

Regarding the 2023 Sustainability Report

Editorial Policy

Disclosure Scope

DAVICOM Semiconductor, Inc. (hereinafter referred to as Davicom) is committed to annually publishing a Sustainability Report. The reporting period is between January 1, 2023 and December 31, 2023. The economic and financial performance detailed herein pertains to the individual financial statements of Davicom and does not include subsidiaries. All financial data are presented in New Taiwan Dollars. The scope of environmental and social performance indicators primarily encompasses Davicom's headquarters in Taiwan.

Framework of the DAVICOM Semiconductor 2023 Sustainability Report

The contents of this report have been formulated based on an analysis of stakeholder concerns and material topic relevant to Davicom during the reporting period. It adheres to the disclosure requirements of the latest 2021 edition of the Global Reporting Initiative (GRI) Standards. An appendix provides a content index for reader reference. There were no restatements in the 2023 report.

Reporting Period

Davicom Sustainability report is scheduled to publish annually.

Previous year's report: June 2023

Current report issuance: July 2024

Next year's report: July 2025

To accommodate the Net-Zero Emissions goal in 2050, Davicom response to paperless to fulfill our social responsibilities. The report is on the company's official website in Traditional Chinese and English versions.

Report Review

The information in this report have been collected and compiled by the members of the Sustainability Committee. They are first reviewed by departmental heads, then submitted to the Sustainability Committee for confirmation. The final report is approved by the Chairman. The financial data in this report are derived from the annual financial statements certified by PwC. The Quality Management System ISO 9001 has been validated and certified by a third-party verification company.

Liaison Information

If you have any feedback, advice, or suggestion on this report, please feel free to contact us. The liaison information is as below:

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CHAPTER 1

Identification of Stakeholders and Material Topics

- 1.1 Sustainability Committee
- 1.2 Identifying Stakeholders
- 1.3 Stakeholder Communication Channels
and Concern Issues
- 1.4 Identification of Material Topics
- 1.5 Sustainable Development Goals

1. Identification of Stakeholders and Material Topics

Process of identifying stakeholders and material topics



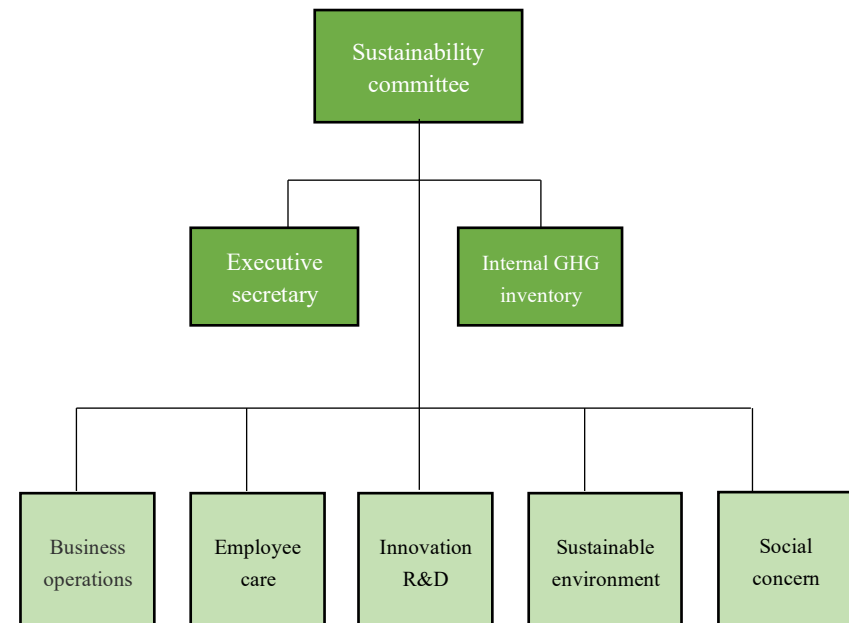
1.1 Sustainability Committee

Realization of Davicom Sustainable Development Strategy

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. Practice Principles for Corporate Social Responsibility” on November 10, 2014, and develop the “Sustainable Development Best Practice Principles” on January 25, 2023 to realize the sustainable development strategy.

