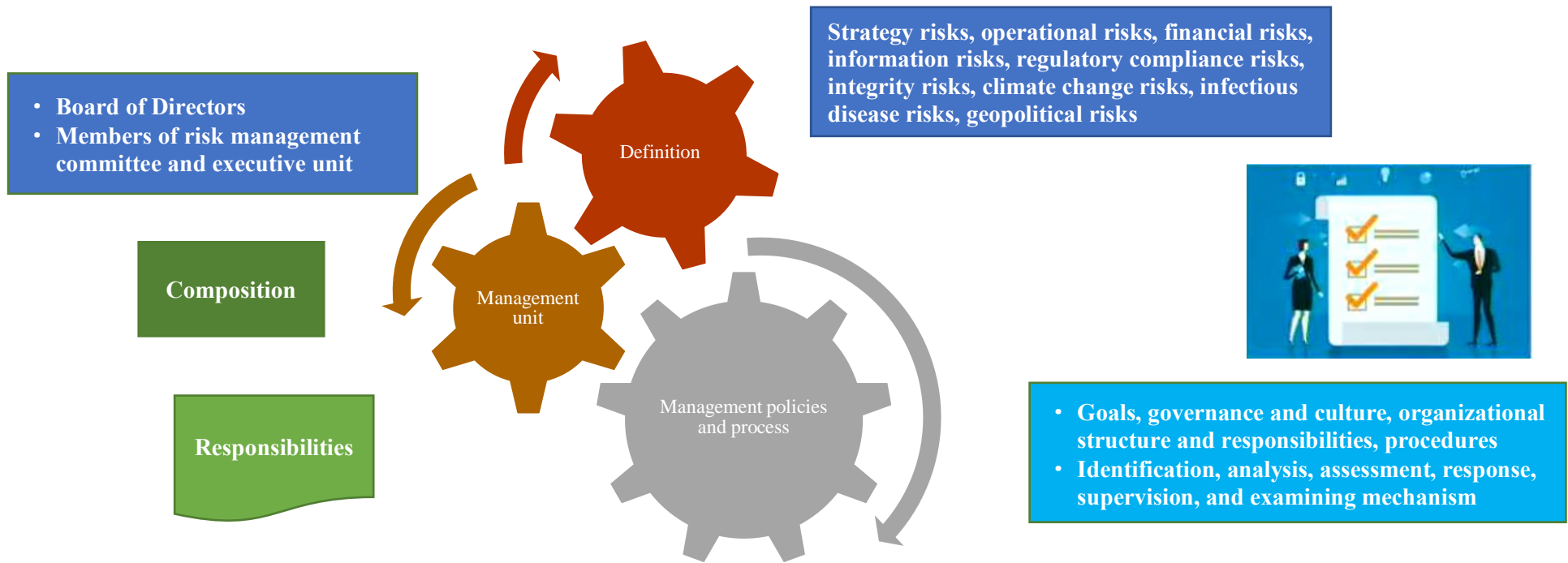# 1. Strengthen corporate governance

■ **Promoting strategies:**

Promote risk control and management according to Practical Guidelines of Risk Management for Listed Companies

Strategy risks, operational risks, financial risks, information risks, regulatory compliance risks, integrity risks, climate change risks, infectious disease risks, geopolitical risks

- **Board of Directors**
- **Members of risk management committee and executive unit**

Composition

Responsibilities

Definition

Management unit

Management policies and process

- **Goals, governance and culture, organizational structure and responsibilities, procedures**
- **Identification, analysis, assessment, response, supervision, and examining mechanism**

Management principles: definability, standardization, quantification, analyzability

## ■ Definition and management goals

◆ **Strategy risks**	Due to inappropriate investment strategies or allocation of assets to inappropriate investment items, enterprises have results of investment deviating from expectation or even incur loss risks. For selecting investment strategies and allocating assets, enterprises should consider balance between risks and return on investment, risk tolerability and investment periods to reduce strategy risks.
◆ **Operational risks**	Loss risks arising from internal management, external environment, natural disasters in enterprises' routine operation. Since operational risks are among unavoidable risks incident to enterprises' operation, it is necessary to establish a complete risk management system to minimize losses due to such risks.
◆ **Financial risks**	For enterprises' fund raising, financial management and capital structure, there exist risks which are likely to cause failure in due repayment of debts, funding shortfall, increases in financial cost, drops in stock price, decreased investment return and other negative influence for enterprises. Financial risks also include risks concerning market, credit and liquidity, such risks are incident to enterprises' operation and enterprise have to take risk management measures to avoid or lower the risk, therefore to ensure healthy financial foundation.
◆ **Information risks**	Information risks are risks arising from problems concerning uncertainty, secrecy, authenticity and completeness of information. Information risks may negatively influence enterprises' operation and decision making, such as information leaking, computer viruses, disruption of systems and cyberattacks. Enterprises have to carry on effective planning and control for information management at reasonable cost, such as strengthening cybersecurity and protecting information, to reduce losses due to information risks.
◆ **Regulatory compliance risks**	Enterprises may face regulatory compliance risks due to failure in complying with laws, authorities' regulatory requirements and professional standards. Such risks are likely to subject enterprises to fining, litigation, reputation losses and even revocation of business operating licenses. Being risks that enterprises cannot neglect, regulatory compliance risks render enterprises necessary to set up management systems for legal compliance to ensure legal and regulation-complying operation.
◆ **Integrity risks**	Integrity risks are the risks that may incur losses due to enterprises' or personal lack of honesty/faith, ill conception of moral/ethical values or fraudulent behavior. Integrity risks cover the risks concerning enterprises' honest/faithful behavior in treating clients, shareholders and employees, mainly misleading statement, broken-promise contracts, fraudulent sell-off, embezzlement of assets, corruption/cheating and unethical behavior which severely impact enterprises' reputation and image. Enterprises should establish sound internal control and management systems as well as enhance corporate cultural construction to systemically and ethically regulate their behavior in order to reduce integrity risks.
◆ **Climate change risks**	These are the risks that may incur losses to natural environment and human societies due to global warming, sea-level rises and extreme weather conditions. Climate change risks concern environmental, social and economic negative influence including flooding, drought, storms, tsunami, crop failure and transmission of diseases. To cope with climate change risks, enterprises have to give importance to reduction in carbon emission, sustainable development and strategic readiness to tackle problems arising from disasters in a bid to set up green-oriented corporate culture and management systems.
◆ **Infectious disease risks**	These are the risks that personal and public health may be influenced by infection and transmission of infectious diseases. With infectious disease risks arising from dissemination of pathogens in the midst of crowds, outbreaks of such diseases will have large impact on human societies including economic losses, threat to lives and wellness as well as breakdown in social order. Especially under situation of globalization, infectious disease risks among countries are highly concerned about. To cope with infectious disease risks, it is necessary to strengthen health education, promote hygienic habits, monitor pandemic of diseases as well as beef up construction of public health infrastructure.
◆ **Geopolitical risks**	These risks arise from political, economic, military conflicts or other factors among countries or areas. These conflicts are usually concerned with tense relations between countries such as wars, terrorist attacks, coup detat, sanction measures and trade wars. Geopolitical risks bring negative influence on enterprises' operation and investment and lead to problems such as shrinking market shares, limited availability of resources and decreased revenues. Enterprises have to pay attention to changes in international situation and evaluate risks involved in trade to cope with them.

1.1 Core value and strategies

Since our foundation, we have stuck to the core value of "people-oriented, insistence on integrity, steady operation". Based on the core value, we have developed the corporate culture of "diligence, agility, value, integrity, cooperation, opportunity, and modesty". We have always been committed to IC design to keep creating values in terms of global green supply chain. We have also been in good interactions with employees, shareholders, clients, suppliers as well as other stakeholders such as educational and research organizations to fulfill our corporate citizenship responsibilities.

Important core technologies

| Ethernet MAC & PHY	Mixed Signal	RFID Omni-Solution
Networking Protocol Stacks	AIoT & Algorithms	Video Decoder
USB and Interfaces	Audio Signal Processing	DSP & Algorithms
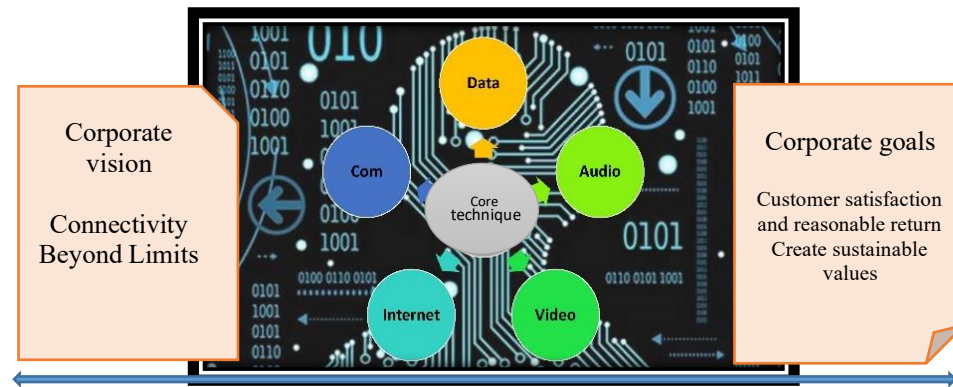
Realize our core value via DAVICOM Semiconductor

Industrial value chains

As an IC design house, we design circuit layouts for various chip functions based on market trends and demand, outsource wafer foundry, IC packaging and testing and then, our production unit undertakes rigid final testing to enable clients to add value via innovation. Our networking/communication IC products are important components used in networking infrastructure worldwide.

