



DAVICOM Semiconductor, Inc.

# 2022 Sustainability Report

Customer satisfaction  
and reasonable return

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## Regarding the 2022 Sustainability Report

DAVICOM Semiconductor 2022 Sustainability Report reveals our strategies, management framework and achievement for every material topic concerning sustainability as well as explains how we respond to stakeholders' expectations and our efforts to create environmental and social influence in the whole value chain.

Regarding financial analysis, operational information, and other information, this report merely reveals five graphs showing revenues for the latest five years, gross margins and net profit margins for the latest five years, net profits and earnings per share for the latest five years, total assets/shareholders' equity for the latest five years, and distribution of dividends per share for the latest 10 years. For non-exhaustive parts, please refer to the 2022 annual report of which all financial information is based on accountants' certified financial reports and available for inquiry at "information for investors" at our website. Other data concerning sustainability is simultaneously disclosed at "corporate social responsibility" at our website.

### Framework of the DAVICOM Semiconductor 2022 Sustainability Report

The DAVICOM Semiconductor 2022 Sustainability Report complies with GRI Standards (2021) requirements to incorporate UN Global Compact principles and adopts SASB (Sustainability Accounting Standards Board) sustainability indexes.

### Information Boundary

The scope of revealed information coincides with the make-up of DAVICOM Group as recognized in the financial report, excluding subsidiaries established for purposes of investment or taxation. The scope of revealed information and data is consistent with the financial report (January 1 to December 31, 2022).

### Quality of Reporting

Financial information is based on accountants' certified reports in 2022 and the 2022 financial report while information on quality has passed ISO 9001 auditing. (Note: The sustainable development roadmap for listed companies requires that individual companies capitalized at below NT\$5.0 billion complete third-party assurance of Greenhouse gases inventory in 2028.)

### Publishing Date

June 2023 (published every year)

### Liaison Information

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## Chairman's Words

Since founded in 1996, DAVICOM Semiconductor has stuck to the goals of customer satisfaction and reasonable return and maintained the operational vision of “Connectivity Beyond Limits”. In the era of information, DAVICOM Semiconductor focuses on niche markets, with products and technologies being in wide application including PCs, smartphones, TVs and automobiles.

In order to realize “Customer satisfaction and reasonable return”, DAVICOM Semiconductor has always insisted on the core value of “people-oriented, sincere and steady operation” to carry on comprehensive management and innovation. DAVICOM Semiconductor’s corporate development and business operation are grounded on a value concept based on the company’s six cultural characteristics, with the concept being the secret accounting for our long-term operation and continued development.

DAVICOM Semiconductor has spared no efforts to provide clients with products and services of the best quality, with customer satisfaction as the core goal of our operation. In order to attain the core goal, we continue innovation and keep improving products and services to make them surely meet clients’ demand. Besides, we lay emphasis on communications with clients to know clients’ ideas and feedback opinions and actively solve their problems. All of what we have done is intended to have clients more satisfied at our products and services and thereby enable us to win more clients and orders.

DAVICOM Semiconductor has performed well in corporate governance. Based on the concept of integrity management, we have formulated various behavioral regulations supported by strict internal control to ensure investors’ and employees’ interests. We made significant achievement in corporate governance evaluation in the past few years. Particularly for corporate governance evaluation, we were ranked among the top 5% of listed companies under evaluation in 2018 and the top 20% in 2019. Even in the negative impact of COVID-19 pandemic, we have successfully maintained stable profitability and revenue growth to bring stable compensation for investors and employees due to our capability of flexibly coping with the negative impact and our steady corporate culture.

DAVICOM Semiconductor is good at innovation as well. We thoroughly utilize internal resources and technology and, in addition, combine outside resources to jointly undertake technological innovation and keep offering new products and technologies to meet clients’ demand and market demand. For example, AI product design and AI SoC chipsets featuring small dimensions, energy-saving effects and high compatibility are greatly helpful for expanding AI functions of various networking/communication products. In addition, we have been in R&D and production of environmentally friendly products, a mission when we were founded. For the time being, green products have become an important part of our sustainable development. We keep helping clients (downstream makers) develop sustainable supply chains, a joint bid to attain sustainable environment to create sustainable value for enterprises.

Finally, we regard every employee as an important resource for corporate development. We have spared no efforts to provide good-quality working environment and career development opportunities for employees. We give importance to employees’ wellness and welfare and actively promote cultivation and transfer of talent. Employees’ safety is the greatest blessing. Since there is a family behind each employee, an employee’s safety leads to the safety of the corresponding family and further to social safety. Therefore, we stick to the operational model of “talent→quality→performance” to provide optimal working environment for employees in a bid to stimulate their creativity and development potential as well as create continued value for us.



## 2022 Comprehensive Performance for Sustainability

- **Economic influence**

Create social wealth: profitability for 68 consecutive quarters (17 years)

- **Environmental influence**

New product, DM91XX series, features reduction in dimension by 35.5% and power consumption by 38.5% (uses technology of converting current into voltage)

- **Society influence**

We have promoted life education in remote area in Taitung County, eastern Taiwan, for six consecutive years.

## A. Identification of Material Topics

According to 4-step process of identifying material topics under GRI Standards (2021), we have redefined the method of identifying materiality. Instead of questionnaire surveys of stakeholders' attention to topics in the past, we have adopted impact as a principle to assess whether topics are material this year. Through adopting double materiality principle, we have identified seven material topics with large impact on DAVICOM Semiconductor as well as external economy, environment and society.

Excellent enterprises are commonly characterized by lucid business concepts, consistent value notions and willingness to communicate with main stakeholders to help them reach goals. In the process of materiality identification this year, we have collected topics concerned about by stakeholders via regular interactions with them and assessed impact regarding these topics. In addition, we have undertaken substantial interviews with the stakeholders that are in close cooperation with us or have professional knowledge of sustainability to understand substantial impact on them arising from us and their expectations.

In the future, we will undertake the process of identifying material topics every three years to regularly examine the impact regarding such topics. We have made planning for short-, mid- and long-term strategies for sustainable development to let managers efficiently allocate resources, and have disclosed positive and negative information as a basis for interested parties to optimize quality of their decision making.

Process of identifying material topics

Identification of topics	Impact assessment	Confirmation of materiality	Regular examination
<p><b>Stakeholders</b> Definition of stakeholders in seven categories based on principles of dependency, responsibility, influence, diverse perspectives, and tension.</p> <p><b>Topics concerning sustainability</b> Sources of topics: sustainability standards and regulations (DNA, GRI, RBA, TCFD, CDP, etc. UN SDGs) and topics concerned about by stakeholders, which are consolidated into 16 topics for impact assessment.</p>	<p>Assessment of impact for the 16 topics</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 45%;">Assessment of influence of sustainability-related topics on DAVICOM Semiconductor</div> <div style="border: 1px solid black; padding: 5px; width: 45%;">Assessment of how sustainability-related topics influence external economy, environment and society</div> </div> <p>Outside→inside      Inside→outside</p> <div style="text-align: center; margin-top: 10px;"> <p>↑</p> <div style="border: 1px solid black; padding: 5px; width: 60%; margin: 0 auto;">Feedback of opinions</div> <p>↓</p> <div style="border: 1px solid black; padding: 5px; width: 60%; margin: 0 auto;">Questionnaire surveys + meeting discussions</div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Integration of assessment undertaken by sustainability task force and topics concerned about by stakeholders</div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Confirmation of seven highly material topics</div>	<p>Decide on management guidelines and goals for highly material topics for review-based management every half year</p> <p>Undertake process of identifying materiality every three years to regularly examine impact related to material topics</p>

## A-1. Identification of topics

### ● Stakeholder engagement

According to AA1000 SES five principles, “dependency, responsibility, influence, diverse perspectives, and tension”, we have established quantitative indexes to identify influencing ones from many stakeholders, with them belonging to categories of shareholders (investors), employees, clients (sales agents), suppliers, academic organizations, community-based groups and government agencies.

Through multiple channels, we have regularly or irregularly undertaken engagements with influencing stakeholders to understand their expectations, with the information used to assess impact related to topics concerning sustainability.

Five quantitative indexes	
Dependency	Stakeholders that directly or indirectly rely on DAVICOM Semiconductor’s products, activities or services
Responsibility	Stakeholders for which DAVICOM Semiconductor bears legal, commercial, operational or moral responsibilities
Tension	Stakeholders that care about financial, economic, social and environmental topics regarding DAVICOM Semiconductor
Influence	Stakeholders that can influence DAVICOM Semiconductor’s strategies or economic decision making
Diverse Perspectives	Stakeholders that have different viewpoints so as to enable DAVICOM Semiconductor to have new recognition or obtain opportunities via inspiration

Shareholders/ investors	<b>Importance to us</b> Shareholders and investors’ support is the power for us to maintain steady operational growth. We focus on the triangle strategies of “design mentality”, “market positioning” and “value creation” to secure stable profitability and steady return on investment as well as demonstrate our performance in sustainability governance.	Employees	<b>Importance to us</b> Talent and innovation are crucial to enterprises’ core competitiveness and a cornerstone for enterprises to move toward sustainable operation. We regard employees as the most important stakeholders and have thus created happiness-oriented working environment for employees and cared about happiness of employees’ family lives.		Clients/ sales agents	<b>Importance to us</b> As clients/sales agents are channels for selling our products in the international market, we have closely cooperated with them and one of our sustainable development goals is to help them (or their clients) develop new products (or services).	
<b>Mode and frequency of engagement</b> [Regular] Shareholder’s meetings, annual reports, ESG reports, annual investor conferences, quarterly financial reports [Irregular] Market observation post system		<b>Mode and frequency of engagement</b> [Regular] labor-management conferences: every quarter [Irregular] Service dedicated line, information network dedicated to employees, employees’ (including families) social gathering			<b>Mode and frequency of engagement</b> [Irregular] Personal calls, meetings (including extemporaneous ones), phone calls, e-mails		
Suppliers	<b>Importance to us</b> Suppliers are our important partners for sustainable operation and continued growth as well as crucial for our products to meet international requirements in terms of human rights and green quality.	Academic organizations	<b>Importance to us</b> Viewing that talent is the foundation for industrial innovation, we have been in long-term cooperation with units engaged in talent cultivation to cultivate innovation talent for various industries and this is our sacred mission of industrial upgrading.	Community-based groups	<b>Importance to us</b> Since the power of love can reach everywhere, we have actively participated in community-based charitable activities to offer our charity for social fusion.	Government agencies	<b>Importance to us</b> We abide by regulations concerned to operate business, pay taxes and are positively in line with national policies.
<b>Mode and frequency of engagement</b> [Regular] Annual auditing and evaluation [Irregular] Procurement and management undertaken by specific personnel, meetings		<b>Mode and frequency of engagement</b> [Regular] Mutual visits every year [Irregular] Web-based platforms, phone calls		<b>Mode and frequency of engagement</b> [Irregular] Visits, forums, seminars, participation in activities		<b>Mode and frequency of engagement</b> [Regular] Participation in corporate governance evaluation every year [Irregular] Seminars (symposiums), documents, phone calls Market Observation Post System	

- **Collection of topics concerning sustainability**

In order to find out potential material topics for DAVICOM Semiconductor, from sustainability-related topics based on international sustainability standards and regulations, UN SDGs, responsible investment, industrial trends and interactions with stakeholders, we have picked up many and combined them into 16 material topics. We have made a further step to check impact related to material topics.

Our DNA	International sustainability standards and regulations	SDGs (Sustainable Development Goals)	Trends of industrial development	Topics concerned about by stakeholders
People-oriented Insistence on integrity Steady operation	Refer to GRI, RBA (Responsible Business Alliance), TCFD (Task Force on Climate-related Financial Disclosures), CDP (Carbon Disclosure Project) sustainability reporting standards and other international ones	Refer to UN Sustainable Development Goals (SDGs) SDG 4, SDG 7, SDG 8, SDG 9 SDG 11, SDG 12, SDG 13, SDG 17	Topics concerned about by international sustainability leaders, Taiwan-based ICT companies and enterprises in other industries	Topics concerned about by shareholders(investors), employees, clients (sales agents), suppliers, academic organizations, community-based groups and government agencies

- **Sustainability-related topics and context**

About DAVICOM Semiconductor	Strengthen corporate governance	Enhance cooperation among value chains	Response to energy transition	Realization of workplaces appealing by happiness	Realization of social prosperity
Operational performance	Sustainability governance, integrity management Regulatory compliance, risk management	Innovation R&D and services Responsible production and consumption Customer satisfaction and reasonable return Supply chain management	Climate action Utilization of energy and resources Circular economy	Talent cultivation Wellness and safety Human rights and tolerance	Participation in policies and public investment
Sustainability context Operational performance	Sustainability context Corporate governance, risk management Compliance with social and economic regulations Compliance with environmental regulations Information security, climate change	Sustainability context Innovation R&D Responsible production and consumption Customer satisfaction and reasonable return Supply chain management	Sustainability context Utilization of energy and resources Emissions of greenhouse gases	Sustainability context Human resource policies, talent recruitment and retention, employee training and education, workplaces appealing by happiness and wellness Remuneration/welfare, labor/management relations	Sustainability context Social participation

## A-2. Impact assessment

Definition of materiality according to GRI Standards (2021) Viewing from impact, we have anew examined the materiality of 16 sustainability-related topics to DAVICOM Semiconductor as well as external economy, environment and human being. Our internal assessment is mainly based on self-developed impact indexes plus reference to stakeholders' viewpoints have helped us understand our external influence.

Step 1 Calculation of impact indexes	Our sustainability task force has referred to evaluation of routine operation and trend of development regarding sustainability-related topics to identify substantial and potential positive and negative impact arising from the 16 sustainability-related topics and calculate severity and frequency of impact for each topic. Further calculate impact index for each topic. The severity of impact is based consideration of occurring scale and scope of impact and whether impact is reversible and incurs influence on human rights.	Materials Opinions highly related to DAVICOM Semiconductor are selected as reference for identifying material topics.
Step 2 Questionnaires and discussions	In line with GRI Standards (2021), we have adopted "extent of impact" as a criterion for determining whether a topic is material this year. Our risk management committee, as it is made up of departmental executives responsible for technological R&D, engineering quality, market research, business promotion, marketing, human resources, finance and tax and internal control, has a forward-looking vision to ensure adopted stakeholders' opinions. Therefore, based on sufficient understanding of DAVICOM Semiconductor, further understand our external (economy, environment, human being) impact and influence from their opinions.  The risk management committee has so far held two meetings on sustainability-related topics and collected 12 copies of questionnaire. Quantified results of questionnaire surveys are used as basis for adjusting materiality of sustainability-related topics.	Meetings Understand context (background, insight, trend) of stakeholders' viewpoints  Questionnaires Overview of stakeholders' opinions

### ● Topics concerned about by stakeholders

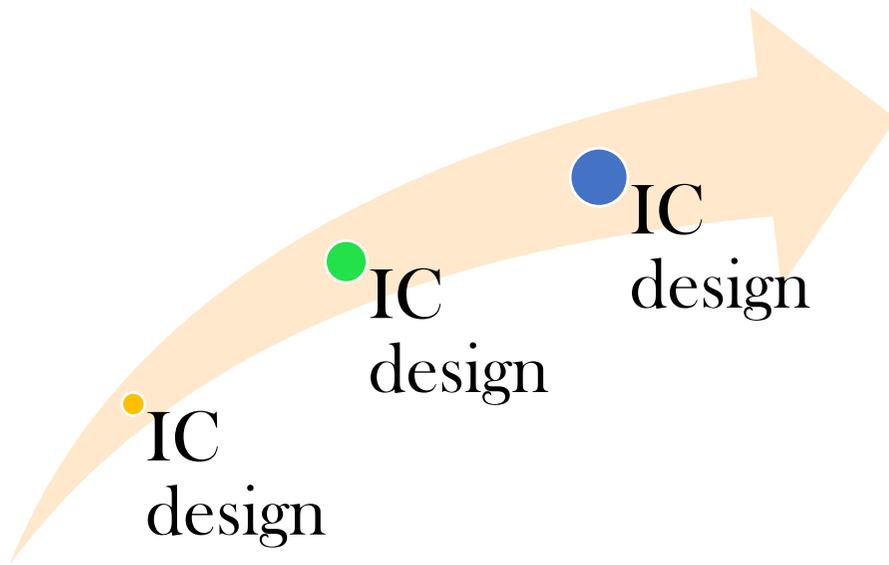
Shareholders/investors	Employees	Clients	Suppliers	Educational and research organizations	Community-based groups	Government agencies
Risk management Operational performance Corporate governance Innovation R&D Anti-corruption Sustainable operation policies	Sustainable operation policies Remuneration and welfare Employee education and training Labor-management relations Ethical regulation Talent recruitment and retention	Management for green products Compliance with environmental regulations Risk management Customer relationship management	Innovation R&D Risk management Supplier environmental assessment Compliance with environmental regulations	Corporate governance Operational performance Talent cultivation and manpower training Innovation R&D and management	Operational performance Participation in communities and charitable activities	Corporate governance Occupational safety and employee wellness Labor-management relations Compliance with labor regulations Compliance with environmental regulations

● **Integration of stakeholders' viewpoints**

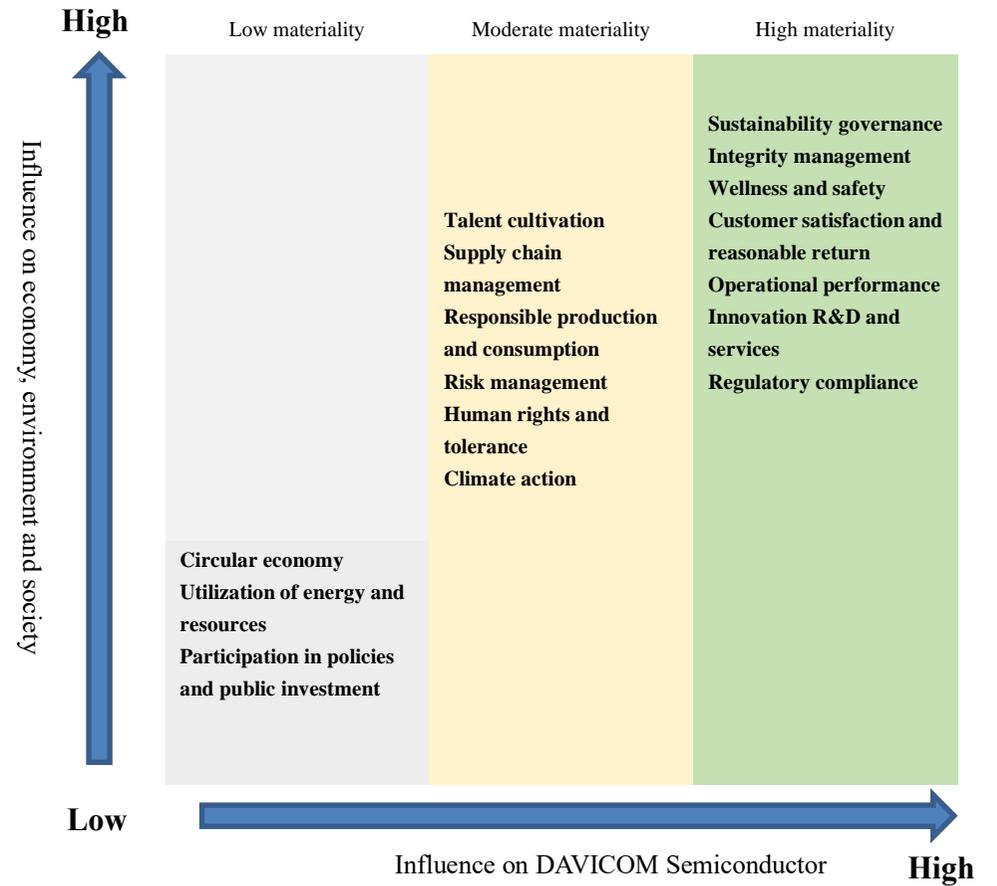
Sustainability-related topics	2022 material topics	Content included in material topics	Sustainability context (2018-2021)
About DAVICOM Semiconductor	Operational performance	Operational achievement, tax payment	Operational performance
Strengthen corporate governance	Sustainability governance	Board of directors (members, diversity, education, operation, performance), function-specific committees (members, operation, performance), remuneration for high-level executives	Corporate governance
	Integrity management	Internal auditing, professional ethics and anti-corruption, social and economic regulations, environmental regulations	Risk management
	Regulatory compliance		Compliance with social and economic regulations Compliance with environmental regulations
	Risk management (identification, assessment, responsive action, monitoring)	Operational risks (pandemic impact, geopolitical impact), climate change, information security (inside, outside) Supply chains (lean, punctual and sustainable)	Information security Climate change
Enhance cooperation among value chains	Innovation R&D and services	Product design, intellectual properties	Innovation R&D
	Responsible production and consumption	Leanness, agility and responsiveness of supply chains	Responsible production and consumption
	Customer satisfaction and reasonable return	Customer privacy, customer services	Customer satisfaction and reasonable return
	Supply chain management	Appointment, auditing, evaluation	Supply chain management
Response to energy transition	Climate action Utilization of energy and resources Circular economy	Use of energy/resources, emissions of greenhouse gases, industrial wastes, recycling for reuse of resources	Utilization of energy and resources Emissions of greenhouse gases
Realization of happiness in workplace	Talent cultivation	Human resource policies	Human resource policies
		Talent recruitment and retention	Talent recruitment and retention
		Employee education and training	Employee education and training
	Wellness and safety	Workplaces appealing by happiness and wellness	Workplaces appealing by happiness and wellness
	Human rights and tolerance	Remuneration and welfare	Remuneration and welfare
		Labor-management communications	Labor-management relations
Realization of social prosperity	Participation in policies and public investment	Industry-academic cooperation, projects specifically for making contribution to public benefits	Social participation

● **Tabulation of material topics**

High materiality	Sustainability governance, integrity management, wellness and safety, customer satisfaction and reasonable return, operational performance, regulatory compliance, innovation R&D and services
Moderate materiality	Supply chain management, talent cultivation, responsible production and consumption, risk management, human rights and tolerance, climate action
Low materiality	Circular economy, use of energy/resources, participation in policies and public investment



*A chip design that changes everything*



## B. Emphasis of Sustainable Development Strategies

### Emphasis of sustainable development strategies

In order to keep strengthening competitive advantages, we have maintained the determined operational strategy of “steady operation and continued growth” and, in terms of sustainable development, focused on (1) complete risk management and compliance with the regulations concerned; (2) continuing contribution to green supply chains, setting up effect partnership and optimizing the business model of “customer satisfaction and reasonable return”; (3) technological innovation; (4) combining smart city, smart retail, data assets, core talent and helping clients tap markets by virtue of differentiated products as well as hiking quality, expanding marketing and customer bases, encouraging employees to fully utilize potential capabilities and bear responsibilities, integrating efficiency in organizational operation, enhancing competitiveness in sustainable operation, with these efforts intended to implement sustainability plans.