Davicom Sustainable Development Governance 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 internal GHG inventory specialist to help the committee with dimensions of corporate operation, employee care, innovation R&D, sustainable environment and social concern to realize the sustainable development goal of corporate governance, environmental sustainability and social prosperity.



The 24 relevant issues of concern for DAVICOM 's Sustainability Committee in 2023			
No.	Corporate governance	Environmental sustainability	Social prosperity
1	Risk management	Emissions of greenhouse gases	Labor-management relations
2	Innovation R&D	General waste	Employees' health
3	Client privacy	Carbon footprint	Compensation and welfare
4	Information security	Water resource	Safety and comfort
5	Supply chain management	Air quality	Career development
6	Internal auditing	Use of energy/resources	Diversity in the workplace
7	Composition of board of directors	Biodiversity	Equality of human rights
8	Business ethics	Use of fuels	
9	Competitive behavior		

1.2 Identifying Stakeholders



Stakeholders are groups that influence or are influenced by Davicom. Each department initially identifies stakeholder types based on daily business interactions. The major stakeholders are then selected based on their frequency of interaction and mutual influence with us, through internal discussions and referencing industry standards. These five major stakeholder groups include shareholders/investors, clients, employees, suppliers, and regulatory authorities (including the Financial Supervisory Commission, Ministry of Environment, Ministry of Labor, and Science Park Bureau).

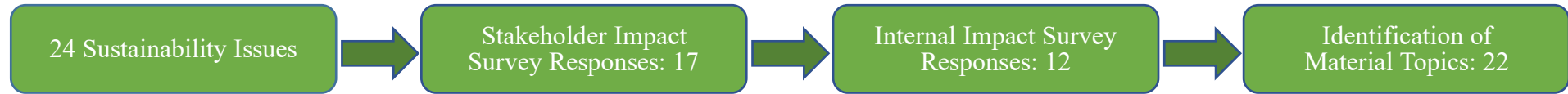
1.3 Stakeholder Communication Channels and Concern Issues

Due to the diverse role of stakeholders, the major stakeholders of the company have varying concerns regarding the company's operations. Each department proactively engages in positive interactions with stakeholders through multiple channels, ensuring that stakeholders are promptly informed about the company's operational status. Simultaneously, the company can capture stakeholder demands and expectations, providing timely responses.

The Sustainability Committee of Davicom gathers issues raised by major stakeholders during daily business interactions and reviews studies on international semiconductor companies by research institutions. Additionally, it references the GRI Sustainability Reporting Standards (2021 edition) and industry ESG reports, summarizing 22 sustainability issues for Davicom to meet the comprehensiveness and diversity required by the GRI Standards.

