Annual Risk Management Implementation Report



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2026/10/31

Procedures and Implementation of Risk Management

1 Identification and Definition of Risks

Identify the sources of material that may affect the company's strategies and organizational goals as well as the causes and potential consequences of such risks and events.

Financial risk

Exchange and interest rates, raw-material prices

Environmental and carbon reduction risks

Climate Change, Environment, Fiscal policies, Occupational Safety

Information security risk

Threat to information and data

Strategy and operational risks

Strategy development and operation, Technologies, Capital expenditures, and Raw material price and supply chain

Corporate sustainability Risks

Legal compliance, Manpower management, and Corporate Image, risk from sustainability issues

Emerging Risk NEW

2 Risk Measurement

Analyze the identified risks' probabilities and their impacts to consider control and management measures by factoring in past experiences.

Management units

Such units shall fully understand the risks facing the businesses they are responsible for to have relevant risk management mechanisms factored into respective operation management regulations。

Implementation units

Such units shall abide by and carry out necessary operations and risk management processes to ensure the risks involved are controlled and bearable。

3 Risk Analysis and Assessment

Risk Measurement Matrix

Assess risk levels by focusing on the material risks and events of the company's concern based on the levels of financial and/or reputational impacts on the company and the probabilities of occurrence.

4 Risk Control and Management

Action Plan

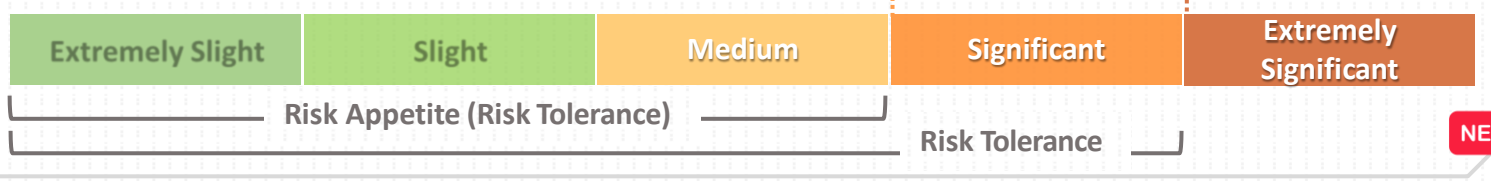
Engage in comprehensive monitoring throughout risk changes and developments to accordingly adjust risk response strategies.

Review

Risk Impact × Probability = Risk Exposure

Supervision

Scale of Severity of Risk Consequences



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Major Risks Throughout the World and Asia Pacific

			Risk Level	Risk Trend	Mapped Risk Category
Funding & Credit Markets	GL	Risk contagion may dampen risk appetite, while tighter financing conditions may put pressure on asset valuations.	Elevated ↓	Unchanged	Financial Risk
	AP	Recurring tension surrounding the Strait of Hormuz may heighten volatility in financial and foreign exchange markets.	Elevated	Unchanged	
Energy & Critical Raw Materials Supply	GL	The slow recovery of shipping operations may prolong raw material shortages and drive up costs across supply chains, continuing to squeeze profit margins, fuel inflation, and weigh on economic growth.	High	Unchanged	Strategic & Operational Risk
	AP	Raw material shortages may disrupt downstream manufacturing. Combined with inflationary pressures, these disruptions may heighten downside risks for export-oriented APAC economies.	High	Unchanged	
Tariffs & Trade	GL	The shift toward product-specific tariffs has increased uncertainty and disrupted production planning, while the redirection of Chinese exports to other markets has intensified competitive pressure.	Elevated ↓	Unchanged	Strategic & Operational Risk
Economic Growth Slowdown	GL	Growth expectations remain dependent on a limited number of industries. Escalating tensions surrounding the Strait of Hormuz could amplify economic vulnerabilities and heighten risks related to energy, inflation, and public finances.	Elevated ↓	Unchanged	Strategic & Operational Risk
	AP	Weak domestic demand in China and price-cutting competition among businesses are eroding profit margins. Weaker demand and increased exports of Chinese products are jointly weighing on the profitability of APAC producers.	Elevated ↓	Unchanged	
Geopolitics	GL	Geopolitical tensions are reshaping trade and capital flows. Increased defense spending and subsidies may crowd out investment, undermining economic growth and market stability.	High	Unchanged	Strategic & Operational Risk
	AP	Shifts in U.S.–China and China–Japan relations may disrupt regional trade and technology supply chains, complicating policy coordination and affecting capital flows.	High	Unchanged	
Climate Risk	GL	Shifts in U.S.–China and China–Japan relations may disrupt regional trade and technology supply chains, complicating policy coordination and affecting capital flows.	Elevated	Worsening	Environmental & Carbon-Reduction Risk
	AP	Climate-related disasters may exacerbate inflationary and social risks in emerging markets. Meanwhile, the redirection of Chinese green products toward APAC markets may intensify competitive pressure across industries.	Elevated	Worsening	
AI Industry & Cybersecurity	GL	Growing reliance on technology and AI may increase cybersecurity exposure and defense costs. Digitalization and AI adoption may also heighten the risks of operational disruptions and systemic vulnerabilities.	Elevated	Worsening	Cybersecurity Risk
	AP	AI-driven innovation may intensify geopolitical fragmentation, cybersecurity risks, and costs, exposing businesses and critical infrastructure to greater vulnerabilities.	Elevated	Worsening	