#### ■ Link material topics with UN SDGs, core items that DAVICOM Semiconductor is concerned about

<p>4 優質教育</p> 	<p>➤ <b>Social participation</b></p>	<p>11 永續城市與社區</p> 	<p>➤ <b>Innovation R&amp;D, risk management</b></p>
<p>7 可負擔的潔淨能源</p> 	<p>➤ <b>Innovation R&amp;D, risk management</b></p>	<p>12 負責任的消費與生產</p> 	<p>➤ <b>Responsible production and consumption, supply chains, compliance with environmental regulations, risk management</b></p>
<p>8 尊嚴就業與經濟發展</p> 	<p>➤ <b>Innovation R&amp;D, operational performance, corporate governance, human resource policies, talent recruitment, workplaces appealing by health, employee education, customer satisfaction and reasonable return, remuneration and welfare, regulatory compliance</b></p>	<p>13 氣候行動</p> 	<p>➤ <b>Customer satisfaction and reasonable return, risk management, climate change, supply chains, use of energy, emissions of greenhouse gases</b></p>
<p>9 產業創新與基礎設施</p> 	<p>➤ <b>Customer satisfaction and reasonable return</b></p>	<p>17 夥伴關係</p> 	<p>➤ <b>Global partners</b></p>

## About DAVICOM Semiconductor

DAVICOM Semiconductor Inc. was founded in 1996 by a networking/communication team under United Microelectronics (UMC) and US-based networking/communication experts.

Since being founded in 1996, with the foundation of Ethernet along with the industry trend, we developed Ethernet controller ICs firstly and then, in line with industrial development trends, has developed and produced networking ICs used in embedded systems and engaged in innovation and R&D of software technology, with products widely used in broadcasting equipment for Internet connection and telecom set-top boxes. We began R&D of ICs used in smart medical care in 2013, development of EPD (E-Paper Display) driver ICs for innovative application to electronic shelf labels in 2014. Furthermore, we have focused on integration of AI with our Ethernet technology and development of innovative products since 2018. In 2020, we stepped into UHF RFID and then began to provide most competitive ICs and chip solutions to help clients keep abreast of the latest trend of AIoT development and thereby shorten time to market.

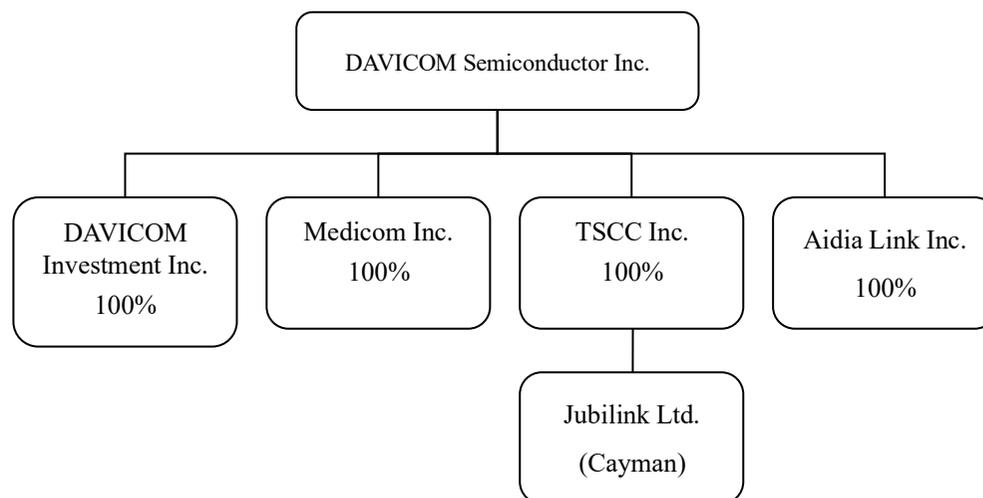
“Connectivity Beyond Limits” is our sustainability-related vision, “development and promotion of environmentally friendly technologies” is our mission, “forward looking, steadiness” is our gene, and “customer satisfaction and reasonable return” is our insistence. Based on the belief of “walk steadily for long-distance destinations”, we are moving toward corporate sustainability goals. With spiritual cohesion of all employees, we keep creating sustainability value that is balanced among social harmony, economic sustainability and environmental sustainability.

### Organizational profile

#### Profile of DAVICOM Semiconductor

Full corporate name	DAVICOM Semiconductor, Inc.
Capital amount	NT\$831 million
Total number of employees	75 (100 globally)
Date of establishment	August 16, 1996
Stock listed	Our stock shares were initially listed on the Taiwan Stock Exchange on August 6, 2007 (stock code: 3094)
Chairman	Ting Hao
President	Nien-tai Chen
Operational headquarters	No. 6, Li-Hsin VI Road, Hsinchu Science Park, Hsinchu City 30078, Taiwan,
Location of operation	Taiwan, China, Europe, and the U.S.

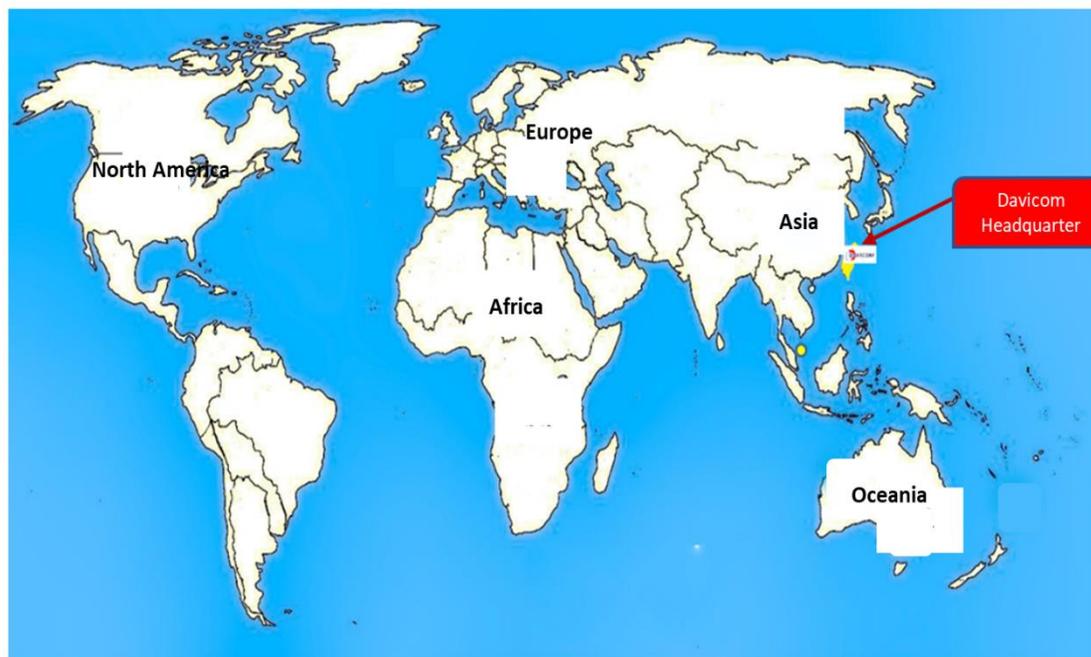
#### Organizational chart of affiliates



■ **Basic data on affiliates**

Name of enterprise	Time of being established/invested	Address	Paid-in capital	Main items of business operation
DAVICOM Investment Inc.	April 2006	2nd Floor, No. 1, Lane 53, Xinzhuang Street, Hsinchu City	NT\$212 million	General investment business
Medicom Corp.	July 2010	2nd Floor, No. 1, Lane 53, Xinzhuang Street, Hsinchu City	NT\$50.0 million	IC design and manufacturing industry
Aidia Link Inc.	October 2016	Unit 3, 15th Floor, No. 60-3, Chien-Hsin Road, Hsinchu City	NT\$80.0 million	Manufacturing of mechanical equipment used in wireless communication
TSCC Inc.	January 2002	TrustNet Chambers, Lotemau P.O. Box 1225, Apia, Samoa.	US\$4.4 million	Non-operating investment
Jubilink Ltd.	January 2002	P.O. Box 219, Grand Cayman	US\$2.5 million	General trading business

Sales agents around the world (for information on sales agents, please refer to Contact Us at our website)



**Europe**

- France
- The Netherlands/Belgium/Italy/Spain
- Israel/Russia/Ukraine
- Germany/Switzerland/Austria
- Norway/Finland/Poland/Denmark/Sweden
- UK/Ireland/Turkey

**Africa**

- South Africa

**Asia**

- Japan
- South Korea
- India
- Southeast Asia
- China

**Oceania**

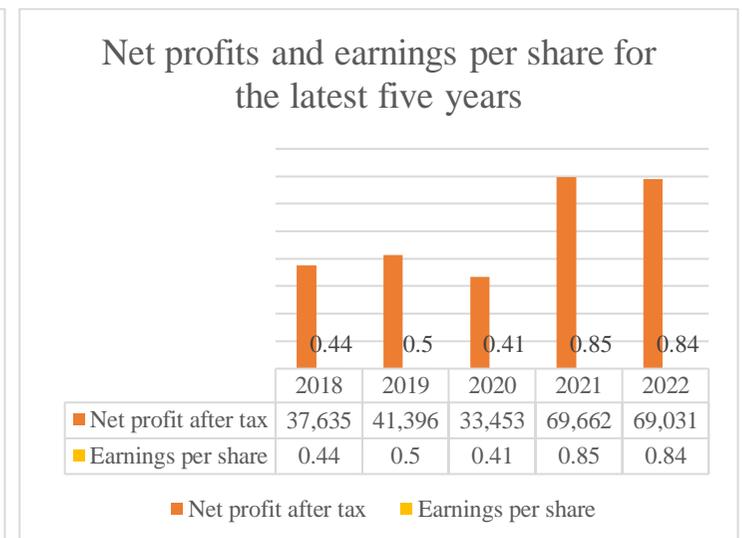
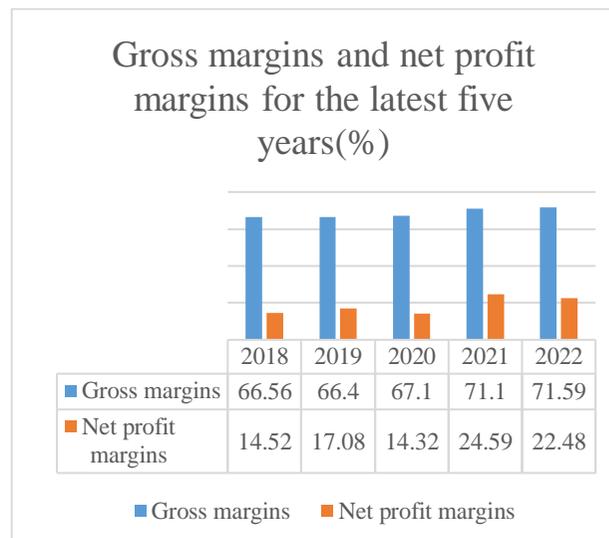
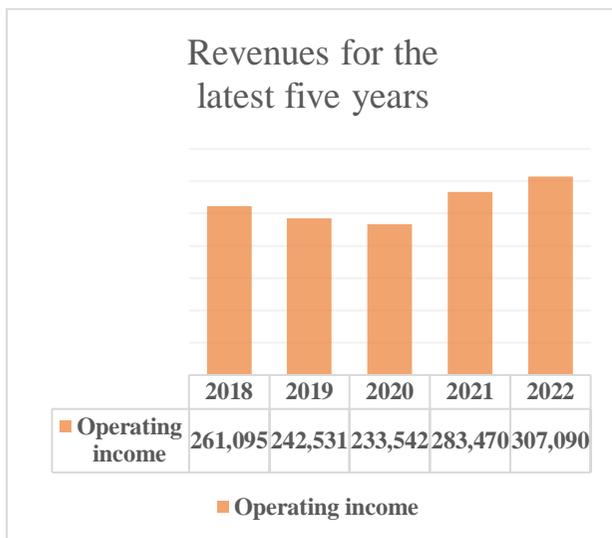
- New Zealand
- Australia

■ **Summary of business operation (operational performance)**

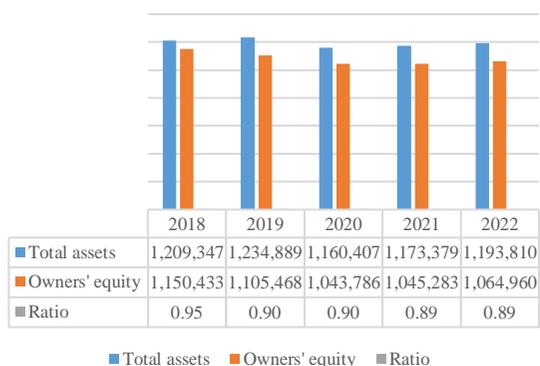
**DAVICOM Semiconductor Inc. together with its subsidiaries recorded consolidated revenues of NT\$307.09 million and pre-tax profit of NT\$86.63 million for 2022, reaching the goal of profitability for 68 consecutive quarters (17 years).**

In 2022, we had four main product lines: Ethernet ICs, EPD (E-Paper Display) driver ICs, Video Decoder ICs, and AI SoC. Negative impact of COVID-19 pandemic prevailed globally in 2022, especially in China where economic activities were severely impacted by lockdown in many cities although China began to give up clear (zero COVID-19 cases) policy at the end of the year. Besides, trade and high-tech wars between the US and China have become fiercer than in Trump’s administration and Russia-Ukraine war seems unlikely to end in a short period, resulting in international impact. Consequently, global supply chains have faced crises and global inflation has been aggravated. While tight supply of wafer foundry capacity in Taiwan in the second half of 2022 seemed to ease off as compared with 2021, a portion of the capacity for mature manufacturing processes was still short of market demand and corresponding prices remained at high levels. Because of the situation, IC production cost is expected not to drop in a short period. For use, unfavorable market conditions in 2022 were similar to those in 2021.

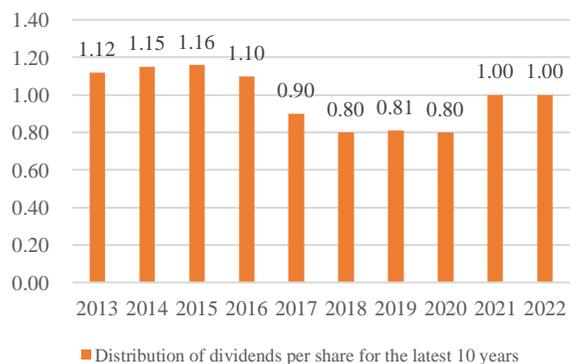
Although the total capacity provided by main wafer foundry makers was not enough to sufficiently satisfy our demand, we still fared well by virtue of the operational resilience we established before and additionally slightly benefited from COVID-19 pandemic conditions. Based on the concept of value sharing, we actively cooperated with most clients to accurately know their actual demand. In addition, we fully and efficiently utilized limited wafer foundry capacity available for use to reach the goal of “customer satisfaction and reasonable return” for sustainable operation.



Total assets/shareholders' equity



Distribution of dividends per share for the latest 10 years



## Tax governance

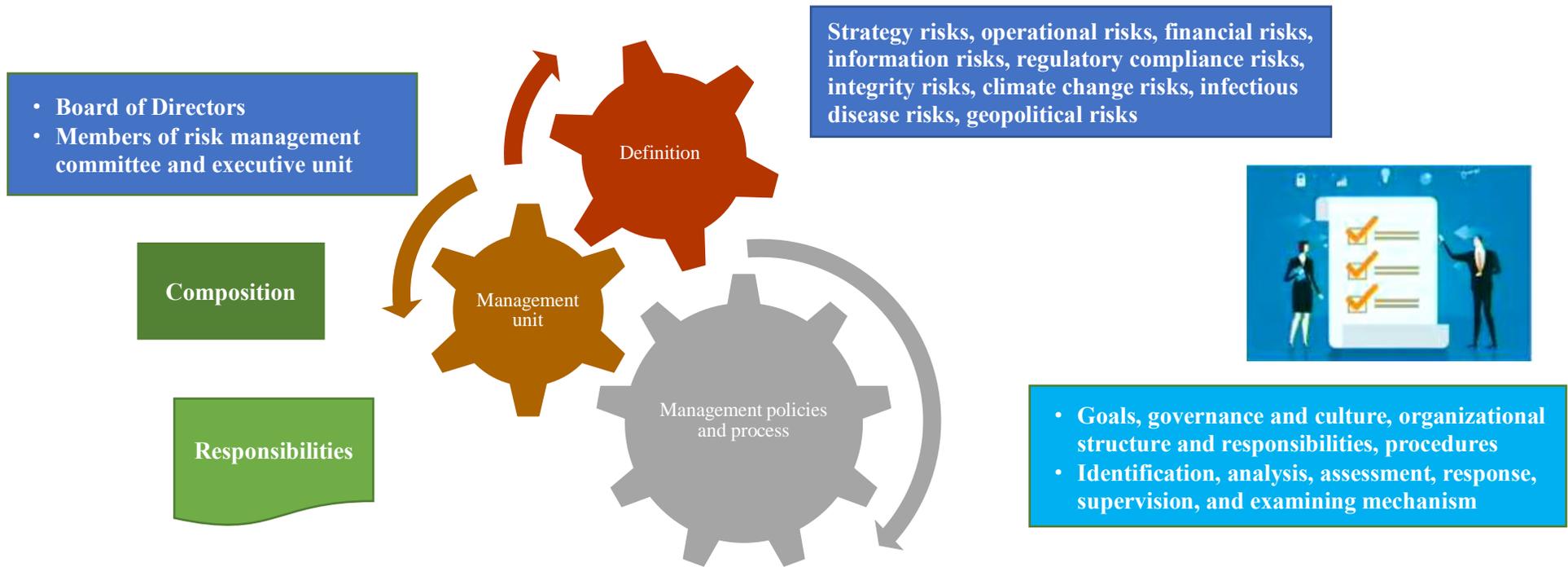
As our headquarters is in Taiwan, tax payment is pursuant to Taiwan's regulations concerned. 2022 income tax is revealed as follows:

1. Income tax expense		
(1) Breakdown of income tax:		
	2022	2021
Current income tax:		
Tax generated from current income	\$ 13,951	\$ 12,352
Additional income tax due to undistributed surplus	1	2
Overestimated income tax for previous years	( 520)	( 150)
Total amount of current income tax	<u>13,432</u>	<u>12,204</u>
Deferred income tax:		
Income tax resulting from temporary difference and rollback income tax	4,165	( 951)
Income tax expense	<u>\$ 17,597</u>	<u>\$ 11,253</u>
(2) Income tax related to other items of income and cost/expense		
	2022	2021
Remeasurement of defined benefit obligation	(\$ 451)	\$ 47
2. Income tax expense in relation to accounting profit:		
	2022	2021
Income tax generated from pre-tax profit at legally specified tax rates	17,326	16,183
Adjustment in income tax due to deletion of taxable items according to tax laws concerned	6,201	( 130)
Unrecognized deferred income tax asset due to temporary difference	( 251)	( 83)
Decrease in income tax due to Investment tax credit	( 5,160)	( 4,569)
Additional income tax due to undistributed surplus	1	2
Underestimated (overestimated) income tax for previous years	( 520)	( 150)
Income tax expense	<u>17,597</u>	<u>11,253</u>

# 1. Strengthen corporate governance

## ■ Promoting strategies:

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



**Management principles: definability, standardization, quantification, analyzability**

■ **Definition and management goals**

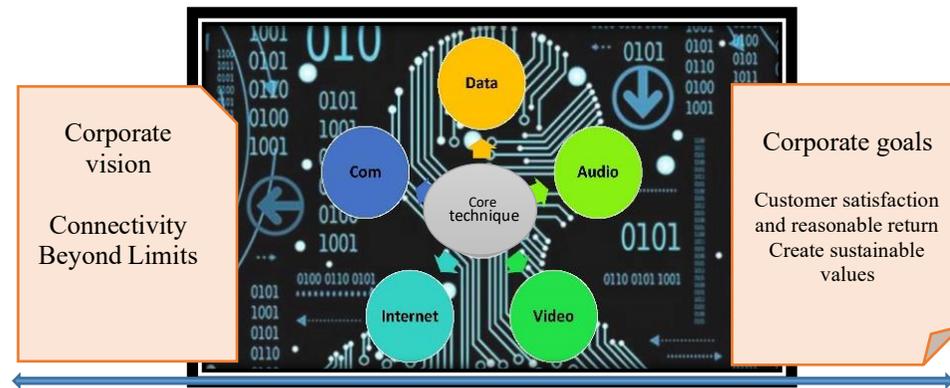
◆ <b>Strategy risks</b>	Due to inappropriate investment strategies or allocation of assets to inappropriate investment items, enterprises have results of investment deviating from expectation or even incur loss risks. For selecting investment strategies and allocating assets, enterprises should consider balance between risks and return on investment, risk tolerability and investment periods to reduce strategy risks.
◆ <b>Operational risks</b>	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.
◆ <b>Financial risks</b>	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.
◆ <b>Information risks</b>	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.
◆ <b>Regulatory compliance risks</b>	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.
◆ <b>Integrity risks</b>	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.
◆ <b>Climate change risks</b>	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, tsunamis, 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.
◆ <b>Infectious disease risks</b>	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.
◆ <b>Geopolitical risks</b>	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



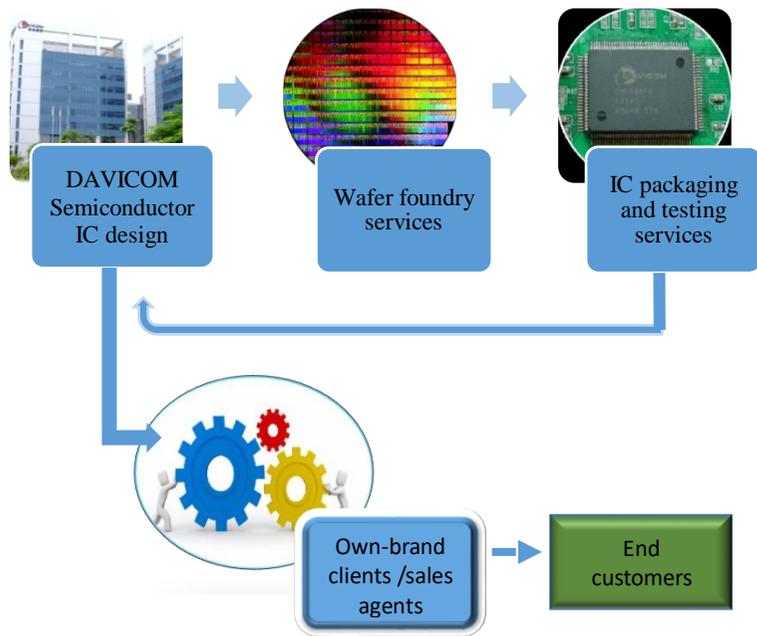
Realize our core value via DAVICOM Semiconductor