We cooperate with suppliers and clients to jointly create sustainable values for IoT, Industry 4.0, smart city solutions and end-customers' smart lives.
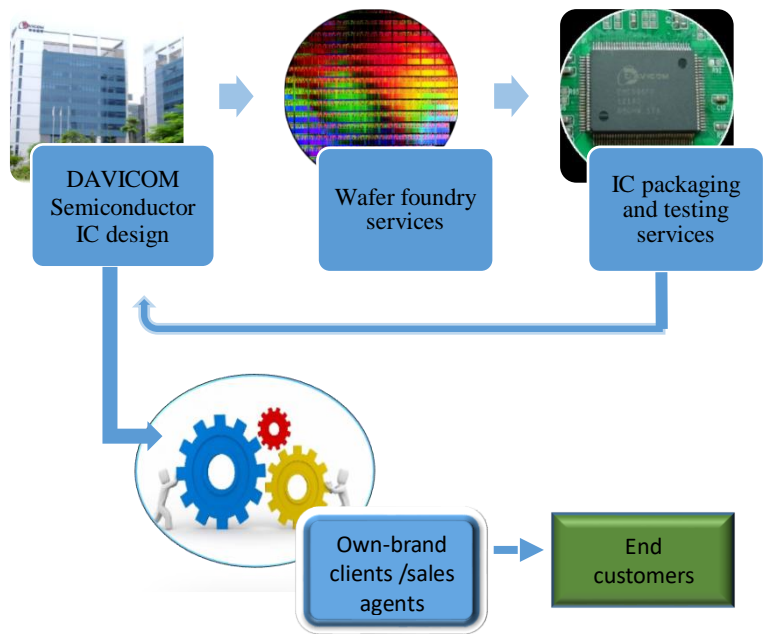
▲ **Diagram of industrial value chains**

1.2 Governance system

With "integrity and honesty" being the basis for enterprises' sustainable operation and "insistence on integrity" the sustainability cornerstone of our operation, we hold the vision of hiking our operational performance and brand value by virtue of a complete corporate governance system. We practice system-based management and realize transparent operation to optimize performance in corporate governance, secure sound development of business operation and protect investors' and other stakeholders' interests.

Governance framework
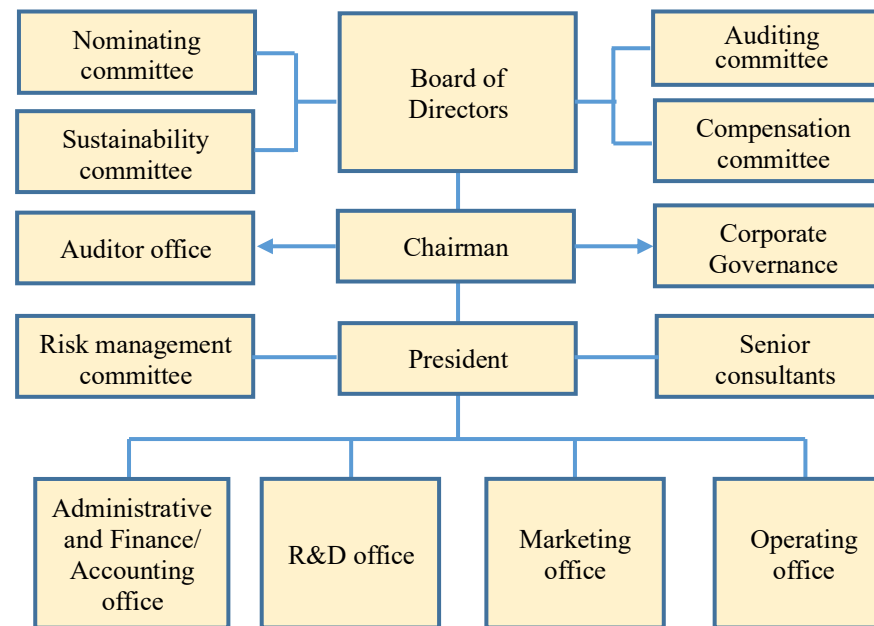
- **Important company's internal rules**
  - **Articles of Incorporation**
  - **Regulations Governing Procedure for Board of Directors Meetings**
  - **Rules of procedure for shareholders' meetings**
  - **Operational Procedures for Loaning Funds to Others**
  - **Operating procedures for acquiring or disposing of assets**
  - **Method of endorsement guarantee**
  - **Management procedures for preventing insider trading**
  - **Propaganda for preventing insider trading**
  - **Operating procedures of application for temporarily suspension or resumption of stock trading**
  - **Method of processing reported cases of illegal and unethical or dishonest behavior**

- **Our important committees**

Name	Operating definition
Risk management committee	Established according to our risk management operating guidelines. Management framework covers auditing committee, president as well as R&D, engineering quality, production, marketing, factory affairs, finance units
R&D meetings	Established according to our development guidelines for R&D strategies. Management framework covers president, third R&D unit, engineering quality unit
Information security committee	Established according to our information security operating guidelines. Management framework covers units under digital management and network governance
ISO committee	Established according to ISO 9001 regulation. Management framework covers president and R&D, marketing. operating, finance units
Carbon inventory committee	Processed according to our internal carbon inventory operating guidelines. Management framework covers board of directors, Administrative and Finance/Accounting office, factory affair unit

Procedures of risk control and management		
Category	**Management framework**	**Supervision and examination**
Strategy risks	Chief strategy officer	Auditing committee, board of directors
Operational risks	Risk management committee	Internal auditing, auditing committee, and board of directors
Financial risks	Administrative and Finance/Accounting office	Internal auditing, auditing committee, and board of directors
Information risks	Information/communication security committee Confidential information protection committee	Internal auditing, auditing committee, and board of directors
Regulatory compliance risks	Administrative and Finance/Accounting office Operating office	Internal auditing, auditing committee, and board of directors
Integrity risks	Administrative and Finance/Accounting office Marketing office, operating office	Internal auditing, auditing committee, and board of directors
Climate change risks	Risk management committee	Internal auditing, auditing committee, and board of directors
Infectious disease risks	Administrative and Finance/Accounting office	Internal auditing, auditing committee, and board of directors
Geopolitical risks	Chief strategy officer Marketing office	Internal auditing, auditing committee, and board of directors

● Board of Directors and Functional Committee

Board of directors is our highest-level governance organization and important operational decision-making center. Our board of directors consists of four directors and three independent directors. The terms for a director and an independent director are three years each. Board of directors' responsibilities include nomination and supervision of management executives, assessment of operational performance, prevention of interest conflicts, ensuring that business execution comply with the regulations concerned, corporate self-disciplinary rules and resolutions of shareholders' meeting, a bid to maximize shareholders' equity and interests.
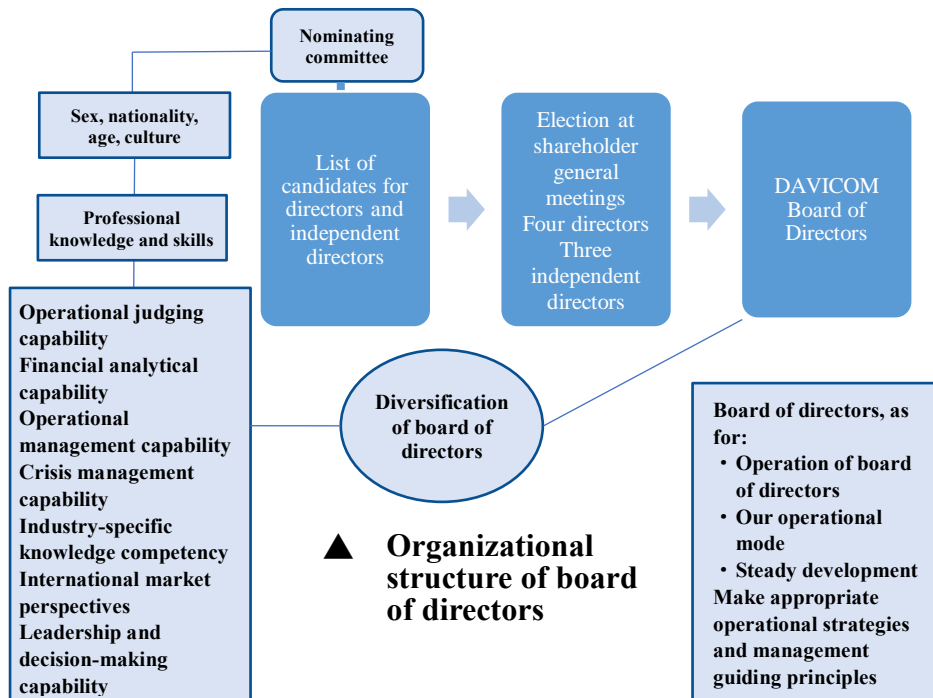
In order to strengthen corporate governance and facilitate sound development of board of directors' composition and structure, we amended item 3 under article 20 of Corporate Governance Best Practice Principles on November 11, 2016. The amendments are as follows: As it is necessary to consider diversifying composition of the board, the number of directors doubling as company executives had better not exceed one-third of the total number of directors; based on our operation, operational mode and needs in operational development, draw up appropriate diversification guiding principles which include but are not limited to the following standards in two main aspects:

1. Basic qualification factors: Sex, age, nationality, culture, etc.
2. Professional knowledge and skills: Professional background (such as law, accounting, industry-specific know-how, finance, marketing or technology), professional skills and industry-specific experience.

