

Risk Management Policy and Procedures

Walsin Lihwa

Passed by the Board of Directors on January 26, 2024

Chapter I General Principles

Article 1 The Risk Management Policy and Procedures (hereafter referred to as the Procedures) of Walsin Lihwa are stipulated pursuant to relevant articles of the Regulations Governing Establishment of Internal Control Systems by Public Companies promulgated by the Financial Supervisory Commission as well as the Sustainable Development Best Practices for TWSE/TPx Listed Companies jointly adopted by the Taiwan Stock Exchange Co., Ltd. and the Taipei Exchange.

Article 2 Risk management at the Company is intended to factor in and manage various risks that may impede corporate objective fulfillment. It has a complete risk management framework that integrates risk management into operation and day-to-day management to help achieve the following objectives:

1. Corporate objectives fulfillment,
2. Management effectiveness enhancement,
3. Availability of reliable information, and
4. Effective allocation of resources.

Article 3 Stipulation of the Procedures is intended to help ensure sound management and sustainable development of the Company by establishing a comprehensive risk management system involving and implemented by the Board of Directors, Audit Committee, President and President's Office, Auditing Office, individual risk management units, other individual units, and subsidiaries.

Chapter II Organizations of Risk Management

Article 4 The organizations of risk management consist of the following:

1. Audit Committee and Board of Directors
The Audit Committee is responsible for assessment of internal control effectiveness to ensure timely management of existing or potential risks, while the Board of Directors is charge of risk management policy ratification and important decision-makings.
2. President and President's Office
The President is responsible for planning and overseeing risk management coordination and implementation, while the

President's Office assists the President in fulfilling the aforementioned duties and is the secretariat for risk management as prescribed in the Procedures.

3. Auditing Office

The Auditing Office reports directly to the Board of Directors and inspects risk management to help ensure compliance with relevant regulations and the Procedures by timely reporting existing or potential risks.

4. Individual Risk Management Units

Individual risk management units of the Company shall fully understand the risks facing their business to incorporate risk management mechanisms into operation management rules.

5. Other Individual Units and Subsidiaries Other individual units and subsidiaries of the Company shall categorically identify the risks they face to take necessary measures for risk management and ensure the risks remain within defined risk appetite boundaries.

Chapter III Risk Categories and Management Mechanisms

Article 5

The Company's risk management precedes include at least five elements: 1) risk identification, 2) risk analysis, 3) risk assessment, 4) risk responsiveness, and 5) risk monitoring and review mechanism, which are respectively implemented as the following:

I. Risk identification

Individual functioning units and subsidiaries shall identify relevant risks based on their short-, medium-, long-term objectives and business responsibilities in accordance with the Company's strategic objectives as well as risk management policy and procedures approved by the board.

Risk identification may use various feasible analysis methods tools such as process analysis, situation analysis, questionnaire surveying, PESTLE analysis, etc. and factor in past experiences and information, internal and external risk factors, as well as stakeholders' concerns through bottom-up and top-down analyses and discussions of strategic and operational risks, so that the potential risks that may make the Company fail to achieve its objectives and incur losses or negative influences to the Company can be effectively identified.

II. Risk analysis

Individual functioning units and subsidiaries shall focus on their identified risks as well as past experiences and relevant trade cases

to consider whether relevant control and management measures are complete enough to analyze risk probabilities and degrees of impact, based on which risk values can be calculated.

1. Risk analysis measurement standards

The secretariat for risk management is advised to develop appropriate quantitative or qualitative measurement standards based on the Company's risk characteristics as the basis for risk analysis.

Qualitative measurement standards express risk probabilities and degrees of impact through text description. Qualitative measurement standards express the same but through specific and calculable numerical indicators such as how many days and people, percentages, and monetary values.

2. Risk appetite

The secretariat for risk management is advised to develop risk appetite, i.e., risk tolerance, to report it to the Audit Committee and the Board of Directors for them to decide the Company's tolerable risk limit. Risk levels corresponding to individual risk values and how to respond to different risk levels should be developed based on risk appetite as the basis for subsequent risk assessment and responsiveness.

III. Risk assessment

Individual functioning units and subsidiaries shall follow risk analysis results as compared with the risk appetite approved by the Audit Committee and the Board of Directors for follow-up risk response plan implementation in accordance with risk level planning.

Relevant risk analysis and assessment results shall be accurately recorded and submitted to the Audit Committee.

IV. Risk responsiveness

After individual functioning units and subsidiaries assess their business risks, countermeasures to such risks shall be proposed and appropriate control measures shall be taken accordingly. The countermeasures shall also be provided to the secretariat for risk management and reported to the Audit Committee.

V. Risk monitoring and review

The secretariat for risk management shall report risk management procedures to the management on a regular basis and shall immediately report material risk issues to the Audit Committee and the Board of Directors.

