

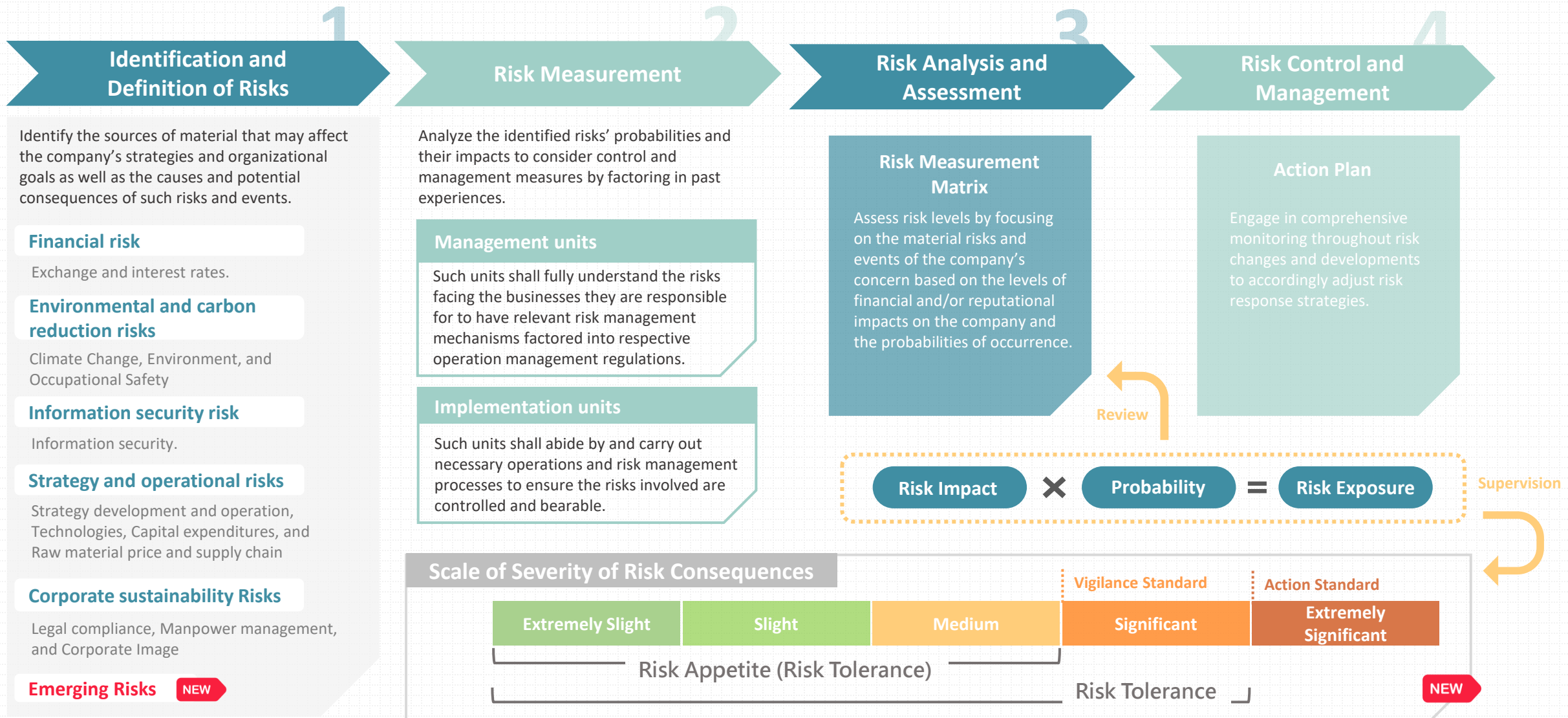


# Risk Management Status Report in 2024



2024/11

# 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.	Rising	↑ Unchanged	Financial risk
	Asia	Tightening credit channels and increased loan costs dampen the prospect of low-credit issuers.	High	Unchanged	
Inflation	World	Sustaining higher long-term interest rates and limited market liquidity amount to a damage to weak borrowers.	High	↓ Improved	Financial risk
	Asia	Borrowers face rising cost pressure as inflation has yet to be fully alleviated and may escalate again.	High	Improved	
Geopolitics	World	Geopolitical tensions may escalate to result in market and business environment disruptions.	High	↑ Worsening	Strategy and operational risks
	Asia	Geopolitical tensions may hinder policy predictability and increase financial market volatility.	Rising	Worsening	
ESG	World	Climate risks and energy transformation amount to a challenge resulting from rising costs.	Rising	Worsening	Environmental and carbon reduction risks
	Asia	Climate change and nonlinear energy transformation threaten food and energy supplies and may trigger off inflation and social unrest.	Rising	Worsening	
Information Security	World	Cyberattacks and rapid technology changes are potential threats to global commerce and government infrastructures.	Rising	Worsening	Information security risk
	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 2024 to commence a one-year follow-up of such risks.