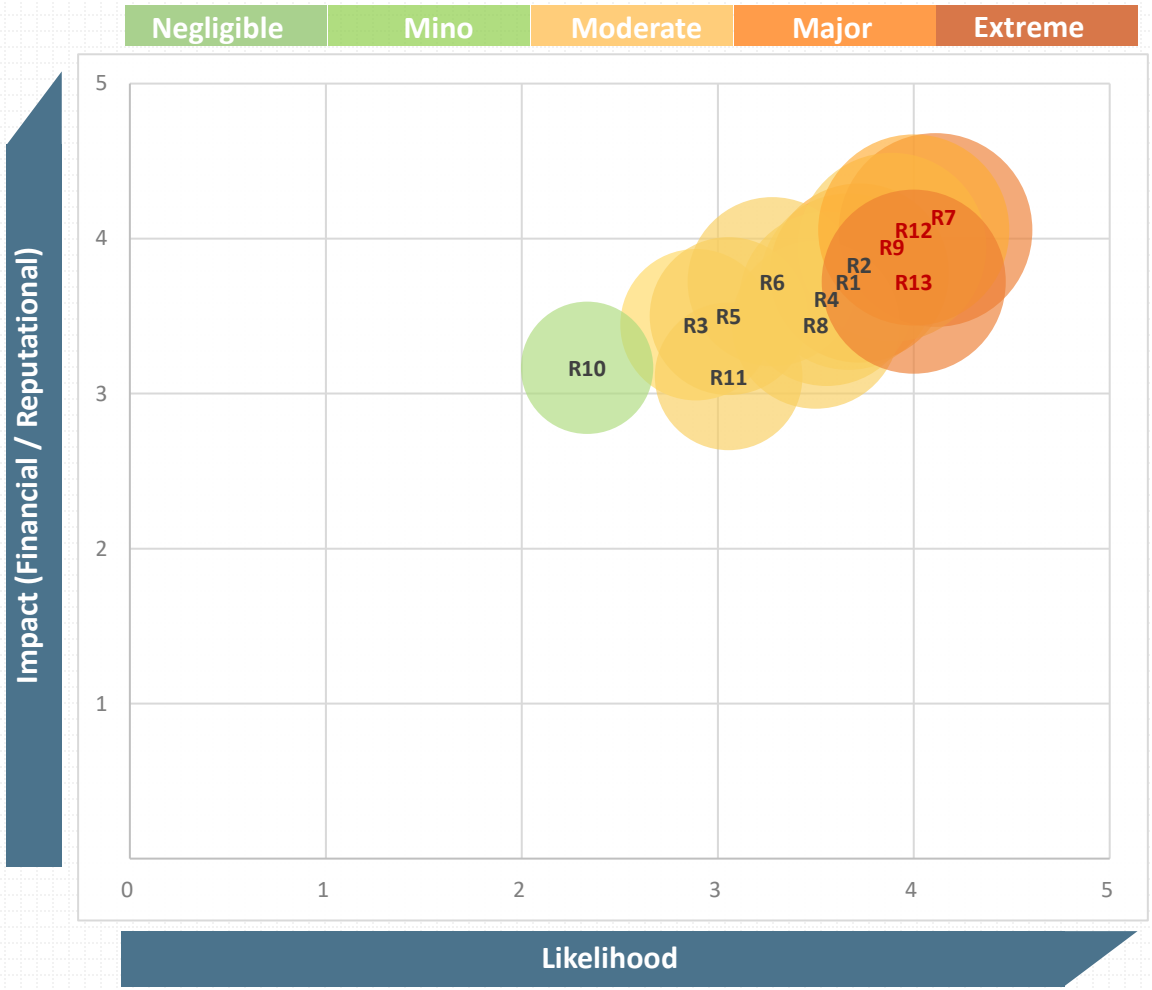
Note: Key risks from S&P Global Credit Conditions Q3 2026, tracked over a one-year horizon. Risk levels in ascending order: Moderate, Elevated, High, Very High.