### 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.

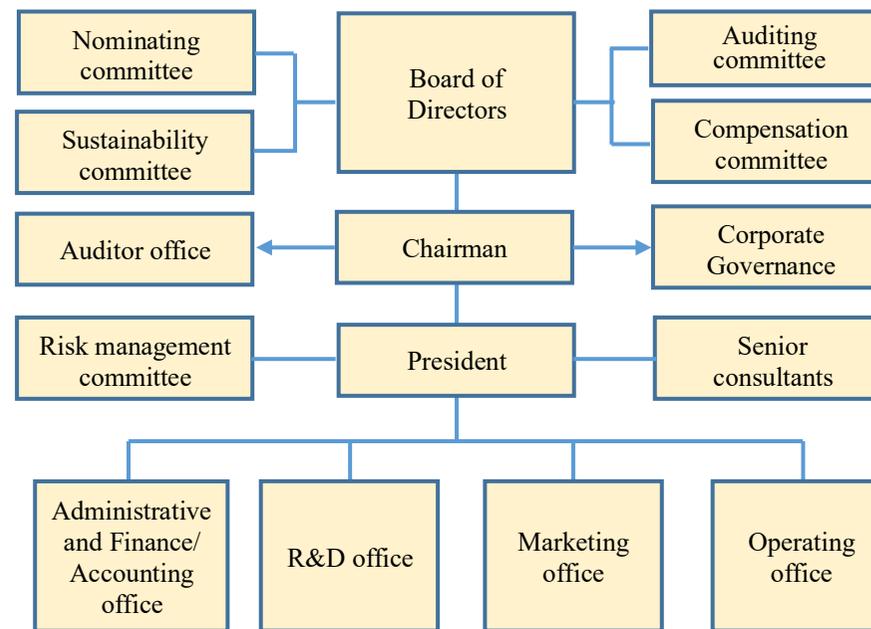


▲ **Diagram of industrial value chains**

## 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**

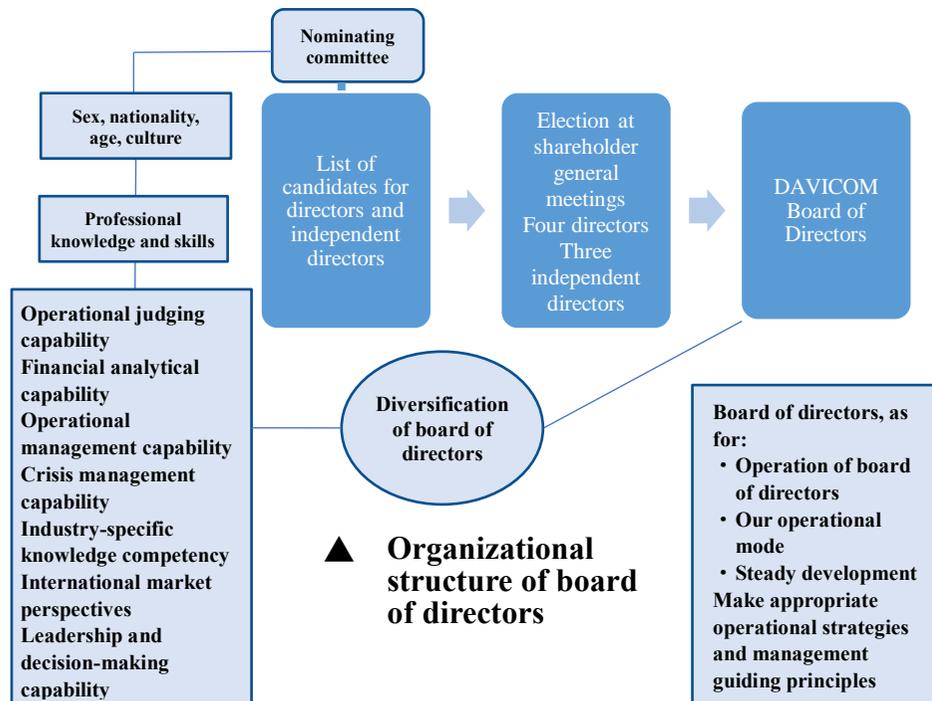
Name	Operating definition
Risk management committee	Established according to our risk management operating guidelines Management framework covers auditing committee, president as well as R&D, engineering quality, production, marketing, factory affairs, finance units
R&D meetings	Established according 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:

Job title	Personal name	Sex	Main career (education) experience	Double as the company's or other companies' positions
Chairman	Ting Hao	Male	<b>Doctor of Business Administration</b> , 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:**

	Basic composition								Industry-specific experience				Professional capability			
	Sex	Nationality	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](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](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 detailedly 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.

<b>Main purposes of establishing internal auditing</b>	<b>Items of execution for internal auditing</b>
<ul style="list-style-type: none"> <li>• Check and evaluate the effectiveness of internal control system</li> <li>• Measure operational efficiency and performance</li> <li>• Report reliable, immediate, transparent compliance as well as compliance with the regulations concerned</li> <li>• Timely recommend improvement in order to ensure continuously effective execution of internal control system</li> </ul>	<ul style="list-style-type: none"> <li>• According to regulatory requirements by the authorities concerned and based on consideration of risks, we have made annual auditing plans to practice auditing.</li> <li>• Prepare auditing reports to keep tracking improvement</li> <li>• Regularly revise internal control system, auditing practice rules. annual self-evaluation of internal control</li> </ul>

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](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**

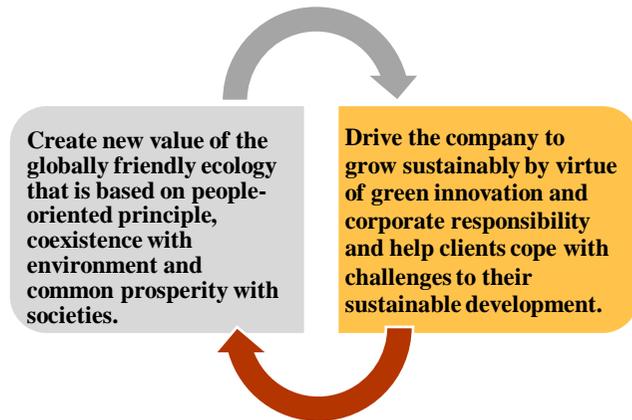
Financial indicators: Compensation on shareholders' equity (%), operating profit margins (%), etc.

Other indicators related: Hike in profitability, innovation R&D, expansion of marketing and customer management

Note: Considering different incentive purposes, we provide incentives of diverse content For example, performance bonuses, incentive bonuses, employee compensation and stock option warrant, with these calculated based on current cash incentives.

### 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.



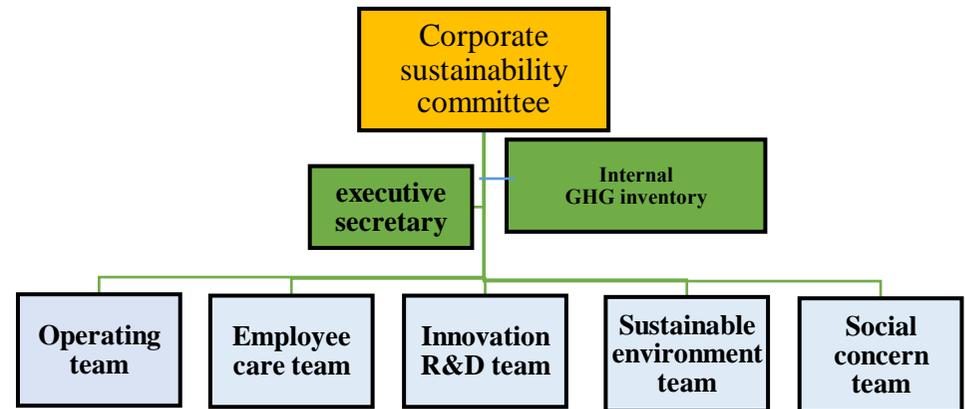
#### Realization of practical principles for corporate social responsibility

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

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

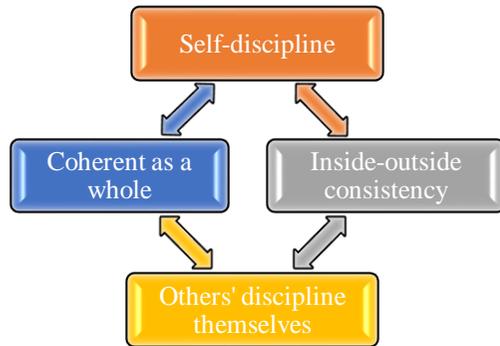
#### Management framework

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.



## 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	<ul style="list-style-type: none"> <li>● DAVICOM Semiconductor, Inc. “Corporate Governance Best Practice Principles”</li> <li>● DAVICOM Semiconductor, Inc. “Integrity Principles for Corporate Management”</li> <li>● DAVICOM Semiconductor, Inc. “Ethical Behavior Norms for Directors and Managers” and “Integrity Management Principles”</li> <li>● DAVICOM Semiconductor, Inc. Operating procedures of administration for preventing insider trading</li> </ul>

## Administrative goals and execution of integrity management

Administrative goals	Substantial measures	Performance
<b>External trading</b> 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
<b>Within the company</b> Education, propaganda, whistle blowers	Concerning integrity management and prevention of insider trading, regular education and propandization 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
<b>Preventing measures</b> 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](mailto: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](mailto: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
<b>Anti-corruption</b>	0	0	0
<b>Environmental issues</b>	0	0	0
<b>Social issues</b>	0	0	0

## 1.6 Regulatory compliance

Category of regulations		Substantial measures of complying with important regulations	Cases of violation
<b>Business activities</b>	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	
<b>Labor regulations</b>			None
<b>Environmental laws and regulations</b>			None

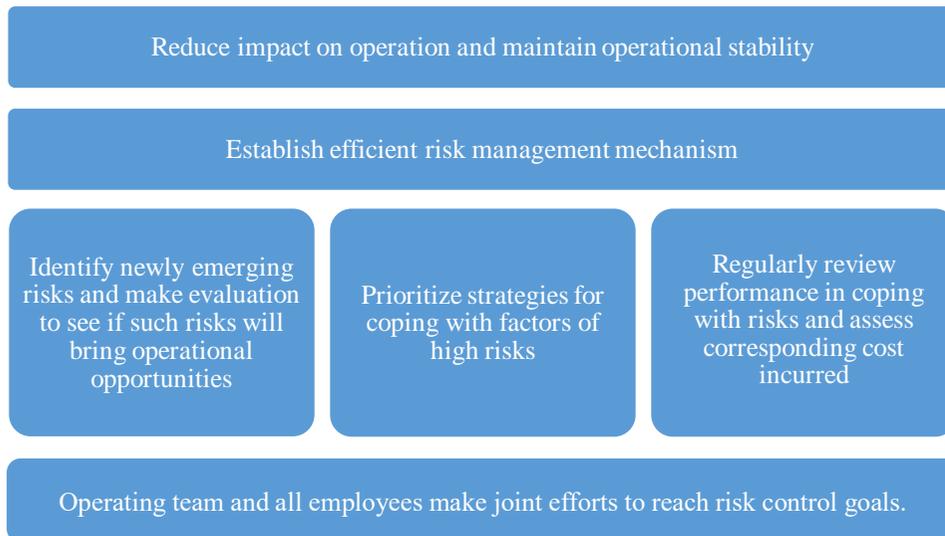
## 1.7 Realization of risk management

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.

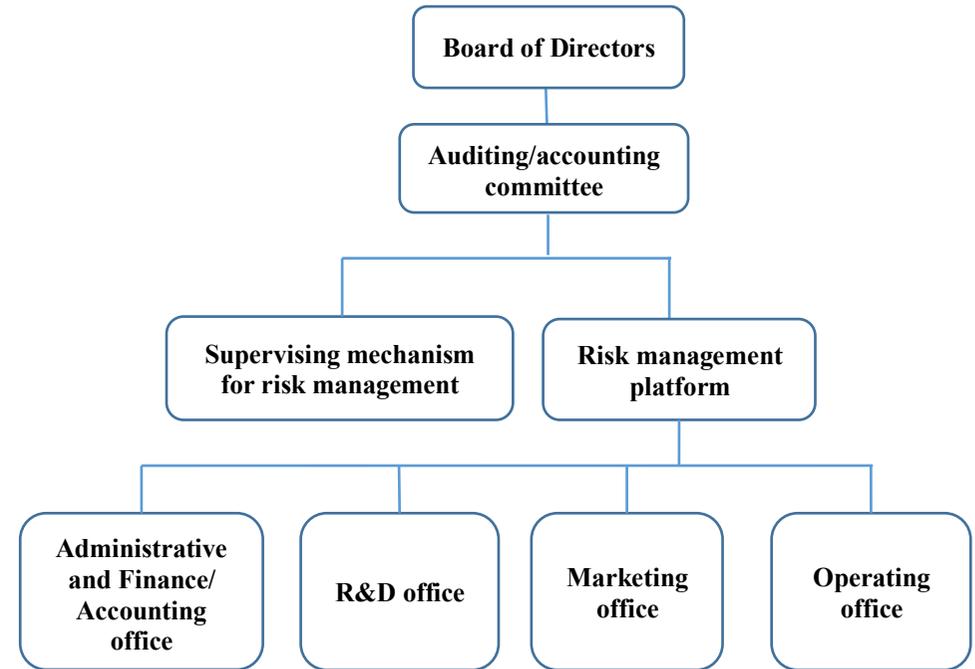
The risk management platform, according to our organizational structure and internal control system, mainly consists of two promoting units:

- (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



## ■ 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](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

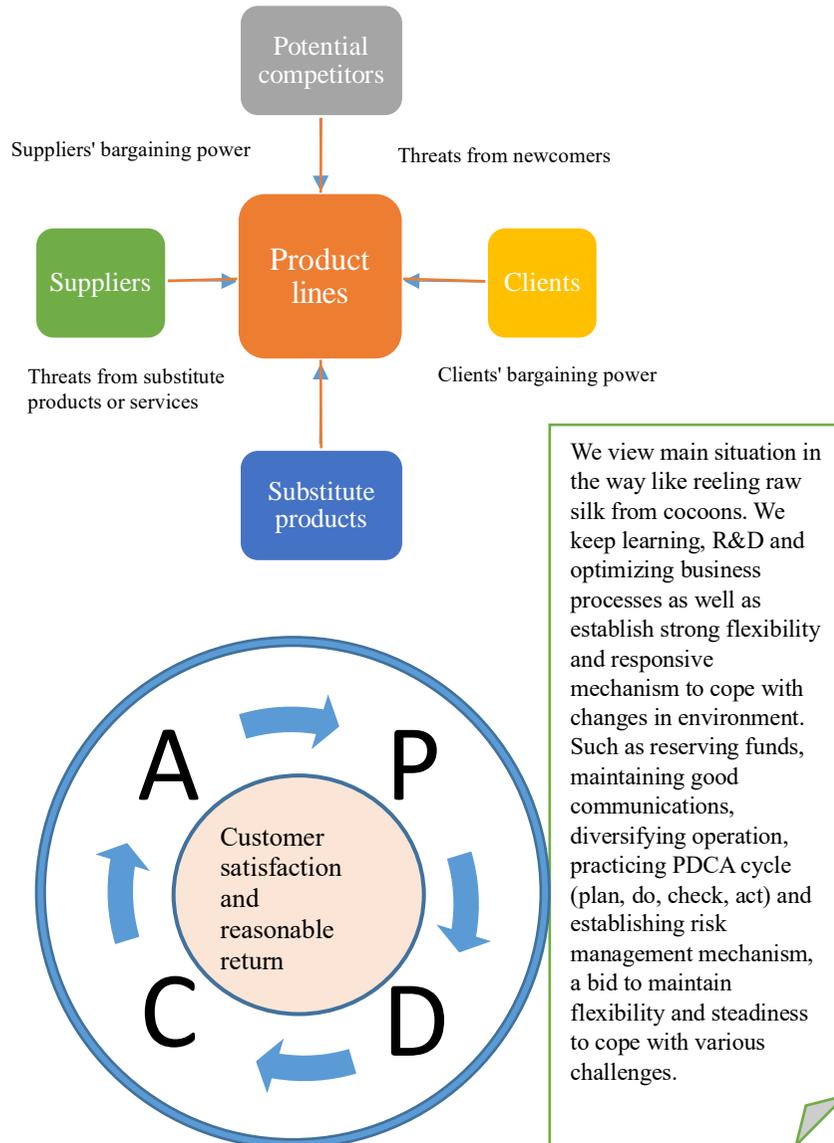
Viewing that COVID-19 pandemic has raged rapidly and impacted enterprises' operation globally, we have responsively integrated operational strategies and reviewed organizational resilience to adjust risk management framework. Through integration of risk topics across operating units and emphasis on mid- 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

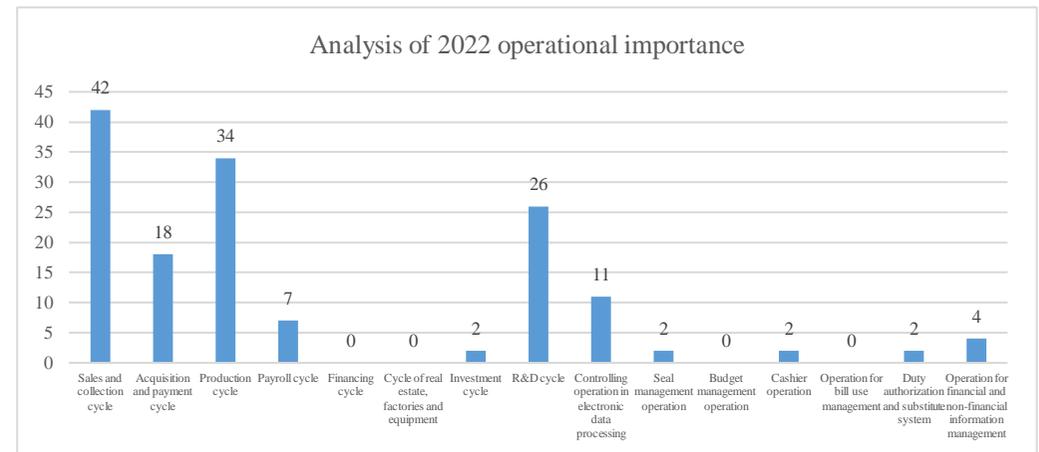
COVID-19 preventive measures	Detail items of important management
Measure body temperatures	People coming in DAVICOM Building are required to pass temperature measurement and disinfect their hands. There are forehead thermometers and medical kits on each floor of DAVICOM Building; there is sufficient 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)	<ol style="list-style-type: none"> <li>1. Announce ways of transferring official documents to cope with COVID-19 pandemic.</li> <li>2. Require certain social distance among people in public space.</li> <li>3. Maintain original one-hour flexible time of going to/off work to reduce time of contact among employees on duty.</li> <li>4. Encourage employees living in areas with severe pandemic conditions to apply for remote working.</li> <li>5. Restrict employees on each floor to use designated public elevators.</li> <li>6. Announcement regarding COVID-19 preventive measures include restriction of the number of passengers in a public elevator.</li> <li>7. Propagandize use of communication software for meetings as much as possible.</li> </ol>
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



## 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	Orders are subject to approval by appropriate supervisors.
		2. Credit management	Control line of credit.
		3. Operation for shipments	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	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.
		2. Outsourced quality control operation	
		3. Outsourced processing	
		4. Operation for inspection and acceptance	
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	1. control schedule of product development. 2. cater to market demand. 3. Keep scheduling, cost and benefits under control.
		2. Design and layout	
		3. New product release	
Acquisition and payment	Operation for general procurement, production procurement, engineering control, importation, inspection and acceptance, failure to comply with contracts, payment	1. Production procurement	Mutually linked to and audited with production cycle.
		2. Operation for general procurement	
		3. Operation for inspection and acceptance	
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	Separate storage and processing of software, operating systems and data.
		2. Plans to restore systems and control of testing processes	Tested once at least every year.
		3. Control in procuring, using, maintaining and scrapping hardware and system software	1. Confirm complete backup copies of stored data. 2. Confirm complete deletion of stored data and irrecoverableness of the deleted data.