Stakeholders	Importance to us	Concerned Issues	Communication Channels and Frequency
Shareholders/ investors	Shareholders are the investors of the company. It is essential to protect their rights, treat all shareholders fairly, and ensure they are well-informed, able to participate in, and make decisions on significant company matters.	<ul style="list-style-type: none"> • Risk management • Innovation R&D • Internal auditing • Composition of board of directors • Business ethics 	<ul style="list-style-type: none"> • Shareholder's meetings /annually • Market Observation Post System /ongoing • Company's website 、 Phone calls 、 e-mails /ongoing
Clients	Clients are the primary source of the company's profits. Ensuring high product quality and maintaining excellent interactions with client are the company's most steadfast commitments.	<ul style="list-style-type: none"> • Client privacy • Business ethics • Competitive behavior • Use of energy/resources • Carbon footprint 	<ul style="list-style-type: none"> • Customer satisfaction survey/annually • At each operational site / ongoing • Company website, corresponding department hotline / ongoing
Suppliers	The company's products rely on long-term supply partners who provide stable services, technology, and components.	<ul style="list-style-type: none"> • Risk management • Business ethics • Competitive behavior 	<ul style="list-style-type: none"> • Regular supplier evaluations / periodically • Confidentiality agreements / during business transactions
Employees	Employees are the company's most valuable asset. The company offers competitive compensation and benefits to ensure talent retention, and is dedicated to creating a healthy, diverse workplace environment for employee development.	<ul style="list-style-type: none"> • Labor-management relations • Employees' health • Compensation and welfare • Safety and Comfort 、 Information security • Career development • Diversity in the workplace 	<ul style="list-style-type: none"> • Labor-management meetings/quarterly • Communication with department heads / ongoing • Employee feedback mailbox, hotline / ongoing • Contact person: HR / ongoing
Regulatory authorities	Regulatory authorities play a crucial role in overseeing and evaluating the company's governance and sustainable development. The company must adhere to the policies and regulations of these authorities, ensuring compliance with legal and national policy requirements.	<ul style="list-style-type: none"> • Emissions of greenhouse gases • Use of general waste and fuels • Water resource • Air quality • Employees' health 、 Equality of human rights • Biodiversity 	<ul style="list-style-type: none"> • Company website / irregularly • Financial reports / quarterly • Annual reports / annually • Sustainability reports / annually

1.4 Identification of Material Topics



Dimension	22 Material Topics of Concern for Key Stakeholders
Environment	Emissions of greenhouse gases 、 General waste 、 Carbon footprint 、 Water resource 、 Air quality 、 Use of energy/resources 、 Biodiversity
Social	Labor-management relations 、 Employees' health 、 Compensation and welfare 、 Safety and comfort 、 Career development 、 Diversity in the workplace
Corporate Governance	Risk management 、 Innovation R&D 、 Client privacy 、 Information security 、 Supply chain management 、 Internal auditing 、 Composition of board of directors 、 Business ethics 、 Competitive behavior

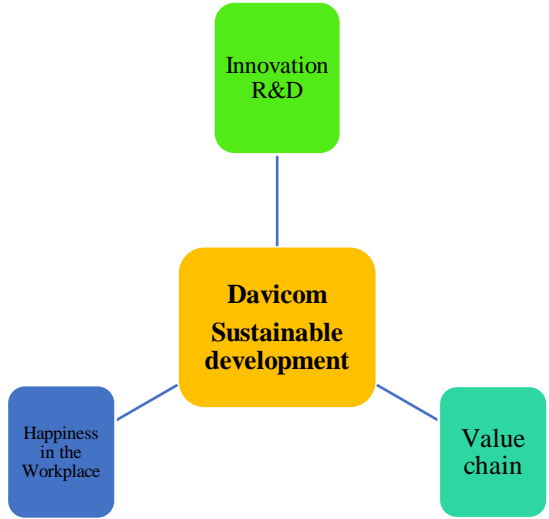
The Davicom Sustainability Committee, referencing GRI specific topics and industry benchmarks, identified 24 sustainability issues (see previous page). Questionnaires were distributed to key stakeholders, yielding 17 valid responses, which provided ratings on the economic, environmental, and social impact of each sustainability issue. Additionally, online questionnaires were distributed to company department heads to assess the internal impact of these issues on Davicom.

Following discussions by the Sustainability Committee, the environmental, social, and corporate governance issues were prioritized, with the top 10 major topics included in this year's report. The 10 major topics for priority disclosure have been confirmed, and Davicom will outline the management approaches and related disclosure items for each major topic in this report. To ensure the balance of information in the sustainability report, supplementary disclosures will cover the 11th to 22nd sustainability issues, along with the outcomes of Davicom's contributions to the public interest.