Our board is composed of four directors and three independent directors, with them required to have professional knowledge and experience in accounting, finance, high-tech, industrial know-how and management. Besides, we give importance to gender equality regarding composition of the board and require that there be at least one female director. Currently, there is a female director, taking 1/7 of the total number of directors. Our shareholders elected the 10th board of directors (including independent directors) at 2022 general meeting, with all ones of the 9th board remaining in position. The term for the 10th board of directors is from June 29, 2022 to June 28, 2025. The list of 10th Board of Directors is as follows:

▲ Organizational structure of board of directors

Job title	Personal name	Sex	Main career (education) experience	Double as the company's or other companies' positions
Chairman	Ting Hao	Male	**Doctor of Business Administration** , Victoria University, Switzerland M.S. in EECS, University of California, Berkeley	United Integrated Services Co., Ltd. Independent director
Directors	Goodyears Investments Ltd. (Representative person：Wen-Chen Lin)	Female	Department of Information Management, Ming Chuan University Senior engineer, Taiwan Semiconductor Manufacturing Company	DAVICOM Semiconductor, Inc., director
Directors	Tzay Hua Ltd. (Representative person：Cheng -Feng Chiu)	Male	Master, Institute of Electronics under National Chiao Tung University (has been renamed as National Yang Ming Chiao Tung University) Vice president, Medicom Corp.	The company's assistant vice president for new product business unit
Directors	Yun-Ping Lin	Male	Master, leadership section of EMBA under National Chung Hsing University Person in charge, Sane Way Enterprises Co. Ltd. Person in charge, Crown Star International Investment Co., Ltd.	DAVICOM Semiconductor, Inc., director
Independent directors	Chang-Yue Ueng	Male	Ph.D in statistics, University of Coloroda Chief financial officer, Sonavox Electronic Inc. Vice president for administration center and chief financial officer, Ichia Technologies, Inc.	Finance department manager, Kwo Ger Metal Technology Inc.
Independent directors	Jen-Jyh Hwang	Male	Ph.D in mechanical engineering, Pennsylvania State University Adjunct associate professor, Department of Mechanical and Electro-mechanical Engineering under National Sun Yat-sen University	DAVICOM Semiconductor, Inc., independent director
Independent directors	Niang-Shou Wei	Male	Shanghai Fanfeng Vacuum Technology Co., Ltd. Director general for production and operation center	DAVICOM Semiconductor, Inc., independent director

Diversification of the 10th board of directors:

	Sex	Nationality	Basic composition						Industry-specific experience				Professional capability			
			Simultaneously our employees	Age		Tenure of office of independent directors			Networking/ communication	Information management and security	Semiconductor IC design	Industry-specific knowledge	Accounting	Information technology	Risk management	Financial management
				(aged) 51-60	(aged) 61-70	Below 3 years	3-9 years	Over 9 years								
Chairman: Ting Hao	Male	Republic of China (Taiwan)	V		V				V	V	V	V	V	V	V	V
Goodyears Investments Ltd. (Representative person：Wen-Chen Lin)	Female	Republic of China (Taiwan)		V								V	V			V	V
Tzay Hua Ltd. (Representative person：Cheng -Feng Chiu)	Male	Republic of China (Taiwan)	V	V					V	V	V	V		V		
Director: Yun-Ping Lin	Male	Republic of China (Taiwan)			V							V			V	V
Independent director: Chang-Yue Ueng	Male	Republic of China (Taiwan)		V			V			V		V	V	V	V	V
Independent director: Jen-Jyh Hwang	Male	Republic of China (Taiwan)			V		V			V		V			V	
Independent director: Niang-Shou Wei	Male	Republic of China (Taiwan)			V		V		V		V	V		V		V

Directors' advanced studies: Our 4 directors and 3 independent directors in 2022 individually received further education for at least 6 hours each in Securities & Futures Institute, Chinese National Association of Industry and Commerce, Taiwan Stock Exchange Corp. and The Allied Association for Science Park Industries.

Please refer to our website

https://www.davicom.com.tw/investor-governance01.php? lang_id=tw

Operation of board of directors

2022: Board of directors convened meeting for seven times, passing many proposals and motions (Please refer to our website: investor relations → corporate governance → board of directors → board's important resolutions

https://www.davicom.com.tw/investor-governance01.php?lang_id=tw)

Director remuneration

Our articles of association stipulate: Of pre-tax profit before it is deducted for employee compensation and director remuneration, at least 8.5% is appropriated for employee compensation and up to 2% appropriated for director remuneration; accordingly, we appropriated NT$1,931,984 for director remuneration in 2022.

Evaluation of board of directors' performance

In order to realize corporate governance, hike functions of board of directors and set performance goals to strengthen operating efficiency for the board, we have formulated a method of evaluating board of directors' performance pursuant to Article 37 of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. Accordingly, we have annually regularly undertaken internal evaluation of the performance, including performance of the board of directors as a whole and each director's self-evaluation of its performance; in addition, we have commissioned professional and independent organization or experts/scholars to undertake external evaluation every three years.

We commissioned Taiwan Corporation Governance Association on March 19, 2021 to evaluate board of directors' performance via document examination and personal interviews, with the external evaluation covering the board's composition, direction, authorization, supervision, communication, internal control and risk management, self-discipline, board's meetings and supporting systems.

Conclusion of the evaluation reports reveals:

1. We are strongly willing to keep progressing to hike functions of board of directors.

2. Our establishment of nominating committee is in excess of the regulation concerned, showing an effort to actively enhance corporate governance.

3. The upgrading of CSR unit as a committee demonstrates our emphasis on and forward-looking deployment for fulfilling our corporate social responsibility and realizing integrity management.

4. Based on the six main concepts of diligence, dedication, caution, integrity, innovation and sharing, we have realized the core value of "people-oriented, insistence on integrity, steady operation". For recruitment of talent, we have cooperated with universities to seek potential talent for cultivation as early as possible; we cultivate talent through internal training in combination with outside professional training curriculums to hike employees' professional capabilities; In the meantime, we have employees spiritually cohere and retain talent based on the aforementioned six main concepts and core value.

Referring to recommendations proposed by the undertaker of external evaluation in 2021, we evaluated the board's performance in 2022 and the results are:

1. According to Practical Guidelines of Risk Management for Listed Companies, board of directors is the top-level unit responsible for our risk monitoring and examination.

2. To cope with Taiwan's 2050 net zero carbon emission goals, we have helped directors understand the Taiwan government's policies and trends of industrial development in order to enhance their cognition of enterprises' sustainability knowledge and dynamic responses in terms of sustainability.

3. In order to more efficiently measure and hike operating efficiency for board of directors, grade-based ranking was adopted in place of binary ranking originally in evaluating the board's performance as well as individual directors' self-evaluating performance.

Management of conflict of interest

For our rules of procedures for board of directors' meetings as well as organizational norms for auditing/accounting and nominating committees, there are rules concerning interest avoidance. If items to be discussed at board meetings are concerned with directors' interests or interests of the juridical persons they represent, the subject directors should clearly state the main content of such interests at the corresponding meetings. If such interests are suspected to negatively impact DAVICOM Semiconductor's benefits, the subject directors should refrain from joining discussion and voting as well as proxy voting on behalf of other directors at the corresponding meetings. The names of the subject directors, the main content of interests concerned and conditions of avoiding interests have to be stated in meeting minutes.

We have formulated guiding principles for integrity management, ethical behavior norms, a method of processing reported cases of illegal and unethical or dishonest behavior, operating procedures for managing trade among stakeholders, ethical behavior norms for directors and executives, professional ethics guiding principles for employees as well as rules of circumventing interest conflicts, and have reported the implementation of professional ethics guiding principles for employees to auditing/accounting committee.

In order for communication with stakeholders, we have set a specific area at our website and detailly disclosed the rules and information concerned; our spokespersons and e-mail box are responsible for responding to stakeholders' questions and suggestions.

● **Function-specific committee**

■ **Nominating committee**

Nominating committee is organized according to organizational rules of the committee and consists of chairman and two independent directors, holds at least two meetings every year. The current nominating committee was organized on June 29, 2022, with independent director Niang-Shou Wei convening and chairing meetings. The term for the current nominating committee is from June 29, 2022 to June 28, 2025.

The committee's performance in 2022

The committee convened for five times in 2022, separately on January 26, February 24. April 11, June 29 and November 11, all with 100% attendance and many proposals passed. (Please refer to our website: Investor relations → corporate governance → functional committee → nominating committee's important resolutions)

■ **Compensation Committee**

According to "Regulations Governing Appointment and Exercise of Power by the compensation committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", we established our compensation committee on June 18, 2012, with the committee consisting of three committee. The term for the current compensation committee is from June 29, 2022 to June 28, 2025. The committee convenes for at least twice every year, not including meetings held for emergency cases.

The committee's performance in 2022

The compensation committee convened for seven times in 2022, separately on January 26, February 24. April 11, May 10, June 29, August 9 and November 11, all with 100% attendance and many proposals passed. For the content of what was discussed at meeting and corresponding resolutions, please refer to our website: Investor relations → corporate governance → function-specific committees → salary compensation committee's important resolutions.

■ **Auditing/accounting committee**

According to Article 14-4 of Securities and Exchange Act and Article 3 of Regulations Governing Exercise of Power by Audit Committee of Public Companies. we have established auditing/accounting committee and formulated its organizational rules. The committee is intended to supervise appropriateness of financial reports, disinterest and effect in selecting (dismissing) certified public accountants, effectiveness of internal control measures, regulatory compliance, control of potential risks to the company including interest conflicts.

The committee's performance in 2022

Auditing/accounting committee convened for seven times in 2022, separately on January 26, February 24. April 11, June 29 and November 11, all with 100% attendance and many proposals passed. For the content of what was discussed at meeting and corresponding resolutions, please refer to our website: Investor relations →corporate governance → functional committee → auditing committee's important resolutions)

■ **Sustainability committee**

Sustainability committee is composed of two directors and an independent director with the tenure of office the same as that for directors and independent directors. The committee convenes twice every year in principle.

The committee's performance in 2022

Sustainability committee convened for three times on January 26, June 29 and November 11 in 2022 and separately passed our 2022 detailed planning for social concern, appointed committee chairman and passed our 2022 sustainability report.