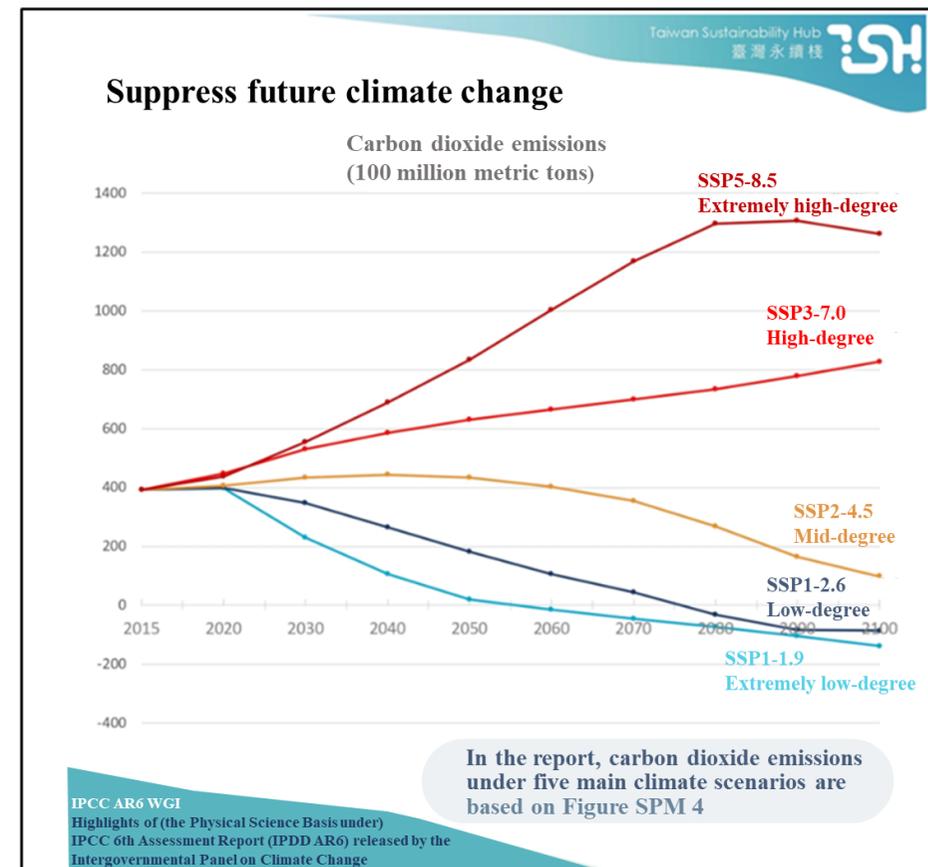
## 1.9 Understanding of climate change risks and related opportunities

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
<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ 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.</li> </ul>
Risk management	Indicators/indexes and objectives
<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ "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.</li> <li>➤ 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ 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.</li> </ul>

## ■ Procedures of assessing climate change risks

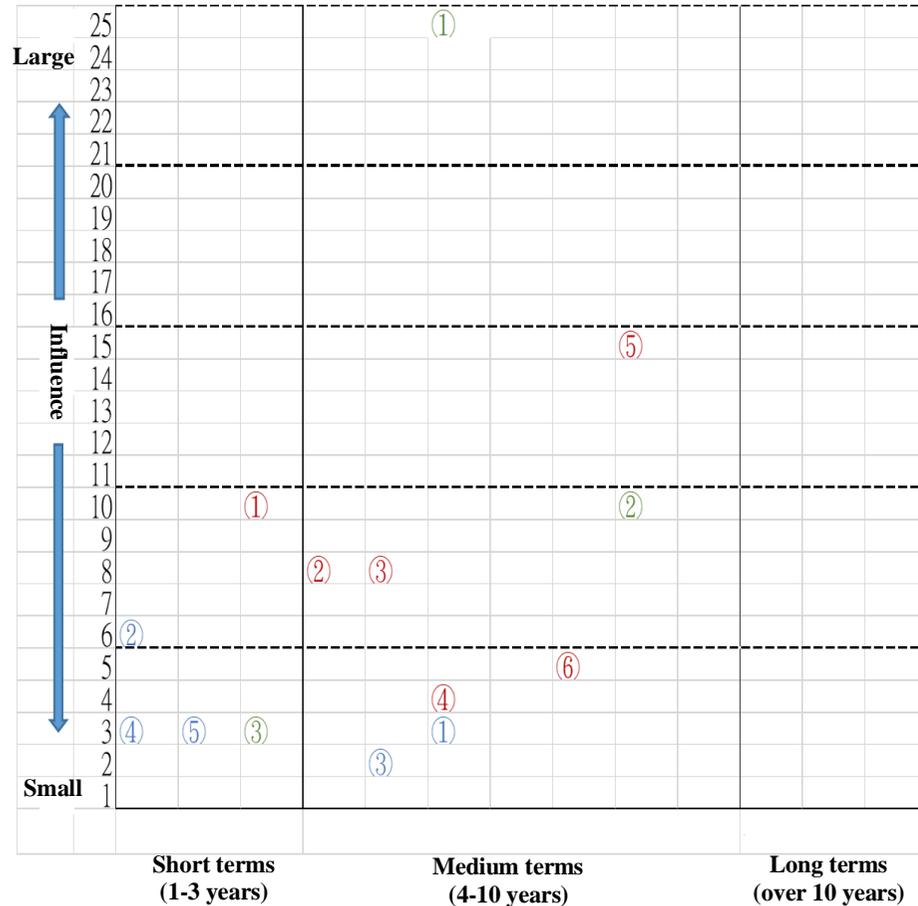
1.	<p>Collection of information on climate scenarios</p> <p>Based on IPCC 6th Assessment Report (IPDD AR6) released by the Intergovernmental Panel on Climate Change and government reports of downscaling climate change models, we have identified items of potential physical hazards due to climate change and accordingly, are collecting and updating data used to simulate climate.</p>
2.	<p>Establishment of assessing tools</p> <p>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.</p>
3.	<p>Start assessing operation</p> <p>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&amp;D and marketing of green products as well as identify competitive advantages and resilience of our products.</p>
4.	<p>Assessment results and confirmation</p> <p>Results of entire assessment are reported to sustainability committee for confirmation</p>
5.	<p>Keep monitoring and tracking</p> <p>Regularly check performance in executing responsive strategies of adapting our operation to and mitigating impact of risks by virtue of TCFD assessment process.</p>



### ▲ 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.

<p><b>Efficiency in using resources</b></p> <ul style="list-style-type: none"> <li>In line with government policies, we make efforts to reduce greenhouse gas emissions and hike efficiency in using energy.</li> <li>We also boost water saving, recycling of used water for reuse, reduction in water consumption and discharge of wastewater.</li> </ul>
<p><b>Energy sources</b></p> <ul style="list-style-type: none"> <li>We use electricity supplied by Taiwan Power Company.</li> <li>We outsource wafer foundry service to suppliers with green reputation.</li> </ul>

### 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
	<b>Policies and regulations</b> Levy carbon fee/tax	<ul style="list-style-type: none"> <li>Europe, the US and China have hiked carbon tax/fee rates, assuming the rate of US\$2.5 per metric ton.</li> <li>Taiwan will begin to impose carbon fee in 2024, with the fee rate assumed to be NT\$500 per metric ton.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for exported products increases by estimated up to 2% of total operating cost.</li> <li>Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Apply for carbon offset and plan to compete for carbon credit</li> <li>Participate in government's voluntary greenhouse gas emission reduction projects</li> <li>Make greenhouse gas emission reduction plans</li> </ul>
	Net zero carbon emissions/carbon neutrality	<ul style="list-style-type: none"> <li>Regulations demand that enterprises reach net zero carbon emissions/carbon neutrality.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Plan to set up PV power-generating systems</li> <li>Evaluate benefits of purchasing green power</li> </ul>
	Green energy policies bring increased pressure on DAVICOM Group's investment.	<ul style="list-style-type: none"> <li>Regulations stipulate that enterprises operating in Taiwan should expand use of renewable energy or alternatively pay cash equivalent.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Plan to set up PV power-generating systems</li> </ul>
	<b>Markets</b> Clients' demand for green energy	<ul style="list-style-type: none"> <li>Clients ask us to purchase green power, assuming that the purchase volume will rise 1% annually.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate projects of purchasing green power</li> </ul>

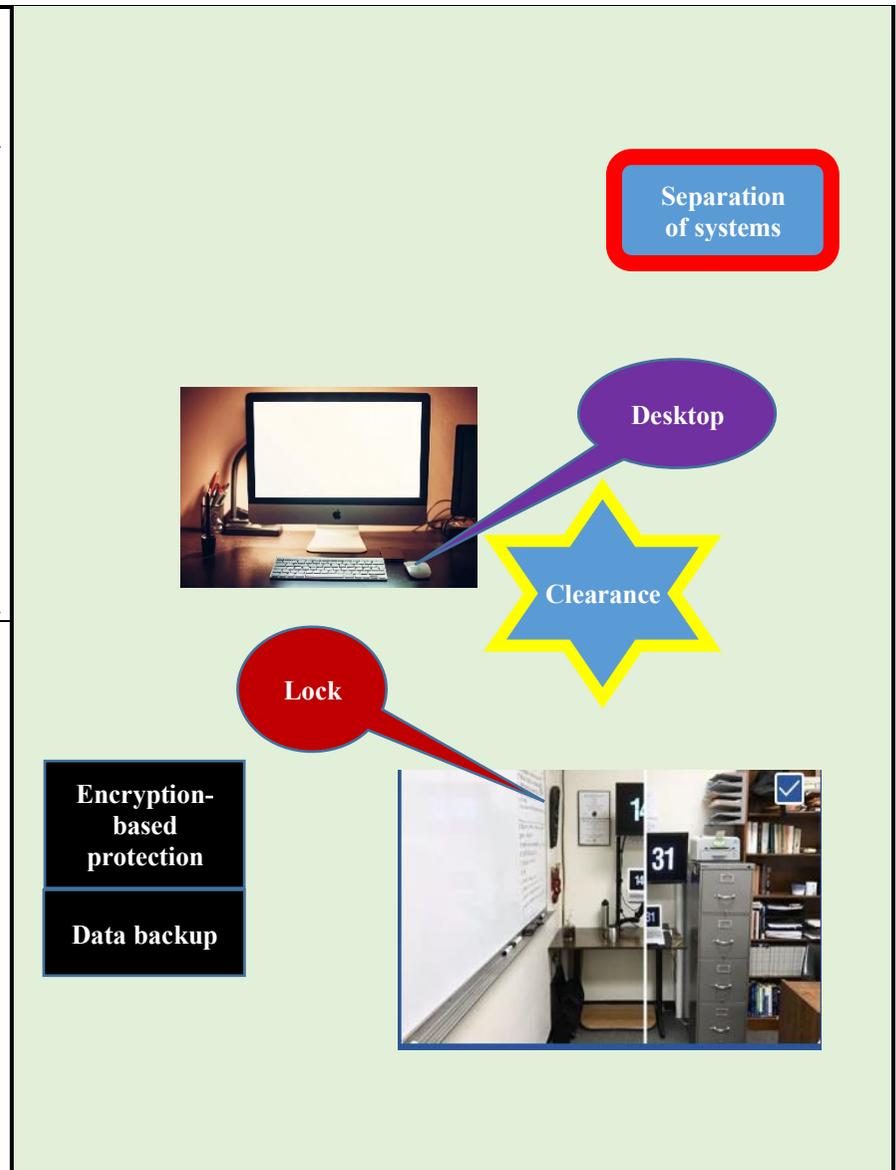
<b>Operational transformation</b>	<b>Category/risks</b>	<b>Explanation of circumstances</b>	<b>Explanation of potential financial influence</b>	<b>Our methods of coping with</b>
	Customers' preference changes demand for green products	<ul style="list-style-type: none"> <li>End clients are in response to global low-carbon environment and thus demand that all products comply with energy-saving targets.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for business operation in Taiwan increases annually by estimated up to 3% of total operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen innovative product design</li> </ul>
<b>Physical risk</b>		<b>Explanation of circumstances</b>	<b>Explanation of potential financial influence</b>	<b>Our methods of coping with</b>
	Typhoons, flood (heavy rain makes factory facilities unable to drain flooding water in time, resulting in disruption of operation)	<ul style="list-style-type: none"> <li>Our operational base in Hsinchu Science Park suffered heavy rain and consequently power supply facilities were damaged and operation was disrupted.</li> </ul>	<ul style="list-style-type: none"> <li>Revenues for business operation in Taiwan decrease annually.</li> </ul>	<ul style="list-style-type: none"> <li>In line with government's climate policies, notice risk avoidance measures against bad weather conditions.</li> </ul>
	Warming increases load on air-conditioning systems and accordingly power consumption.	<ul style="list-style-type: none"> <li>Because of high temperatures in the summer, cooling water circulation of cooling towers lags behind rises in temperature and power consumption increases.</li> </ul>	<ul style="list-style-type: none"> <li>Operating cost for business operation in Taiwan increases annually.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen maintenance of energy-saving function of air-conditioning systems and cooling towers.</li> </ul>
	Drought causes suppliers' failure in production and shipment.	<ul style="list-style-type: none"> <li>Restricted water supply leads to a large backlog of wafer foundry work.</li> </ul>	<ul style="list-style-type: none"> <li>Revenues for business operation in Taiwan decrease annually.</li> </ul>	<ul style="list-style-type: none"> <li>Keep maintaining stable long-term partnership</li> </ul>
	Strong Typhoons lead to our calling off regular work and consequently influence operation.	<ul style="list-style-type: none"> <li>School and work are called off in areas hit by strong Typhoons.</li> </ul>	<ul style="list-style-type: none"> <li>Revenues for business operation in Taiwan decrease annually.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen information security, encourage employees to work online.</li> </ul>
	Restricted water supply and Typhoons result in decreased voltage of power supply and consequently influence production	<ul style="list-style-type: none"> <li>Rationing of water and power supply among areas influences production.</li> </ul>	<ul style="list-style-type: none"> <li>Revenues for business operation in Taiwan decrease annually.</li> </ul>	<ul style="list-style-type: none"> <li>Flexibly adjust working hours to cope with troubles and be in line with policies.</li> </ul>
<b>Opportunities</b>		<b>Explanation of circumstances</b>	<b>Explanation of potential financial influence</b>	<b>Our methods of coping with</b>
	Market demand for environmentally friendly products is on the rise	<ul style="list-style-type: none"> <li>Demand for energy-saving products is on the rise</li> </ul>	<ul style="list-style-type: none"> <li>DAVICOM Group's consolidated revenues increase</li> </ul>	<ul style="list-style-type: none"> <li>Innovation R&amp;D to enhance product quality</li> </ul>
	Carbon trading opportunities arising from "climate change response act"	<ul style="list-style-type: none"> <li>Accumulate our carbon credit</li> </ul>	<ul style="list-style-type: none"> <li>DAVICOM Group's consolidated revenues increase</li> </ul>	<ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions</li> <li>Participate in government's voluntary greenhouse gas emission reduction projects</li> <li>Commitment to R&amp;D of energy-saving products, help clients obtain carbon credit</li> </ul>
	Create operational resilience to reduce risks of disruption of supply chains	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>DAVICOM Group's consolidated revenues increase</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen corporate governance and marketing as well as substantially practice BCM</li> </ul>

## 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:

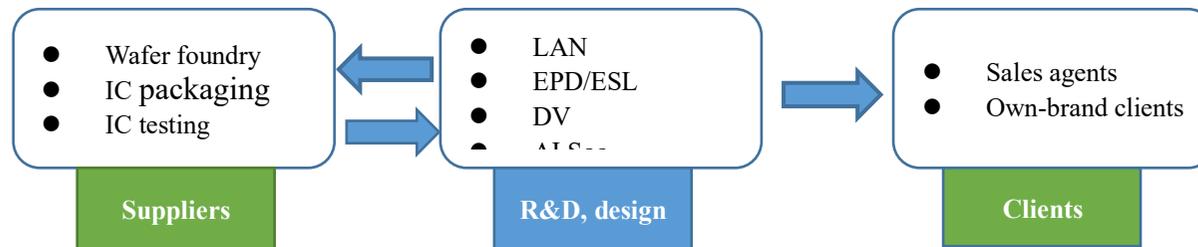
<p>Categorization of information assets</p>	<ol style="list-style-type: none"> <li>1. People: Including all employees and outsourced suppliers</li> <li>2. Document: Paper-based documents, data, reports, forms and tables including official documents, printed tables, forms, paper-based texts and graphs used in projects</li> <li>3. Software: Operating systems, application system programs, packaged software, etc. including source codes, application codes, databases, etc.</li> <li>4. Communication: Networking equipment, networking security equipment, information transmission/switch lines or services</li> <li>5. Hardware: Main equipment and related hardware facilities</li> <li>6. Data: Digital information stored in hard disks, magnetic tapes, optical discs., etc.</li> <li>7. Environment: Related infrastructure and services including offices, rooms to house information equipment, electric facilities, etc.</li> </ol>	
<p>Use of e-mail</p>	<ol style="list-style-type: none"> <li>1. Use of e-mail to transfer electronic documents classified as above “confidential” (secret or top secret) is prohibited.</li> <li>2. Documents containing personal data have to be encrypted for transfer.</li> <li>3. e-mail should be attached with signatures to avoid anonymity or forgery.</li> <li>4. e-mail should not be used to infringe on other people’s rights or interests or in illegal behavior.</li> <li>5. Formulate regulation on using the Internet to include clauses concerning restricted use of e-mail</li> </ol>	

Physical environment security	<ol style="list-style-type: none"> <li>1. In order to ensure equipment and information security. Adopt safety doors equipped with functions of personal recognition for the purpose of entrance control.</li> <li>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.</li> <li>3. When employees come into information equipment rooms, they have to notice whether there are unauthorized persons following them.</li> <li>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.</li> <li>5. Protect sources of power supply to avoid failure in power supply and disruption of supply of supporting public services.</li> <li>6. In information equipment rooms, temperatures are controlled at 18-28 degrees Celsius and humidity at 30-70%.</li> <li>7. Special fire extinguishing equipment is installed in Information equipment rooms.</li> <li>8. Sign maintenance contracts with qualified professional providers for regularly maintaining important equipment in information equipment rooms.</li> </ol>
Computer use security	<ol style="list-style-type: none"> <li>1. According to security control regulation regarding desktop and screen clearance, undertake desktop clearance and place important documents in safekeeping.</li> <li>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.</li> <li>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.</li> <li>4. According to testing/formal environment for application systems and security maintenance rules for databases, it is necessary to separate sensitive systems.</li> <li>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.</li> </ol>



## 2. Enhance Cooperation among Value Chains

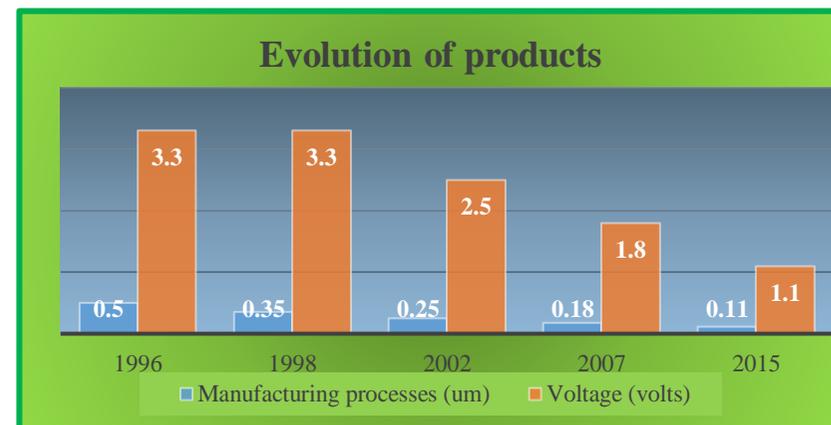
DAVICOM Semiconductor is a small-size IC design house and aims to develop durable and top-quality products. Through conforming to EICC (Electronic Industry Citizenship Coalition) Code of Conduct, we have cooperated with upstream and downstream partners. Our business covers four main product lines: Ethernet ICs, EPD (E-Paper Display) driver ICs, Video Decoder ICs, and AI SoC. We focus on niche-market products and have cooperated with suppliers and clients (B2B for both) to jointly set up green supply chains. They are our important partners for jointly creating sustainability value.



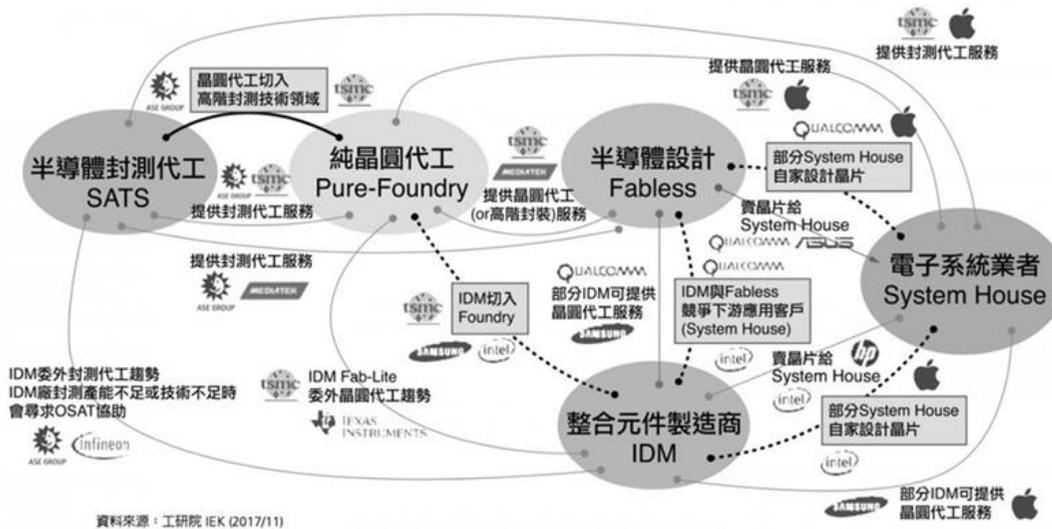
### 2.1 Innovation R&D and services

DAVICOM Semiconductor have made efforts to develop energy-saving products and keep carrying on innovation R&D through following international market trends. We focus on R&D of four main product lines: Ethernet ICs, EPD (E-Paper Display) driver ICs, Video Decoder ICs, AI SoC, and continue innovation and technological improvement to enhance functions, reduce weight and dimensions, save energy and reduce carbon emissions, add AI functions for products. Because of diversity of market demand, semiconductor manufacturing processes are improving and IC sizes are decreasing, making IC design more and more complicated. We announced continued investment in

R&D including R&D manpower in 2017 and set an energy-saving target of reduction in power consumption by 20%, and then have developed new products with less power consumption and equipped with diversified IoT systems to help clients meet diverse demand. Help clients develop diversified IoT systems.



半導體次產業間之競合示意圖

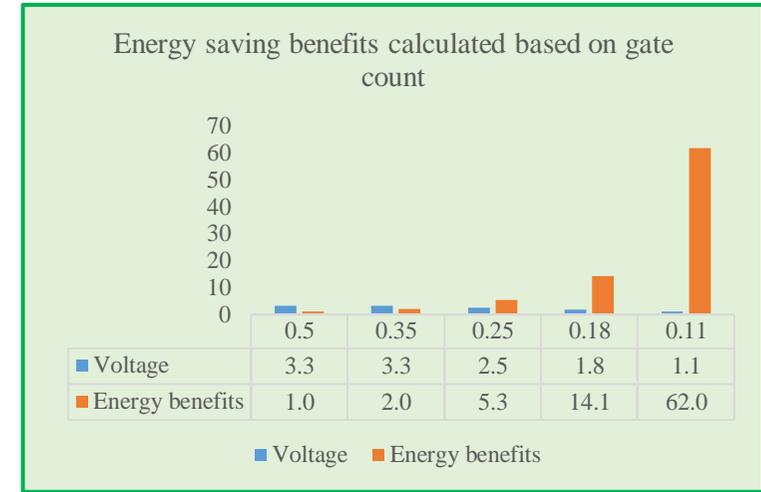
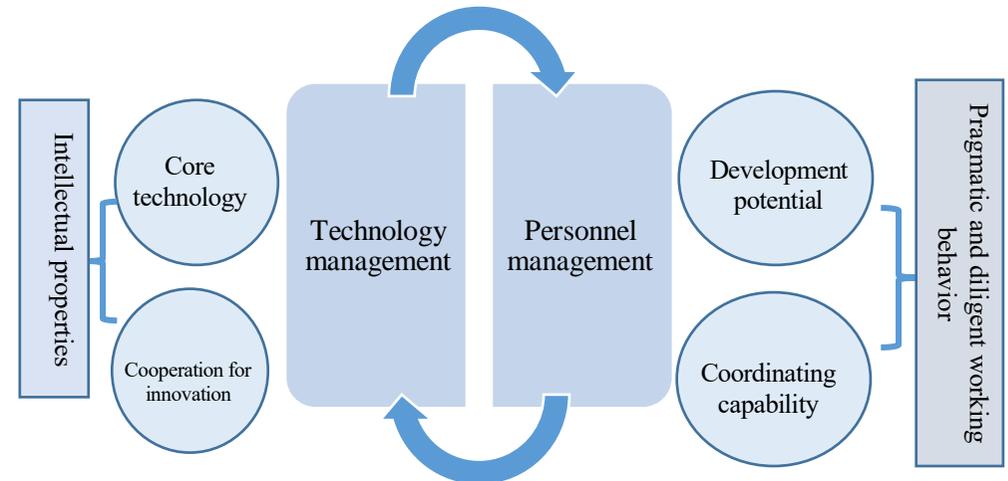


資料來源：工研院 IEK (2017/11)

▲ Interrelations of our products in the secondary semiconductor industry

■ Management framework for innovation R&D

In terms of technology management, we introduce new technologies through merger and acquisition, technological transfers, industry-university cooperation for application to design and development of new products, and combine introduced technologies with our core technologies to design next products. Introduction of technologies is an engineering feat, for it enables us to keep expanding product lines, improving quality of products and hiking production efficiency to meet clients' needs.



