

Introduction of Business Integrity Promotion and Annual Implementation Status

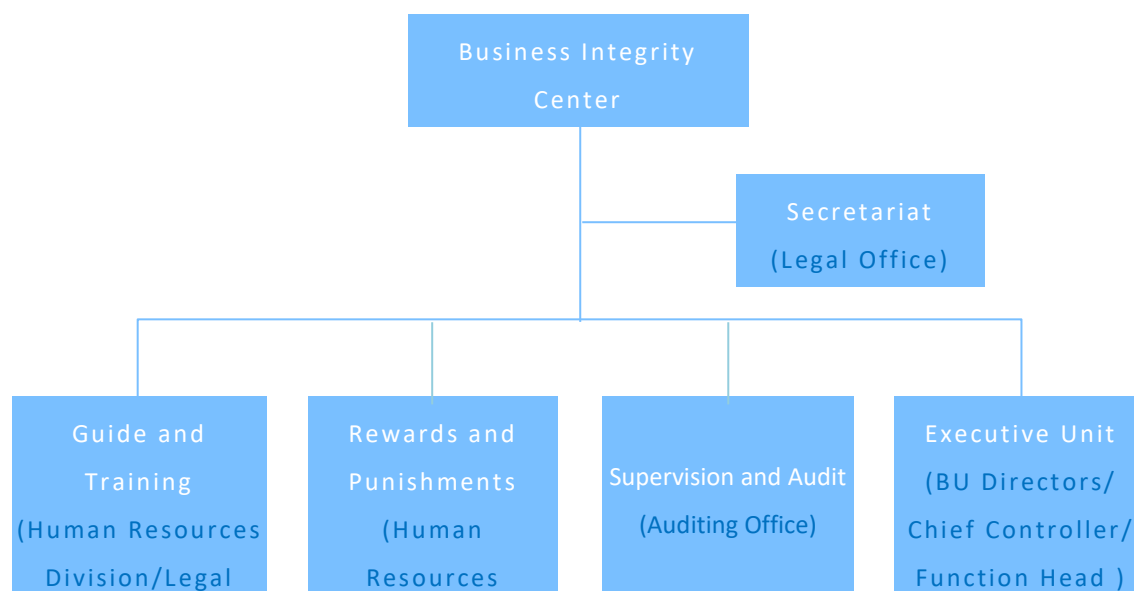
The duties and organization of the Business Integrity Committee -- as prescribed by Article 16 of Ethical Corporate Management Best Practice Principles and decided at the 7th meeting of the 17th term of office of the board of the company -- are provided as below:

Duties of Business Integrity Center

The committee assists the incorporation of integrity and business ethics into operation strategies, and develops corruption and fraud prevention measures in accordance with relevant laws and regulations to ensure business integrity.

Duty	Detail
Assistance and counseling to the board of the company in business integrity assessment on a regular basis	Help the board and management check and assess whether corruption and fraud prevention measures are effectively implemented, and report the compliance status in relevant business practices on a regular basis.
Code of conduct development	Develop programs to prevent dishonest practices, with standard operation procedures and the code of conduct specified in each program.
Supervision and management	<ul style="list-style-type: none"> Plan for subunits and duties of such units to arrange mutual-monitoring, check and balance mechanisms targeting the business activities more liable to dishonest practices. Ensure feasibility by whistleblowing policy development.
Promotion as well education and training	Promote and coordinate the business integrity policy through employee education and training.

Organization of Business Integrity Center



Operating Status of the Business Integrity Center in 2020

Reported implementation results to the Board of Directors

Number of Meetings: **1** / year Attendance Rate: **100%**

Committee members report work items on a quarterly basis

Number of Meetings: **4** / year Attendance Rate: **100%**

Education, Training, and Promotion

Walsin Lihwa continues strengthening its business philosophy of ethical management through expressed commitment, employee education and training, and promotion to develop a corporate culture of business integrity throughout the company. The ethical management statement signed by the board of directors and senior management manifests the commitment to business integrity, while relevant information in this regard provided to directors of the board on the company intranet and website emphasizes the importance of ethical management and integrity, too. There are also relevant education and training as well as online courses to help further strengthen the commitment to ethical management, integrity, legal compliance, and the code of conduct.

1. Key points of legal compliance: Encourage employees of the Legal Division to actively participate in specialized courses in Taiwan and other countries, stay up-to-date on the latest regulatory information, and understand the latest developments in specialized -elds of law.
2. Improvement of legal compliance and risk management at affiliates and subsidiaries: Convene legal compliance meetings at affiliates and subsidiaries on a non-periodic basis to ensure legal compliance consistency among them and the headquarters, and review to amend their codes of conducts and important business rules to ensure them to uniformly put ethical management and integrity in practice.
3. Provide both online and onsite education and training on ethical management and corporate governance, and implement online promotion on the company intranet as well as education and training platform to strengthen employee awareness of legal compliance by providing sufficient information resources to them, including compliance with the Ethical Corporate Management Best Practice Principles, prohibition of unethical conducts, intellectual property right protection, and obligations for confidentiality, i.e., the foci in the 2020 education and training.