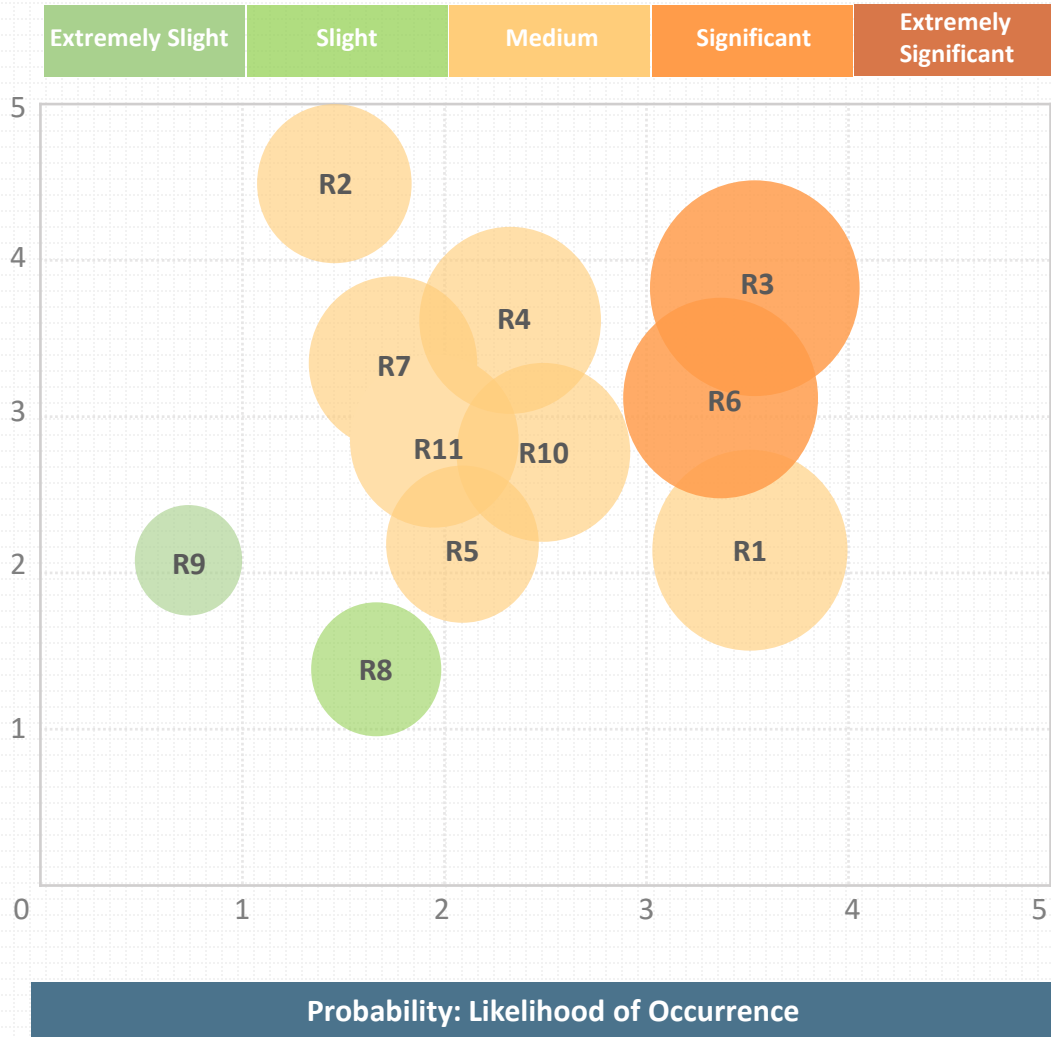
# Identification of Emerging Risks

Identification of emerging risks is based on the Global Risks Report 2024 released by the World Economic Forum and resilience under pressure as noted in Global Credit Conditions Q3 2024 published by Taiwan Ratings and S&P Global) Ratings while factoring in Walsin Lihwa’s business development and future outlook planning.

Emerging Risks	Description	Potential Impact
Information Risks Exacerbated by AI	The booming development of AI applications is expected to boost the market value of generative AI to more than US\$100 billion in 2030. Its 35% average annual growth rate, on the other hand, may make fake information more threatening because confidential information may leak to jeopardize the operation of Walsin Lihwa when AI is increasingly used at work to improve efficiency.	Employees are unable to make sure whether the information acquired by AI involves business secrets and may incur infringement. Confidential information acquired by any outsider through AI and improper use of such information may increase the probability of confidential information or business secrets being compromised. As a result, company reputation damages and weakened trustworthiness can further impact competitiveness.
Employee Recruitment and Retention	According to the Ministry of Interior, the number of newborns in Taiwan has been decreasing over recent years and, according to a National Development Council forecast, Taiwan will become a super-aged society by 2025. A decreasing birthrate and an aging workforce will result in severe labor shortages and pose a stiff challenge to employee recruitment.	Labor shortages make it difficult to cope with future changes by recruitment of suitable employees. Company transformation and expansion into new realms would require increasing hiring of external personnel together with adjustment of existing job functions to incur higher personnel costs.