▲ Energy saving for new products is the primary goal for innovation R&D

**For human resource management,** we encourage employees to materialize various types of innovation in their work through internal performance evaluation and an incentive mechanism. Especially for transferring technologies from other companies, we lay emphasis on engineers' development potential and inter-person coordinating capability to facilitate technological transfers and cooperation on the corresponding items. Employee management and development is a basis for our success and, especially in environment characterized by rapid development, to maintain high-level innovation and strong competitiveness is an important strategy to realize long-term development.

■ **Technologies and R&D**

Year	R&D expense	Proportions
2021	NT\$72.716 million	26%
2022	NT\$74.524 million	24%

We develop and produce high-speed Ethernet ICs and ICs used in consumer communication devices, following are our various products:

Embedded system with high speed ethernet network IC - 10/100/1000 M SPI · USB bus, PCI bus, MAC+PHY single chip
Embedded system with high speed ethernet network and switch IC - 10/100M multi-port smart switch IC
E-Paper Display driver ICs and SoC
MCU chips
Video Decoder ICs

**2.2 Responsible production and consumption**

In DAVICOM Semiconductor, we have learned that responsible production and consumption can create social and environmental values. Our production processes strictly comply with international standards regarding environment, Wellness and safety as well as the international regulations concerned. We will give importance to promoting green management to keep reducing energy consumption, carbon emissions, emissions of pollutants in a bid to decrease the negative influence of production and consumption on environment. We will also endeavor to develop durable products and deliver them using green logistics processes as well as encourage consumers to adopt energy-saving and waste-minimizing actions. We hold the strong belief that responsible production and consumption can lead to better future for the world.

■ **Quality management**

DAVICOM Semiconductor's production process: R&D, design → layout → masks → wafer foundry → IC packaging → IC testing → products As wafer foundry, IC packaging and IC testing are outsourced, we carefully select suppliers for these processes and cooperate with them to maintain healthy ecological environment for the Earth.

In our history, there have been no cases of violation of environmental protection regulations, and our environmental management system has won clients' high trust. Since 2006, our products have obtained Sony Green Partner environmental quality certification for many times, with DAVICOM Semiconductor and its parent company UMC, IC packager Siliconware Precision Industries (SPIL) being Sony's green partners. (For DAVICOM code number FC008920; UMC code numbers FC007537, FC007538, FC007532, FC007533, FC007534, FC007535, FC007536, FC007539; SPIL code number FC005118) There have been historically no cases of violation of environmental protection regulations, and our environmental management system has won clients' high trust.

**For our products, we provide clients with self-declaration of conformity indicating compliance with the corresponding environmental protection regulations and management procedures.**

Preface	Our self-declaration of conformity for product management
1.	Sony SS00259 (management rules under substance environmental management for components and materials)
2.	Sony PQ-2029 (document of management procedures for environmental quality)
3.	EU RoHS (2011/65/EU, Restriction of Hazardous Substances in Electrical and Electronic Equipment, RoHS Directive)
4.	EU REACH (EC 1907/2006) SVHC (Substance of Very High Concern)
5.	PFOS (2006/122/EC, directive to restrict use of PFOS)
6.	DMF (2009/251/EC, directive to restrict use of DMF)
7.	Halogen (IEC 61249-2-21, directive to restrict use of halogen, only chlorine and bromine)

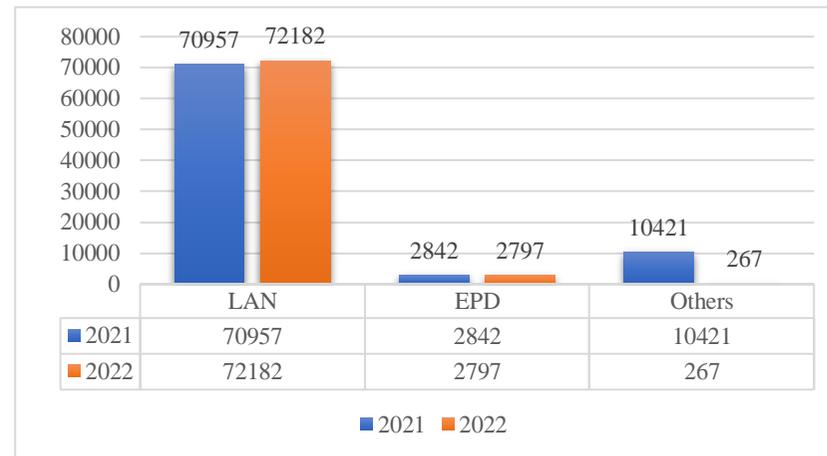
**Failure to comply with regulations regarding information on products and services and required complete indication of such information: no cases in our history**

Year	2018	2019	2020	2021	2022
Frequency of regulation violation	0	0	0	0	0

**Operational strategies featuring leanness and agility**

Lean production strategy differs from agile production strategy. Lean production focuses on minimizing waste and hiking production efficiency, while agile production stresses quick response to market demand and accordingly quick adjustment in production. Through adopting lean production strategy in combination with agile one, our high-efficiency and flexible production mode can turn out high-quality products.

During COVID-19 pandemic, realization of lean and agile production strategies necessitated adoption of series responsive measures. For lean production, we closely track suppliers' production capacities, hike our production efficiency, strengthen inventory management and production scheduling, avoid waste and impact of COVID-19 pandemic on operating cost. For agile production, we sense quick changes in market demand and thereby actively adjust production lines to respond to new demand as well as enhance supply chain management to ensure stability of IC supply. Through these measures, we were able to maintain high-efficiency production and stable sales during COVID-19 pandemic.



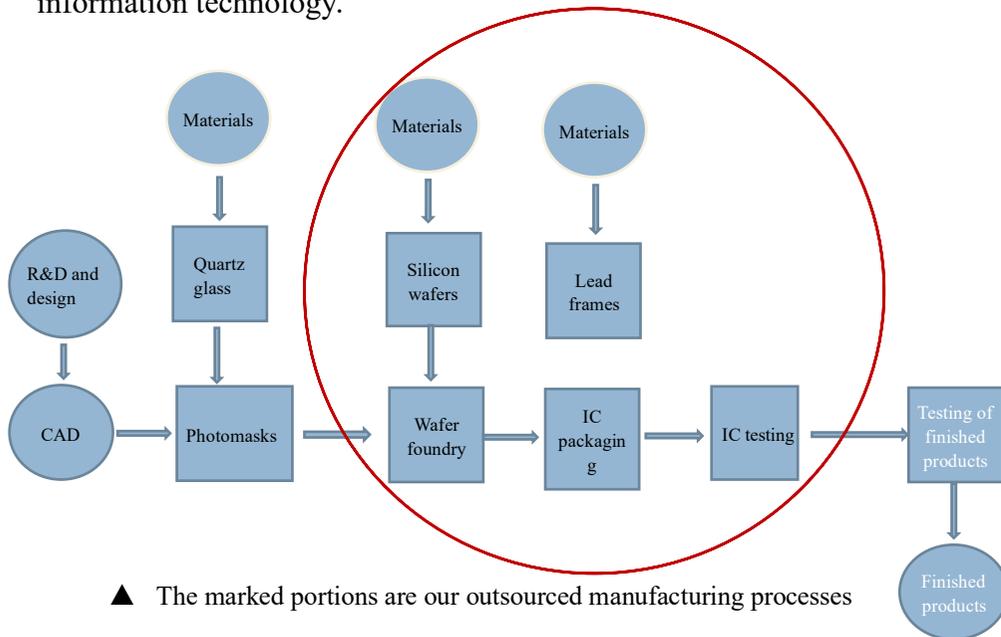
Note:

1. Production line adjustment mitigation in 2022 due to COVID-19 pandemic, but output of main LAN products was not affected.

### 2.3 Customer relationship management

As we are committed to sharing benefits with clients, we provide products and services for clients along with forming partner alliances, boosting joint innovation and offering professional solutions for win-win. We will keep paying attention to clients' needs and cooperate with clients to create better future.

In order to avoid unnecessary competition, we focus on niche markets in China, Japan, South Korea, Europe and North America. In order to maximize benefit from allocating resources and more efficiently obtain orders from target clients, we have arranged sales agents in these niche markets and set up online technological service platforms at our headquarters in Taiwan to meet needs from clients in these markets via information technology.



Note: Main clients please refer to our 2022 Annual Report

#### ■ Benefit-sharing business model

As sales agents are main partners for our operation, we collaborate with them via sharing of benefits to respond to needs from and provide online services for diverse clients. For example: IoV (Internet of vehicles), smart power grids, electronic labels and other system products as well as technological services.



#### ■ Protect customer privacy

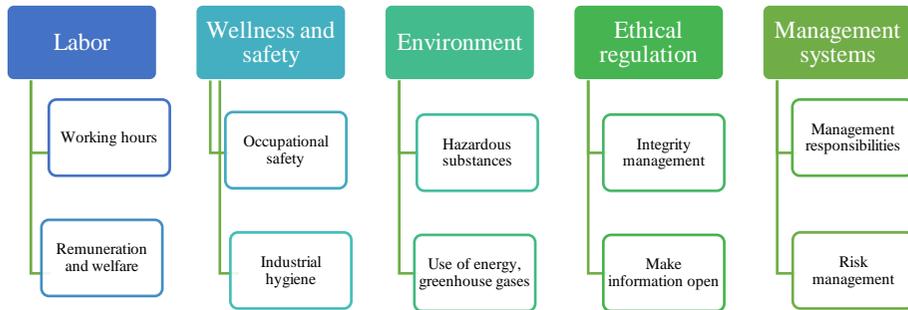
Since B2B is our operational model, protection of clients' business secrets to maintain industrial ethics and competition order is a serious problem. We have adopted two systems to efficiently manage clients' privacy.

**As for employees,** they are required to abide by professional ethics not to leak clients' methods, technologies, manufacturing processes, formulae, software programs, designs or other information that can be applied to operation, production or marketing.

**In addition,** we have set up a reliable information security system and recorded content of services provided for clients in detail.

#### ■ Handling of client complaints

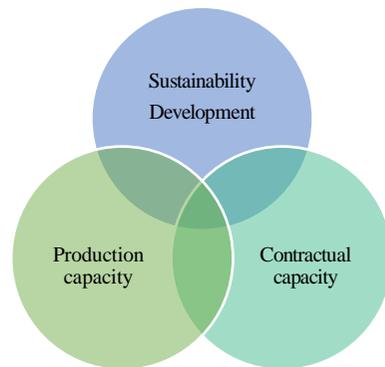
We immediately respond to clients' complaints through carefully listening to their problems, analyzing these problems and offering solutions as well as improving the products and services concerned to prevent same problems from happening again. Besides, we have set up an efficient client service system and a problem-solving mechanism to protect clients' interests and hike their satisfaction.



## 2.4 Sustainable suppliers

### 2.4.1 Carefully select partners

According to EICC (predecessor of Responsible Business Alliance, RBA) Code of Conduct, we have formulated a supplier sustainability management policy, a systematic management policy intended to check whether suppliers meet regulatory standards in labor, wellness and safety, environment, ethics and management system in a bid to realize our corporate social responsibility. We hope to cooperate with upstream semiconductor suppliers, via their influencing effects, to set up a sustainability industry characterized by emphasis on environmental protection, social responsibility and sincere management as well as promote mutually trusting and benefiting



partnership between us and our suppliers.

As an IC design house, our social and environmental influence is limited. We give importance to suppliers' ethical responsibility, performance in environmental protection and labor policy and check their efforts in UN Sustainable Development Goals, a criterion for us to select long-term partners.

As regards environment, we ask suppliers of wafer foundry, IC packaging and IC testing services to have ISO 14001 and ISO 14064 certification and ensure that all materials for use comply with Sony's management rules under substance environmental management for components and materials and EU ROHS Directive.

Note: Conflict minerals refer to minerals mined under conditions of armed clash and human rights violation, especially tin, gold, tantalum and tungsten produced in Democratic Republic of Congo and its neighboring countries. Mining of conflict minerals is through exploiting local workers who are forced to undertake inhumane mining under bad working environment, with country rulers using profits from conflict minerals in wars and looting resources. Continued civil wars in these countries have aggravated poverty and worsened public security, with violence against women, forced recruitment of child labor by anti-government army, employment of children for mining being common.

We will continue supplier management as well as keep examining raw material supply processes and material control mechanisms to prevent conflict metals from infiltrating our production process. We will comply with EICC regulation to provide safe working environment and respect employees' interests, a bid to be responsible for environment and realize our corporate social responsibility.

### Surveys of and maintaining conformity to environmental protection:

We will continue supplier management to secure raw material supply

processes and material control mechanisms so as to prevent conflict metals from infiltrating our production process. We will comply with EICC regulation to provide safe working environment and respect employees' interests, a bid to be responsible for environment and realize our corporate social responsibility.

**Maintain labor safety and health as well as ethical regulation for employees:**

We inspect suppliers' open information to see if they comply with EICC standards and human rights guiding principles. We cooperate with suppliers to formulate regulations regarding green environmental protection, safety and health, hike employee welfare and reduce environmental hazards to realize integrity management and risk control, with annual reports of results displaying our social responsibility of endeavoring to upgrade sustainability supply chain.

**2.4.2 Supplier management**

Management goals	Management strategies		Expected fruition
	Targets of auditing	Content of evaluation	
Maintain long-term and stable relations with excellent suppliers	Once a year	Twice a year (the first and second halves)	DAVICOM Semiconductor ISO 9001 Execution results of documents
	Wafer foundry service providers: 50 or more wafers	Contractual capacity  Social	

Management goals	Management strategies		Expected fruition
	Targets of auditing	Content of evaluation	
	per month	responsibility:	
	IC packaging service providers: one million or more ICs per month  IC testing service providers: one million or more ICs per month or equivalent of 50 or more wafers per month	Environment: ISO14000 (including ISO14001, ISO14062, ISO14063, ISO14064), no use of conflict minerals.  Social aspects: salary, wellness, human rights for labor, equal rights for men and women, social concern	100% attainment, the same as in 2020

### Main suppliers

Name	Item	Proportion of annual procurement (%)		Note
		2021	2022	
A	Wafers	69.18	81.29	Due to vertical integration in semiconductor market, we procure main silicon wafers from UMC.
C	Wafers	13.79	—	
G	IC packaging and testing	11.45	—	
H	IC packaging and testing	—	16.08	
I	IC packaging and testing	—	1.21	
Others	IC packaging and testing	5.58	1.42	

### Supplier auditing and evaluation

	Auditing	Evaluation
Suppliers	Wafer foundry service provider: UMC IC packaging and testing: H, I	Wafer foundry service provider: UMC IC packaging and testing: H, I
Fruition	100% meets requirements	All belong to excellent suppliers

Note: we audit and evaluate suppliers through reviewing documents submitted by them and checking their factories and facilities.

### 3. Measures in response to climate changes

Energy transition is a global trend. In order to cope with challenges arising from increased energy demand and climate change in the future, we have to think over existing energy structure anew and seek more green and sustainable alternative energy sources.

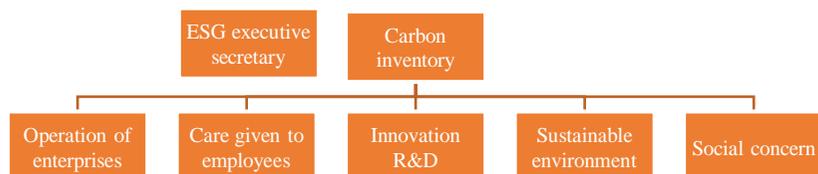
#### 3.1 Climate action

Climate action is the action taken to cope with global climate change, consisting of carbon inventory to assess carbon emissions to see performance in reducing greenhouse gas emissions as well as development of various types of sustainable energy to decrease greenhouse gas emissions to mitigate impact arising from climate change. We aim at 2% reduction a year for Scopes 1 and 2 greenhouse gas emissions during 2022-2025; power consumption is aimed to be reduced by 2% every year and general waste by 1kg per day and, in addition, recycling of packing materials for reuse is aimed to increase 3%.

##### 3.1.1 Carbon emission management

By referring to ISO 14064 standards, Environmental Protection Administration’s guidance for Scopes 1, 2 and 3 greenhouse gas emission inventories, we consider amount and influence of emissions as well as risks, interested parties, outsourcing activities related to emissions and have disclosed greenhouse gas emissions under four items: employees’ vehicular transportation for work, employees’ errands or trips for business purposes, shipments to clients, and leasing of assets.

We have established a unit specifically responsible for carbon inventory to practically manage and control greenhouse gas emissions.



##### ● Carbon inventory

Referring to ISO 14064-1 greenhouse gas inventory standards and GHG Protocol greenhouse gas inventory guidance, we have established a greenhouse gas inventory mechanism and thereby regularly inventory greenhouse gas emissions from our headquarters and subsidiaries to check performance in managing use and emissions of greenhouse gases.

In 2022, we recorded Scope 1 and Scope 2 direct GHG emissions of 68.8080 metric tons of CO2e and 400.658 metric tons of CO2e.

Greenhouse gas emissions		
Period for information	January 1 to December 31, 2022	
Scope of information	Our headquarters building (not including public-use space and rented floors) and two offices in Tainan, southern Taiwan	
Categories of inventory	Scope 1 (metric tons of CO2e)	68.8080
	Scope 2 (metric tons of CO2e)	400.6581

**Scope 1: sources of direct GHG emissions**

Unit: metric tons of CO<sub>2</sub>e per year

Item		Responsive activities/category of equipment	Sources of emissions	Likely to produce greenhouse gases	Greenhouse gas emissions
Scope 1 (direct GHG emissions)	Fixed sources of emissions	Stand-by generators for emergency cases	Diesel fuel	CO <sub>2</sub> 、CH <sub>4</sub> 、N <sub>2</sub> O	1.0265
	Emissions from manufacturing processes	None	None	None	-
	Mobile sources of emissions	Official cars normally used for business purposes	95 unleaded gasoline	CO <sub>2</sub> 、CH <sub>4</sub> 、N <sub>2</sub> O	0.1658
	Sources of fugitive emissions	Chillers	Refrigerants	HFCS	67.5675
		Refrigerators	Refrigerants	HFCS	0.0179
		Gas circuit breakers	SF <sub>6</sub>	SF <sub>6</sub>	0.0303
Land use, land use rezoning	Alteration in category of land use	None	None	-	
Total					68.8080

**Scope 1: proportions of greenhouse gas emissions**

Category	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>	NF <sub>3</sub>	Total
Emission equivalents (metric ton of CO <sub>2</sub> e)	1.1819	0.0024	0.008	67.5854	0	0.0303	0	68.808
Proportions (%)	1.72%	0.00%	0.01%	98.22%	0.00%	0.04%	0	100%

**Scope 2: indirect greenhouse gas emissions (outside organizations-procured electricity)**

Spatial areas of power consumption	Frequency of billing	Original amounts of power consumption	Amortization ratios	Amounts of power consumption after amortization	Total (after amortization)	2021 carbon emission coefficient due to power consumption (kg of CO <sub>2</sub> e/kWh)	2022 carbon emissions (kg of CO <sub>2</sub> e)	2022 carbon emissions (metric ton of CO <sub>2</sub> e)
DAVICOM Building	Per month	1,793,300	43.80%	785,465	787,148	0.509	400,658.12	400.6581
Office 1 in Tainan	Once two months	801	100%	801				
Office 2 in Tainan	Once two months	881	100%	881				

Note: CO<sub>2</sub> equivalent for carbon emissions due to procured electricity= (power consumption x carbon emission coefficient for electricity); the coefficient is the 2021 carbon emission coefficient for electricity announced by Bureau of Energy under Ministry of Economic Affairs.

### Scope 3: [other indirect] emissions outside organizations

Carbon emissions attributable to employees' vehicular transportation for work				
Transportation vehicles	Data on activities	Emission coefficients	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
High-speed railway	73,639.26	0.04	2,945.57	2.95
Transportation by driving cars	732,199.26	0.173	29,287.97	29.29
Motorcycles	89,550.40	0.046	3,582.02	3.58
Public passenger transportation	71,891.28	0.056	2,875.65	2.88
<b>Total</b>			<b>38,691.21</b>	<b>38.69</b>

Carbon emissions attributable to domestic and overseas business trips				
Item	Data on activities	Emission coefficients	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
Transportation by self-driving cars	51,574.50	0.173	8,922.39	8.92
Taiwan High Speed Rail Corp.	231.80	0.04	9.27	0.01
International aviation	90,803.20	1.12	101,699.58	101.70
<b>Total</b>			<b>110,631.24</b>	<b>110.63</b>

Carbon emissions due to freight transportation			
Data on activities (kilometer)	Volumes of dimensions (m3)	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
966,924.00	80.36	29,025	29

Note: These are estimated figures using carbon emission calculation tools online provided by EVA Airways, actual carbon emissions are subject to influence of other factors such as weather conditions, load of cargo airplanes and fuel efficiency.

Disposal of wastes-garbage				
Item	Data on activities	Emission coefficients	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
Incinerators	6,498.90	0.737	4,789.69	4.79

Disposal of wastes-business operation				
Item	Data on activities	Emission coefficients	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
Recycling service providers	0.13	0.8	0.1000	0.0001

Downstream leased assets						
Procured electricity	Data on activities			Emission coefficients	Carbon emissions (kg)	Carbon emissions (metric tons of CO2e)
	DAVICOM Semiconductor	Proportions	Outside power consumption			
		1,793,300.00	56.2	1,007,834.60	0.509	512,987.81

### Scope 3: analysis of emission density

Employees' vehicular transportation for work	Domestic and overseas business trips	Downstream deliveries and distribution	Disposal of wastes	Downstream leased assets	Total
38.69 (tCO2e)	110.63 (tCO2e)	29 (tCO2e)	4.7901 (tCO2e)	512.99 (tCO2e)	696.1001 (tCO2e)
5.56%	4.17%	15.89%	0.69%	73.69%	100%

## 3.2 Utilization of energy and resources

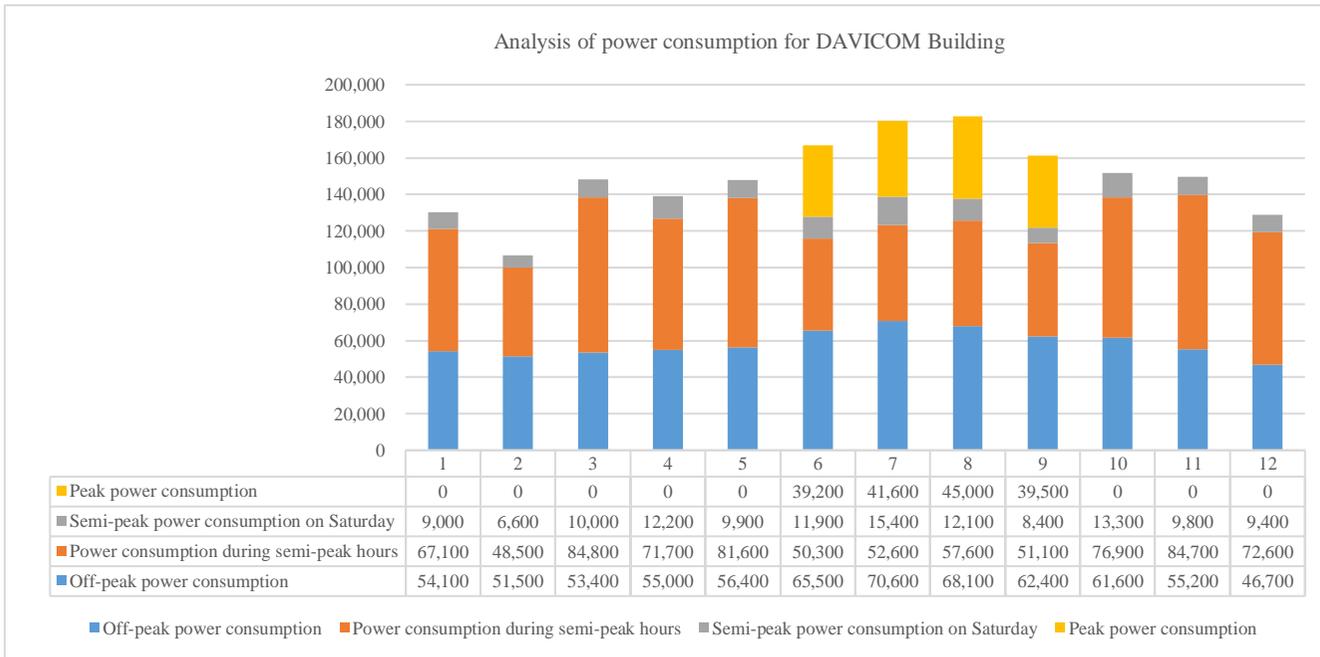
DAVICOM Semiconductor has energy and resources supplied from outside. Electricity is supplied by Taiwan Power Company and water used in offices by Taiwan Water Corp., rainwater and RO recycled water is used in planting. We have set up power- and water-saving equipment and asked employees to save energy and resources.

