



Knight Electronics, Inc. Living Wage & Income Statement

Knight Electronics, Inc.™

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INTRODUCTION

We believe that all individuals deserve the opportunity to earn a living wage & income including the talented and diverse group of people who work at Knight Electronics and the many individuals who make their living within our broader supply chain. Knight Electronics recognizes the concepts of living wage and living income as human rights and that mandated minimum wages are not always sufficient to allow workers a basic, but decent standard of living including but not limited to adequate housing, food, access to education, childcare, and savings for unexpected events. Furthermore, within our extended supply chain, lack of income for factory workers is a root cause of poverty which increases the risk of other human rights violations such as child or forced labor as well as deforestation. Lastly, we note the clear linkages between wages & income and achieving many of the United Nations Sustainable Development Goals.

As a result, we are taking action to maintain our strong pay practices within our operations, including continuing to pay a living wage to full-time Knight Electronics employees across our global locations. We are also establishing new partnerships and programming in our organization that will allow us to:

- Directly measure worker incomes to better target our programs and investments focused on improving incomes
- Strengthen our engagement in the pre-competitive platforms we feel are critical to enable an environment ultimately needed to promote a living income.

Definition of a Living Wage

Knight Electronics supports the Global Living Wage Coalition's definition of a living wage:

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and his/her family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

Definition of Living Income

Knight Electronics supports the Living Income Community of Practice definition of living income which builds on the concept of wages above and describes living income as:

- *The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.*

THE CASE FOR ACTION

Continuing to pay our employees a living wage and understanding how to promote living wages and income in our extended organization builds on our existing investments and is critical to our long-term business success. We employ workers directly at Knight Electronics and our supply chain includes hundreds of other workers who do not work directly for us. We know from our own experience that workers are more productive when they are paid fair wages and treated with dignity and respect. Respecting human rights and labor rights have also been linked to decreased turnover and improved performance. Workers who cannot earn a living income will not invest in the best business practices, undermining productivity as well as good environmental and labor practices.

The urgency to address living wages and income has been accelerated by the global COVID-19 pandemic, which has disproportionately burdened the most disadvantaged while creating new vulnerabilities for people who were less impacted previously. World Bank projections estimate that between 88 million and 115 million people could fall back into extreme poverty because of the pandemic. As the world begins to recover and rebuild from Covid-19, companies like Knight Electronics will play a critical role in promoting living wages and income which can enable a swift recovery and contribute to broader efforts to achieve a more just and resilient society.

CHALLENGES & OPPORTUNITIES

While we can control wages for our own employees, it is difficult for us to influence the external variables that factor into household income, such as income diversity, fluctuating commodity prices, government programs, and underlying assets such as size or bankability. In addition, collecting accurate and reliable data on income is challenging and inconsistency in existing approaches has led to divergence in living income reference points. Finally, while we have seen progress in areas like income diversification, promoting savings and loans, and efforts to promote women's empowerment, proven strategies to close the living income gap are limited and the identification of best practices for project implementation are still developing.

As a result, improving wages and income must be a shared responsibility in partnership with government, industry, and community-based organizations including women's organizations, working to align income collection and measurement approaches, and effective strategies to close the gap. Together, we must address root causes including looking more holistically at economic development strategies, and national or regional sustainability strategies to create an enabling environment for assets that ultimately strengthen income. Knight Electronics is committed to using our leverage as a global company to advance this alignment, to sharing information in a pre-competitive fashion with peers and other industry actors, and to taking actions to address these challenges directly in our own organization.

OUR FOCUS AND APPROACH

To target our efforts, Knight Electronics followed the guidance of the UN Guiding Principles on Business & Human Rights (UNGPs) to determine where individuals are most likely to experience wage- and income-related vulnerabilities along with where Knight Electronics has significant leverage, influence, and responsibility. While we are proud of our global commitment to competitive and fair pay, we felt it important to also include Knight Electronics' operations in the scope of our research to ensure we were validating our practices through credible external benchmarks. Our initial research included:

- Conducting internal research on the wages of Knight Electronics employees.
- Using available public research, as well as our own company supply chain and traceability data, to look at income vulnerabilities in other material supply chains.
- Benchmarking industry commitments and initiatives that promote living wages for workers employed through direct supplier relationships.

TAKING ACTION

While we recognize that our research demonstrates that wage & income vulnerabilities could exist in multiple parts of our organization, we have prioritized the following areas for action.

Knight Electronics, Inc. Employees & Operations

Living wages are only one part of our larger company-wide commitment to promote equity and build a more diverse and inclusive workplace. Competitive & fair pay plays a central role in this commitment, including the promotion of gender pay equity, where we currently have closed our gender pay gap with U.S. salaried women and people of color, in aggregate, earning dollar for dollar with male colleagues. To incorporate the living wage into our approach to compensation for Knight Electronics employees undertook an assessment of wages in our company operations. This assessment looked at all full-time Knight Electronics employees across our global locations. All Knight Electronics employees currently meet BSR's living wage benchmarks in their respective locations.

BSR's calculation methodology is scoped to apply to multiple countries and is based on the cost of food for an individual, which then, through various computations generates an estimate of total average household expenditures on all goods and services and finally a living wage after estimating the number of workers per household. To calculate subnational living wages, it deploys a variety of data-intense approaches, including the use of regional price indices associated with the calculation of Purchasing Power Parity conversion rates.

To continue our commitment to paying Knight Electronics employees a living wage, we will:

- Review employee wages on an annual basis and adjust any pay levels that would fall below the living wage level.
- Continue our efforts on promoting equity for people of color.
- Ensure that all managers are trained in the concept of living wages and that it is incorporated into our annual review process and wage requirements.
- Continue to assess the scope of our living wage efforts, relevant benchmarks, and methodologies for measurement which are continuing to evolve at both the national and international level.



A handwritten signature in black ink, appearing to read "John Knight", is positioned above the printed name.

John Knight
President of Knight Electronics, Inc.