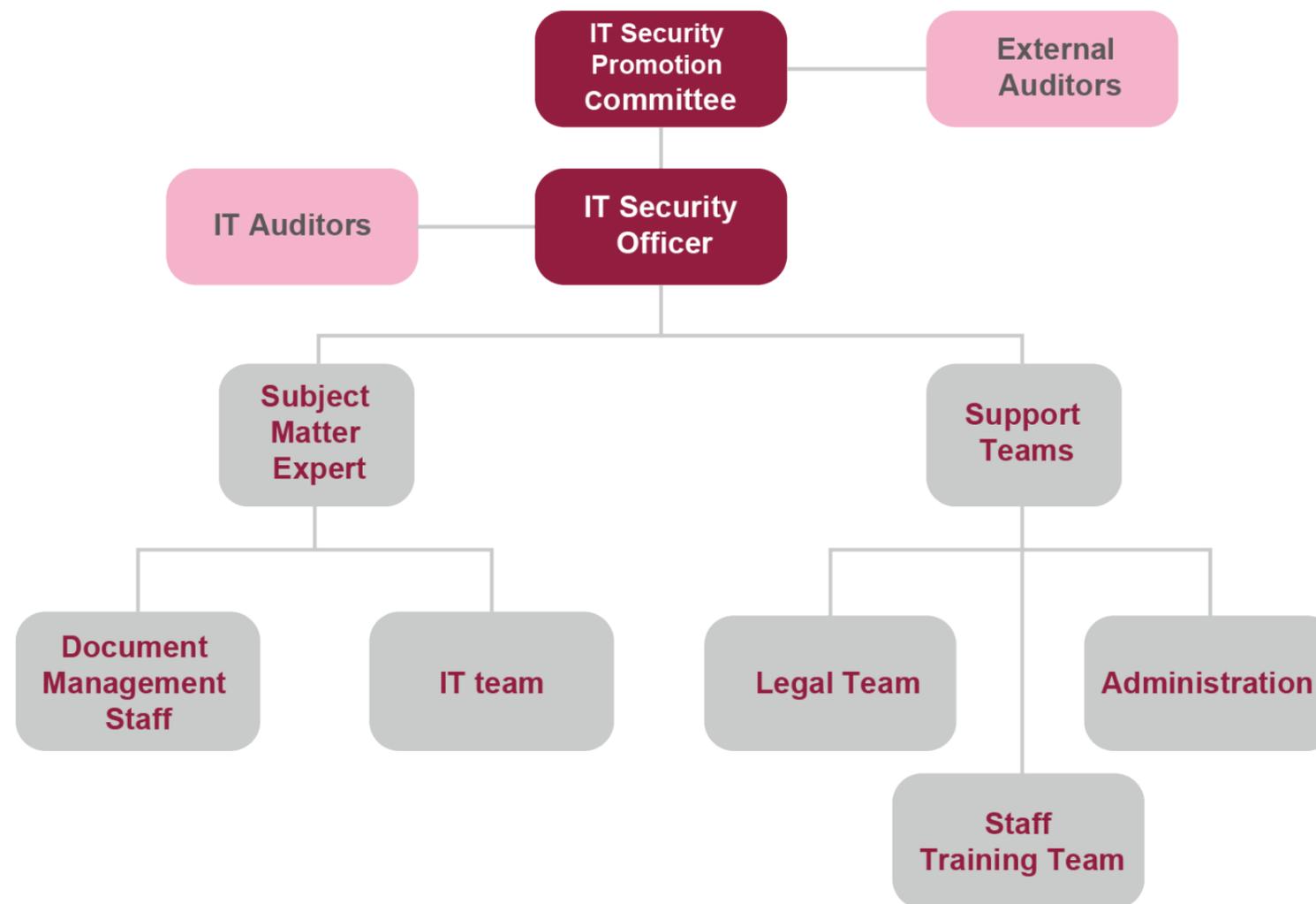
## Information Security Governance System and Organizational Operation

To enhance information security governance, the Information Security Management Committee was established in July 2008 with an information security promotion committee, an information security officer, an information security promotion team, and an information security auditor. The Information Security Promotion Team is composed of information technology experts and file control personnel, as well as support units such as the Legal Department, General Administration Department, and Education and Training Department.

The Information Security Management Committee is responsible for defining the scope of information security management, establishing the framework and system of risk management, supervising the operation of the information security management system, analyzing and evaluating the operational risks faced by the Company, regulating the rights and responsibilities of personnel involved in information security operations, reviewing and monitoring the investigation and handling of major security incidents, performing information security management reviews, and communicating and conveying the importance of information security internally.