### ■ Conditions of power consumption

DAVICOM Building has nine floors and four basement levels. In order for energy saving and reduction in carbon emission, we have installed variable-frequency drives on floors, decreased the number of lamps installed in corridors, hiked set air-conditioning temperatures and switch off light during lunch break and when employees leave offices. Besides, we have added heat-insulating glass and paper to the building, encouraged employees to use elevators as less frequently as possible and created green environment via planting. We implement energy-saving policies to make contribution to environmental protection for the Earth.

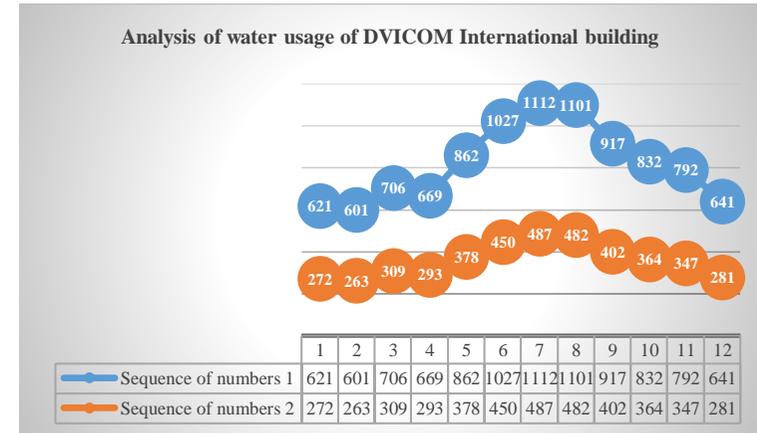
Analysis of 2022 power consumption shows that the consumption peaked in the summer and reached the highest levels in July and August. Because of climate change and global warming, there are persistently high temperatures in the summer in Taiwan and consequently, more intense use of air conditioning has resulted in increased power consumption.

We are evaluating the feasibility of installing a small PV system to generate power for own use such as use in elevators in case of power outage, hoping to be among the enterprises that can generate small volumes of power for own use.



### ■ Conditions of using water resource

The building recorded total water consumption of 9.883 million liters in 2022 and we shared 43.80% of the corresponding price. The 2022 total water consumption decreased by 1.046 million liters as compared with that in 2021 and this was because employees used less water along with easing of COVID-19 pandemic and more rainwater and RO recycled water was used in planting.



Note: blue-marked portion (sequence of numbers 1)=total water consumption for the building.  
 orange color-marked portion (sequence of numbers 2)=total water consumption for DAVICOM Semiconductor Inc. alone.

### 3.3 Product environmental footprint

Environmental footprint of products refers to total environmental influence regarding a product from production of it to its being used, scrapped and recycled. The total environmental influence includes use of energy and resources, greenhouse gas emissions, water and air pollution as well as land use. As we are an IC design house, our IC products play an important bridge for using networking/communication devices to foundation construct infrastructure.

As an IC design house, we outsource (wafer foundry, IC packaging, IC testing) processes, with suppliers not yet having substantial information on environmental footprint of products for reference.

For our in-house-developed new product (PHY, DM91XX), die size is (1784x1505)=2684920um<sup>2</sup>, power consumption decreases from 429mW to 165mW or by 38.5%.

■ **Our carbon footprint of IC products (from cradle to gate)**

Stages	Item	Energy-saving efficiency	Characteristics	Products	Volume (1,000)	Weight (kg)	Carbon emissions (metric tons of CO2e)	Note
Offering of concepts	Specifications						-	Feasibility evaluation
	Conceptual design						-	
Design	Detailed design	Energy saving by 38.5%	Shift from current mode to voltage mode Volumes < 35.5%	Phy 91XX			-	
	Simulation and analysis						-	
	Tools						-	
Realize	Production plans						-	
	Manufacturing (wafers)						-	Outsource
	Manufacturing (IC packaging and testing)						-	Outsource
	Package		Decreases in volume	7X7mm→5X5mm			-	Outsource
	Defective products			Defective products (being scraped)		8.9	-	Recycling and disposal of wastes
Services	Sales			Controller 9000	1,883		112.35	
				Phy 9161、9162、9119	2,441		145.65	
				Switch B203、B603、B606	386		23.03	
				USB9621、9620	568		33.89	
				SPI9051	813		48.51	
				Serial port 9625	4		0.24	
			EPD、VD、AI SoC	620		36.99		
	Maintain				-		-	
Circular economy	Recycling of packaging materials	-	-	-	1,855 pcs	223	-	PPE
	Recycling of cartons	-	-	-	1,847 pcs	580	-	Cartons
Total		-	-	-			400.66	

## 4. Realization of Happiness in Workplaces

“Customer satisfaction and reasonable return” is the principle for our sustainable management, while talents are the most important core asset. We have always been cherishing, cultivating and caring our employees. We offer stable working environment, which matches individuals’ working capability and suitable workplace, and a complete remuneration benefit scheme as well as peaceful working environment via a complete talent cultivation system. Additionally, we are highly aware of each employee’s physical and mental wellness and protect their interests and safety in the workplace through transparent and smooth labor-management communication mechanism.

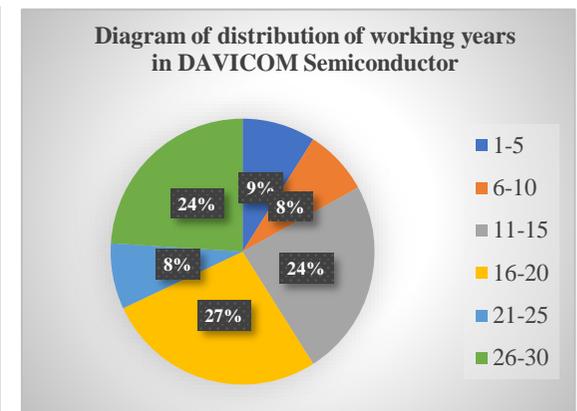
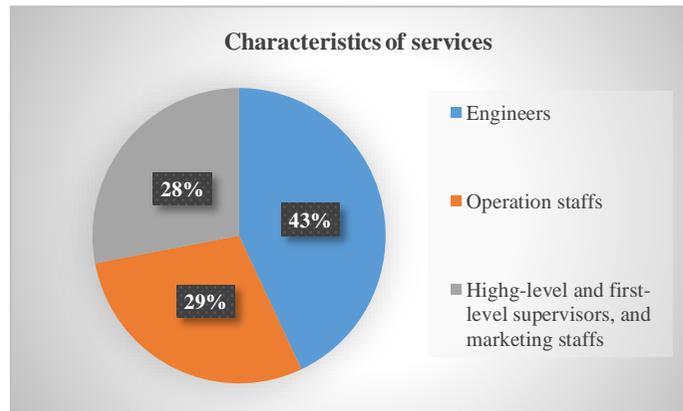
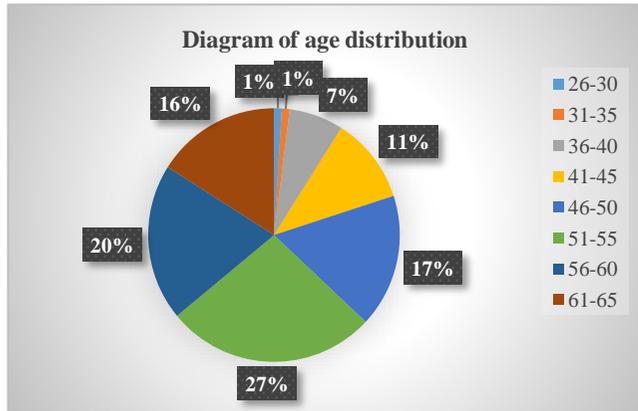


▲ For traditional Chinese custom, the Year of Tiger lapsed and that of Rabbit comes

## 4.1 Talent cultivation

### General conditions of our employees

We are a semiconductor IC design Company, with 75 employees working in operational headquarter in Taiwan (100 in total globally) as of December 31, 2022. Among which includes 32 engineers and 22 operation staffs (excluding high-level and first-level supervisor, and marketing staffs). As of gender, the Company consists of 53 male and 22 female employees, and there are 9 male and 1 female first-level supervisors; moreover, senior employees with job tenure over 15 years are about 60% of total employees.



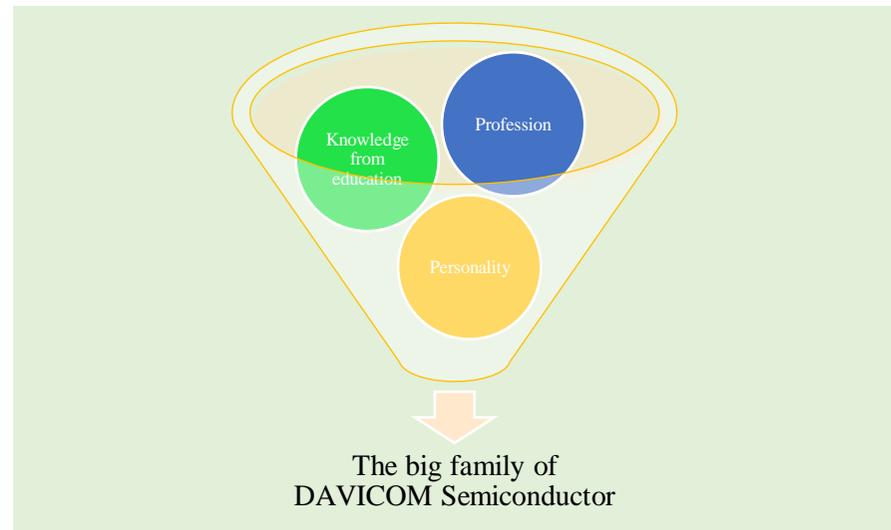
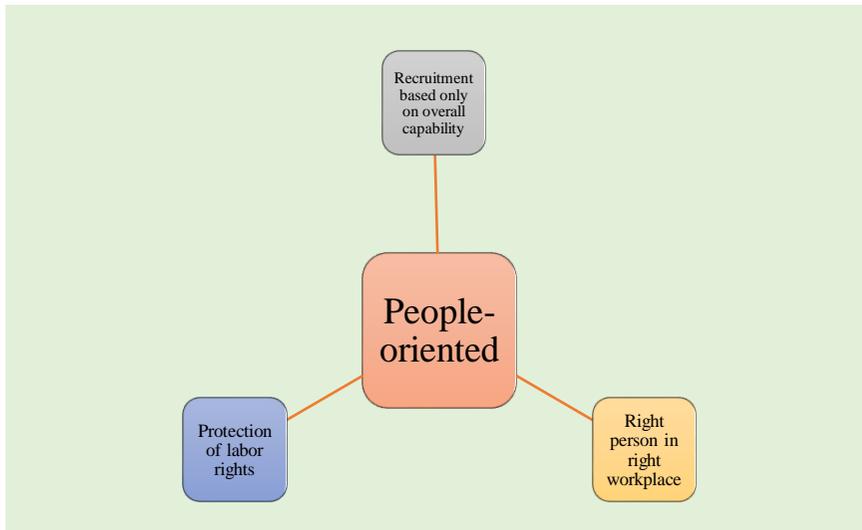
**Employee turnover rates in the latest two years**

Year	2021				2022			
	Total number of employees	New employees	Resigning employees	Difference	Total number of employees	New employees	Resigning employees	Difference
Supervisors	10	0	0	0	10	1	1	(0)
Non-supervisor	64	1	0	1	65	2	1	1
Total/proportion	74	1	0	1	75	3	2	1



### 4.1.1 Human resources policies

To efficiently optimizing human resources to hike performance in corporate management, we firmly believe in the “people-oriented” management strategies, at the meantime strive to make a balance. In terms of “recruitment based only on overall capability”, “right person in right workplace”, “protection of labor rights”, we have formulated human resource policies and seniority-specific incentives which are superior to what are stipulated in Labor Standards Act, a bid to use systematic management to protect employees’ various working rights and ensure completeness of our working environment and corporate management system. As the company was founded 26 years ago, senior employees are successively applying for retirement and we hope to recruit talent to take over retiring senior employees’ positions to reach an ideal ratio of 1:1:1 for the respective numbers of senior, middle-age and young-generation employees.



### 4.1.2 Talent recruitment and retention

We recruit talent openly via “human resource area-talent recruitment area” at our website. For talent recruitment, we abide by local labor regulations to employ people. For talent recruitment, we lay emphasis on applicants’ education background, professional records and personal character regardless of ethnic group, sex, age and religious belief and never discriminate against defective physical appearance. we select employees from applicants based on the principle of equal opportunities and our manpower needs and will not employ people aged below 16.

Besides talent recruitment via our website, we are a member of Electric Engineering Alliance under the auspices of National Yang Ming Chiao Tung University. With our Chairman, Dr. Ting Hao, being an alumnus of National Yang Ming Chiao Tung University, we support the university’s talent cultivation program on a long-term basis and capitalize on occasions of recruitment activities at the university’s campus through having our staff advertise recruitment-related information including our vision, direction of development, salaries/welfare and talent development plan in the hope of recruiting excellent talent.



We also capitalize on the annual occasion of government-sponsored Taiwan External Trade Development Council's introducing talent from abroad in a bid to inject innovative momentum into Taiwan's high-tech industries. However, because COVID-19 pandemic has caused global impact in the past two years and Taiwan's semiconductor manufacturing industry has absorbed much of available talent, our recruitment of overseas talent has been short of original expectation. But our chairman always gives importance to high-tech education and career of talent. Therefore, through government's projects of introducing overseas talent, we hope to closely listen to what they desire, want and plan to do so as to appropriately respond to them for the purpose of recruitment.

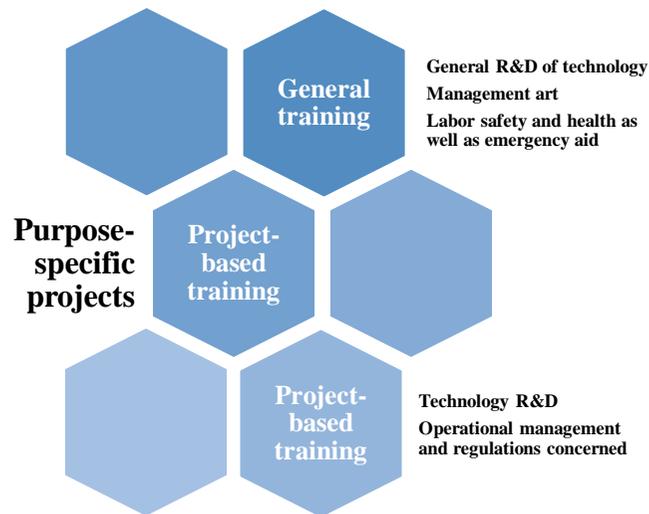
To protect labor rights and interests, we establish a leave-without-pay system according to Labor Standards Act, with leave-without-pay including retention of job positions during extended sick leave and parental leave.

#### Performance in recruiting and retaining talent in the latest two years

Talent recruitment				Talent retention											
Estimated addition to manpower (number of persons)		New employees (number)		Extended sick leave (number of persons)		Parental leave (number of persons)								Ratio of the number of employees resuming job positions to that of employees with job positions retained	
2021	2022	2021	2022	2021	2022	The number of employees entitled for parental leave		The number of employees actually spending parental leave		The number of employees who resumed their job positions in 2022		The number of employees who still stayed in their job positions 12 months after resumption		2021	2022
						2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
3	3	1	2	0	1	2	1	1	0	0	1	0	1	0	100%

#### 4.1.3 Employee further education and training

We spare no efforts in talent cultivation, for employees are our mostly cherished asset and we hope that every employee has opportunities of exploring and developing own capability and accepting challenges to become a top-level expert. There were 89 person-times in total for employees' receiving outside curriculums and an average of 2.5 hours for their receiving outside training in 2022. Five employees obtained professional certificates in 2022, taking 6.7% of all employees.

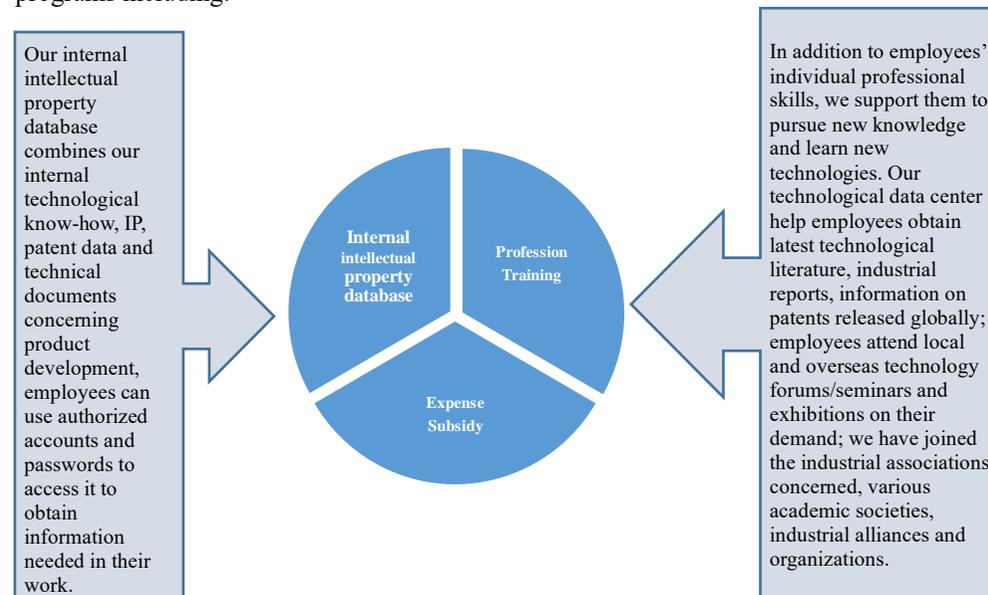


For general R&D of technologies, management art, labor safety and health as well as emergency aid, we adopt a model of seed students by assigning employees responsible for the respective areas to learn management regulations and latest conditions of technological research in these areas at research organizations concerned and put results of their learning into our knowledge management database to reach the goal of employees' common growth. As for professional learning, we encourage "team learning" for employees to develop cooperative team spirit and tacit understanding as well as apply learned knowledge to their work. Such as: R&D unit's "closed-door education" method (the content of education is not disclosed).

Along with guiding employees to reach our operational goals, we emphasize their individual growth and improvement in profession. In introducing new technologies, for example, we make efforts to help new employees get familiar with our model and mechanism of team operation to let them combine their individual knowledge competency with our operational goals as well as guide them to appropriately use our resources and learning tools and establish good interactive relations among team members. More important is that we hope every employee to enjoy these. For management executives, we offer a set of training focusing on strengthening

professional management to cultivate their capability and methods of coordination and leadership. In order to lead a large team of talent, we keep hiking management quality and efficiency.

We encourage employees to keep learning through offering learning and growth programs including:



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Review  
**A literature and practice review to develop sustainable business model archetypes**

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**ABSTRACT**  
Eco-innovations, eco-efficiency and corporate social responsibility practices define much of the current industrial sustainability agenda. While important, they are insufficient in themselves to deliver the holistic changes necessary to achieve long-term social and environmental sustainability. How can we encourage corporate innovation that significantly changes the way companies operate to ensure greater sustainability? Sustainable business models (SBM) incorporate a triple bottom line approach and consider a wide range of stakeholder interests, including environment and society. They are important in driving and implementing corporate innovation for sustainability, can help embed sustainability into business purpose and processes, and serve as a key driver of competitive advantage. Many innovative approaches may contribute to delivering sustainability through business models, but

## 4.2 Wellness and safety

We are committed to ensuring employees' wellness and safety in workplaces. In order for the goal, we have set up a complete management system of occupational wellness and safety. We aim to minimize unfortunate happenings and employees' health problems to provide safer and more health-oriented working environment. Therefore, we adopt the following strategies and measures:

1. Employ professionals to be in charge of affairs concerning occupational safety and wellness and make plans together with execution procedures to prevent accidents from happening.
2. They (professionals) assess risks occurring in working areas and grades of such risks and then adopt necessary control measures based on risk grades.
3. They supervise employees' health conditions and are, mainly for important points, concerned about employees' physical checkups and wellness problems.
4. They execute necessary programs of training employees on their occupational safety and wellness.
5. They decide on emergency processing rules to ensure that timely support and necessary emergency aid can be provided when accidents happen.
6. Change management: Monitor examination for approval of controlling all of planned/proposed changes

### ■ 2022 execution concerning labor safety and health

Maintenance and inspection of equipment	<ol style="list-style-type: none"> <li>1. According to Fire Services Act, we commissioned qualified fire-fighting inspection/testing service providers to inspect our fire-fighting system on May 22, 2022, with it reported to the supervised authorities concerned on May 20.</li> <li>2. According to Occupational Safety and Health Act, we commission qualified inspection/testing service providers to inspect our working environment and test carbon dioxide density as well as undertake related inspection/testing every half year. Inspection/testing completed in February and August 2022 showed carbon dioxide density of 500-900ppm, meeting the regulatory requirement of below 5,000ppm.</li> <li>3. We undertook inspection/testing on December 24, 2022 during annual maintenance period, and commissioned qualified consulting companies to inspect/test our high-voltage power system in March and September 2022, with results all meeting regulatory requirements and the related data transferred to Taiwan Power Company.</li> <li>4. We commission qualified professional service providers to maintain elevators twice every month to ensure safe and normal use of elevators anytime.</li> </ol>
Safety and health	<ol style="list-style-type: none"> <li>1. Install ultraviolet lamps in the dining area of our headquarters building to disinfect the area at night.</li> <li>2. Strengthen management for COVID-19 prevention measures Such as: wearing face masks, measurement of body temperatures, visitor management; enhanced disinfection of office areas, elevators, etc.</li> <li>3. Give wellness subsidies to employees (March).</li> </ol>
Insurance	<ol style="list-style-type: none"> <li>1. Finish process of continuing employees' group insurance (premiums paid by the company) covering accidents, medical care, occupational hazards, cancers (Nan Shan Life Insurance Company).</li> <li>2. Finish process of continuing fire insurance (including being caused by natural disasters) for DAVICOM Building and public accident insurance for the public space of the building; also buy property insurance for our own assets and products to ensure safety of our company and employees.</li> </ol>
Education and training	Fire Bureau under Hsinchu City Government helped us rehearse employees' escape from fire accidents on December 20, 2022.
Medical care professionals provide services on the spot	<ol style="list-style-type: none"> <li>1. Beginning 2022, nurses provide wellness services once every month at the company and doctors do so once every year.</li> <li>2. Topics regarding employees' wellness and related hygiene are propagandized every month.</li> </ol>

- **Aim to reach zero cases of accidents in terms of occupational safety and occupational hazards**

Abiding by Labor Standards Act, we regularly inform labor inspecting agencies of cases of our employees' disabling injuries and corresponding statistics of disabling injury severity rate in percentage. Since our founding 27 years ago, except traffic accidents happening to employees during their going to/off work, no cases of accidents in terms of occupational safety and occupational hazards have happened.