■ **Corporate Governance Officer**

Our board of directors, at its 21st meeting on May 13, 2019, decided to appoint a corporate governance officer in order to protect shareholders' equity and strengthen board of directors' functions. The position was concurrently assumed by chief financial officer.

Staff members of corporate governance are mainly responsible for:
- Handle meetings of board of directors and shareholders and related affairs
- Prepare meeting minutes
- Help directors in their induction into office and advanced studies
- Provide directors with data needed in performing their duties and information on latest development of regulations concerning operation of companies
- Help directors comply with regulations and laws

For corporate governance officer's business execution, please refer to our website: Investor relations →corporate governance → corporate governance → corporate governance officer)

Our corporate governance officer in 2022 took curriculums on prevention of insider trading, compliance with regulations on internal stock trading, hiking directors' professional competency to realize sustainability governance for 12 studying hours in total, with these courses offered by Securities & Futures Institute and Taiwan Corporation Governance Association.

■ Internal auditing

We have established internal auditing which directly belongs to board of directors, with the main purpose of establishment and its main duties as follows: Auditing supervisor and independent directors submit auditing reports at least once a quarter at board of directors' and auditing committee's meetings and, by the end of every month, submit auditing reports and reports of tracking deficiency in execution for the preceding month and, in addition, track improvement in executing our annual auditing plans and deficiency in internal control.

Main purposes of establishing internal auditing	Items of execution for internal auditing
• Check and evaluate the effectiveness of internal control system • Measure operational efficiency and performance • Report reliable, immediate, transparent compliance as well as compliance with the regulations concerned • Timely recommend improvement in order to ensure continuously effective execution of internal control system	• According to regulatory requirements by the authorities concerned and based on consideration of risks, we have made annual auditing plans to practice auditing. • Prepare auditing reports to keep tracking improvement • Regularly revise internal control system, auditing practice rules. annual self-evaluation of internal control

We have appointed a director specifically responsible for internal auditing (with acting persons) to execute internal auditing duties pursuant to the regulations concerned in order to ensure continuous effectiveness of our internal control system to facilitate steady operation of the company.

Our internal auditors receive outside professional training annually to hike quality of internal auditing. In 2022, internal auditing supervisor and acting persons each received 12-hour training at Institute of Internal Auditors-Chinese Taiwan and thereby obtained certification.

For our internal auditing disclosure, please refer to our website:
Corporate governance → execution of internal auditing
http://www.davicom.com.tw/investor-governance04.php?lang_id=tw

■ High-level managers' compensation

Policies, corporate systems and standards/structure of our directors' and managers' remuneration as well as their performance and long-term performance goals are evaluated and discussed by compensation committee. Compensation committee is composed of independent directors and holds at least two meetings every year to review salaries in order to ensure reasonableness and competitiveness of salaries.

Remuneration of president, vice president and high-level supervisors includes salaries, bonuses and pensions which are regularly disclosed in our annual reports. In order to maintain momentum of seeking breakthrough innovation in steady operating environment, president's and high-level supervisors' remuneration mainly consists of fixed and variable portions. In order to keep boosting "environment, social, governance" to ensure sustainability, we have set mid- and long-term goals for sustainable development in the hope of creating common prosperity for both the enterprise and society. Managers' remuneration on the whole are based on consideration of competitiveness in the corresponding industry and, in addition, evaluation factors of fixed and variable salaries include support to our sustainability goals.

Fixed remunerations are in accordance with duties of job positions and relative importance of duties
Variable remuneration Financial indicators: Compensation on shareholders' equity (%), operating profit margins (%), etc. Other indicators related: Hike in profitability, innovation R&D, expansion of marketing and customer management

1.3 Corporate sustainable development

With concepts of caring about employees, stressing environmental protection, making contribution to public benefits, we keep boosting sustainable operation and hope to fulfill corporate citizen responsibilities to lead societies toward the positive cycle of "goodness". Our sustainable development is based on "creating a new value of global friendly ecology that features people-oriented concept, coexistence with environment and common prosperity with societies"; with "clients, shareholders, employees, environment and societies" being the concerned goals to jointly pursue sustainable growth.

Semiconductor, Inc. Practical Principles for Corporate Social Responsibility" on November 10, 2014.

Management framework

Specifically for attaining sustainable development goals (SDGs), we have organized sustainability committee. The Chairman serves as the chairman and CEO for the sustainability committee, and subordinate executive secretary and carbon inventory team to help task forces of corporate operation, employee care, innovation R&D, sustainable environment and social concern for collaboration to move toward SDGs.
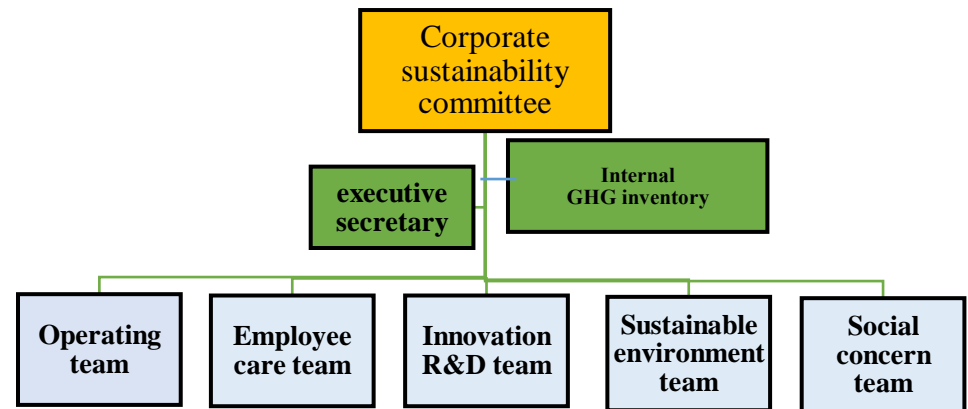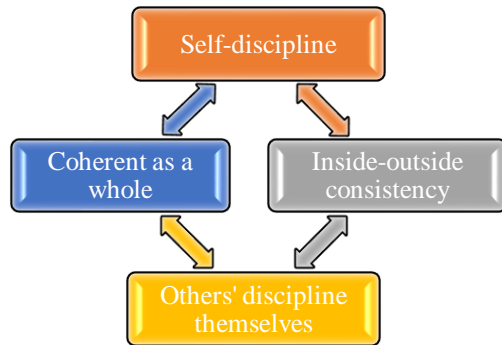

Realization of practical principles for corporate social responsibility

In order to fulfill corporate social responsibility and boost economic, environmental and social progress to reach our sustainable development goals, we formulated "DAVICOM

1.4 Integrity management

Insistence on integrity is the most important core value for our operation. We are in strict discipline and continue to promote professional ethical culture with high standards in order to abide by various regulations and our self-disciplinary rules thoroughly from top-level executives to common employees.

Laws, regulations, orders	Our self-disciplinary rules
Company Act, Securities & Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations concerning listing on the Taiwan Stock Exchange and Taipei Exchange and commercial business operation	● DAVICOM Semiconductor, Inc. "Corporate Governance Best Practice Principles" ● DAVICOM Semiconductor, Inc. "Integrity Principles for Corporate Management" ● DAVICOM Semiconductor, Inc. "Ethical Behavior Norms for Directors and Managers" and "Integrity Management Principles" ● DAVICOM Semiconductor, Inc. Operating procedures of administration for preventing insider trading

Administrative goals and execution of integrity management

Administrative goals	Substantial measures	Performance
External trading Constraint by special clauses of contracts	Contracts signed with clients, sales agents and suppliers should require compliance with integrity management policies and stipulate that contracts may be terminated or clauses of contracts may be annulled anytime if trading parties are concerned with dishonest behavior.	Attain
Within the company Education, propaganda, whistle blowers	Concerning integrity management and prevention of insider trading, regular education and propagandization of directors, managers and common employees enable them to know their duty and obligation of immediately reporting to units responsible for prosecution if they find cases with suspected violation of integrity management principles.	Attain
Preventing measures Internal control, internal auditing	Specifically for operating activities with higher risks of dishonest behavior, we have established effective accounting system and internal control system as well as regularly report to board of directors via internal auditing system and, in addition, review results of execution anytime and keep improving in order to substantially execute integrity management policies.	Attain

1.5 Professional ethics and anti-corruption

We are committed to conforming to business ethics through having all employees comply with the regulations concerned and demanding that they meet ethical requirements such as integrity and honesty in executing business, with the purposes of protecting our assets and image as well as our and all stakeholders' interests to reach the goals of sustainable operation and continued development.

According to "integrity management principles" and "ethical behavior norms for directors and managers", our operating office supervises execution of ethical regulation for directors, managers, employees as well as suppliers, sales agents and clients; we also strictly prohibit directors, managers and employees from securing inappropriate benefits

(money of any form for any reason, gifts, commissions, job positions, services, preferential treatment, feedback, etc.) or anyhow behaving that would influence our corporate image and competitiveness through capitalizing on relations and/or opportunities arising from their business execution, a bid to promote honest and ethical professional behavior.

Our business activities are by fair and transparent means and, before trading, we investigate credit of sales agents, suppliers, clients or parties in trading with us in order to avoid business activities with parties with records of bad behavior in terms of integrity. Contracts signed with stakeholders stipulate that they should comply with our integrity management policies, and there are special clauses that if they are concerned with dishonest behavior, we can terminate or rescind contracts anytime and ask for damages.

We have established channels of prosecuting stakeholders' and employees' behavior that violates professional ethics, and persons inside and outside our company can offer their opinions through our e-mail at our website or our company telephone numbers. **Email: esther_lin@davicom.com.tw (TEL: +886-03-5798797 #8569)**

People can prosecute such behavior violating professional ethics via e-mail or company telephone, and our independent auditing unit will secretly find facts and keep strict secrecy of the identity of the persons. Fact-finding reports are delivered to our executive level for making decisions and, in case of violations, violators are internally punished according to our corresponding punishment measures or externally punished through our legal prosecution.

