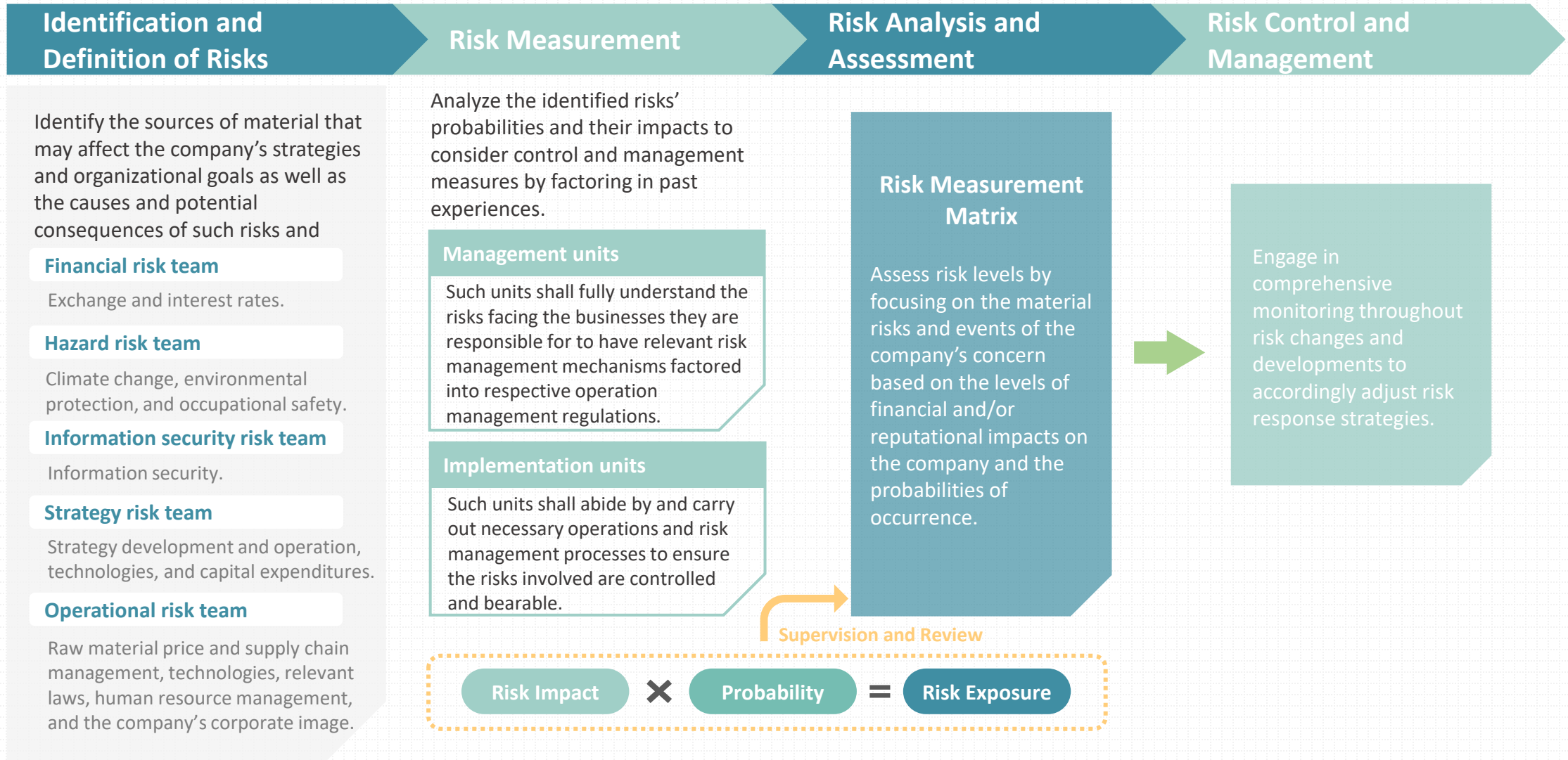




# Risk Management Status Report in 2023



# Procedures and Implementation of Risk Management

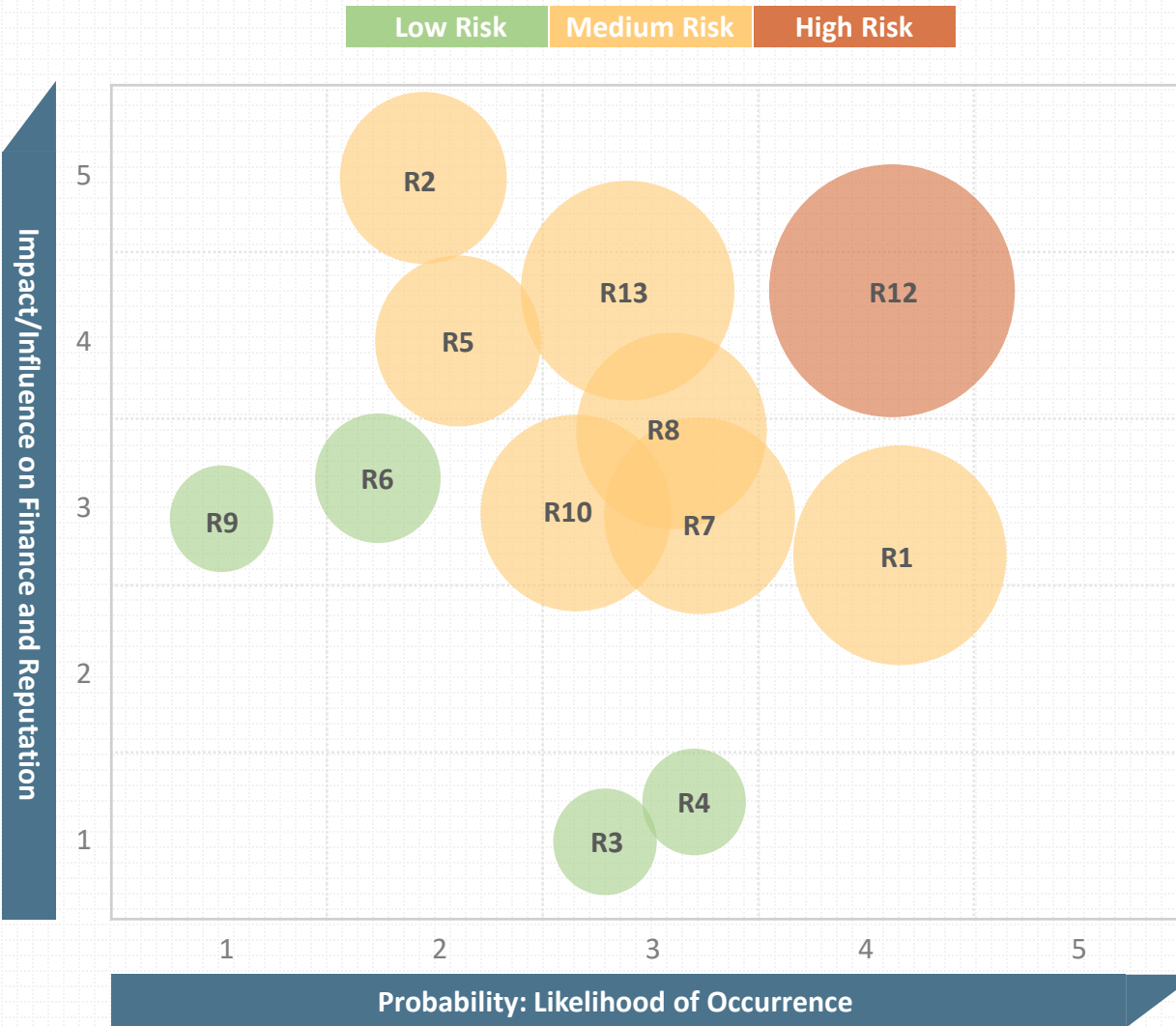


# Major Risks Throughout the World and Asia Pacific

			Risk Level	Risk Trend	Corresponding Risk Categories at Walsin Lihwa
Capital and Credit Markets	World	Credit tightening around the world and fragile real estate markets bring in more risks to bank and credit markets.	High / Mild	Unchanged / Improved	Interest rate risks
	Asia	Tightening credit channels and increased loan costs dampen the prospect of low-credit issuers.	High	Unchanged	
Recession	Asia	Global economy faces a risk of hard landing that can further decrease total demand and exports.	High	Unchanged	Strategy and operational risks
Inflation	World	Sustaining higher long-term interest rates and limited market liquidity amount to a damage to weak borrowers.	High	Worsening	Interest rate risks
	Asia	Borrowers face rising cost pressure as inflation has yet to be fully alleviated and may escalate again.	High	Unchanged	
Geopolitics	World	Geopolitical tensions may escalate to result in market and business environment disruptions.	High	Unchanged	Strategy and operational risks
	Asia	Escalating geopolitical tensions can further worsen investment and trade to rekindle inflation.	Rising	Worsening	
ESG	World	Climate risks and energy transformation amount to a challenge resulting from rising costs.	Rising	Worsening	Climate change and environmental risks
	Asia	Climate change and nonlinear energy transformation threaten food and energy supplies and may trigger off inflation and social unrest.	Rising	Worsening	
Technologies	World	Cyberattacks and rapid technology changes are potential threats to global commerce and government infrastructures.	Rising	Worsening	Technology risks