Emerging Risk Identification

Based on the WEF Global Risks Report 2026 and S&P Global's Global Credit Conditions Q3 2026: Fragile Relief, and considering the Company's business development and outlook, the following emerging risks were identified:

Emerging Risk	Risk Description	Potential Impact
Geopolitical Confrontation & Supply-Chain Disruption Risk	The world is becoming increasingly multipolar and fragmented. The Russia–Ukraine war, Middle East conflicts, and shifting relations among major powers are reshaping trade and capital flows while weakening international cooperation. Countries are frequently adjusting tariffs and export controls in response to national security and industrial policies, accelerating supply chain regionalization. Rising defense and subsidy spending is also crowding out other investments.	Tariff barriers and regional conflicts may disrupt raw material sourcing, transportation, and cross-border operations, affecting production schedules and delivery timelines. Supply chain regionalization also increases restructuring costs. Failure to adapt strategies and supply chain configurations in a timely manner may limit operational flexibility and squeeze profit margins, potentially weakening the Company's long-term competitive advantage and market share.
Operational Risks from AI-Driven Cybersecurity Threats and Disinformation	Rapid advances in AI and cloud technologies, coupled with geopolitical tensions, are making cyberattacks more sophisticated and widespread, potentially escalating into systemic threats. Deepfake technology may also be used to impersonate company personnel or customer service representatives and spread disinformation. Meanwhile, AI-driven business decisions without adequate validation mechanisms may lead to misjudgments.	The Company's core businesses include wire and cable, stainless steel, and specialty steel. Inadequate safeguards accompanying AI adoption could expose proprietary manufacturing processes or equipment to cyberattacks, disrupting operations. Deepfakes or disinformation targeting the Group, if not promptly addressed, may trigger share price volatility, undermine customer confidence, and damage corporate reputation. Improper use of AI-generated content may also increase the risk of trade secret leakage, undermining the Company's credibility and competitiveness.
Deteriorating Workforce Structure and Talent Succession Risks	Industries are facing mounting pressure from the retirement of experienced employees and declining willingness among younger generations to assume senior roles. Recruitment difficulties for specialized positions in occupational safety, quality assurance, and IT/cybersecurity further threaten the transfer of knowledge and technical expertise across generations. The adoption of AI and automation is also changing job requirements and may widen skills gaps.	Disruptions to the transfer of critical technical knowledge and experience may affect product quality and occupational safety management, while increasing recruitment and retention costs. Over the long term, these challenges may undermine operational efficiency and innovation, ultimately weakening the Company's competitiveness.

Risk Measurement Matrix



Risk Category		2026 Risks
Financial Risks	R1	Higher financing costs may constrain financial flexibility.
	R2	Increased financial market volatility may heighten investor risk aversion and foreign exchange fluctuations.
Climate Change & Environment	R3	Extreme weather events may disrupt operations at the Company's facilities and increase insurance costs.
	R4	The net-zero transition, carbon fees, and carbon tariffs may increase decarbonization costs and policy uncertainty.
Cybersecurity	R5	Growing reliance on technology increases the risk of operational disruptions from cyberattacks and raises cybersecurity costs.
	R6	AI-driven cybersecurity threats and disinformation pose additional operational risks.
Operations & Strategy	R7	**Frequent changes in trade protection measures across countries increase operational uncertainty and squeeze gross margins.**
	R8	Deteriorating workforce structures and labor supply-demand imbalances may lead to talent gaps.
	R9	**Slowing economic growth and weakening end-market demand may reduce product sales and compress gross margins.**
Corporate Sustainability	R10	Incidents involving bribery, corruption, or other violations of professional ethics.
	R11	The introduction of sustainability regulations across countries increases compliance uncertainty and operating costs.
Supply Chain	R12	**Shortages and rising prices of raw materials and energy drive up operating costs.**
	R13	**Deepening geopolitical tensions accelerate trade and supply chain regionalization, disrupting production schedules and putting pressure on profitability.**