Employee care Hotline

Email: esther_lin@davicom.com.tw (TEL: +886-03-5798797 #8569), we have channels of prosecution such as employee suggestion box and grievance methods through auditor inspection, which encourage employees, clients and suppliers to prosecute dishonest behavior, with their identity to be in absolute secrecy.

For behavior found to violate ethical behavior rules, we will take punishment measures and/or legal prosecution according to the regulation concerned and our working rules.

Tablet of prosecution (grievance) cases received in 2022

	Total number of prosecution cases	Total number of grievance cases	Total number of cases that were disposed of
Anti-corruption	0	0	0
Environmental issues	0	0	0
Social issues	0	0	0

1.6 Regulatory compliance

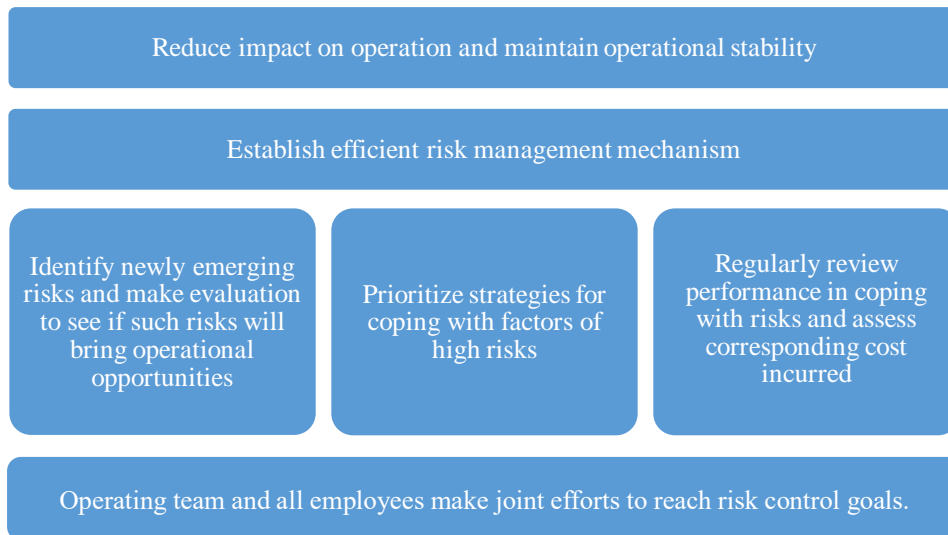| Category of regulations		Substantial measures of complying with important regulations	Cases of violation
Business activities	Listing on the Taiwan Stock Exchange, listing on the Taipei Exchange	We formulate our internal rules for corporate governance according to Company Act, Securities and Exchange Act and regulations regarding listing on the Taiwan Stock Exchange and the Taipei Exchange.	None
	Tax	Declare taxes according to the tax regulations concerned and pay the taxes	None
	Accounting	Our accounting execution is according to business accounting regulations and our value assessment is based on international accounting standards in line of government policies.	None
	Intellectual properties	For developing new products, we include patent indexes in the first step.	None
	Privacy	Obligation of strictly protecting employees' and clients' personal information as well as clients' business secrets	None
	Political parties	Expressly prohibit directors, independent directors, managers, employees and subsidiaries from offering illegal political donations	None
	Government Procurement Act	Comply with government procurement regulations, deliberately evaluate cost and benefits of open-bid projects and faithfully fulfill contracts	None
	Anti-Corruption Act	We operate company according to disciplinary regulation and never request favor from, make long-term promises for, bribe public servants related to business operation.	None
	Circumvention of conflict of interest	With reference to legal clauses concerning recusal of public servants due to interest conflicts, we set internal rules and ask directors to notice circumvention of interest conflicts to avoid misconduct.	None
Labor regulations			None
Environmental laws and regulations			None

1.7 Realization of risk management

Viewing that risk management is necessary for sound corporate governance and realization of corporate management, we set up a risk management platform in 2016. The platform is systematic operation for risk management to strengthen strategies of coping with risks, reduce the probability that serious operational risks worsen to become crises and realize risk management.
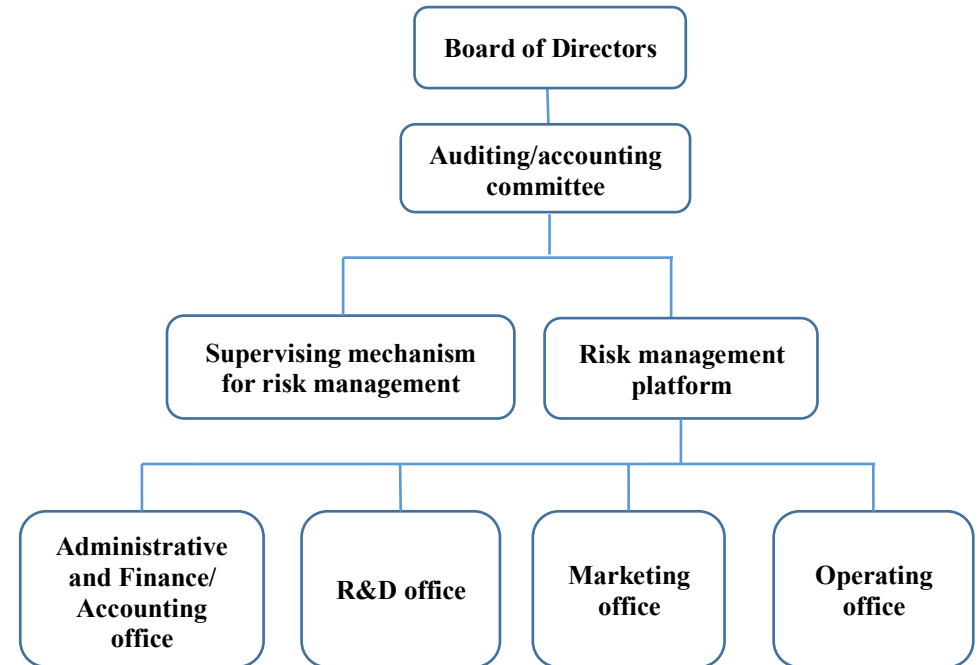
The risk management platform, according to our organizational structure and internal control system, mainly consists of two promoting units:

(1) Promoting unit of sustainability risk management: President coordinates operating units of R&D, engineering, production, marketing, business, finance to identify risk topics and corresponding management factors across these operating units.

(2) Supervising unit of risk management mechanism: Internal auditing unit checks whether sustainability risk management is carried on according to the regulation concerned and regularly submit risk monitoring reports to auditing committee.

Our risk management strategies

Reduce impact on operation and maintain operational stability

Establish efficient risk management mechanism

Identify newly emerging risks and make evaluation to see if such risks will bring operational opportunities

Prioritize strategies for coping with factors of high risks

Regularly review performance in coping with risks and assess corresponding cost incurred

Operating team and all employees make joint efforts to reach risk control goals.

■ Risk management framework

Risk management platform is to systematically identify and assess risks and a mechanism of handling and monitoring risks. By virtue of combining ISO 9001 quality management system and the risk management of internal control system, promotion of risk management platform in 2022 mainly covered the nine aspects: Strategy risks, operational risks, financial risks, information risks, regulatory compliance risks, integrity risks, climate change risks, infectious disease risks, geopolitical risks, and focused on climate change actions, sustainable supply chains for procurement and supplier quality management. For operating achievement, please refer to our 2022 annual report (Our website: Investor relations → our annual report https://www.davicom.com.tw/investor-annualreport.php? lang_id=tw)

Business Continuity Management, BCM

In view of negative impact of COVID-19 pandemic since the end of 2019, we have undertaken risk management based on BCM (business continuity management) method, with the risk management focusing on prevention and improvement specific to various types of possible disruption of business operation. Through risk management platform and using BCM core concepts, we have taken preventive measures before risks occur, mitigated impact when risks occur, restored situation influenced by risks. In addition, we have simulated scenarios due to serious risks in order to promote development of corresponding responsive plans and measures.