	Asia	Ongoing acceleration of technology development and increasingly innovative cyberattacks undermine business models and damage credit standings.	Rising	Unchanged	

Note: Taiwan Ratings identified the major risks in Asia Pacific in the 3rd quarter of 2022 to commence a one-year follow-up of such risks.

# Risk Matrix



Risk Categories	Risks in 2022
Interest Rate	R1 Higher financing costs
	R2 Liquidity risks resulting from deleveraging
Strategy and Operational	R3 Investment amounts exceeding budgeted objectives
	R4 Overdue project risks to be resolved by implementation of effectiveness tracking
	R5 Investment and trade worsened by escalating geopolitical tensions
	R6 Needs in development of green energy applications and new products for the manufacturing service industry
	R7 Increased risks of account receivable defaults
Law	R8 Operational compliance risks
	R9 Business ethic violations such as offering and/or receiving briberies
	R10 How to enable comprehensive information security management against malicious attacks
Information Security	R10 How to enable comprehensive information security management against malicious attacks
Climate Change and Environmental	R12 How to achieve the net zero roadmap by energy saving, green power development, and low-carbon investment
	R13 Climate change mitigation (Energy management and competitiveness impacted by carbon taxation)

# Risks and Risk Control and Management Measures

		Probability	Impact	Control and Management Measures
Climate Change and Environmental	How to achieve the Net Zero roadmap	Medium to high	Medium to high	<ul style="list-style-type: none"> <li>Stipulate and disclosure the carbon reduction goal as well as relevant strategies and substantial action plans.</li> <li>Provide greenhouse gas inventory disclosure in the consolidated financial statement by 2025 the latest, with the inventory at the parent company already disclosed accordingly.</li> <li>Reporting to the board on a regular basis, and direct and supervise operational decisions.</li> </ul>