Risks and Control Measures

Emerging Risk

Risk Item	Impact	Likelihood	Mitigation Measures
Raw material and energy shortages, coupled with rising prices, driving up operating costs	Major	Very high	1. Establish safety stock levels for raw materials, procure certain materials on the spot market, and actively develop alternative sources to avoid overreliance on a limited number of suppliers. 2. Hedge copper prices upon order placement and negotiate long-term contracts with customers and suppliers. The Company's Indonesian nickel pig iron and nickel matte production lines are supported by captive power plants, enhancing risk mitigation at the raw material supply end. 3. Introduce automation and energy-efficient equipment, optimize production processes, and regularly review energy consumption and carbon emissions to improve energy efficiency. 4. Install renewable energy facilities, including solar power systems, at production sites. Adopt a combination of self-generated and purchased green electricity and apply for the voluntary emissions reduction program to qualify for preferential carbon fee rates.
Frequent adjustments to trade protection measures increase operational uncertainty and compress gross margins	Major	Very high	1. Strengthen the Company's ability to respond to regionalized economies through its global footprint. Establish cross-regional production and distribution capabilities in the stainless steel and wire and cable businesses to mitigate uncertainty arising from tariff barriers and changes in government policies. 2. Maintain stainless steel long-product manufacturing facilities in Taiwan, Mainland China, Italy, the United Kingdom, and Sweden to serve local markets and provide mutual supply support across regions. 3. Develop high-value-added steel grades and further expand the European stainless-steel business into high-end sectors such as aerospace and energy. 4. Strengthen relationships with key customers while actively developing new customers and export markets. Advance Industry 4.0 automation projects to reduce costs and mitigate margin pressure.
Talent recruitment and succession challenges arising from labor supply-demand imbalances	Significant	High	1. Recruit talent through fair and transparent channels, hiring 1,686 new employees in 2025. Conduct exit interviews to understand employees' reasons for leaving and assess internal transfer opportunities based on their expertise and preferences. 2. Promote talent development and knowledge transfer through the Walsin Lihwa Academy, microlearning, frontline management training, intergenerational communication courses, and Group-wide learning initiatives. 3. Introduce automation solutions, including intelligent overhead cranes, automated warehousing systems, and automated guided vehicles (AGVs), to reduce reliance on manual labor. Support foreign migrant workers in obtaining professional certifications, provide Mandarin language courses, and encourage them to pursue career opportunities in Taiwan.
Operational risks arising from AI-driven cybersecurity threats and disinformation	Moderate	Moderate	1. 1. Establish an enterprise AI governance framework and formulate the Regulations Governing Artificial Intelligence Applications and Information Security Management. Introduce AI cybersecurity defense systems and automated monitoring mechanisms in 2027. 2. Continue to strengthen cybersecurity awareness and training across the organization, with enhanced education on AI-related information security. 3. Implement a tiered classification system and review and assessment procedures for AI tools and services. Establish AI security testing and human review mechanisms to strengthen the protection of trade secrets and prevent data leakage. 4. Establish a Responsible Artificial Intelligence (Responsible AI) policy and implementation principles, while strengthening information security management for internally operated AI servers.

Cybersecurity Risks and Controls (2026)

Expanding AI Automation

1. Build AI-driven proactive detection and defense, enable MDx protections, and combine intelligent monitoring (EDR, Sentinel, ELK).
2. Third-party BAS and intelligent log analysis for detection and blocking.
3. Build zero-trust-architecture AI-based proactive detection and monitoring; ZTA maturity assessed at Advanced level.

External Exposure Detection & Supply-Chain Security

1. Deploy an external exposure detection system to strengthen external attack-surface management and review unknown asset exposure.
2. Continue external risk assessments and implement improvement plans to raise the security posture score to 80.
3. Inventory application-system usage and enforce vulnerability testing of outsourced vendors' systems to ensure secure, high-quality information systems.

AI Security Governance & Protection Plan

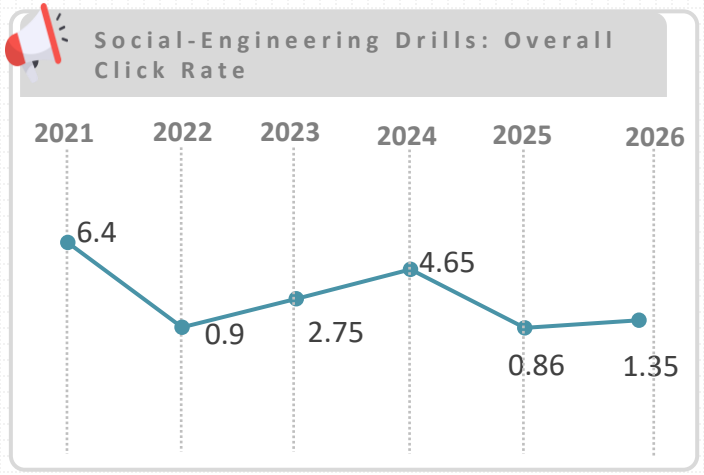
1. Formulate the "AI Application and Information Security Management Policy" to drive AI security governance.
2. Evaluate an AI Security control system and its adoption plan.

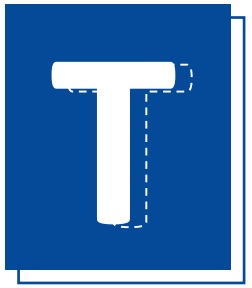
Security Awareness & Training

1. Security awareness and security rules are annual mandatory courses for employees and count toward performance bonus points.
2. Issue 5 security bulletins and 2 awareness articles each year to communicate policy and news; 7 articles in total in 2026.
3. Annual cross-department "security incident drill" with 25 employees and 13 vendor participants.

Security Management & Technical Safeguards

1. Fully revised policies (18+) in response to the external security landscape.
2. Continued certification to the new ISO 27001:2022 standard.
3. Introduce OT production-line security controls and strengthen OT vulnerability remediation.
4. Run one company-wide and one spear-phishing social-engineering drill each quarter.





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Human Rights Due Diligence: Progress and Next Steps

Scope this year: employees, contractors and suppliers of Walsin's two Taiwan business units (wire & cable, stainless steel) and Taipei HQ; overseas sites will be added in later phases.