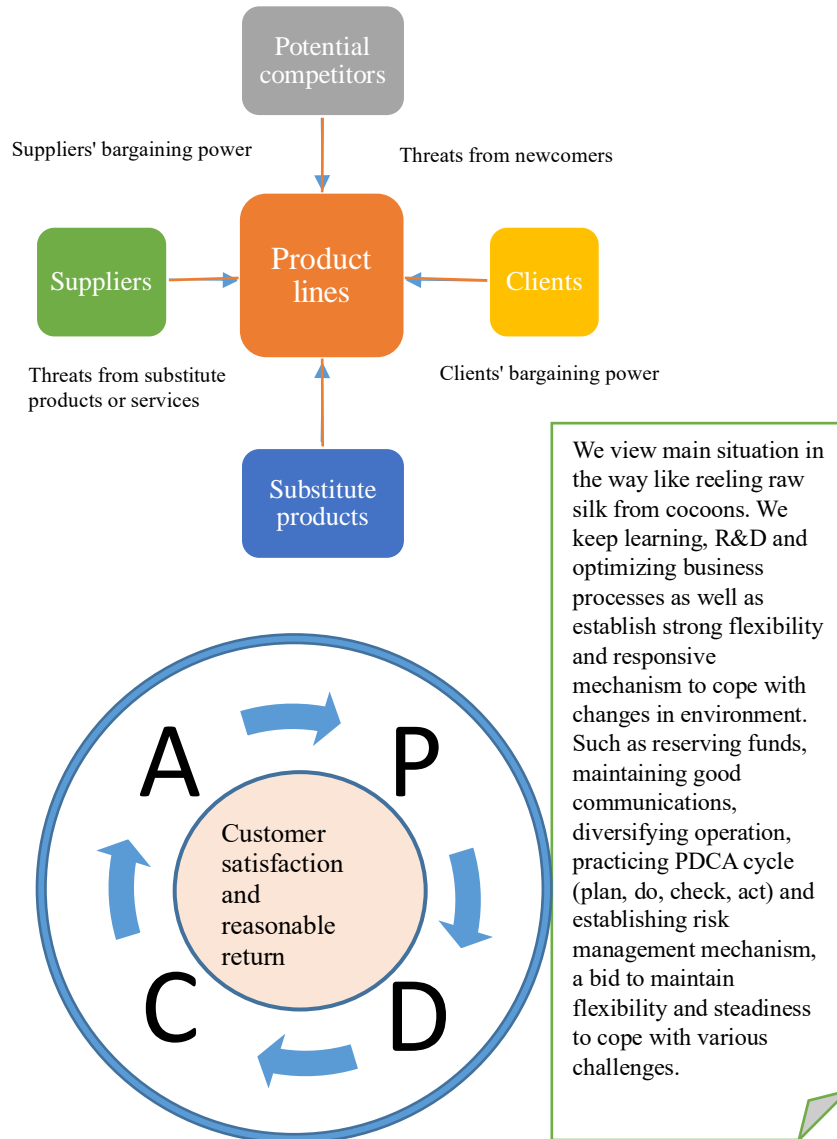| Stabilize organizational operation	Stabilize supply chains	Financial response
Ensure employees' safety and continuing execution of their duties	Monitor supply chains and respond quickly to ensure long-term flexibility of supply chains	Ensure financial liquidity to fight troubles
Client relations	**External communications**	**Information system**
Services of responding to clients for coping with market impact	Due diligence statement for investors through keeping in touch with the authorities concerned	Ensure that operation of information system will not be disrupted

Viewing that COVID-19 pandemic has raged rapidly and impacted enterprises' operation globally, we have responsively integrated operational strategies and reviewed organizational resilience to adjust risk management framework. Through integration of risk topics across operating units and emphasis on mid- and long-term planning and response, decision-making executives understand opportunities arising from risks and cope with disasters at a common platform to minimize impact and ensure continued stable operation of the company. We have been building our risk management capability through keeping regular collection of international topics related to sustainability risks and changes in industrial development trend to dynamically adjust material topics and include the collected information in our risk management reports. Faced with more unpredictable impact arising from newly emerging risks, we hope to combine internal and external resources via link in risk management to enable us to predict, prepare for, cope with and adapt ourselves to continued change in environment. Even if company operation is abruptly disrupted, we are still able to exist, make breakthrough in development and develop adaptability to large changes to create more development opportunities.

Infectious disease risks: Continue COVID-19 preventive measures and management

■ Ensure employees' safety and continuing execution of their duties

COVID-19 preventive measures	Detail items of important management
Measure body temperatures	People coming in DAVICOM Building are required to pass temperature measurement and disinfect their hands. There are forehead thermometers and medical kits on each floor of DAVICOM Building; there is sufficient inventory of alcohol disinfectant and medical face masks.
Life-supporting equipment	Supply of disinfecting materials for sufficient disinfection of working space, pantry rooms and restrooms on each floor.
Employees were assigned to work on different floors (remotely)	1. Announce ways of transferring official documents to cope with COVID-19 pandemic. 2. Require certain social distance among people in public space. 3. Maintain original one-hour flexible time of going to/off work to reduce time of contact among employees on duty. 4. Encourage employees living in areas with severe pandemic conditions to apply for remote working. 5. Restrict employees on each floor to use designated public elevators. 6. Announcement regarding COVID-19 preventive measures include restriction of the number of passengers in a public elevator. 7. Propagandize use of communication software for meetings as much as possible.
Reported records of a COVID-19 infection suspect's visiting places and personally contacting other people	Every employee is required to personally report body temperature and body health conditions after he or she go to work on weekdays. If employees have personally contacted COVID-19 infected people or have been regarded as persons with high risks of being infected, they should notify the company/human resource unit and execute preventive measures as required by the Taiwan government.
Rapid antigen screening at home	Procure Fora/Vtrust COVID-19 antigen self-test reagents and arrange employees' self-screening. In line with the policy of working on different floors, designate some employees to help others undertake self-screening and interpret results.
Disease alert	Transfer information on footprint of COVID-19 infection cases released by the Central Epidemic Command Center to remind employees of careful prevention. After assigning employees to work on different floors, remind employees of not freely and casually going to other floors nor conversing in elevators.

- **Stabilize supply chains and client relations**
- **Due diligence statement for investors**

We view main situation in the way like reeling raw silk from cocoons. We keep learning, R&D and optimizing business processes as well as establish strong flexibility and responsive mechanism to cope with changes in environment. Such as reserving funds, maintaining good communications, diversifying operation, practicing PDCA cycle (plan, do, check, act) and establishing risk management mechanism, a bid to maintain flexibility and steadiness to cope with various challenges.

1.8 Identification and analysis of operational risks

Our internal auditing practice identifies and assesses risks and analyzes importance of risks to operation of the company to supervise and strengthen operational risk management and effectiveness of internal control. The aforementioned risk identification, assessment and analysis cover 57 items of controlling operation under cycles of sales and collection, acquisition and payment, production, payroll, financing, real estate, factories and equipment, investment and R&D as well as 28 items of controlling operation in electronic data processing and routine management.
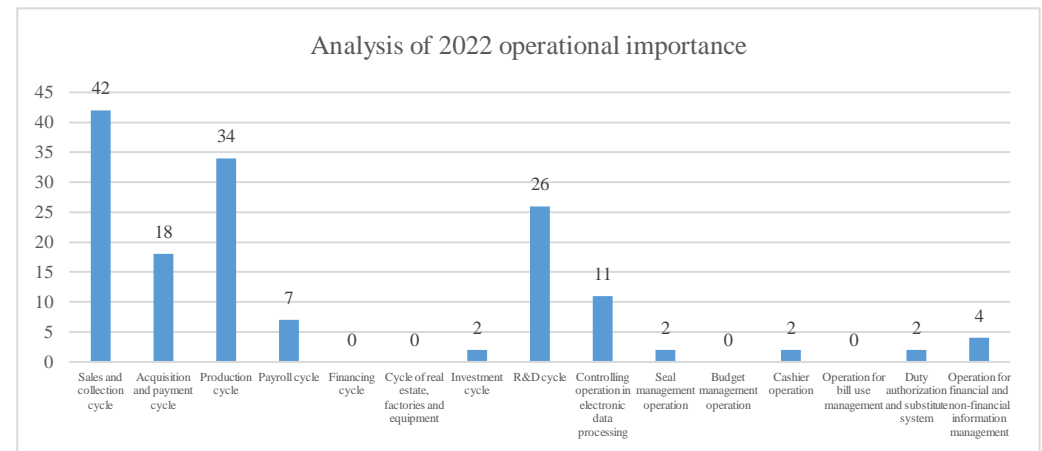
Note: According to resolutions at internal auditing meetings, cases with total scores of below 10 are ranked among unimportant ones and thus can be preferentially excluded.

Results of analysis of operational risks in 2022 are in the order in terms of importance: ① sales and collection cycle, ② production cycle, ③ R&D cycle, ④ acquisition and payment cycle, and ⑤ controlling operation in electronic data processing. Stated as follows:

Operational risk management mechanism: Guiding principles → our internal control rules

| Items of affairs	Items under evaluation	Order in terms of importance	Methods of coping with
Sales and collection	Credit management, processing of orders, operation for shipments, issue of invoices, accounts receivable, visas and documentary bills, collecting practice, customer privacy, processing of customer complaints	1. Processing of orders 2. Credit management 3. Operation for shipments	Orders are subject to approval by appropriate supervisors. Control line of credit. Complete documentation and punctual deliveries are required.
Production	Operation for planned production, outsourced processing, operation for warehousing management, outsourced quality control operation, calculation of production cost and operation for differential analysis, analysis of stock age and sluggishness	1. Operation for planned production 2. Outsourced quality control operation 3. Outsourced processing 4. Operation for inspection and acceptance	1. Planned production (begin production upon receiving orders). 2. Sufficient inquiry about, comparison and negotiation of prices. 3. Strictly control quality and the number of suppliers. 4. Safety indication on products.
R&D	New product planning, design and layout, product trial production, design verification, product development and data filing, verification of product production, new product release	1. New product planning 2. Design and layout 3. New product release	1. control schedule of product development. 2. cater to market demand. 3. Keep scheduling, cost and benefits under control.
Acquisition and payment	Operation for general procurement, production procurement, engineering control, importation, inspection and acceptance, failure to comply with contracts, payment	1. Production procurement 2. Operation for general procurement 3. Operation for inspection and acceptance	Mutually linked to and audited with production cycle.
Cybersecurity and control in electronic data processing	Networking security and control, using VPN encrypted connection, regularly changing passwords and using different passwords, not saving passwords in any device, regularly updating software, licensing use of software, functions and designated duties of information processing unit, control in system development and program modification, control of official documents concerning company's organization, control of access to programs and data, control of data output, control in data processing, security control for files and equipment, control in procuring, using, maintaining and scrapping hardware and system software, plans to restore systems and control of testing processes, control of related operation for declaring open information.	1. Security control for networking, files and equipment 2. Plans to restore systems and control of testing processes 3. Control in procuring, using, maintaining and scrapping hardware and system software	Separate storage and processing of software, operating systems and data. Tested once at least every year. 1. Confirm complete backup copies of stored data. 2. Confirm complete deletion of stored data and irrecoverableness of the deleted data.