Sustainability Issues and Ranking			
No.	Sustainability Issues	No.	Sustainability Issues
1	Innovation R&D	13	Career development
2	Employees' health	14	Internal auditing
3	Risk management	15	Water resource
4	Labor-management relations	16	Composition of board of directors
5	Emissions of greenhouse gases	17	Air quality
6	Client privacy	18	Business ethics
7	Information security	19	Use of energy/resources
8	Supply chain management	20	Competitive behavior
9	General waste	21	Biodiversity
10	Compensation and welfare	22	Diversity in the workplace
11	Carbon footprint	23	Use of energy/resources
12	Safety and Comfort	24	Equality of human rights

■ Top 10 Major Topics for Priority Disclosure ■ Supplementary Disclosure of 14 Sustainability Issues

In 2023, we summarized the year's three main focuses based on the 10 major topics: continuously investing in engineering services and electronic product development to generate greater profits; strengthening information security to protect trade secrets and client privacy; creating a healthy and safe workplace for employees while building long-lasting trust with clients, and collaborating with suppliers to practice energy conservation and carbon reduction to minimize environmental impact.



The company adheres to the GRI standards by following the four principles for defining report content, Stakeholder inclusiveness: identifying five key stakeholder groups; Sustainability context: disclosing how the company addresses economic, environmental, and social development trends in the local and surrounding areas to mitigate impacts; Materiality: reflecting significant economic, environmental, and social impacts on internal and external stakeholders and their evaluations and decisions; and Completeness: ensuring the report covers significant topics and their boundaries to reflect the company's substantial economic, environmental, and social impacts.

Additionally, the company references the six GRI principles for defining report quality to disclose information, Accuracy: ensuring the report's information is sufficiently accurate and detailed for stakeholders to evaluate the company's ESG performance; Balance: presenting both positive and negative performances for a reasonable assessment of the company's overall performance; Clarity: ensuring the information is presented in a way that is easily understandable and accessible to stakeholders; Comparability: collecting and disclosing information using internationally accepted standards to allow stakeholders to analyze the company's long-term performance; Verifiability: ensuring disclosed information is verifiable and the methods for establishing information quality and materiality are robust; and

Timeliness: providing important operational information promptly to stakeholders to enhance information transparency.



Determining Material Topics and Boundaries



The Disclosure of Top 10 Material Topics in Davicom's 2023 Sustainability Report

Dimension	Material Topics	Significance and Positive/Negative Impacts on Davicom	Internal Boundaries	External Boundaries				GRI Index	Report Disclosure
			Davicom	Shareholders/ investors	Suppliers	Clients	Regulatory Authorities		
Corporate Governance	Innovation R&D	Davicom leverages its stable foundation and the agile responsiveness of its management team to actively expand the industry's blue ocean, persistently developing products that contribute meaningfully to the advancement of human civilization. In 2023, the continuous launch of new products resulted in a substantial positive impact.	●	●		●		Davicom's self-defined material topics	4.1 Innovation R&D and Services
Social	Employees' health	We ensure a healthy and safe work environment for our employees, promoting physical and mental well-being, thus fostering a stable and happy family life. This represents a positive impact for 2023.	●	●		●	●	GRI 403 Occupational health and safety	6.4 Wellness and Safety
Corporate Governance	Risk management	Following the Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies, we promote risk control and management. The defined risk categories include strategic, operational, financial, informational, compliance, integrity, climate change, infectious disease, and geopolitical risks. In 2023, these posed significant negative impacts.	●	●	●	●	●	GRI 2 13-29	3.2 Governance System 3.4 Realization of Risk Management 3.5 Identification and Management of Operational Risks 3.6 Understanding of Climate Change Risks and Related Opportunities 3.7 Management for Information and Communication Security