Approach

- EY has been engaged to run the human rights due diligence and support disclosure
- Issue list (GRI, RBA, peer and customer concerns, S&P CSA): 11 plant issues, 10 HQ issues and 12 key-supplier issues
- Survey: likelihood and severity of impact rated per issue, cross-checked against 2023–2025 grievance and penalty records

Human rights issue list (* plants only † HQ only ° suppliers only)

Occupational health & safety	**Freedom of association & collective bargaining**
Anti-discrimination, equality & inclusion	**Violence & harassment**
Forced labor	**Workplace bullying & mistreatment**
Living wage & benefits	**Freedom of speech & grievance channels**
Child & young labor*	**Public health, housing & meals***
Excessive working hours	**Digital security & privacy†**
Community environment & safety°	

Shaded: the three salient issues identified

Survey coverage

Business unit	Site	Employees	Contractors	Suppliers
Taipei HQ		79 (96%)	—	17 (100%)
Wire & cable	Yangmei	45 (94%)	9 (82%)	20 (91%)
	Xinzhuang	68 (93%)	13 (68%)	
Stainless steel	Yanshui	91 (100%)	21 (96%)	39 (85%)
	Taichung	30 (100%)	14 (82%)	
Total		**313 (97%)**	**57 (83%)**	**76 (89%)**

Note: figures are valid responses (valid response rate); contractor surveys were issued to plants only.

Next steps

2026 Q3 Completed

Taiwan survey

Covered wire & cable, stainless steel and Taipei HQ; EY analyzed results and identified three salient issues

2026 Q4 In progress

Refine measures and disclose

Develop human rights mitigation and remedy measures; publicly disclose due diligence results

From 2027 Planned

Broaden the scope

Extend to overseas sites and suppliers

Source: EY human rights risk analysis (Oct 2026).

Survey Results and Salient Issues

Based on survey results and grievance and penalty records, three salient issues were identified for Taiwan employees and contractors.

Survey results: top three salient issues by group

Group	Rank 1	Rank 2	Rank 3
Taiwan employees	Occupational health & safety	Workplace bullying & mistreatment	Violence & harassment
Female employees	Workplace bullying & mistreatment	Digital security & privacy	Excessive working hours
Migrant workers	Occupational health & safety	Workplace bullying & mistreatment	Violence & harassment
Contractors	Occupational health & safety	Workplace bullying & mistreatment	Violence & harassment

1. Occupational health & safety

First for employees, migrant workers and contractors; a serious contractor incident and related penalties in the past three years

2. Workplace bullying & mistreatment

One grievance in the past three years; nearly a fifth of HQ survey respondents reported experiencing it

3. Violence & harassment

One grievance in the past three years; HQ also logged one sexual-harassment grievance

Key Supplier Human Rights Survey Results

Human rights survey of Taiwan key suppliers (Taipei HQ, wire & cable, stainless steel): 76 valid responses (89.4% valid response rate); three salient issues identified.

Survey results: top three salient issues by group

Group	Valid responses	Rank 1	Rank 2	Rank 3
Taiwan overall	76	Violence & harassment	Community environment & safety	Occupational health & safety
Taipei HQ (office)	3	Violence & harassment	Living wage & benefits (tied 1st)	Digital security & privacy
Taipei HQ (key raw materials)	14	Community environment & safety	Occupational health & safety	Child & young labor
Wire & cable	20	Occupational health & safety	Violence & harassment	Forced labor
Stainless steel	39	Violence & harassment	Community environment & safety	Occupational health & safety

1. Violence & harassment

First for Taiwan overall, stainless steel and HQ (office); second for wire & cable; 1 respondent (1.3%) reported it has occurred

2. Community environment & safety

First for key raw materials, second for stainless steel; 3 respondents (4.0%) reported it has occurred

3. Occupational health & safety

First for wire & cable; also top three for key raw materials and stainless steel; 1 respondent (1.3%) reported it has occurred

EY observation: wire & cable suppliers also surfaced forced labor (rank 3). The EU Forced Labour Regulation covers every production stage of the supply chain and applies from December 2027, so management of this risk should be understood early.

Source: EY human rights risk analysis (Oct 2026, pending confirmation by Nov 6). Contractor results are on the previous page.