1.9 Understanding of climate change risks and related opportunities

In view of climate change conditions and transition to low-carbon market, we actively pay attention to risks and opportunities likely to arise from climate change. In compliance with requirements by the authorities concerned and with reference to TCFD (Task Force on Climate-related Financial Disclosures) recommended climate-related financial disclosures, we have reported our management procedures based on four TCFD core factors and had our responsible units analyze risks and opportunities, develop strategies of adaptation to climate change and mitigating corresponding impact in the aspects of policy and regulation, shifts in market and technology, goodwill and substantial risk. These efforts, through participation of our top-level supervisors and link to our blueprints of sustainable development for green R&D and production, have been converted into substantial benefits from carbon reduction and financial contribution.

Governance	Strategies
➢ Board of directors and function-specific committees: Supervise climate change risks and opportunities, execution of responsive strategies and related plans as well as actual achievement in terms of set goals, including capital expenditure and budget execution, budget amendment and addition, auditing of cost and benefits, tracking of performance. ➢ Corporate risk management committee: Coordinates the company's operating units concerned to jointly review internal and external risks (including climate change risks) that the company is faced with and develop responsive strategies specific to the company's material risk topics, and reports to board of directors every year. ➢ Sustainability committee: Proposes and executes vision, duties and system of our corporate social responsibility or related management guidelines as well as substantial promoting plans (including climate change), and reports execution of climate change-related promoting plans and corresponding results to board of directors every year.	➢ Based on our methodology of assessing climate change and related opportunities, a short term is defined as within three years, a medium term as within 10 years and a long term as over 10 years in the future. Our climate change strategies are closely linked to wafer foundry service providers' low carbon commitment and, in our supply chain, we affirmatively cooperate with suppliers and clients to reach our goals of green operation. Simultaneously, we closely watch supplying channels, prices and available supply in the green power market in order to be flexibly in line with national policies concerning low-carbon development. ➢ Based on TCFD framework, we analyze results of our climate change risk and opportunity assessment to know how such risks and opportunities will impact and positively influence (contribute to) respectively our operation. ➢ According to "the summary of the Physical Science Basis under IPCC (Intergovernmental Panel on Climate Change) 6th Assessment Report and updated assessment reports of climate change in Taiwan", we assess climate change under five scenarios of greenhouse gas emissions to analyze climate change risks.
Risk management	**Indicators/indexes and objectives**
➢ Through identifying policies, regulations, shifts in market and technology, goodwill and substantial risks which are likely to be derived from different scenarios, we undertake analysis of risks and opportunities in these aspects. ➢ "Climate change risk and opportunity assessment task force", a team in which our operating units concerned take part, develops responsive strategies of adapting our operation to and mitigating impact of the top-three risks, and reports results of entire assessment to sustainability committee. ➢ We review changes in risks and opportunities in policy, regulation, technology, market and goodwill every year, with such risks and opportunities concerning transformation of our operation. Upon IPCC's updating its climate scenarios and updating on Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) every 3-5 years, we anew review risks for physical things as well as risks and opportunities concerning our operational transformation, with results under rolling correction.	➢ We have developed indicators used to assess and manage climate-related risks and opportunities, with such indicators including water consumption, energy consumption, greenhouse gas emissions and output of wastes. ➢ For information on emissions, we have inventoried greenhouse gas emissions according to the legal and technical requirements concerned and plan to commission a third party to verify the emission data in 2027. ➢ We have formulated rules for coping with climate change and reducing greenhouse gas emissions as well as set 2025 and 2030 climate related KPIs (key performance indicators) regarding greenhouse gases, renewable energy source, product design, etc.

■ **Procedures of assessing climate change risks**

1. Collection of information on climate scenarios Based on IPCC 6th Assessment Report (IPDD AR6) released by the Intergovernmental Panel on Climate Change and government reports of downscaling climate change models, we have identified items of potential physical hazards due to climate change and accordingly, are collecting and updating data used to simulate climate.
2. Establishment of assessing tools With reference to ISO 14090 Adaptation to Climate Change and TCFD recommended financial disclosures, we have developed our methodology of assessing climate change risks and opportunities.
3. Start assessing operation We have invited our operating units concerned to participate in executing assessment of climate change risks and opportunities in order to develop responsive strategies of adapting our operation to and mitigating impact of the top-three risks and link to our blueprints of R&D and marketing of green products as well as identify competitive advantages and resilience of our products.
4. Assessment results and confirmation Results of entire assessment are reported to sustainability committee for confirmation
5. Keep monitoring and tracking Regularly check performance in executing responsive strategies of adapting our operation to and mitigating impact of risks by virtue of TCFD assessment process.
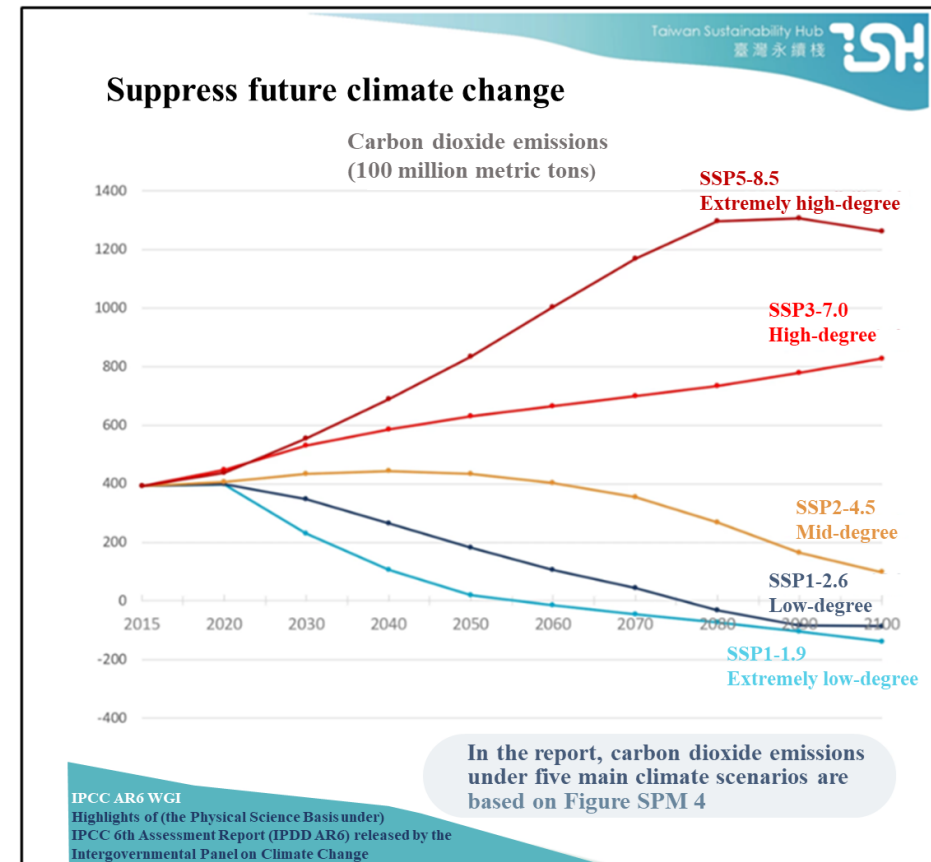
▲ **Summarize IPDD 6th Assessment Report**

■ **Assessment of influence of climate change risks and opportunities on DAVICOM Semiconductor**

Matrix of climate change risks and opportunities
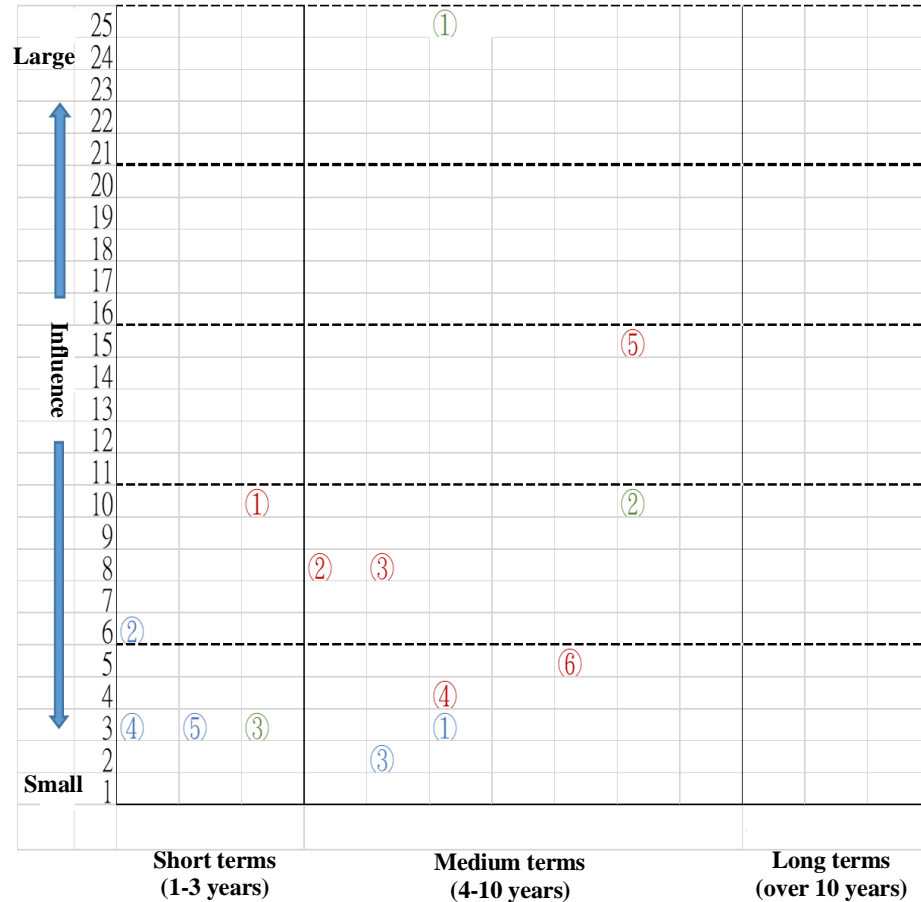
Note: ■ Risks for operational transformation ■ Physical risk ■ Opportunities