	Climate Change Mitigation	Medium	Medium to high	<ul style="list-style-type: none"> <li>Strengthen the review of energy saving measures, renewable energy compliance, and assessment of renewable energy utilization.</li> <li>Promote short-term energy saving solutions, green power allocation planning, as well as green supply chain and green procurement development.</li> </ul>
Interest Rate	Increased Financing Costs	Medium to high	Medium	<div style="border: 1px dashed orange; padding: 5px; display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid blue; border-radius: 50%; padding: 2px 5px; color: white; font-weight: bold;">2021</div> 5-year corporate bond issuance           <div style="border: 1px solid blue; border-radius: 50%; padding: 2px 5px; color: white; font-weight: bold;">2022</div> Follow-on offering           <div style="border: 1px solid blue; border-radius: 50%; padding: 2px 5px; color: white; font-weight: bold;">2023</div> 5- and 10-year corporate bond and GDR issuance         </div> <p style="text-align: right; color: orange; font-weight: bold;">A total of NT\$33.8 billion raised</p> <ul style="list-style-type: none"> <li>Strengthen cash balance on account and working capital control.</li> </ul>
Strategy and Operational	貿易及投資條件惡化	Medium to low	Medium to high	<ul style="list-style-type: none"> <li>Supply chain resilience development.</li> <li>Regional trade development.</li> <li>Regional funding center establishment.</li> </ul>
Law	應收帳款違約風險增加	Medium	Medium	<ul style="list-style-type: none"> <li>Examination and review of business and financial credit ratings on a regular basis.</li> <li>Payment terms, customer credit assessment, and transaction regulations carried out accordingly by salespeople.</li> <li>Account receivable collections on a project basis.</li> </ul>

hank you