Dimension	Material Topics	Significance and Positive/Negative Impacts on Davicom	Internal Boundaries	External Boundaries				GRI Index	Report Disclosure
			Davicom	Shareholders/ investors	Suppliers	Clients	Regulatory Authorities		
Social	Labor-management relations	Stable labor relations are the cornerstone of sustainable talent development. We guarantee this through a comprehensive compensation and benefits system. The 2023 compensation and benefits met the expectations of both the company and its employees, representing a positive impact.	●	●		●	●	GRI 402	6.5 Labor-management Communication
Environment	Emissions of greenhouse gases	As an IC design company, we mitigate the increased electricity consumption and greenhouse gas emissions due to climate change by installing variable frequency equipment in its chiller units and raising air conditioning temperatures to reduce carbon emissions. This had a negative impact in 2023.	●			●	●	GRI 305	5.1 Climate Action
Corporate Governance	Client privacy	In addition to fulfilling customer requirements for engineering services and products, Davicom upholds customer privacy throughout all service stages, diligently maintaining confidentiality. This commitment yielded a positive impact in 2023.	●	●		●		GRI 418	4.3 Customer Relationship Management
Corporate Governance	Information security	Davicom is IC design company. Given that research, development, and client confidentiality are critical to its operations, we employ a robust information security management system, raising staff awareness of cybersecurity risks and implementing various security controls to safeguard company secrets. To effectively manage cybersecurity, we appointed a cybersecurity officer in 2023 and continued to invest in cybersecurity projects, resulting in zero major incidents. This reflects a positive impact.	●	●		●	●	GRI 13-29	3.7 Management for Information and Communication Security

Dimension	Material Topics	Significance and Positive/Negative Impacts on Davicom	Internal Boundaries	External Boundaries				GRI Index	Report Disclosure
			Davicom	Shareholders/ investors	Suppliers	Clients	Regulatory Authorities		
Corporate Governance	Supply chain management	Davicom is IC design company. While advancing our own ESG efforts, we leverage our influence on the supply chain, demanding that partners comply with local regulations and its ESG policies to collectively promote sustainable practices. This resulted in significant positive progress in environmental protection and employee care in 2023.	●		●	●		GRI 308 GRI 414	4.4 Sustainable Suppliers
Environment	General waste	The majority of our waste is general daily waste, with hazardous industrial waste limited to IC scrap. All hazardous waste is handled by certified disposal companies. There were no hazardous waste disposals in 2023, representing a negative impact.	●		●		●	GRI 306	5.3 Product Environmental footprint
Social	Compensation and welfare	Taking care of employees is our foremost responsibility. The company provides a comfortable and safe working environment, necessary equipment and resources, and a comprehensive compensation and benefits system, enabling employees to grow and achieve their personal goals. This had a positive impact in 2023.	●	●			●	GRI 401 GRI 402 GRI 404 GRI 405	6.3 Compensation and welfare

1.5 Sustainable Development Goals



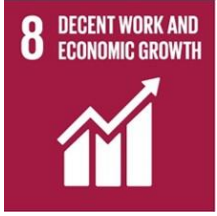
The Sustainable Development Goals (SDGs) were introduced by the United Nations in 2015, outlining 17 goals and 169 targets to guide member states and global enterprises towards sustainable development by 2030.



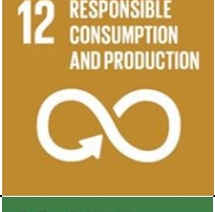

In the rapidly evolving technological landscape, we face numerous challenges and opportunities. To achieve these goals, we have implemented various strategies and measures: emphasizing technological innovation and R&D investment to enhance product competitiveness and technical content. By continuously improving existing products and developing new technical solutions, we aim to meet the needs of clients and markets.


We place a high value on talent cultivation and team management, offering professional training, a favorable working environment, and development opportunities to attract and retain outstanding talent. Additionally, we emphasize social responsibility and environmental protection by actively developing energy-saving products, supporting public welfare, and striving to reduce energy consumption and greenhouse gas emissions to achieve environmental sustainability goals.