● Legal Compliance Meetings at Individual Plant Sites

Site	Date	Participant	Status of Attendance	Manager Position	Non-manager Position
Yantai Walsin 、 Jiangyin Walsin (Specialty Alloy Materials)	2020/4/9	147	146	62	84

Shanghai Walsin	2020/4/13	47	47	14	33
Jiangyin Walsin	2020/4/14	41	40	11	29
Changshu Walsin	2020/4/14	59	59	21	38
Dongguan Walsin	2020/4/14	22	22	18	4
ONE Mall	2020/5/12	42	42	12	30
Nanjing Walsin (Real Estate), Nanjing Walsin (Property Management), and Nanjing Formosa Trade Center	2020/5/19	46	43	33	10

● Online Education and Training

Date	Subject	Participant	Status of Attendance
2020/6	Competition and cooperation vs. limits of concerted actions	Directors of the board and senior management	28
2020/10	Rule of law and ethical management vs. bribery	All employees	608

● Onsite Education and Training

Walsin Lihwa is committed to a well-founded corporate that can also be put in practice by its affiliates and subsidiaries, suppliers and vendors, as well as trading counterparts. For the effectiveness of ethical management and prevention of unethical conducts and bribes, Walsin Lihwa provided advanced education and training on ethical management and integrity to the employees responsible for logistics, procurement, and sales at individual plant sites in 2020 with each education and training session for about 1 hour.

Site	Date	Participant	Status of Attendance
Hsinchuang Plant, Yangmei Plant	2020/11/4	102	102
Shanghai Walsin	2020/11/5	61	56
Dongguan Walsin	2020/11/5	27	26
Nanjing Walsin (Real Estate), Nanjing Walsin (Property Management), ONE Mall	2020/11/5	79	79
Jiangyin Walsin 、 Jiangyin Walsin (Specialty Alloy Materials)	2020/11/27	33	12
Changshu Walsin	2020/11/27	42	34
Yantai Walsin	2020/12/17	44	39
Yenshui Plant, Taichung Plant	2020/12/23	136	116

- Promotion to Suppliers and Vendors

Promotion of ethical management and integrity to individual plant sites' suppliers and vendors with each session for 3 hours in 2020:

Site	Subject	Date	Status of Attendance
Yenshui Plant Taichung Plant	Ethical management and integrity as well as intellectual property protection	2020/10	35 companies
Hsinchuang Plant Yangmei Plant		2020/11	48 companies

Identification of High Risk Business Entities and Risk Management

- Risk Evaluation System Development

Facing up to ever changing risk environments by ongoing improvement of risk management, Walsin Lihwa developed a comprehensive risk evaluation system in 2020 to evaluate risk frequencies and how risks impact operations, prioritize risks, and take risk management measures accordingly with financial, operation, strategy, and hazardous incident considerations factored in.

The risk evaluation system developed in 2020 enables the Business Integrity Center to complete risk identification and evaluation and report its risk identification and evaluation results to the board through the Sustainable Development Committee. To strengthen risk monitoring and control, the implementation results of risk identification, evaluation and control at individual business units will be submitted to the internal audit system in 2021 for documentation and follow-ups.

- Improvement of Risk Management

Identification and management of risk business activities at individual plant sites were also strengthened in 2020:

1. Operational risk control meetings at the plant sites in Changshu, Jiangyin, Shanghai, and Yantai on a regular basis to stay updated on their risk business activities associated with sales, logistics, and procurement to timely develop effective management plans and follow up with effective risk control implementation on a regular basis
2. Ongoing improvement of the operating processes at the plant sites in Mainland China by inspecting, sampling, and continuing perfecting their operating processes of environmental protection and occupational safety and health, procurement, sales, and tax administration
3. Ongoing tracking of the 2019 risk control implementation results

Site	Detail
Changshu Walsin	1.Completion of the revision of relevant procurement regulations based on the 8

	major issues identified and discussed in 2019 to effect the revised regulations 2. Incorruptibility statements signed by procurement-related employees as their support for ethical management and integrity
Shanghai Walsin	Operationalization of the collection and tracking of receivables to keep overdue receivables within a reasonable amount
Yantai Walsin	Operationalization of the collection and tracking of receivables to keep overdue receivables within a reasonable amount