## Organizational Structure of Wistron ITS' Information Security Committee



## Organization and Operation of the Information Security Management Committee



In order to ensure that the company's critical applications (Mail Server, SAP ERP Server, BPM Server, OSS) and critical network MPLS-VPN can continue to operate to ensure uninterrupted business operations, the system design and related practices are as follows:

- Specify the Business Impact Analysis (BIA)
- HA (High Availability) Architecture Design
- Construction of Wuhan Office Backup Data Center (BDC)
- Conduct annual DR Rehearsals for critical applications and networks.

Critical Network (MPLS-VPN) DR Rehearsal Impact Analysis Requirements completed in October 2019 with the following drill results:

SAP Server Policy	Rehearsal Result
RTO of Key Network <=4 hours	10m

[Note] MPLS-VPN Network Policy content: RTO: Recovery Time Objective



## Summary of Information Security Planning and Response Practices

Information Security Planning	Response Practices
<ul style="list-style-type: none"> <li>▪ Enhancing staff education and training on information security</li> <li>▪ Implementation of information security related procedures</li> <li>▪ Business Continuity Plan (BCP) maintenance and exercise plan scheduling</li> </ul>	<ul style="list-style-type: none"> <li>▪ To enhance employees' awareness of information security and reduce the threat of malware, social engineering simulation is advocated through regular social engineering simulation exercises to understand the sensitivity of colleagues to phishing emails.</li> <li>▪ The following information security management procedures are implemented to reduce risk.               <ol style="list-style-type: none"> <li>1. File and Record Management Programs</li> <li>2. Risk Assessment and Risk Management Programs</li> <li>3. Information Security Internal Audit Management Programs</li> <li>4. Improvement Measure Programs</li> <li>5. Information Security Management Audit Programs</li> <li>6. Information Security Incident Notification Programs</li> <li>7. Information Asset Management Programs</li> <li>8. Physical Safety Practice Programs</li> <li>9. Personnel Safety Management Programs</li> <li>10. Access Control Management Programs</li> <li>11. On-line, Change and Configuration Management Programs</li> <li>12. Network Management Programs</li> <li>13. Host Management Programs</li> <li>14. Database Management Programs</li> </ol> </li> </ul>



Information Security Planning	Response Practices
<ul style="list-style-type: none"> <li>▪ Enhancing staff education and training on information security</li> <li>▪ Implementation of information security related procedures</li> <li>▪ Business Continuity Plan (BCP) maintenance and exercise plan scheduling</li> </ul>	<ol style="list-style-type: none"> <li>15. System Development and Maintenance Security Management Programs</li> <li>16. Information Technology Equipment Procurement Management Programs</li> <li>17. Information System Outsourcing Service Management Programs</li> <li>18. Backup Management Programs</li> <li>19. Business Continuity Management Programs</li> <li>20. Information System Account Management Operating Programs</li> <li>21. Information Security Effectiveness Measurement Program</li> <li>22. Information Security Project Management Programs</li> </ol> <ul style="list-style-type: none"> <li>▪ To ensure the continuity of critical applications to ensure uninterrupted business operations, disaster recovery drills are arranged on a regular basis.</li> </ul>



## Innovation and Service

### Improve Technical Services

Speaking of IT services, we continue to master the mainstream technologies that our customers are demanding, and we also seek to enter and deploy new technologies that are promising. At present, the mainstream new technologies that we are closely observing and working on include big data and AI.

Data warehousing and big data analytics is one of the most important assets of any business, and the key to profitability and competition. Wistron ITS has accumulated many years of experience in IT services and cooperated with international companies to enter the big data field. In accordance with the technical fields of big data, Wistron ITS trains professionals in three main categories: big data data data engineering/software engineering, data analysis (data exploration, data mining, data analysis, machine learning and artificial intelligence), and data scientists/domain experts. We develop data warehousing and big data strategies and provide professional data warehousing/big data implementation and consulting services to our clients, and use our practical experience to help our clients' large amounts of data and data stability and maximize the benefits of data analysis.

In the field of AI, Wistron ITS has been involved in the development of intelligent assistant software and intelligent customer service for many years. The latest one is to enter the field of medical imaging AI, which uses deep learning models and algorithms to detect and cut images of organs, signifi-

cantly improving the accuracy of medical image interpretation.

