3. Strengthen Corporate Governance

3.1 Board of Directors and Functional Committees

3.2 The Board’s Role and Achievements in Sustainability Governance

3.3 Integrity Management

3.4 Risk Management

3.5 Regulatory Compliance

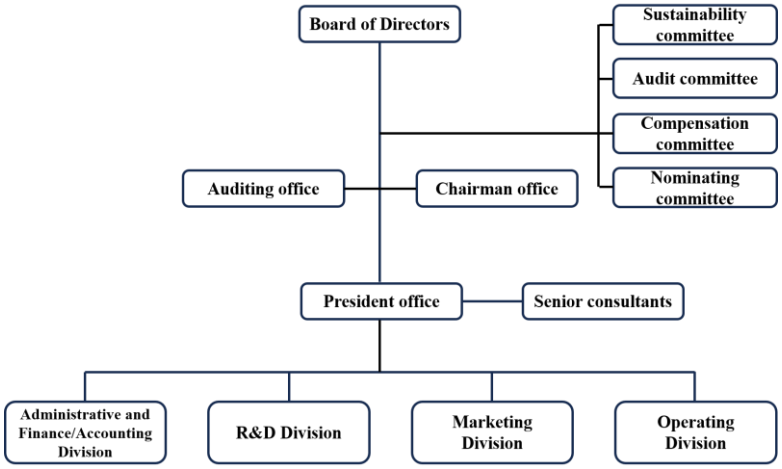
3.6 Management for Information and Communication Security

3.1 Board of Directors and Functional Committees

3.1.1 Board Structure

On May 13, 2019, Davicom appointed Mr. Chun-Chun Yang, the Company's Chief Financial Officer, as Chief Corporate Governance Officer to safeguard shareholders' rights and strengthen the functions of the Board of Directors. The primary responsibilities of the corporate governance personnel include handling matters related to Board and shareholders' meetings in accordance with the law, preparing minutes of meetings, assisting directors with onboarding and continuous education, providing directors with business-related information and updates on regulatory developments, and ensuring compliance with all relevant legal requirements.

The Board of Directors serves as the Company's highest governance body and is supported by three functional committees—the Auditing Committee, the Compensation Committee, and Nomination and Sustainability Committee. These committees assist the Board in overseeing governance matters in line with the Company's Corporate Governance Best Practice Principles. Each committee is convened by an independent director with relevant professional expertise, and the chairs of the committees report regularly to the Board on discussions and resolutions to optimize governance performance, safeguard sound business operations, and protect the interests of investors and other stakeholders.



Governance framework

Corporate Governance Performance in 2025

No.	Content
1	All independent directors have completed the required continuing education hours, achieving a 100% compliance rate.
2	In accordance with legal requirements, the Company registers the date of the shareholders' meeting in advance, prepares and delivers meeting notices, handbooks, and minutes within the statutory deadlines, and manages registration procedures for amendments to the Articles of Incorporation or the re-election of directors.
3	Board meeting agendas are prepared and distributed to directors at least seven days prior to the meeting, accompanied by all relevant materials, and meeting minutes are finalized within 20 days after each meeting.
4	The Company provides English versions of meeting notices, handbooks, minutes, annual reports, and sustainability reports.
5	The Company is responsible for disclosing material information related to significant resolutions of the Board of Directors and shareholders' meetings, ensuring the legality and accuracy of such disclosures to safeguard equal access to trading information for all investors.
6	The Company provides both independent and general directors with information on continuing education programs and supports them in completing their training plans.
7	Independent directors hold regular closed-door meetings with the external auditors and the Chief Internal Auditor to gain an in-depth understanding of the Company's financial and operational status.
8	The Company evaluates and maintains appropriate directors' and officers' liability insurance

3.1.2 Board Functions

Davicom places great emphasis on the diversification of its Board composition. To enhance corporate governance and foster the sound development of the Board's structure, Article 20 of the Corporate Governance Best Practice Principles stipulates that, in order to achieve the ideal objectives of corporate governance, the Board as a whole shall possess the following competencies:

(1) operational judgment, (2) accounting and financial analysis, (3) business management, (4) crisis management, (5) industry expertise, (6) international market perspective, (7) leadership, and (8) decision-making ability.