- **Wellness and happy life-at DAVICOM Semiconductor**

In line with government anti-COVID-19 policies, deploy measures to cope with the pandemic in advance to ensure wellness and happiness of employees and their families.

(1) **Marketing staff:** Recall marketing staff members stationed overseas and have them use the Internet, telephone and other communication equipment to avoid disruption of business execution. Decrease the number of business trips and subject personal calls on clients to directors' judging whether there are alternatives prior to calls, a bid to ensure employees' wellness.

(2) **Employees other than marketing staff members:**

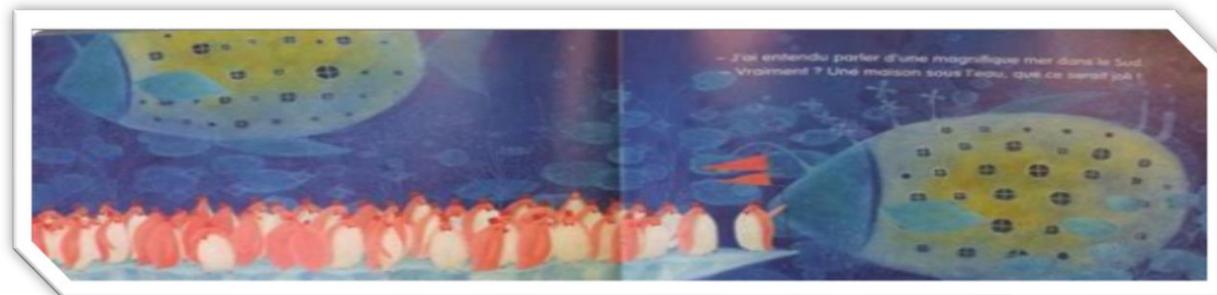
- ① Upon entering DAVICOM Building: Wear face masks, measure body temperatures, disinfect hands mainly.
- ② After entering DAVICOM Building: Separately use elevators to minimize gathering of people, use communication software instead of face-to-face discussion.

(3) **Visitor management:** Decline visitors during severe pandemic conditions; ask visitors to register and decline unnecessary visits when pandemic is eased.

(4) **Year-end party:** Common entertainment activities, award ceremony and prize draw were held on the third floor of the building, with seats arranged in compliance with government anti-COVID-19 regulation.

- **Daily-life management**

Mandatorily have every employee receive a physical checkup at large hospitals every year, provide sports and recreational places, encourage employees to take part in sports such as aerobic exercise and yoga as well as use stairways as much as possible instead of elevators. Set up a happy farm with farming materials and tools provided to encourage employees to get there to bask in the sun and plant vegetables and fruits, with such activities expected to be conducive to physical and mental cultivation, relief of stress, sense of accomplishment and, furthermore, inspiration for innovation.



## 4.3 Human rights and tolerance

### 4.3.1 Respect labor rights and interests

We give importance to labor rights and interests, abide by labor laws promulgated by the authorities concerned, refer to International Bill of Human Rights and comply with Act of Gender Equality in Employment via our management regulation and propaganda of working rules, thereby we draw up “preventive measures, grievance and punishment methods for sexual harassment at workplace” and establish grievance channels to maintain employees’ rights and interests. Besides, we give employees maternity leave, paternity leave and parental leave in compliance with the regulation concerned.

Items	Substantial content and results of execution	
Protect employees’ working rights	In order to protect employees’ working rights, we sign formal labor contracts with all employees. (Working hours and employee care are above the required levels specified in the labor regulations concerned)	We have never forced employees to work. We have never discriminated against any employee
Prevention of sexual harassment	In order to maintain employees’ working rights, we provide working environment free from sexual harassment. and, in addition, we draw up “prevention of sexual harassment, discrimination and guidelines for handling grievances” pursuant to Act of Gender Equality in Employment in order to prevent cases of sexual harassment and discrimination as well as correct and punish offenders.	No sexual harassment cases so far.
Job promotion and salary adjustment	We draw up “DAVICOM Semiconductor management for promoting job positions” as a basis for an open and fair channel of promotion to excite employees with excellent performance. We make a scheme of hiking salaries as a basis for executing our “hiking salaries for employees” policy.	According to “DAVICOM Semiconductor, Inc. Management for Promoting Job Positions”, we have adjusted rank of job positions and salaries every year since September 1, 2015.
Employee care	Establish employee welfare committee to be in charge of employees’ health, lives and demand for entertainment, with members of the committee recommended by employees under every operating unit.	Hold employees’ annual physical checkups, common entertainment activities and birthday parties, offer subsidies for employees’ board (week), tourism, associations and gift certificates for employees’ birthdays.
Freedom of association	We respect employees’ freedom of association and therefore will neither object to nor prevent or hinder employees’ freedom of association. Our headquarters in Taiwan has 74 employees (100 ones globally) and holds a labor-management meeting every quarter, with the meeting becoming the best labor-management communication platform. <b>The labor-management meeting is made up of five labor representatives and five management representatives.</b>	As our service providing locations are concentrated and we have a relatively small number of employees and smooth channels of communication with employees, employees do not need to organize a labor union. <b>We hold labor-management meeting at least four times annually, with labor-management relation remaining harmonious.</b>
Human rights examination for suppliers	Through procurement contracts, we ask suppliers to comply with version 6.0 of Responsible Business Alliance (RBA, formerly Electronic Industry Citizenship Coalition, EICC) Code of Conduct.	The requirement is included in items in evaluating and auditing suppliers.
Prohibition against employment of child labor	We abide by the labor regulations concerned and, moreover, characteristics of our business render it unsuitable to hire child labor.	Our company has been founded for 27 years and we have never employed child labor.

### 4.3.2 Salaries and benefit

This chapter introduces our salary and benefit policy that emphasizes our commitment to advancing employees' welfare, complying with local regulations, hiking our business performance and boosting our continued development on a long-term basis. We believe that excellent benefit policy, fair and just salary scheme are crucial to corporate success. We comprehensively evaluate our benefit solutions as well as refer to international standards and cases of the best practice of such standards including UN Sustainable Development Goals and covenants of international labor organizations. By virtue of transparent, open and responsible reports, we hope all stakeholders to understand our benefit policy and we welcome and appreciate their precious feedback opinions and recommendations.

- **Above legally required minimum salary levels**

Our salary scheme complies with the regulations concerned: Including basic salary, living allowance, food allowance, etc. The criteria for employees' salaries are job requirements of their job positions, complicatedness of their jobs, their professional knowledge, skills and experience. With reference to salaries offered by fellow companies as well, we offer reasonable salary remuneration and adjust salaries along with adjustment in job position. All employees' salaries are much above legally required minimum salary levels. The ratio of the average salary for our entry-level employees to legally required basic salary is 3.8:1, **salaries for male employees are the same as those for female ones with the same ranking positions.**

**Table of comparison of salaries with total compensation for each rank of job positions**

Items					Proportions
Ratio of the basic salary for our employees to local basic salary					3.8:1
<b>Average percentage upward adjustment in salaries for full-time employees in 2022</b>					%
Salary ratios	Management job positions	High-level supervisors	General supervisors	Managing professionals	Average percentage adjustment
		0.1%	0.3%	1%	0.46
	Technical job positions	Senior engineers	General engineers	Interns	Average percentage adjustment
		0.7%	1%	–	0.85

Note 1: High-level supervisors (above assistant vice president), general supervisors (above assistant managers); senior engineers (experience of over 10 years), general engineers (experience of over 5 years)

Note 2: Basic salary is the salary for full-time employees (not including bonus, overtime pay); total compensation on average includes basic salary, living allowance, food allowance (not including year-end bonus)

Note 3: Consideration for raising employees' salaries: Profitability for the preceding year, attributes of jobs, the principle of priority given to entry-level employees



**Table of comparison of employees' salaries with corresponding benefit expenses for non-executive job positions in 2022**

Salaries				Benefit expenses	
Averages	Difference as compared with the preceding year (for average)	Median	Difference as compared with the preceding year (for median)	Total benefit expense	Difference as compared with the preceding year
NT\$1,209,000	Increase by NT\$66,000	NT\$1,177,000	Increase by NT\$43,000	NT\$73,761,000	Increase by NT\$1,726,000

● **Evaluation of employees' performance and employee incentive mechanism**

In order to fairly and justly evaluate employees' performance, excite employees' innovation and hike employees' capabilities, we draw up "guidelines of performance evaluation", with results of evaluation being criteria for allocating bonuses, adjusting salaries, promoting job positions as well as a basis for evaluating human resource.

**Content of evaluating all employees' performance**

Category	Content of evaluation	
	General employees	Supervisors
Quarterly evaluation	Working performance, attitudes, knowledge, professional skills	The same as general employees
Annual evaluation	Working performance, working attitudes, working ability	The same as general employees

**Evaluation content of projects specifically for evaluating product R&D staff**

Evaluation items			
Working efficiency in terms of time	Quality of work	Responsive actions and response	Documents and reports
Knowledge and skills	Initiative and active	Team spirit	Communication and coordination
Responsibilities and take the responsibilities	Dedication and self-discipline	-	-

Note: This table is the distribution of basic remuneration for allocating project bonuses.

**Remuneration distribution:** Besides salaries, performance bonuses and other incentives, our articles of association stipulate "the company should appropriate at least 8.5% of pre-tax profit for the subject year as compensation for employees and up to 2% as compensation for directors."

**Conditions of paying employee salary remuneration in the latest three years**

Year	Total amount of salaries	Total amount of expenses	Total amount of compensation	Salaries/expenses (100%)	Remuneration/expenses (100%)	Explanation
2020	86,451,459	133,461,780	4,407,386	64.78%	3.30%	1. Employees are our most important asset. 2. We minimize disbursement of various items of expenses and increase salaries for employees every year.
2021	93,517,144	139,841,733	9,492,879	66.87%	6.79%	
2022	106,508,197	151,600,153	10,158,927	70.26%	6.70%	



**Select employees with excellent performance each year**

Explanation	
Recommend candidates	1. Recommend three employees as the candidates for the best-performing employee of the year. 2. The recommendation is made through the following process: primary candidates are selected from employees of operating units via the employees' general election, and then screened out to become the final candidates via the operating unit directors' examination.
Open election	1. Candidates' operating unit directors recommend their qualification to all employees. 2. Then all employees vote immediately to elect the winner.
Open commendation	1. Confer cash prize and trophy upon the winner at year-end banquet. 2. Display the picture of the annual best employee at public space for one year.



- **Employee benefit measures**

- **Benefit-related facilities**

We have set up employee dining area, free motorcycle/car parking space, a breastfeeding room for female employees as well as happy farm and a recreational center which can be used by employees for relaxing mind and emotions, doing exercises and relieving stress.

- **Subsidization as a benefit**

All employees are covered by individual insurance and group insurance, with the former consisting of national health insurance and labor insurance and the latter including accidental injury insurance, medical care insurance, cancer insurance, occupational accident insurance and travel insurance. Besides, employees can receive meal allowance, marriage allowance, funeral allowance, maternity allowance, scholarship for their children, cash or gift certificates for birthdays and three traditional Chinese festivals as well as other benefits, including free physical wellness checkups for employees, physical checkups and personal insurance for employees' families at discount prices.

- **Education and training**

In order to hike employees' working skills, we offer on-the-job training, recruit training and training specifically for the employees whose job positions are adjusted.

- **Other benefits**

We give employees maternity leave, paternity leave and parental leave, etc. in compliance with the labor regulation concerned.

Execution of employee benefits in 2022					
Category	Item	Number of persons	Category	Item	Number of persons
Subsidization as a benefit	Marriage allowance	0	Subsidization as a benefit	Group insurance for employees' families at discount prices	38
	Funeral allowance	3		Scholarship for employees' children	29
	Meal allowance	75	Education and training	Recruit training	2
	Maternity allowance	1		On-the-job training	89
	Hospitalization allowance	1		Transfer training	0
	Physical wellness checkups	75	Other benefits	Paternity leave	1
	Physical wellness checkups for employees' families at discount prices	0	Other allowance	Physical disability (NT\$6,000)	0



■ **Employee retirement plan**

Mode of retirement	Qualification	Procedure
Voluntary retirement	<ol style="list-style-type: none"> <li>1. Work at the company for over 15 years, and above 54 years old.</li> <li>2. Work at the company for over 25 years.</li> <li>3. Work at the company for over 10 years, and above 60 years old.</li> </ol>	Employees qualifying for retirement can apply for retirement, then we will have labor retirement reserve fund supervisory committee hold a meeting to examine applications according to the regulations concerned. Upon approval by the authorities concerned, we will apply with Bank of Taiwan for labor retirement fund according to the original pension scheme.
Mandatory retirement	<ol style="list-style-type: none"> <li>1. Employees aged over 65.</li> <li>2. Employees with mental disability or physical disability, and thus not qualified for the work.</li> </ol>	



In compliance with the Labor Standards Act, Regulations for Allocation and Management of Workers’ Retirement Reserve Funds, and Labor Pension Act, we appropriate 6% of salaries monthly for the existing employees who choose new pension scheme and new employees to their personal pension accounts managed by Bureau of Labor Insurance under Ministry of Labor since July 1<sup>st</sup>, 2005. In addition, we reserve working years for employees choosing original pension scheme and those choosing new pension scheme specifically for the part of the original scheme they are entitled for, and thus appropriate total labor retirement reserve funds to our dedicated account at Bank of Taiwan.

- **Re-employ original employees after their retirement**

Specifically for retired employees with records of excellent working performance, we invite them to assume consulting positions in order for them to impart their rich experience to existing employees and provide consulting services for us, a bid to offer a development stage for retired employees to continue contribution of their expertise.

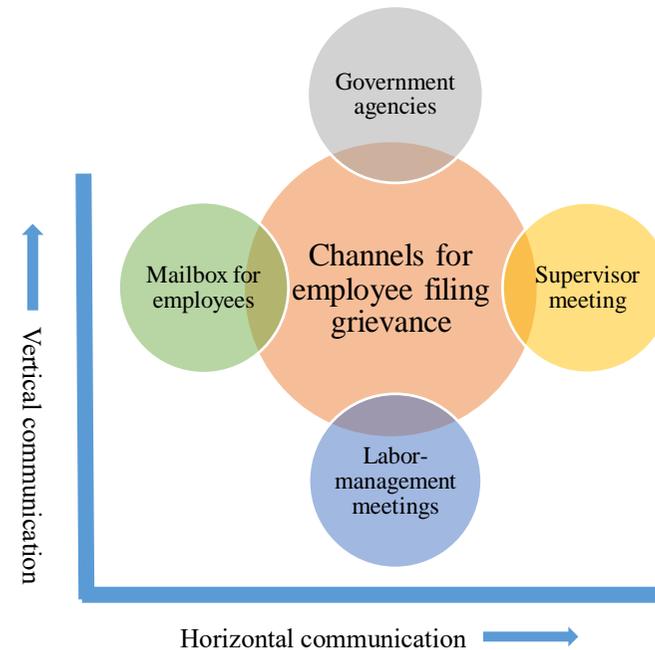
- **There was an employee qualifying and applying for retirement in 2022**

**4.3.3 Labor-management communication**

We think highly of communication and interaction with employees and draw up “working rules” according to Labor Standards Act and related regulations as well, pursuant to Regulations for Implementing Labor-Management Meeting, hold a labor-management meeting every quarter to extensively collect employees’ opinions. Management and labor cohere in power through birthday parties. Quarterly birthday parties provide opportunities of dialogues between supervisors and employees as well as emotional exchanges among employees of different operating units. Besides, we have an e-mail box at our internal network and website specifically for direct communications between supervisors/independent directors and employees, and any employee can complain or express opinions through the channel.

### DAVICOM Semiconductor internal communication channels

Mode	Explanation
Corporate internal information web portal	The web portal is a platform for internal transfer of information and communications to let employees quickly obtain information including announcement, regulations and rules, reservation for using resources, collaboration.
Labor-management meetings	Functioning as a bridge between management and labor, we hold a labor-management meeting every quarter in a bid to actively respond to topics relevant to employees' work at the company.
Mailbox of employee's opinions	We establish e-mail box and telephone lines dedicated to employee services to let employees freely express their opinions and the units concerned timely respond and immediately provide relevant solutions.
Supervisor meeting	Supervisor of every operating unit attends weekly administrative supervisor meeting so as to integrate communications among operating units.
Welfare committee's discussion area	Allow employees to offer various suggestions to welfare committee.



#### ▲ Employee grievance mechanism

Specific to projects or special activities (including curriculums of education) and topics (such as family day, travel), we survey employees as to their satisfaction. Besides, we discuss employees' opinions and suggestions which are reference for our improvement and track the improvement, and thus we hope to hike employees' participation and make employees substantially feel our sincere care for employees and our determination of creating happiness-appealing working environment.

#### ■ Employee birthday and retirement

We hold a birthday party every quarter, with chairman attending the party and personally blessing the subject employees and giving them cash gift as well as all employees sharing the joy of the party.

For thanksgiving to retired employees' dedicating the essence of their lives to DAVICOM Semiconductor, chairman confers mementos to them and employees get together to bless them.



## 5. Realization of Social Prosperity

As a responsible enterprise, we always insist on the concept of sustainable development and lay emphasis on balanced development in terms of economic, social and environmental consideration. We think that the enterprises have to consider more than their profitability, but also consider their social and environmental responsibilities, and at the meantime attend to social welfare and environmental sustainable development along with creating economic benefits. In our operational process, we keep monitoring market development trends and client's demands, as well as continuing our innovation and exploration of new business models and technologies to enhance quality and effectiveness of our products and services. We firmly believe that, in the era of globalization and digitalization, enterprises have no choice but to continue innovation and improvement to become advantageous in the midst of intense market competition and realize long-term prosperity and corporate development.

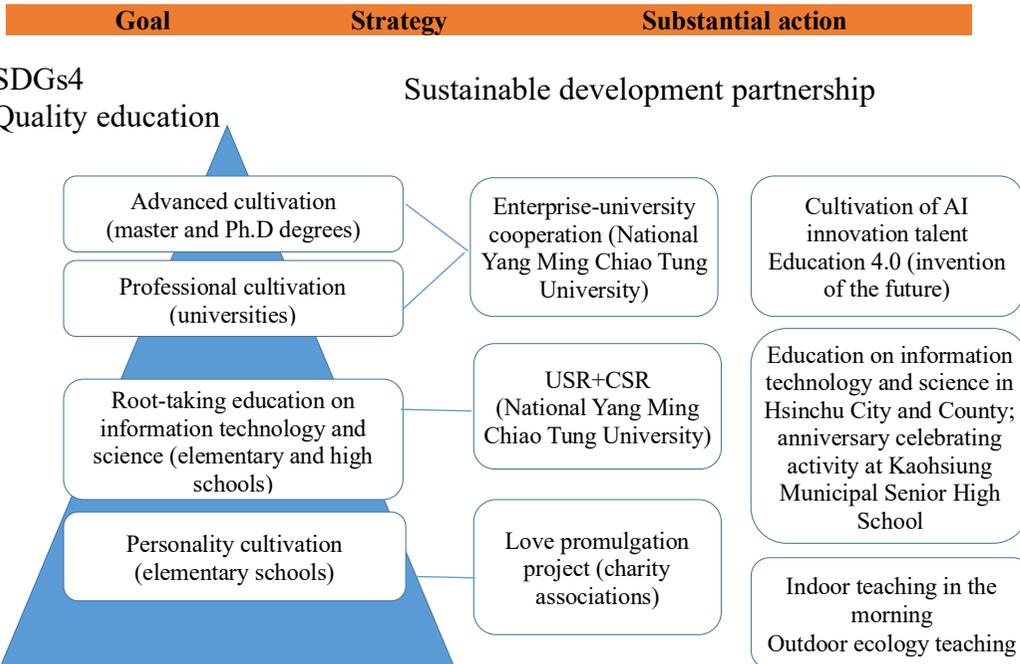


▲ Cooperate with the alumnus association of National Yang Ming Chiao Tung University to host “Smart Mobility, Great Future” high-tech exhibition and international forum

## 5.1 Public investment

We focus our social participation on realization of UN Sustainable Development Goal 17 (Sustainable Development partnership to achieve the goals) We began to help universities realize social responsibility through “enterprise-university alliance” very early, a bid to build a cornerstone for national development; we are a charter member of High Tech Charity Association, with the association cultivating Taiwan’s golfers on a long-term basis and encouraging them to attend international golf games to publicize Taiwan value. We also provide professional assistance through a model of being concerned about local conditions.

Besides cultivation of industry talent, we have recently extended our sustainability goals to UN Sustainable Development Goal 4 (quality education) and thus we have been undertaking root-taking education on information technology and science at elementary and high schools via cooperation with partners. In addition, we have cooperated with local charity associations in remote areas in eastern Taiwan to propagandize enterprises’ social concern.



As we are always concerned about development of universities, for the purpose of cultivating next-generation advanced talent, we have been cultivating talent at National Yang Ming Chiao Tung University via a model of enterprise-university cooperation. Consequently, results of cultivation in the areas of AI, electric engineering and electronics, networking/communication are well reputed in Taiwan and internationally.