### Creating Service Value

In addition to our performance, we continue to improve the professionalism and quality of our IT services. Since 2005, we have obtained CMMI Level 3, ISO 9001, ISO 27001 and TIPS certifications. By optimizing the use of intellectual property and systematically managing the company's intellectual property, it makes the company more competitive and increases clients' trust. In 2017, Wistron ITS further passed ISO20000 Information Technology Service Management System, ISO22301 Business Continuity Management System and many other ISO series certifications, marking Wistron ITS development, quality control, and service management standards as industry leaders.

### Emphasis on Service Responsibility and Quality

To enhance the quality of our services, we also manage the quality of our services through customer satisfaction surveys and customer interviews. In 2018, there were no violations of laws and regulations in connection with the provision of our services.



## Client Satisfaction Management

Client satisfaction is an important indicator of customer feedback on the services provided by Wistron ITS. We use clients' satisfaction evaluations and recommendations as the basis for internal operational improvements. At the same time, we are able to adjust the direction of our services in a timely manner in order to achieve maximum benefits for our customers. In order to enhance client satisfaction, we regularly collect client satisfaction data and suggestions through "Client Satisfaction Survey", and provide the relevant information and results to internal organizations for analysis, review and propose follow-up improvement measures to avoid the recurrence of similar problems, so as to maintain clients' trust in the quality of our products and services and become a long-term and trustworthy partner of our clients.

Wistron ITS' client satisfaction rating is divided into five levels: excellent (5 points), good (4 points), acceptable (3 points), poor (2 points), and inferior (1 point). The rating is based on overall evaluation, project management, professional competence of personnel, service and support, cost/quality/delivery, and cooperation relationship. For clients with low client satisfaction, we will ask the responsible department to propose improvement plans and track the results in a timely manner.

In addition, we also conduct client interviews for important clients or major projects to hear from our clients.

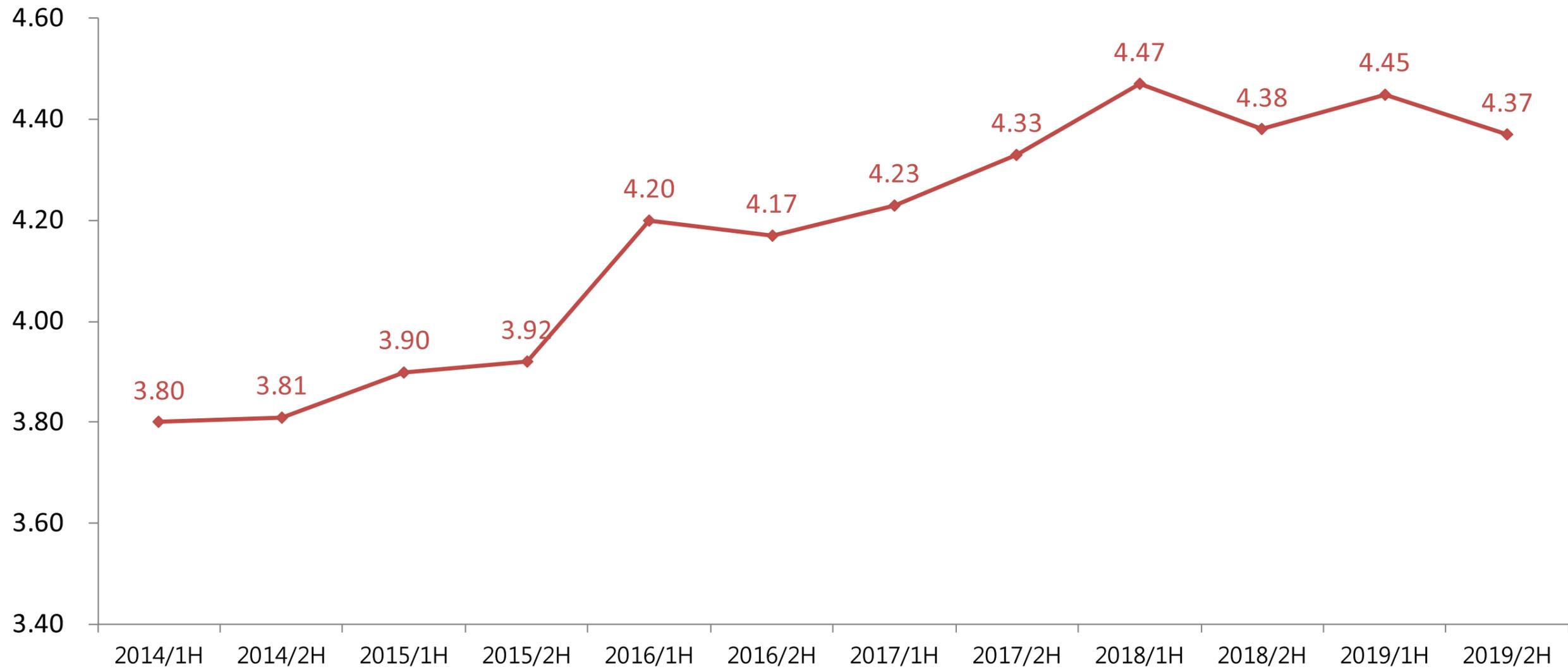
Wistron ITS Client Satisfaction Level	Scores
Excellent	5 pts
Good	4 pts
Acceptable	3 pts
Poor	2 pts
Inferior	1 pts