The current Board of Directors of Davicom is composed of eight members, including four directors and four independent directors, serving a three-year term (the 11th Board: May 28, 2025 to May 27, 2028). One out of eight directors also serves as an employee representative. The members bring extensive experience and expertise across accounting, finance, technology, industry, and management. Some directors concurrently hold significant external positions, such as board members or executives of other companies. Details regarding the Board's diversity are provided in the Company's 2025 Annual Report. Furthermore, the Company values gender equality within its Board composition. Among the eight directors, three are female, representing a ratio of 3/8.

The Company's Board diversity objectives encompass, but are not limited to, the following two principal dimensions:

1. Fundamental attributes and values: gender, age, nationality, and cultural background.
2. Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing, or technology), expertise, and industry experience.

The Company's current Board of Directors is composed of seven members. The specific management objectives and the status of achievement under the Board diversity policy are as follows:

Management objectives	Status of Achievement
Independent directors account for more than one-third of all Board seats.	Achieved
The number of directors concurrently serving as Company executives does not exceed one-third of all Board seats.	Achieved
Independent directors have not served more than three consecutive terms.	Achieved
The Board collectively possesses sufficiently diverse professional knowledge and expertise.	Achieved

3.1.3 Functional Committees and Their Operations

Functional Committee

Nomination and Sustainability Committee

To promote the Company's sustainable development, assist the Board of Directors in strengthening management mechanisms, and enhance corporate governance, the Board of Directors resolved on June 29, 2022, to rename the CSR Committee as the Sustainable Development Committee. Furthermore, on February 27, 2025, the Company established the "Organizational Charter of the Nomination and Sustainability Committee," merging the "Nomination Committee" and the "Sustainable Development Committee" into the "Nomination and Sustainability Committee."

Committee members are appointed by resolution of the Board of Directors and are composed of independent directors possessing professional knowledge and capabilities in corporate sustainability. The convener is an independent director elected by and from among all committee members.

The main responsibilities include:

- Director & Executive Selection and Succession: Formulating and reviewing the composition, qualification criteria, selection standards, and succession plans for directors and senior executives; selecting and reviewing qualified candidates for directors and senior executives.
- Governance & Independence Evaluation: Formulating and reviewing the establishment, duties, and operations of board committees; evaluating qualifications for re-appointment and potential conflicts of interest among committee members; assessing the independence of independent directors and reporting the results to the Board.
- Performance Evaluation & Education: Planning and executing continuing education programs for directors, as well as performance evaluations for the Board, its committees, and senior management, and reporting the results to the Board.
- Shareholder Proposals: Reviewing shareholder proposals and recommending response strategies to the Board.
- ESG Decision-Making & Supervision: Making decisions on and supervising

the actions and impacts of the parent company and its subsidiaries across economic, environmental, and social dimensions.

- Policy & Strategy Execution: Promoting and strengthening sustainability policies, annual plans, and strategies; tracking and revising sustainability performance outcomes.
- Disclosure & Reporting Oversight: Overseeing sustainability disclosures; reviewing the Sustainability Report, matters related to the Company's Sustainable Development Best Practice Principles, and other sustainability-related tasks assigned by Board resolutions.

Davicom Semiconductor, Inc. has also established a dedicated Sustainability Working Group under the Nomination and Sustainability Committee, which regularly reports ESG implementation status to the Committee. In 2025, the Nomination and Sustainability Committee convened a total of 5 meetings. The 2025 annual work plan was reported to the Board of Directors on February 27, 2025, and the execution results were subsequently presented to the Board on March 6, 2026.

Audit committee

To enhance corporate governance and strengthen the professional functions of the Board of Directors, the Company has established the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 3 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.

The Audit Committee, composed entirely of Independent Directors, convenes at least once every quarter. Its primary purpose is to inspect the integrity of financial statements, the effectiveness of internal controls, compliance with laws and regulations, management of existing and potential risks, and the selection, dismissal, independence, and performance of the external auditor. In 2025, the Audit Committee held five meetings.

