



Risk Management Status Report- Status Report on Evaluation of the Integrity Risk

Date: 2020.11.20



2020 Risk Management Status Report

Feb, 2020

Risk Management System Development

- The Risk Management Policy and Procedures passed at 19th meeting of the 18th term of office of the board of directors on February 27, 2020
- Stipulation of a comprehensive risk management system and individual risk management units
- Stipulation of the categories of risk management and relevant

Aug, 2020

Tools for Evaluation of the Integrity Risk

- Identification of the risk scenarios associated with unethical conducts **Completed**
- Evaluation and analysis of the risk values of unethical conducts **Completed**
- Conformation of the results of evaluation of the risks of unethical conducts **Ongoing**
- Planning for how to manage the risks of unethical conducts **(2021-)**

Comprehensive Risk Management Mechanism

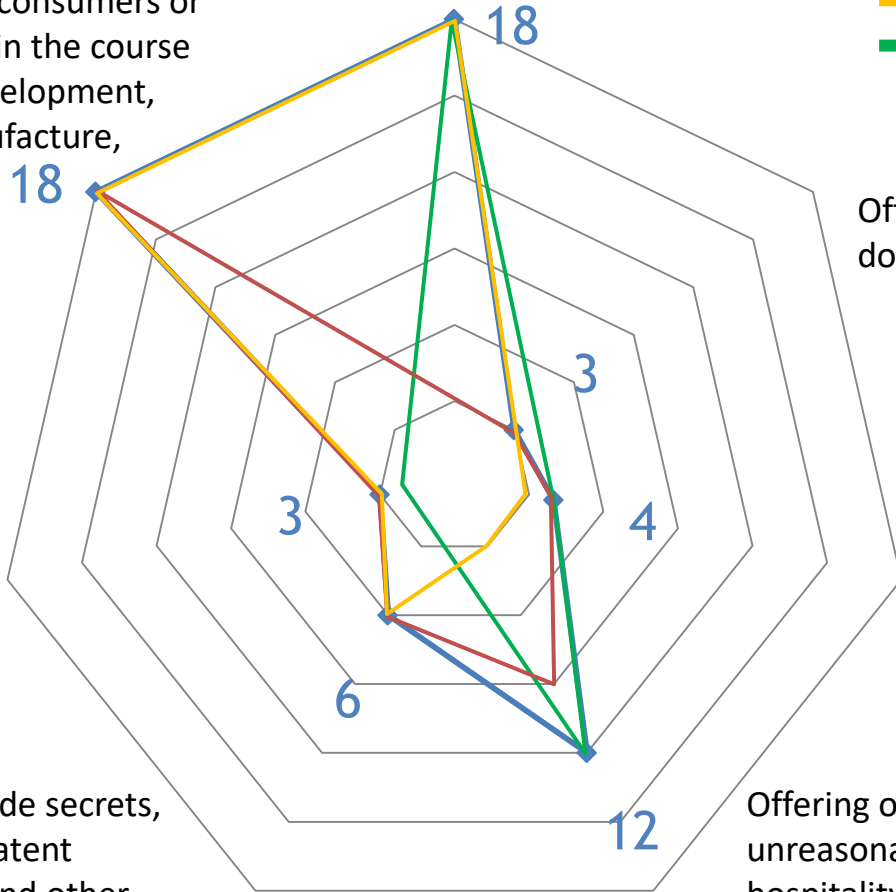
Analysis of 7 Categories of Unethical Conducts

■ The risks associated with 7 categories of unethical conducts in sales; health, safety, and environmental protection; and procurement were analyzed. A diagram of risk values is provided as following.

Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and service

Offering and acceptance of bribes

- Sales
- Health, Safety, and Environmental Protection
- Procurement



The highest risk value was set at 27.

Internal	External	Internal	
Probability (A)	Degree of impact (B)	Effectiveness of management measure (C)	Risk value (E)=A*B*C
1~3	1~3	1~3	1~27

Risk Prioritization(1/2)

- The risk scenarios whose risk values are 12 or higher than 12 were prioritized.

Categories of unethical conducts	Risk scenarios	Probability	Degree of impact	Effectiveness of management measure	Risk value
Offering and acceptance of bribes (4)	Sell wastes to specific outsourced contractors for disposal.	3	3	2	18
	Take advantage of procurement jobs to solicit bribes and/or monetary rewards from suppliers or vendors during price negotiations.	3	3	2	18
	Accept bribes from suppliers or vendors to help them win tenders, and inflate procurement costs with kickbacks included.	3	2	2	12
	Accept bribes from suppliers or vendors to help them pass audits and become or remain as qualified suppliers or vendors by making concessions during auditing.	3	2	2	12
Offering or acceptance of unreasonable presents or hospitality, or other improper benefits (4)	Accept presents or hospitality, or other benefits from suppliers or vendors to do without price negotiation procedures or forge price negotiation information.	3	2	2	12
	Accept presents or hospitality, or other benefits from suppliers or vendors to help them win tenders, and inflate procurement costs with kickbacks included.	3	2	2	12
	Accept presents or hospitality, or other benefits from suppliers or vendors to reveal tender base prices to them.	3	2	2	12
	Accept presents or hospitality, or other benefits from suppliers or vendors to help them pass audits and become or remain as qualified suppliers or vendors by making concessions during auditing.	3	2	2	12
Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and service (3)	Engage illegal waste disposal contractors to strengthen price competitiveness for tenders and incur environmental and company reputation damages.	2	3	3	18
	Fail to adopt necessary safety protection measures factoring the characteristics of dangerous workplaces and incur damages to the health or life of workers or other stakeholders.	3	3	2	18
	Neglect quality inspection to insist on shipment.	3	2	2	12

Risk Prioritization(2/2)

- The risk scenarios whose probability or effectiveness of management measures scored 3 were also prioritized.

Categories of unethical conducts	Risk scenarios	Probability	Degree of impact	Effectiveness of management measure	Risk value
Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and service (2)	Fail to develop, plan, promote, and oversee the implementation of the health and safety standards as prescribed by relevant laws and regulations to incur occupational disasters and ensuing penalties or requirements for improvement.	3	3	1	9
	Pollutants exceed emission standards to incur penalties or requirements for improvement.	3	3	1	9
Offering or acceptance of unreasonable presents or hospitality, or other improper benefits (3)	Employ government officials' children (by setting up new or similar positions with higher seniority and higher compensation doing without due process of recruitment) to compete for sales opportunities for market development in a given country.	1	3	3	9
	Offer presents or hospitality to tender organizers in exchange for critical information of open tenders such as base prices and competing tenderers	1	2	3	6
	Employ customers' children (by setting up new positions) to compete for sales opportunities for market development.	1	2	3	6
Infringement on trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights (1)	Inflate selling prices of the power cables not produced by Walsin Lihwa -- A-Class company -- by printing the Walsin Lihwa trademark on such products.	1	2	3	6

Follow-up Implementation

2021-

Planning for Management of Integrity Risks

The scenarios with higher risk values have been selected for further planning to strengthen management of the integrity risk based on the aforementioned analysis findings, and plan implementation includes:

- Inclusion into auditing for auditing on a regular basis
- Internal control system review for relevant measure and operation manual adjustment and revision
- Internalization of legal compliance and ethical conducts as core value through promotion.

Ongoing Evaluation of Integrity Risks

- Systematic introduction of the tools for evaluation of the integrity risk and relevant analyses into individual company functions
- Utilization of risk evaluation tools on a regular basis to confirm and track down how risk values change