Wistron ITS Client Satisfaction Management Indicators	Description
Project Management Capabilities	Project planning skills, client communication skills, risk awareness and judgment, and confidentiality.
Professional Competence	Adequate project staffing, professional skills, service attitude, and work attitude of expatriates
Service and Support	The performance of Wistron ITS contacts, the ability to respond immediately to customer needs, the ability to solve problems, and the ability to handle change requests.
Cost/Quality/Delivery	Competitive price, product quality, on-time delivery



### Results of Client Satisfaction Survey



(Note)The results of this survey are the overall results of the 2014-2019 client satisfaction survey in Taiwan and China



## Supplier's Social Responsibility Management

Wistron ITS has long been concerned with social responsibility, environmental protection, labor rights, Occupational Health and Safety, and has made reference to international initiatives and requirements, including the "Electronic Industry Citizenship Coalition Code of Conduct", the "Universal Declaration of Human Rights", and the "UN Guiding Principles on Business and Human Rights", to establish a code of conduct for suppliers.

Wistron ITS provides information-related services. We view our suppliers as important partners and hope to build a long-term, stable supply chain through mutual cooperation. The main supply chains are information service providers, with local supply being the main focus of the local suppliers. In addition to considering suppliers' technical capabilities, quality, and competitive pricing, we require Wistron ITS' suppliers to comply with the following items:

- Consideration of human rights: No forced labor, no child labor, no use of foreign illegal workers, including wages and labor conditions, and safety and health standards require compliance with the laws and regulations of the country and region where they are employed.
- Endorsement of clean procurement: fair and equitable dealings.
- Ensuring Information Security: The proper handling and secure and prudent management of customer information requires that vendors adopt the same level of information security as Wistron ITS.

We have contractual agreements that requires our suppliers to follow Wistron ITS' Code of Ethical Conduct, Code of Integrity in Business Conduct, and Corporate Social Responsibility (CSR) Report in terms of environmental, safety and health issues, and to work together to promote CSR. We also follow the current environmental protection, labor safety and health laws and regulations, and cooperate with the government to promote environmental protection, energy saving, carbon reduction, and CSR policies to protect the rights and interests of workers and increase profits for clients, in order to create a win-win-win situation for clients, manufacturers, and employees.

Wistron ITS'current vendor management mechanism is as follows:

- New supplier selection: New suppliers are selected based on internal and procurement-related control processes and procurement practices, as well as respect for human rights and labor rights.
- Supplier assessment: Conduct supplier audits and spot checks from time to time, and include supplier quality, performance, and information security quality in the assessment scope.
- It is confirmed in the supplier contract that the company should follow the Code of Ethical Conduct, the Code of Ethical Management, the current environmental protection, labor safety and health laws, and cooperate with the government to promote environmental protection, energy saving and carbon reduction, and enhance corporate social responsibility policies, to jointly protect the rights and interests of employees and



increase profits for clients, in order to create a win-win-win situation for clients, manufacturers, and employees.

The supplier audit management indicators are as follows:

Management Indicators	Description
Management Systems	Whether the supplier has education and training programs, and whether the supplier provides employee training from time to time.
Employee Management	Whether or not there are written labor regulations, and advocate that suppliers should not employ child labor, should not discriminate, and should provide reasonable and lawful humane treatment to workers.
Environment Management	Providing a safe workplace, remind the supplier of their environmental responsibility and requires suppliers to be held accountable as well.
Ethics Management	All suppliers have signed contracts, respect the employment ethics, fair trade, clean business, comply with confidentiality agreements and anti-corruption.