Issue Definitions and Walsin's Existing Measures

Issue	Definition	Walsin's existing measures (public information)
Occupational health & safety	Inadequate workplace safety management, equipment protection, training or hazard control that may cause accidents, occupational injury or long-term health effects	• Occupational health and safety management system, ISO 45001 certified • Hazard management, training and health checks to reduce safety and health risks
Workplace bullying & mistreatment	Improper management, abuse of power, humiliation, exclusion or unreasonable work demands that harm employees' wellbeing and rights	• Anti-harassment, humane treatment and workplace-violence topics in onboarding and refresher training • Complaint mailbox and hotline, anonymous and protecting complainants; remedy process for confirmed cases
Violence & harassment	Physical violence, threats, sexual harassment, verbal abuse or other aggressive acts in the workplace	• Sexual-harassment prevention training; "prevention of workplace violence" statement published • Multiple complaint channels protecting privacy; remedy process for confirmed cases
Community environment & safety	Hazardous emissions, poorly managed waste and exhaust, noise or traffic that affect nearby residents' health, living conditions and ecosystems	• Air pollution control designed with best available control technology (BACT); plants must comply with environmental law † • Nearby residents are stakeholders; Taiwan plants joined 113 local activities in 2025 †
Anti-discrimination, equality & inclusion	Unequal treatment or limited opportunity in hiring, pay, promotion, training or work environment because of personal background or traits	• Human rights policy prohibits discrimination by gender, nationality, race, age, religion, disability and more • Fair hiring, pay, training, appraisal and promotion; migrant workers get employee benefits
Living wage & benefits	Pay too low for basic living needs, or statutory and reasonable benefits, overtime pay and fair pay not properly protected	• Competitive pay, performance/production bonuses and diverse benefits • Labor and health insurance, group insurance, pension, health checks, allowances; policy requires fair pay
Public health, housing & meals	Poorly managed housing, catering, drinking water, sanitation or fire-evacuation facilities that endanger health and safety	• No specific disclosure in public information
Digital security & privacy	Poor handling of personal data or trade secrets leading to unauthorized access, leakage or misuse that harms privacy	• Human rights policy includes privacy protection, including for complainants; ISO 27001 certified • Four information-security rules revised in 2025; personal data protection training held

Telling three similar issues apart: Occupational health & safety = accidents or illness caused by the work environment or equipment; Workplace bullying & mistreatment = how people are managed and treated (humiliation, exclusion, unreasonable demands); Violence & harassment = physical violence, threats, sexual harassment and other aggressive acts.

Source: EY human rights risk analysis; existing measures from Walsin's website and 2025 sustainability report. † Compiled from the 2025 sustainability report (1.4 air pollution & waste; local community engagement).

Peer Disclosure of Human Rights Issues

Key human rights issues disclosed by Taiwan manufacturing peers, compared with Walsin's top three for employees.

Company	Disclosure type	Occupational health & safety	Bullying, harassment & violence	Working hours	Pay & equal pay	Forced labor	Other
Walsin Lihwa	Top 3 for employees	Occupational health & safety (1)	Workplace bullying & mistreatment (2); violence & harassment (3)				
Taiwan Cement	Key issues	Occupational safety & health	Bullying & harassment	Working hours	Equal pay, wages & benefits	Forced labor / human trafficking	Whistleblower protection, training, collective bargaining
Winbond	Medium-risk issues		Bullying & harassment	Working hours		Forced or compulsory labor	Work-life balance, talent development, wellbeing
TECO	General risk issues	Occupational health & safety	Preventing workplace unlawful infringement		Pay & benefits		
China Steel	Priority issues	Safe and healthy work environment				No forced labor	No discrimination, no child labor, freedom of association & collective bargaining
Far Eastern New Century	Key risk issues	Health & safety		Eliminate excessive hours			
Chicony	Salient issues	Occupational health & safety	Workplace and sexual harassment / violence & harassment	Excessive working hours	Equal pay		
Companies listing it (incl. Walsin)		6 / 7	5 / 7	4 / 7	3 / 7	3 / 7	—

- Occupational safety & health (6/7) and workplace harassment or unlawful infringement (5/7) are the issues peers list most often, consistent with Walsin's top three.
- Peers list bullying and harassment as one item; Walsin splits it in two following EY, so definitions are needed (previous page).
- Working hours (4/7), pay equity (3/7) and forced labor (3/7) are also common; not in Walsin's employee top three, but working hours is third for female employees.

Source: EY human rights risk analysis; peers: Taiwan Cement 2024 and Winbond 2025 HRDD reports, TECO, Far Eastern New Century and Chicony 2025 sustainability reports, China Steel website. Categories are our grouping; disclosure bases differ, for reference only.

Peer Disclosure: Supplier Human Rights Issues

Human rights issues disclosed by Taiwan manufacturing peers for suppliers, compared with Walsin's top three for key suppliers.