Compensation committee

To ensure a sound compensation system for Directors and managerial officers, and to assess the fairness and reasonableness of their compensation in relation to business performance, Davicom has established the Compensation Committee pursuant to its Compensation Committee Charter, approved by the Board of Directors.

The Committee's key duties include regularly reviewing and proposing amendments to its Charter; periodically reviewing performance evaluation standards, annual and long-term performance objectives, and policies, systems, standards, and structures related to compensation; and assessing the achievement of performance objectives by Directors and managerial officers. The Compensation Committee is composed of four Independent Directors, providing diverse external perspectives and insights. In 2025, the Committee convened five times to review and ensure the fairness and appropriateness of remuneration practices.

Operations

Conflict of Interest Avoidance

The Company has established the Code of Ethical Conduct for Directors and Managerial Officers, which strictly adheres to the principles of conflict-of-interest avoidance and anti-corruption. To prevent conflicts of interest, Directors and executives are required to refrain from securing improper benefits for themselves or their relatives. In cases involving loans, guarantees, or material transactions, such matters must be handled in accordance with internal regulations and supervisory authority requirements, with full disclosure of relevant conflicts of interest to the Board of Directors. Directors and executives must not exploit their positions, company resources, or proprietary information for personal gain, nor may they engage in activities that compete with the Company. They are expected to actively pursue legitimate opportunities that enhance the overall corporate interest. To ensure transparency and protect the rights of the Company and its stakeholders, information regarding Directors' concurrent positions on the boards of other companies, as well as the existence of controlling shareholders, is disclosed regularly in the Company's annual report.

Compensation Policy

Compensation of Directors

Given the significant responsibilities borne by Independent Directors in overseeing company operations and corporate sustainability, a monthly retainer of NT$30,000 is paid to independent directors for business execution; regular directors are not eligible for this stipend. In years when the Company records profits, no more than 2% of pre-tax earnings, as stipulated in the Articles of Incorporation, is allocated as remuneration to all Directors, including Independent Directors.

Directors who are not concurrently employees do not participate in the Company's employee stock ownership trust or other equity incentive programs. Upon leaving office, no additional severance or compensation is provided beyond what is required by law. The Company does not maintain clawback mechanisms or retirement benefit schemes for Directors.

Director remuneration is determined in accordance with the Board Performance Evaluation Guidelines, which assess participation in operations, fulfillment of duties, oversight of internal controls, and professional development. Evaluation criteria combine three key indicators: 60% based on business performance, 20% on individual contribution, and 20% on industry benchmarks.

The Compensation Committee reviews the appropriateness of remuneration, ensuring alignment with operating results and future risks, and submits recommendations to the Board of Directors for approval.

The Company remains committed to refining its remuneration governance framework, strengthening its performance orientation and reinforcing its connection to the sustainable value chain, thereby upholding the core spirit of corporate governance.

Compensation of Senior Management

Compensation for the President and senior executives comprises fixed salaries, variable bonuses, and employee profit-sharing. These are determined based on role responsibilities, individual performance, and overall contribution, with reference to the Company's Compensation Guidelines for Directors and Executives and prevailing industry standards. To strengthen the focus on sustainable operations and align with the Financial Supervisory Commission's Sustainable Development Action Plan, sustainability outcomes are incorporated into executive incentive metrics. These include the execution of sustainability strategies, green product innovation, climate risk management in line with TCFD recommendations, low-carbon operational transformation, and occupational health and safety management. Metrics are tied to both departmental and corporate objectives, ensuring sustainability is integrated with overall business performance. Sustainability performance indicators and outcomes for senior executives are reviewed and evaluated regularly, with transparent, forward-looking incentive mechanisms guiding management toward long-term competitiveness and social responsibility.