Article 6 The following categories of risks are included into risk management based on the Company’s business and management characteristics.

1. Interest rate risks
2. Exchange rate risks
3. Climate change and environmental risks
4. Occupational safety risks
5. Raw material price and supply chain risks
6. Information security risks
7. Strategy and operational risks
8. Capital expenditure risks
9. Legal risks
10. Technology risks
11. Manpower management risks
12. Corporate image risks
13. Emerging risks

The appendix table 1 details the aforementioned categories of risks, responsible risk management units, and risk management mechanisms.

Article 7 Individual risk management units shall adjust risk management mechanisms on a regular basis based on internal and external environment changes and shall report material risk issues to the Board of Directors.

Chapter IV Supplementary Provisions

Article 8 Individual risk management units may stipulate necessary management procedures for the risk management mechanism as prescribed in the Procedures.

Article 9 Any amendment to the risk categories in the appendix table 1 shall be resolved by the Audit Committee and Board of Directors, while individual risk management units may amend others in the table based on their business characteristics as well as internal and external environment changes to report what is amended to the Audit Committee and Board of Directors.

Article 10 The Procedures became effective upon passage by the Board of Directors on February 27, 2020. The first amendment was made on January 26, 2024. Any amendment to the Procedures shall also be passed by the Board of Directors to become effective.

Table 1

Item	Risk Categories	Risk Management Units	Risks	Management Mechanisms
1	Interest rate risks	Finance Division	Interest rate changes	<ul style="list-style-type: none"> • Monitor market interest rate changes, control existing long- and short-term borrowing positions, and timely utilize market instruments to lock in interest rate costs. • Stay on top of fund statuses and assess various funding methods and instruments based on annual budget needs to help lower the cost of funds. • Maintain good bank relations to get the best loan and deposit interest rates.
2	Exchange rate risks	Finance Division	Exchange rate changes	<ul style="list-style-type: none"> • Monitor exchange rate changes and relevant information on a daily basis, forecast and track exchange rate risks associated with exports and imports, and assess exchange rate risks as well as any gain or loss associated with asset and liability positions. • Engage in hedge strategy development supported by foreign exchange spot and forward trading for exchange rate hedging. • Implement exchange rate risk control and relevant hedge operations targeting any material capital expenditure and fund transfer that may result in changes in foreign currency positions. • Keep market risks within acceptable, bearable, or reasonable boundaries to maximize risk-adjusted returns.
3	Climate change and environmental risks	Environment, Health, and Safety Division	Carbon emission control	<ul style="list-style-type: none"> • Conduct energy management system and energy management performance indicator development to facilitate energy efficiency management for the long term. • Invest in green power development and establish product carbon footprints step by step to strengthen carbon reduction effectiveness while preparing for carbon right trading.
		Environment, Health, and Safety Division	Environmental pollution and energy consumption reduction	<ul style="list-style-type: none"> • Continue strengthening reclaimed water and waste fluid recovery to decrease tap water and raw material consumption. • Continue R&D of waste reuse technologies to increase resource recyclability.
		President's Office		<ul style="list-style-type: none"> • Improve decision-making and strengthen production, manufacture process, business model, and raw material procurement management, and implement the TCFD recommendations to help identify major business challenges and opportunities while promoting various climate change mitigation and adaptation initiatives to decrease climate change impacts.

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4	Occupational safety risks	Environment, Health, and Safety Division	Work environment and employee safety	<ul style="list-style-type: none"> • Conduct occupational environmental, health, and safety training to make environmental, health, and safety management systems consistent throughout domestic and overseas sites, reexamine to identify employee risks at work, and continue decreasing the incidences of accidents at work. • Strengthen integrating occupational safety and environmental protection management systems throughout the Company to facilitate onsite guidance and require document consistency and system steadiness. • Require contractors and subcontractors to commit to corporate social responsibilities by signing letters of consent to abide by the Company’s environmental, health, and safety policy as well as relevant laws and regulations to help decrease disasters and environmental pollution. • Optimize occupational sanitation management while strengthening health management, occupational disease prevention, and biological health control for employees to improve their physiological and psychological wellbeing.
5	Raw material price and supply chain risks	Metal Risk Management Div.	Raw material price fluctuations	<ul style="list-style-type: none"> • Supplier management: Cautiously evaluate and actively seek new material sources to prevent monopoly by a few suppliers. • Establish a safety stock by effective stock management and buy spot materials for some consumption to flexibly meet production needs. • Understand and proactively deal with market situations through business intelligence scouting or market surveys. • Implement raw material and market price risk management targeting material price-sensitive operations to keep risks within acceptable, bearable, or reasonable boundaries and maximize risk-adjusted returns.
		Metal Raw Material Procurement Div.	Material supply suspension	
6	Information security risks	IT Center	Information system and confidential information protection	<ul style="list-style-type: none"> • Continue bringing in advanced information security solutions to monitor and manage host and network activities for effective information protection. • Plan and implement data protection mechanisms to help prevent user-end data leaks. • Strengthen protection of information provided externally against hacker attacks. • Provide education and training on a regular basis to instill new knowledge on information security to strengthen information security consciousness among employees. • Provide system disaster backup drills targeting mission-critical systems on a regular basis to ensure timely system operation resumption and keep business going as usual. • Implement the Security Operation Center (SOC) to effectively enable real-time responsiveness