# Risk Matrix

Impact/Influence on Finance and Reputation



## Risk Categories

## Risks in 2024

### Finance

- R1 Increasing financing costs decrease financial flexibility.
- R2 Liquidity risks resulting from deleveraging

### Environment and Carbon Reduction

- R3 The intensifying issue of climate change requires strengthening management of global carbon reduction.
- R4 Higher energy costs and energy shortages resulting from energy transformation require investment in energy diversification.

### Information Security

- R5 Cyberattacks are increasingly frequent and sophisticated, while the technology of phishing in camouflage is also increasingly advanced.
- R6 AI exacerbates information risks including possible business secret leaks.

### Strategy and Operation

- R7 Intensifying geopolitical tensions dampen investment and trade.
- R8 Green energy applications and new products for the manufacturing service industry need to be developed.

### Corporate Sustainability

- R9 There may be unethical business incidents such as bribery giving and/or taking.
- R10 Sustainability-related laws promulgated by individual countries increase the uncertainties about compliance.
- R11 Employee recruitment and retention-wise, labor shortages make it difficult to recruit suitable employees.

Probability: Likelihood of Occurrence

# Risks and Control Measures

Emerging Risks

Categories		Probability of Occurrence	Degree of Impact	Control Measures
R3	Intensifying Issue of Climate Change Requiring Strengthening Management of Global Carbon Reduction	Medium to high	High	<ol style="list-style-type: none"> <li>1. Increase the awareness of and disclose the company's carbon reduction target, strategy, and tangible action plan.</li> <li>2. Strengthen Implementation of effective carbon reduction, expedite green power procurement planning, and analyze the operational impact from carbon fees and taxes as well as green power procurement.</li> <li>3. Report to the board on a regular basis, guide and supervise carbon reduction and energy transformation plan implementation, and implement the International Financial Reporting Standard (please refer to the appendix) as planned to incorporate sustainability into business decisions.</li> </ol>
R6	Information Risks Exacerbated by AI to Probably Aggravate Business Secret Leaks	Medium to high	Medium to high	<ol style="list-style-type: none"> <li>1. Increase the awareness of information risks and crises, conduct social engineering drills on a regular basis, and include information security and business secrets into annual compulsory courses for employees to strengthen their alertness to relevant issues.</li> <li>2. Strengthen information security incident reports and drills, and develop scenarios on ransomware attacks and malware reconnaissance of intelligence in local area networks to accordingly conduct drills and familiarize employees with communication procedures and emergency response capabilities.</li> <li>3. Walsin Lihwa has stipulated its Confidential Document Management Regulations to define the classification of various confidential documents and rights to access such documents, encrypt highly sensitive data, and restrict access to only authorized personnel to ensure proper preservation and management of business secrets and confidential information.</li> </ol>
R11	Employee Recruitment and Retention Difficult Recruitment Resulting from Labor Shortages	Medium	Medium	<ol style="list-style-type: none"> <li>1. Develop international business presences to facilitate global expansion, and increase recruitment of international talents to strengthen cultural diversity and teamwork.</li> <li>2. Strengthen on-campus recruitment by holding relevant on-campus events on a regular basis to have a head start in hiring young people with great potential and secure future human resources.</li> <li>3. Strengthen employee retention through talent development programs as well as employee benefit and incentive plans to improve employees' sense of belonging to their company and their long-term career development opportunities.</li> </ol>

## Routine Promotion of Information Security

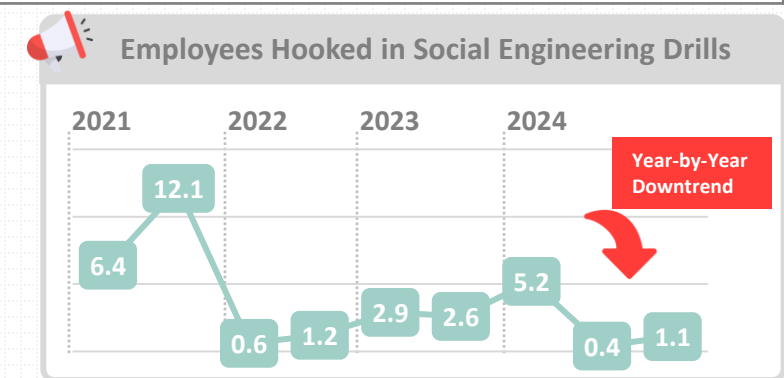
- ✓ Updates on company policies and relevant new knowledge whenever necessary with a total of 8 promotional articles.
- ✓ Annual Cybersecurity Awareness Months arranged for employees with a total of 10 promotional articles.

## Information Security Education and Training

- ✓ Inclusion of the code of conduct for information security and information security knowledge into annual compulsory courses for employees to factor their course results into employee performance assessments.
- ✓ ISO27001:2022 LA certification obtained by designated responsible employees.

## Information Security Incident Report Management and Drill

- ✓ Information security incident processing and response process development by using the Microsoft 365 Management Platform.
- ✓ 25 employees together with 12 suppliers invited to the drill.



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