Category of risks		Factors of risks	Periods	Extent of influence
Risks for operational transformation	①	Levy carbon fee/tax	3	10
	②	Net zero carbon emissions/carbon neutrality	4	8
	③	Clients' demand for green energy	5	8
	④	Customers' preference changes demand for green products	6	4
	⑤	Green energy policies bring increased pressure on our investment (such as in green power)	9	15
	⑥	Increase operating expenses for marketing products	8	5
Physical risk	①	Typhoons, flood (heavy rain makes factory facilities unable to drain flooding water in time, resulting in disruption of operation)	6	3
	②	Warming increases load on air-conditioning systems and accordingly power consumption.	1	6
	③	Drought causes suppliers' failure in production and shipment.	5	2
	④	Strong Typhoons lead to our calling off regular work and consequently influence operation.	1	3
	⑤	Restricted water supply and Typhoons result in decreased voltage of power supply and consequently influence production.	2	3
Opportunities	①	Market demand for environmentally friendly products is on the rise	6	25
	②	Carbon trading opportunities arising from "climate change response act"	9	10
	③	Adopt BCM (business continuity management) to decrease disruption risks for supply chains for clients	3	3

Other opportunities and responsive actions

Considering our core technology and manpower, we seek methods of hiking management performance in terms of efficiency in using resources, energy sources, water sources, products/services/market/goodwill.

Efficiency in using resources

- In line with government policies, we make efforts to reduce greenhouse gas emissions and hike efficiency in using energy.
- We also boost water saving, recycling of used water for reuse, reduction in water consumption and discharge of wastewater.

Energy sources

- We use electricity supplied by Taiwan Power Company.
- We outsource wafer foundry service to suppliers with green reputation.

Water sources

- We are an IC design house and outsource wafer foundry, IC packaging and IC testing services, with operational headquarters completely using tap water.
- We install water-saving devices in systems used to maintain daily life and use technology-based management as a tool to minimize waste in using water.

Products/services/market/goodwill

- Enhance organizational resilience to cope with physical impact of climate change to reduce losses accordingly.
- Obtain energy-saving, high-efficiency, low-carbon patents
- We provide technological and consulting services as well as exchange and cooperate with universities, government agencies and partners in other industries.
- We actively cooperate with suppliers and clients to promote green product projects in a bid to efficiently reduce use of energy and greenhouse gas emissions.
- We cooperate with schools and community-based associations focusing on public benefits to promote education on environmental protection and hike our corporate image.

● **Results of identifying climate change risks and opportunities**

Main risks and corresponding responsive methods. Include the top-three risks and the water shortage risk highly concerned about by stakeholders in 2021.

Operational transformation Category/risks	Explanation of circumstances	Explanation of potential financial influence	Our methods of coping with
Policies and regulations Levy carbon fee/tax	• Europe, the US and China have hiked carbon tax/fee rates, assuming the rate of US$2.5 per metric ton. • Taiwan will begin to impose carbon fee in 2024, with the fee rate assumed to be NT$500 per metric ton.	• Operating cost for exported products increases by estimated up to 2% of total operating cost. • Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.	• Apply for carbon offset and plan to compete for carbon credit • Participate in government's voluntary greenhouse gas emission reduction projects • Make greenhouse gas emission reduction plans
Net zero carbon emissions/carbon neutrality	• Regulations demand that enterprises reach net zero carbon emissions/carbon neutrality.	• Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.	• Plan to set up PV power-generating systems • Evaluate benefits of purchasing green power
Green energy policies bring increased pressure on DAVICOM Group's investment.	• Regulations stipulate that enterprises operating in Taiwan should expand use of renewable energy or alternatively pay cash equivalent.	• Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.	• Plan to set up PV power-generating systems
Markets Clients' demand for green energy	• Clients ask us to purchase green power, assuming that the purchase volume will rise 1% annually.	• Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.	• Evaluate projects of purchasing green power

Operational transformation Category/risks	Explanation of circumstances	Explanation of potential financial influence	Our methods of coping with
Customers' preference changes demand for green products	• End clients are in response to global low-carbon environment and thus demand that all products comply with energy-saving targets.	• Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.	• Strengthen innovative product design

Physical risk	Explanation of circumstances	Explanation of potential financial influence	Our methods of coping with
Typhoons, flood (heavy rain makes factory facilities unable to drain flooding water in time, resulting in disruption of operation)	• Our operational base in Hsinchu Science Park suffered heavy rain and consequently power supply facilities were damaged and operation was disrupted.	• Revenues for business operation in Taiwan decrease annually.	• In line with government's climate policies, notice risk avoidance measures against bad weather conditions.
Warming increases load on air-conditioning systems and accordingly power consumption.	• Because of high temperatures in the summer, cooling water circulation of cooling towers lags behind rises in temperature and power consumption increases.	• Operating cost for business operation in Taiwan increases annually.	• Strengthen maintenance of energy-saving function of air-conditioning systems and cooling towers.
Drought causes suppliers' failure in production and shipment.	• Restricted water supply leads to a large backlog of wafer foundry work.	• Revenues for business operation in Taiwan decrease annually.	• Keep maintaining stable long-term partnership
Strong Typhoons lead to our calling off regular work and consequently influence operation.	• School and work are called off in areas hit by strong Typhoons.	• Revenues for business operation in Taiwan decrease annually.	• Strengthen information security, encourage employees to work online.
Restricted water supply and Typhoons result in decreased voltage of power supply and consequently influence production	• Rationing of water and power supply among areas influences production.	• Revenues for business operation in Taiwan decrease annually.	• Flexibly adjust working hours to cope with troubles and be in line with policies.

Opportunities	Explanation of circumstances	Explanation of potential financial influence	Our methods of coping with
Market demand for environmentally friendly products is on the rise	• Demand for energy-saving products is on the rise	• DAVICOM Group's consolidated revenues increase	• Innovation R&D to enhance product quality
Carbon trading opportunities arising from "climate change response act"	• Accumulate our carbon credit	• DAVICOM Group's consolidated revenues increase	• Reduce greenhouse gas emissions • Participate in government's voluntary greenhouse gas emission reduction projects • Commitment to R&D of energy-saving products, help clients obtain carbon credit
Create operational resilience to reduce risks of disruption of supply chains	• Adopt BCM (business continuity management) and add "agility" to the original basis of "leanness" as well as based on the management philosophy of "customer satisfaction and reasonable return", a bid to compete for clients' orders for substitute products.	• DAVICOM Group's consolidated revenues increase	• Strengthen corporate governance and marketing as well as substantially practice BCM

1.10　Management for information and communication security

Our vision of information security is to build a rigorous and efficient information/communication defense network; therefore, we have designated the section of information/communication security under the operating unit of information management to assume the responsibility and appointed information management manager as the director. Based on information security governance, we have been increasingly hiking comprehensive defensive capability for information and aim to become an excellently performing enterprise in terms of maturity of information security governance. The corresponding management process covers categorization of information assets, use of e-mail, physical environment security, computer use security:

Categorization of information assets	1. People: Including all employees and outsourced suppliers 2. Document: Paper-based documents, data, reports, forms and tables including official documents, printed tables, forms, paper-based texts and graphs used in projects 3. Software: Operating systems, application system programs, packaged software, etc. including source codes, application codes, databases, etc. 4. Communication: Networking equipment, networking security equipment, information transmission/switch lines or services 5. Hardware: Main equipment and related hardware facilities 6. Data: Digital information stored in hard disks, magnetic tapes, optical discs., etc. 7. Environment: Related infrastructure and services including offices, rooms to house information equipment, electric facilities, etc.	
Use of e-mail	1. Use of e-mail to transfer electronic documents classified as above "confidential" (secret or top secret) is prohibited. 2. Documents containing personal data have to be encrypted for transfer. 3. e-mail should be attached with signatures to avoid anonymity or forgery. 4. e-mail should not be used to infringe on other people's rights or interests or in illegal behavior. 5. Formulate regulation on using the Internet to include clauses concerning restricted use of e-mail	

Physical environment security	1. In order to ensure equipment and information security. Adopt safety doors equipped with functions of personal recognition for the purpose of entrance control. 2. Except managing staffs of information equipment rooms, other people who need to come into such rooms should be accompanied by members of staffs and their names and purposes should be recorded. 3. When employees come into information equipment rooms, they have to notice whether there are unauthorized persons following them. 4. Outside people or outsourced suppliers' employees coming into the company for business purposes have to bear the company's identification cards and work in designated environment. 5. Protect sources of power supply to avoid failure in power supply and disruption of supply of supporting public services. 6. In information equipment rooms, temperatures are controlled at 18-28 degrees Celsius and humidity at 30-70%. 7. Special fire extinguishing equipment is installed in Information equipment rooms. 8. Sign maintenance contracts with qualified professional providers for regularly maintaining important equipment in information equipment rooms.	**Separation of systems** **Desktop** **Clearance** **Lock** **Encryption-based protection** **Data backup**
Computer use security	1. According to security control regulation regarding desktop and screen clearance, undertake desktop clearance and place important documents in safekeeping. 2. When saving information in mobile devices and portable media, encrypt the information or adopt protective measures pursuant to regulation on removable media so as to avoid leakage of the information if mobile devices and portable media are lost. 3. According to regulation on disposal of information assets, storage of information and data classified as confidential, restricted use, internal use in any form should be in locked areas for safekeeping. 4. According to testing/formal environment for application systems and security maintenance rules for databases, it is necessary to separate sensitive systems. 5. Sealed personal data, paper-based documents and portable storage media, when not in use or in off-duty time, should be placed in drawers or cabinets and lock the drawers or cabinets in compliance with desktop clearance policy.	