Company	Disclosure type	Occupational health & safety	Bullying, harassment & violence	Working hours	Forced & child labor	Environment & community	Labor conditions
Walsin Lihwa	Top 3 for suppliers	Occupational health & safety (3)	Violence & harassment (1)			Community environment & safety (2)	
Taiwan Cement	Key issues	Occupational safety & health	Bullying & harassment	Working hours		Climate change; environmental degradation / waste / land use	
TECO	General risk issues	Occupational health & safety			No forced labor; no child labor		
China Steel	Priority issues						Labor-condition violations (minimum wage, non-leave bonus, labor and health insurance, overtime hours, etc.)
Far Eastern New Century	Key risk issues	Health & safety		Eliminate excessive hours			
Companies listing it (incl. Walsin)		4 / 5	2 / 5	2 / 5	1 / 5	2 / 5	1 / 5

- Occupational safety & health (4/5) is the issue peers list most often for suppliers, consistent with one of Walsin's top three.
- Walsin's top supplier issue, violence & harassment, is listed by only one peer (Taiwan Cement, as "bullying & harassment").
- Taiwan Cement lists environmental degradation / waste / land use, similar in nature to Walsin's community environment & safety; TECO lists forced and child labor, and Walsin's wire & cable suppliers also surfaced forced labor.

Source: EY human rights risk analysis; peers as compiled by EY from public disclosures, not checked company by company. Categories are our grouping; disclosure bases differ, for reference only.

Enterprise Risks: Five AI-System Risks and Business Impact

Data risk (like tampered ingredients)
Sensitive-data leakage, **training-data poisoning**

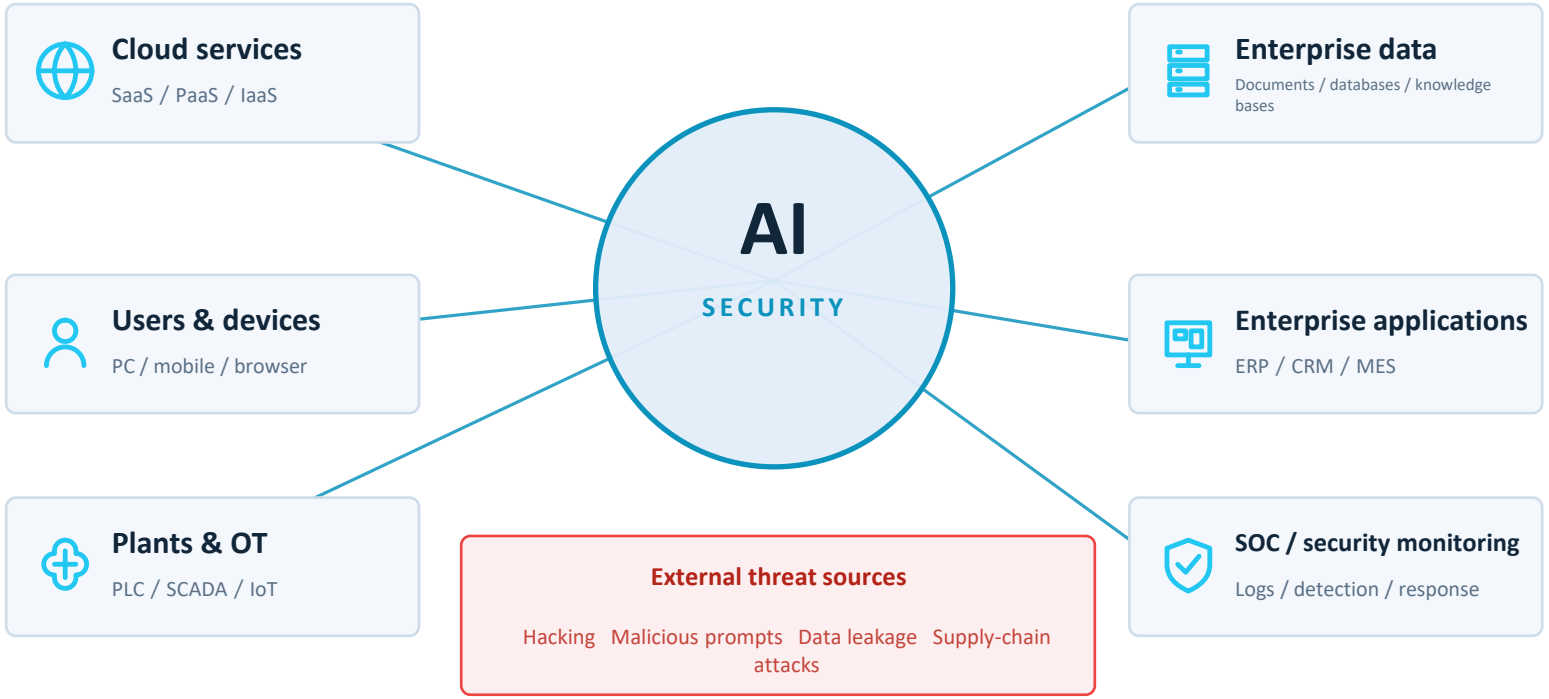
Model risk (like a consultant with fake credentials)
Model manipulation, **poisoning**, bias or hallucination

Application risk (like someone issuing orders in your name)
Prompt Injection, unauthorized access

AI agent risk (like holding a master key)
Excessive tool access and permissions, causing unintended actions

User risk (like staff secretly subcontracting)
Unverified results, **shadow AI**, unclear accountability

AI Use Cases and Attack Surface in the Enterprise



AI speeds up data use and automation, and risk extends from "people misusing tools" to "systems acting on people's behalf."