“Smart Mobility, Great Future”, an exhibition featuring in Taiwan Innotech Expo (TIE), taking place at the Taipei World Trade Center on September 22, 2022, and showcased Taiwan-developed and international latest innovative technologies and products. With Taiwan as the base scenarios, “Smart Mobility, Great Future” links Taiwan’s innovation R&D to global high-tech industries and excites topics on new-generation technology via several international trend forums.

The exhibition highlights National Chiao Tung University alumni’s continued contribution to Taiwan’s industries. We have cooperated with high-tech enterprises operated by such alumni in technology R&D and have succeeded in tapping the transportation market segment of electric vehicles. Demonstrate that semiconductors x ICT x smart mobility make Taiwan great. With the core on semiconductors and ICT, the exhibition and forum are intended to prompt development of transportation-related technology industries, combine power from enterprises, government agencies and academic/research organizations, develop transportation-related industry chain in a bid to grasp opportunities of developing CASE (connected, autonomous, shared, electric) automobiles to quickly tap the international market.



### 5.1.1 Enterprise-university cooperation

We offer summer internship which is similar to prerequisites for formal curriculums. Participation in the summer internship enables students to comprehend profound academic theories via practical work and then accumulate innovation energy from theories. We started cooperation with National Chiao Tung University to help it realize the social responsibility of talent cultivation in 2015. In view of significant COVID-19 pandemic conditions in 2021 and 2022, we gave priority to pandemic prevention and temporarily stopped summer internship activities. But we offered internship opportunities to foreign graduate students.



## 5.2 Participation in policy

### 5.2.1 USR + CSR

To support the UN Sustainable Development Goal of quality education, we combine our CSR with National Chiao Tung University’s university social responsibility (USR) and cooperate with the university and 10 large enterprises to make long-term education-promoting efforts: Strengthening STEM (S: Science, T: Technology, E: Engineering, M: Mathematics) fundamental education to make up for the part that has not yet considered in new curriculum guidelines in order to establish sound educational foundation for Taiwan’s next generations and take root in Taiwan’s education on information technology and science to catch up with the international level.

Viewing that enterprises have been faced with competition in new technology in the future and suffered very serious long-term troubles. In addition, impact of AI on education and learning in the future is causing large changes in mode of learning. As STEM is unavoidable demand in our time, it is worthy of deep thought whether new curriculum guidelines will meet the expectation and needs in the trend of times.

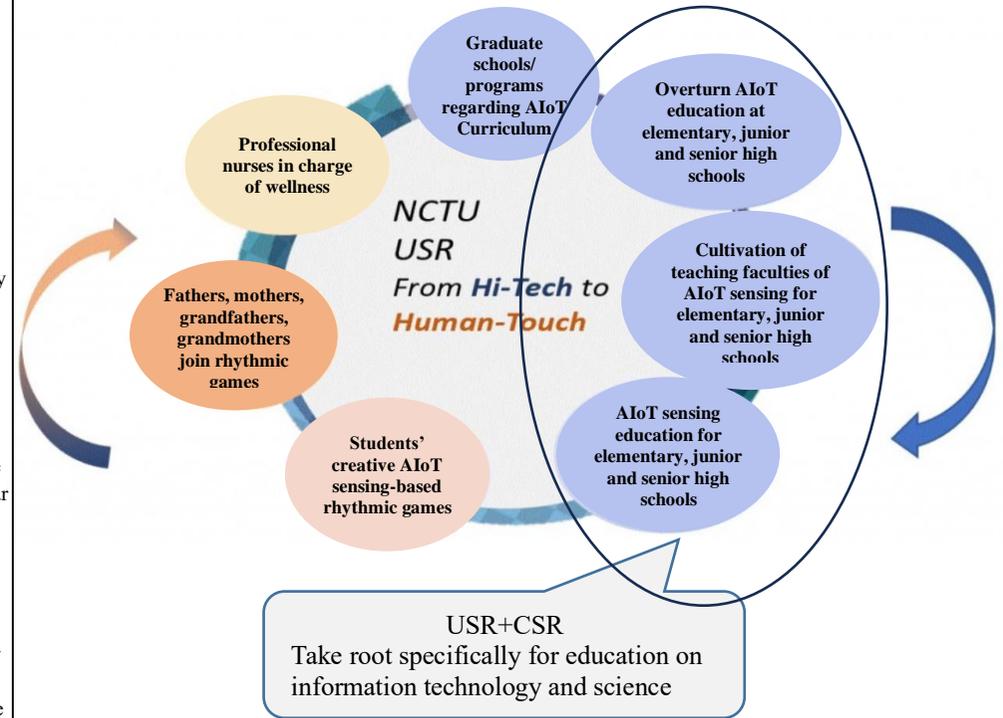
- Education 4.0 (invention of the future)

We support young scholars and their students in research of enhancing AIoT application and inject innovation R&D energy into Industry 4.0 efforts in Southern Taiwan Science Park, a bid to reach the Education 4.0 effect of “plant one tree to have 100 harvests” (investment in talent cultivation results in wide-range and long-term return).



We adopt LBG (London Benchmark Group) global standards to assess performance in our social investment.

Topic and description	Output	Link	Hike	Change
<p><b>Topic: Take root in education on information technology and science</b></p> <p>Globally step into the fifth wave of industrial revolution. Men need new abilities. Advanced countries have been actively promoting education on information technology and science at elementary schools to cultivate pupils' thinking, discriminating and logic capabilities. To cope with global trend and for international connection in education, Taiwan puts new curriculum guidelines into effect. In response to National Chiao Tung University's USR, we cooperate with the university to fulfill our CSR in terms of education on information technology and science.</p>	<p><b>Number of students in Hsinchu City</b> 108 classes at elementary schools, 51,004 students 2,315 classes at junior high schools, 63,954 students</p> <p><b>Number of students in Hsinchu County</b> 1,551 classes at elementary schools, 35,415 students 593 classes at junior high schools, 15,519 students 165,892 students in total in Hsinchu city and County</p> <p><b>165,892 students benefited from the project in total</b> The benefited students are evenly distributed among us and nine large enterprises: <b>more than 16,500 benefited students are distributed to us.</b></p>	<ol style="list-style-type: none"> <li>1. Cultivation/training of National Chiao Tung University's facilities</li> <li>2. MIT (Massachusetts Institute of Technology)-developed Scratch programming language</li> <li>3. Educational projects, Hsinchu City Government, Hsinchu County Government</li> <li>4. National coalition of presidents of parents' associations</li> </ol>	<p><b>Enhance quality of teaching faculties of education on information technology and science, hike such teachers' cognition and understanding of new technologies and their zeal for efforts of establishing educational foundation of information technology and science.</b></p> <p>Students are initiated into easy-to-learn Scratch with matched educational tools (sensors) to avoid their being stalled in program codes upon entry-level learning. Students' potential talent can be excited in the process of their designing games and they can perform their creativity to hike their sense of accomplishment for learning.</p>	<p>In line with needs in new curriculum guidelines, the project provides 180 elementary and junior high schools in Hsinchu City and County with locally referred educational tools (sensors) to overturn conventional education on information technology and science and is oriented toward AIoT (smart Internet of things). While students of elementary, junior and senior high schools are conceptually unfamiliar with AIoT, through interesting design learning, they can easily create their own digital work as well as learn how to creatively think and systematically promote education on information technology and science.</p>



## 5.2.2 Love promulgation project-Guanshan Elementary School in Taitung County (dreamer experimental elementary school)

We actively participate in societies and transfer our concern about balanced development of societies via cooperation with NGO voluntary groups. The project has been executed for five years with continued concern about children in remote areas, and has been conducive to development of such children’s personality.

### 2022 love promulgation project “Sustainable management, co-creation of future” Life Education



### Performance in life education in Guanshan Elementary School in the first half of 2022 (the education was temporarily stopped in April-June due to COVID-19 pandemic)

Grade	Teaching materials	Class	Number of persons	Number of teaching times	Person-time
Grade 1	Among people (first-level), obedience	2	48	5	240
Grade 2	Among people (mid-level), forgiveness	3	59	5	295
Grade 4	people and life (first-, mid-, high-level)	2	51	6	306
Grade 5	Emotional management	3	61	6	366
Grade 6	Emotional management	2	41	6	246
<b>Total</b>		<b>12</b>	<b>260</b>		<b>1453</b>

### Performance in life education in Guanshan Elementary School in the second half of 2022

Grade	Teaching materials	Class	Number of persons	Number of teaching times	Person-time
Grade 1	Oneself and other people (first-level), dedication	2	50	10	500
Grade 2	Oneself and other people (mid-level), thanksgiving	2	47	10	470
Grade 4	People and environment (first-, mid-, high-level)	2	47	16	752
Grade 5	Disposal of problems	2	51	16	816
Grade 6	Emotional management (continued), setting sail of youth	3	61	16	976
<b>Total</b>		<b>11</b>	<b>256</b>		<b>3514</b>



### 5.2.3 Local concern

#### ● Cultivation of sports talent

We are a member of High Tech Charity Association, a non-profit organization (NPO) which aims to cultivate talent of various ball games and currently focuses on golfers.

We adopt LBG (London Benchmark Group) global standards to assess performance in our social investment.

Topic and description	Output	Link	Hike	Change
<p>Topic: Cultivation of talent of ball games</p> <p>We participate in High Tech Charity Association (as a co-founder) in a bid to combine high-tech partners having consensus to offer charity funds. High Tech Charity Association is a cradle of talent of various ball sports and players can progressively develop their capabilities from training to participation in competition based on their career planning, a process of creating themselves.</p>	<p>There were significant achievements in cultivation of young amateur golfers within these seven years (2016-2022), with tens of champions coming out from Future Challenge golf tours. (Win for the first time so far in life)</p>	<p>The talent cultivation is linked to main professional (amateur) golf open tours around the world in a bid to create life values for sports talent.</p>	<p>Future Challenge golf tours offer opportunities for golfers to observe other players' performance, learn their advantageous skills and increase actual competition experience to hike overall skill level of Taiwan golfers.</p>	<p>More than 30 golfers finished their participation in Future Challenge golf tours in seven years (2016-2022) and have shifted to golf tours in Asia, Middle America and Taiwan to take higher challenges.</p>



# Appendix

## Appendix 1. GRI Content Index

Statement of use		We publish our 2022 sustainability report in compliance with GRI (Global Reporting Initiative) Standards, with data spanning the period from January 1 to December 31, 2022.		
GRI 1 Version		GRI 1: Foundation 2021		
Applicability of GRI Sector Standards		None		
<b>GRI 2</b>				
Indicator	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
<b>Organization and reporting</b>				
2-1	Organizational detail	B. Spotlight of sustainable development strategies		A-10
		About DAVICOM Semiconductor: operating conditions		A-13
2-2	Physical matters included in the report	About this report		A-1
2-3	Reporting frequency and contact information	About this report		A-1
2-4	Recompilation of information	<b>No acquisition or merger, reporting period, changes in attribute of business and measurement method</b>	None	
2-5	External assurance	Regulation: We will finish assurance in 2028	None	
<b>Activity and worker</b>				
2-6	Activity, relation between value chain and other business	B. Focus of sustainable development strategies		A-10
		2. Enhance cooperation in value chain		2-1
2-7	Employee	4.1 Talent cultivation		4-2
2-8	Worker	4.1 Talent cultivation		4-2
<b>Governance</b>				
2-9	Structure and composition of governance	1.2 Governance system		1-4
		1.3 Corporate sustainable development		1-11
2-10	Nomination and selection of highest governance body	1.2 Governance system: Board of directors and functional committee		1-6

2-11	Supervisor of highest governance body	Board of directors and functional committee		1-6
2-12	Highest governance body's supervision of influence on management	1.3 Corporate sustainable development		1-11
2-13	Power and obligation of appointment	1.3 Corporate sustainable development		1-11
2-14	Top-level governance body's role in sustainability report	1.3 Corporate sustainable development		1-11
2-15	Conflict of interest	1.2 Governance system: Board of directors and functional committee		1-8
2-16	Communication for serious events	1.2 Governance system		1-5
2-17	Collective intelligence of the highest governance body	Board of directors and functional committees: diversification of directors		1-7
2-18	Evaluation of highest governance body's performance	Board of directors and functional committees: evaluation of board of directors' performance		1-7
2-19	Remuneration policy	1.2 Governance system: compensation for directors		1-7
2-20	Process of deciding on remuneration	Board of directors and function-specific committees: compensation committee		1-7
2-21	Proportion of annual total remuneration	1.2 Governance system: compensation for directors		1-7
<b>Strategy, policies and practice</b>				
2-22	Declaration of sustainable development strategies	B. Focus of sustainable development strategies		A-10
		1. Strengthen corporate governance: promoting strategies		1-1
2-23	Commitment to policy	2.1 Innovation R&D and services: Set energy-saving target for new products as "further reduction in power consumption by 20%"		2-1
2-24	Realization of commitment to policy	Overall sustainability performance in 2022		A-3
2-25	Process of mitigating negative impact	1. Strengthen corporate governance		1-1
		2. Enhance cooperation in value chain		2-1
		3. Response to climate change		3-1

		4. Realize happiness-oriented workplaces		4-1
		5. Realize common prosperity with societies		5-1
2-26	Mechanism for seeking suggestions and expressing doubts/worries	About report: contact information		A-1
2-27	Comply with legal regulation	1. Strengthen corporate governance: Risk control management		1-1
2-28	Member of association		Incompleteness of information	
<b>Stakeholder engagement</b>				
2-29	Method of stakeholder engagement	A. Identification of material topics: Stakeholder engagement		A-5
2-30	Collective agreement		None	
<b>GRI 3</b>				
Indicator	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
3-1	Process of determining material topics	A. Identification of material topics		A-4
3-2	List of material topics	A. Identification of material topics: Statistics of questionnaire survey		A-9
3-3	Material topic management	About DAVICOM Semiconductor		A-11
		1. Strengthen corporate governance		1-1
		2. Enhance cooperation in value chain		2-1
		3. Response to climate change		3-1
		4. Realize happiness-oriented workplaces		4-1
		5. Realize common prosperity with societies		5-1
GRI topics	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
<b>Material topics</b>				
<b>Sustainability management</b>				
3-3 Material topic management		Sustainability management		
2-22	B	Focus of sustainable development strategies		A-10
	1.1	Strengthen corporate governance		1-1
	1.3	Corporate sustainable development		1-11
<b>Integrity management</b>				

3-3 Material topic management		Integrity management		
GRI 205	1.2	Governance system		1-4
Anti-corruption 2016	1.4	Integrity management		1-12
	1.5	Professional ethics and anti-corruption		1-12
<b>Wellness and safety</b>				
3-3 Material topic management		Wellness and safety		
GRI 403	4.2	Wellness and safety		4-6
Occupational wellness and safety 2018	4.3.2	Remuneration and benefits, employee benefit measures: Wellness checkups		4-12
	1.1	Strengthen corporate governance: infectious disease risks: Continue COVID-19 preventive measures and prevention management		1-15
GRI410 2016				
<b>Customer satisfaction and reasonable return</b>				
3-3 Material topic management		Customer satisfaction and reasonable return		
Self-determined by DAVICOM Semiconductor	2.2	Responsible production and consumption		2-3
	2.3	Customer relationship management		2-5
		Chairman's words		A-2
	2.	Enhance cooperation in value chain: Demonstration of quality, double strategies for leanness and agility		2-4
<b>Management performance</b>				
3-3 Material topic management		Management performance		
GRI 201	Overall sustainability performance in 2022			A-3
	About DAVICOM Semiconductor: operating conditions			A-13
	Carbon footprint of DAVICOM ICs			3-5
GRI 207	Tax affair governance		A-14	
<b>Innovation R&amp;D and services</b>				
3-3 Material topic management		Innovation R&D and services		
Self-determined by DAVICOM Semiconductor	2.	Enhance cooperation in value chain: Innovation R&D and services		2-1
	2.	Enhance cooperation in value chain: Technology and R&D		2-3
	3.3	Environmental footprint of products		3-4-
<b>Compliance with legal regulation</b>				
3-3 Material topic management		Compliance with legal regulation		
	1.	Strengthen corporate governance: Important internal regulations		1-5

	1. Strengthen corporate governance: Governance system		1-4
	1. Strengthen corporate governance: Compliance with legal regulation		1-13

GRI topics	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
<b>General topics</b>				
Talent cultivation GRI401 GRI404 GRI405 2016	Employment, personnel turnover rate, parental leave, benefits for full-time employees, diversification	4.1 Talent cultivation: Employee conditions 4.1 Talent cultivation: Human resource policy		4-2, 4-3
	Training and education	4.1.3 Employee further education and training		4-4
Supply chain Management GRI204-1 Procurement 2016	Proportion of total payment for procurement from local suppliers Social evaluation for suppliers	2.4 Sustainable suppliers		2-6
GRI 410 GRI 308	Supplier environmental assessment	2.4 Supplier management		2-6
Responsible production and consumption GRI301 Materials GRI416-GRI418 2016	Materials Dimensions of materials to use	2.2 Quality management 3.3 Environmental footprint of products		3-4
	Clients' wellness and safety	2.3 Customer relationship management: Protection of customers' privacy		2-5
Risk management 201-2 Climate risks 2016	Financial impact, other risks, opportunities arising from climate change	1.7 Realization of risk management 1.8 Identification and analysis of operational risks 1.9 Understand risks and opportunities arising from climate change 1.10 Information/communication security management		1-14 1-16 1-18 1-23

Human rights and tolerance GRI201-3 GRI202-1 GRI 402 2016	Obligation of fixed benefit plan, other retirement plans	4.3.1 Respect labor rights and interests		4-8
	Ratio of salaries to local salary levels	4.3.2 Salaries and benefit		4-9
	Labor-management relations	4.3.3 Labor-management communication		4-13
Climate action GRI 302 · 303 305, 306 2016 2020	Direct and indirect emissions, intensity	3.1.1 Carbon emission management		3-1
	Energy (2016), water resource (2018)	3.2 Use of energy/resources		3-3
	Wastes	3.3 Environmental footprint of products		3-4
Circular economy GRI 301-3 2016	Weight of materials to use	3.3 Environmental footprint of products: Packaging material reclaimed		3-5
	Feeding of materials in recycling processes	3.3 Environmental footprint of products: Recycling of cartons		3-5
	Use of water resource	3.2 Use of water resource		3-4
Use of energy/resources GRI 302 2016	Consumption of energy	3.2 Use of water resource		3-4
	Energy use intensity	3.2 Conditions of power use		3-4
	Energy use intensity	3.3 Environmental footprint of products: Carbon footprint of ICs		3-5
Policy participation and public investment GRI 203-1 GRI 415 2016	Investment in infrastructure and supporting services	5.1 Public investment: smart Mobility, Great Future exhibition		5-2
		5.1.1 Public investment: Enterprise-university cooperation		5-3
	Policy-based donation	5.2.1 Policy participation: USR+CSR		5-3
	Policy-based donation	5.2.2 Policy participation: Love promulgation project		5-5
Policy-based donation	5.2.3 Policy participation: Local concern		5-6	

## Appendix 2. Comparison with SASB (Sustainability Accounting Standards Board) standards

Disclose topics	Indicator number	Disclose content of indicators	Attribute	Corresponding chapters or explanation
Product safety	HL-PR-120a.1	Effectiveness of product safety management system	Qualitative	Reference 2.2 responsible production and consumption: Quality management
	HC-PR-120a.1	Items and process of product testing and how to ensure product safety and compliance with the regulations concerned for products	Qualitative	
	HC-PR-120a.2	For us, how to ensure compliance with the regulations and standards concerned for our products	Qualitative	
Diversified employees	LC-FA1304a-01	Particularly for executive teams and key job positions, proportions of all employees for active female employees and employees belonging to minority ethnic groups and, in addition, we give equal opportunities to those people and take actions to diversify background of employees.	Qualitative	Reference 4.1 talent cultivation: Employee conditions, human resource policy
Supply chain management	TC-HW-430a.1	Our technology innovation as well as R&D expense and/or R&D investment as a percentage of consolidated revenues	Quantitative	Reference 2.1 innovation R&D and services: Technology and R&D
	TC-HW-410a.3	Our R&D expense and/or R&D investment as a percentage of total assets	Quantitative	
Greenhouse gas emissions	TR-MT-110a.1	Scope 1 emissions	Quantitative	Reference 3.1.1 carbon emission management: Carbon inventory- Scope 1
	TR-MT-110a.2	Scope 2 emissions	Quantitative	Reference 3.1.1 carbon emission management: Carbon inventory- Scope 2
Environmental footprint of products	TC-EN-120a.1	Reveal influence of the process of product production and life cycle management on environment	Qualitative/quantitative mixed	Reference 3.3 refer to environmental footprint of products
Sources of materials	TC-MT-120a.1	Assess our performance in managing procurement of raw materials from suppliers as well as the transparency of such supplies	Qualitative	Reference 2.4 sustainable suppliers: Careful selection of partners
Indicators of activities	TC-HW-000.A	Evaluate how enterprises manage hardware security risks, ask enterprises to disclose information on framework and procedures of their physical security risk management as well as their monitoring physical security, disposing of physical security events and emergency responsive plans	Qualitative	Reference 1.10 information/communication security management
	TC-HW-000.B	Evaluate how enterprises manage hardware security risks, ask enterprises to disclose safety functions and design characteristics of their products as well as how they integrate safety functions with product development processes and provide customers with information and training related to hardware security	Qualitative	Reference 2.3 customer relationship management
	TC-HW-000.C	Evaluate measures adopted by enterprises in managing hardware security risks	Qualitative	Reference 2.4 sustainable supply chains

### Appendix 3. Comparison with the 10 principles for UN Global Compact

Categorization	10 principles	Chapter	Page number
Human rights	Enterprises should support and respect internationally recognized human rights protection	2.4.1 Careful selection of partners	2-6
	Ensure that we never engage in activities violating human rights	2.4.1 Careful selection of partners: Labor, safety and health, maintenance of ethical regulation	2-6~2-7
Labor	Enterprises should maintain freedom of assembly and association and firmly recognize right of collective bargaining.	4.3.1 Freedom of association	4-8
	Eliminate any type of forced labor and compulsory labor	4.3.1 Respect labor rights and interests	4-8
	Completely abolish employment of children	4.3.1 Respect labor rights and interests	4-8
	Eliminate discrimination related to employment and occupation	4.3.1 Respect labor rights and interests	4-8
Environment	Enterprises have to support adoption of preventive methods for coping with environmental challenges.	1.9 Understand risks and opportunities arising from climate change	1-18~1-21
	Take initiative actions to prompt more responsible environmental response	1.9 Understand risks and opportunities arising from climate change: Results of identifying risks and opportunities arising from climate change	1-21~1-22
	Encourage development and boost environmentally friendly technologies	2.1 Innovation R&D and services	2-1
Anti-corruption	Enterprise should make efforts to resist any type of corruption, including blackmail and bribery.	1.5 Professional ethics and anti-corruption	1-12~1-13

# Sustainable development