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				<p>to information security issues.</p> <ul style="list-style-type: none"> Strengthen cloud information security management through Zero Trust to achieve digital and ESG sustainability.
7	Strategy and operational risks	President's Office	Strategy risks	Report strategy issues to the Board of Directors on a regular basis to have the Board of Directors' involvement, recommendations, and supervision to decrease strategy risks.
		Strategic Performance Management Div.	Business objective fulfillment	Convene business performance meetings to review to which extent annual business objectives have been achieved.
8	Capital expenditure risks	Strategic Performance Management Div.	Major equipment procurement and management	<ul style="list-style-type: none"> Stipulate and amend the Company's Rules on Capital Expense Management.
		Individual Responsibility Centers		<ul style="list-style-type: none"> Report material capital expenditures to the Audit Committee and Board of Directors for their review and approval.
9	Legal risks Legal risks	Legal Division	Penalties for violations	<ul style="list-style-type: none"> Entrust legal risk management to the Legal Department to provide legal counseling and recommendations on company internal policies, legal compliance, litigations, investment and M&A, and intellectual property right management.
			<u>Intellectual property risks</u>	<ul style="list-style-type: none"> Enact and/or amend relevant intellectual property management measures such as the Patent Management Measures and Confidential Document Management Measures. The Legal Division continues education and training on intellectual property, business secret, and confidential document management to strengthen employee awareness of the risks related to acquisition and maintenance of intellectual property rights for them to take confidentiality measures accordingly.
			Transaction risks	<ul style="list-style-type: none"> Manage different contract signings and related risks through contract management system development, while supervising and managing how company seals are produced, used, and invalidated through seal management system development to help decrease overall legal risks, with legal education and training provided by the Legal Division on a regular basis to help strengthen legal risk consciousness among employees to ensure legal compliance in conducting business, decrease transaction risks by proactive prevention, and help perfect corporate governance.
			Personal data risks	<ul style="list-style-type: none"> The Company's Personal Data Protection and Management Measures enacted in December 2014 are intended to protect and manage personal data. The Human Resources Division and the Legal Division are primarily responsible for implementation of relevant protection measures.

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		Business Integrity Center	Employee misconduct	<ul style="list-style-type: none"> Require employees to abide by the Company's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Ethical Conduct Guidelines for Employees to ensure ethical corporate management, further strengthen the Company's ethical corporate culture, encourage employees to live up to ethical standards and refrain from illegalities, and perfect corporate governance.
10	Technology risks	Individual business groups	Abrupt market changes and technology lags	<ul style="list-style-type: none"> Gain an in-depth understanding of and manage customer and end user needs to speed up product material, manufacture process, and product application development to stay abreast with rapid market changes. Make good use of smart manufacture, the internet of things, and big data analysis to enhance production efficiency and product quality while lowering costs. Stay closely on top of trade, market, industry, and customer changes as a reference for production as well as product and technology development. Develop high added-value and quality products, strengthen customer service, and enable diversification into the manufacturing service industry.
11	Management risks	Human Resources Division	Personnel changes and management-employee relations	<ul style="list-style-type: none"> Strengthen management-employee communications to facilitate a harmonious relation. Strengthen employee recruitment management, employee competence review, as well as implementation and management of employee education and training. Improve personal data collection, processing, and management to continue optimizing company bylaws provided in written form and respect for employee rights. Ensure existing human resource management and related administrative measures comply with relevant laws and regulations.
12	Corporate image risks	Corporate Communication Department	Bad images	Establish effective crisis management mechanisms and hold crisis simulation drills targeting corporate image risks to ensure timely responsiveness to any crisis to protect the corporate image and streamline communications with related stakeholders through consistent messages delivered the company spokesperson as well as clarification of misinformation on the Market Observation Post System of the Taiwan Stock Exchange.
13	Emerging risks	President's Office	Identification of potential risks	Take into account the global environmental change trends and the Global Risks Report released by the World Economic Forum every year in conjunction with the Company's business development and future vision planning to help

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				identify the emerging risks that should be paid attention to on a long-term basis.