Company management priorities

- **Data classification & input controls**
- **AI inventory & risk tiering**
- **Least privilege**
- **Human review (humans in the loop)**
- **Continuous monitoring & audit trails**

AI Security: Four Controls to Protect Trade Secrets

Core risk: sensitive data entered into AI, or agents exceeding their authority, may leak trade secrets or corrupt data.



Inventory & Risk Tiering

Establish an AI management policy

Create an AI approved/prohibited list

Review sensitive applications



Data & Platform Protection

Deploy an AI security defense system

Encryption and authentication

Strengthen DLP leakage protection



Human Review & Permissions

Review outputs and deployments

Restrict agent permissions

Human-AI collaboration (human-in-the-loop)



Monitoring & Incident Response

Keep audit trails; report anomalies

Disable and revoke access when necessary

Regular staff training

Control Measures: Risk tiering | AI inventory & owners | Data / model governance | Transparency & traceability | Human oversight | Continuous monitoring & incident reporting

Procuring AI Tools | Three Lines of Governance

External AI systems (including SaaS) must pass contract terms, security assessment and legal compliance before approval for adoption.

01 Contract & Procurement Principles

Confirm vendor commitments first

- **Enterprise licensing**
  With an enterprise admin console
- **No training on our data**
  Explicitly not fed back to the foundation model
- **Identity & access**
  Integrate SSO / MFA
- **Encryption & destruction**
  Encrypted in transit and at rest; irrecoverable after termination
- **IP protection**
  Evaluate Copyright Shield

02 Information Security Assessment

Then confirm technical and risk controls

- **International certifications**
  ISO 27001 / SOC 2 / ISO 42001
- **Data residency**
  Storage location meets legal requirements
- **Access control**
  Supports SSO / RBAC
- **Control Measures**
  Include in risk assessment and continuous monitoring

03 Legal & Compliance Review

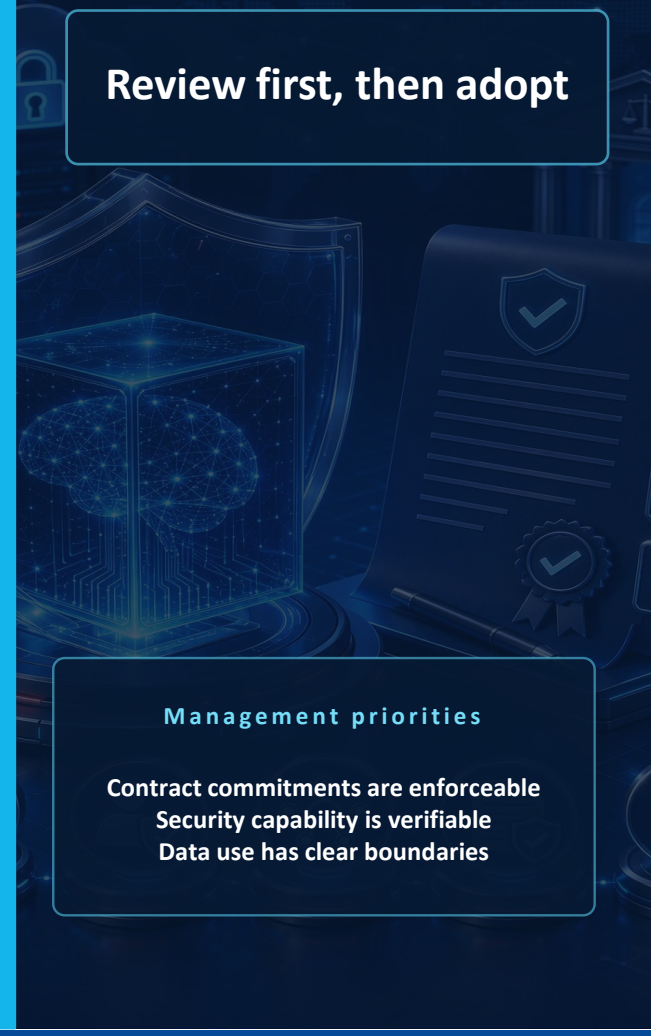
Finally confirm the boundaries of lawful use

- **No training on sensitive data**
  Contract expressly prohibits using company data to train external models
- **Data licensing**
  Vendor must have lawful data sources
- **Copyright check**
  Confirm copyright disputes and infringement risk
- **Privacy compliance**
  Comply with personal-data and privacy regulations

Approval decision → **All three lines satisfied → add to the approved list and monitor continuously**

Not satisfied → do not purchase / subscribe / deploy

Review first, then adopt



Management priorities

Contract commitments are enforceable
Security capability is verifiable
Data use has clear boundaries