We also build close partnerships with collaborators to drive industry development and innovation together.

In summary, Davicom's sustainable development goals focus on continuous innovation, valuing talent, fulfilling social responsibilities, and achieving mutual success through collaboration, ensuring long-term and stable development.

SDGs	Targets	Our response
	<p>4.5 Eliminate education disparities, ensuring that disadvantaged groups, including individuals with disabilities, indigenous peoples, and vulnerable children, have access to education and vocational training.</p> <p>4.7 Promote education for sustainable development, sustainable lifestyles, human rights, gender equality, and a culture of peace and non-violence.</p>	<p>【Social Participation】</p> <p>→Through industry-academia cooperation, achieve mutual learning and understanding across generations, promoting corporate sustainability.</p>
	<p>7.1 Ensure access to affordable, reliable, and modern energy services for all by 2030.</p> <p>7.3 Double the global rate of improvement in energy efficiency by 2030.</p>	<p>【Innovation and R&D, Risk Management】</p> <p>→ Actively develop and launch products that enhance energy efficiency.</p>
	<p>8.2 Achieve higher economic productivity through diversification, technological upgrading, and innovation, focusing on high value-added sectors.</p> <p>8.5 Achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value by 2030.</p> <p>8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, particularly women, and those in precarious employment.</p>	<p>【Innovation R&D、Business Performance、Corporate Governance、HR Policy、Talent Recruitment、Healthy Workplace、Employee Development、Customer satisfaction、Reasonable return、Compensation and welfare、Regulatory Compliance】</p> <p>→Treat all employees equally regarding compensation, advancement opportunities.</p> <p>→Respect for labor rights, including the prohibition of child labor and discrimination.</p> <p>→Implement occupational health and safety management systems to significantly improve workplace safety.</p>

SDGs	Targets	Our response
	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, in accordance with respective capabilities.</p> <p>9.b Support domestic technology development, research, and innovation in developing countries, including creating a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.</p>	<p>【 Customer satisfaction and reasonable return 】</p> <p>→Innovation originates from a system where each specific innovation stems from one or more system components, interconnected.</p> <p>→Through close cooperation along the value chain, we research and innovate to enhance product value.</p>
	<p>11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of vulnerable groups, including women, children, persons with disabilities, and older persons.</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>	<p>【 Innovation and R&D, Risk Management 】</p> <p>→Continuously participate in the development of future electric vehicle technologies through industry-academia collaboration (Smart Mobility, Great Future), creating value in green transportation topics with value chain partners.</p>
	<p>12.2 Achieve sustainable management and efficient use of natural resources by 2030.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p> <p>12.6 Encourage companies, especially large and transnational ones, to adopt sustainable practices and integrate sustainability information into their operation plan.</p>	<p>【 Responsible Production and Sales, Supply Chain, Compliance with Environmental Regulations, Risk Management 】</p> <p>→Implement green products and continuously improve production processes to reduce waste.</p>
	<p>13.2 Integrate climate change measures into national policies, strategies, and planning.</p> <p>13.3 Improve education, awareness, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.</p>	<p>【 Customer Satisfaction, Reasonable Return, Risk Management, Climate Change, Supply Chain, Energy Use, Greenhouse Gas Emissions 】</p> <p>→Adhere to the TCFD framework for climate-related financial disclosures, ensuring effective governance of climate risks and opportunities.</p>

	<p>17.6 Enhance South-North, South-South, and triangular regional and international cooperation on and access to science, technology, and innovation, and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, particularly at the UN level, and through a global technology facilitation mechanism.</p> <p>17.8 Fully operationalize the technology bank and science, technology, and innovation capacity-building mechanism for least developed countries by 2017, and enhance the use of enabling technology, in particular information and communications technology.</p>	<p>【Global Partnerships】</p> <p>→Promote the development of the communication technology industry by integrating core technologies into product applications through industry-academia cooperation projects.</p>
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