Equity-based incentives, including stock options, restricted stock units, and employee stock ownership trusts, are also in place to encourage a sustained. For retirement benefits, senior executives participate under the same pension contribution scheme as all employees, ensuring equitable retirement security. At present, no clawback mechanisms are applied to executive remuneration. Sustainability Performance Indicators for Senior Executives are as follows：

Sustainability Performance Indicators for Senior Executives

No.	Indicator Category	Weight	Description
1	Financial	50%	Assessment of the Company's financial performance relative to industry peers, including metrics such as budget attainment rate and revenue performance.
2	Strategic	20%	Evaluation of objectives derived from mid- to long-term strategic plans, including progress on sustainability commitments, low-carbon transition strategies, and responses to material issues.
3	Sustainability and Internal Control	25%	Commitment to sustainability, emphasizing integrity, legal compliance, and risk management, while implementing key ESG initiatives such as green product innovation and climate risk management in alignment with TCFD.
4	Management	5%	Incorporation of human resource metrics, including talent development and the promotion of occupational health and safety (EHS) policies.

3.2 The Board's Role and Achievements in Sustainability Governance

3.2.1 Role of Sustainable Governance and Supervisory Practices

Board Oversight of Sustainability Initiatives

The Board of Directors is responsible for guiding long-term business strategy and exercising supervisory authority. Each year, the Sustainability Committee, in alignment with material issues and the Company's strategic vision, formulates sustainability guidelines and reports them to the Board. Upon approval, relevant policies are formally issued.

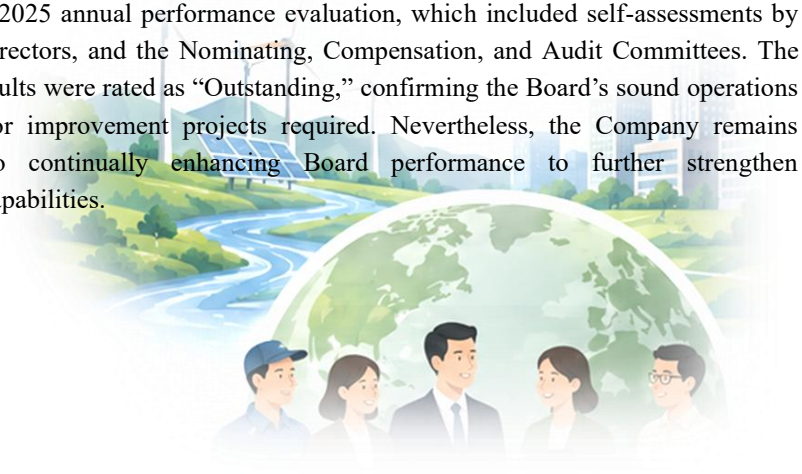
Annually, the Committee conducts a materiality assessment of sustainability issues by distributing surveys to stakeholders, evaluating the impact of ESG topics on the economy, environment, and society. The findings are analyzed and submitted to the Board, serving as a critical basis for decision-making and ensuring that the Company's sustainability strategy addresses stakeholder expectations. Specialized task forces established under the Committee are responsible for formulating project guidelines, conducting risk assessments, developing mitigation measures, and monitoring changes in risk and management status. Their reports on sustainability initiatives are consolidated by sustainability officers and presented to the Board. The Board assumes a supervisory and advisory role, assessing the feasibility of strategy execution. The Committee convenes at least once annually to review corporate sustainability progress and, where necessary, directs management to make adjustments. The Board of Directors, chaired by the Chairman, is the Company's highest governance body, leading the formulation and oversight of all business activities. The President serves as the highest-ranking executive responsible for implementing policies and managing business operations. The roles of Chairman and President are held by different individuals, and the President does not serve as a Board member.

3.2.2 Performance Evaluation of Sustainability Governance Oversight

To enhance governance effectiveness, ensure transparency, and foster long-term organizational resilience, the Company has established a Board Performance Evaluation System. On November 9, 2021, the Board approved the Board Performance Evaluation Guidelines to encourage self-discipline among members and strengthen overall Board functionality. The evaluation encompasses the performance of the entire Board, individual Directors, and functional committees. Assessment methods include Board self-evaluation, individual Director self-assessments, peer reviews, and evaluations conducted by external professional institutions, experts, or other appropriate means.

Internal Board performance evaluations are carried out at least once per year. At the beginning of each year, evaluations of the overall Board and individual Directors are conducted, with results submitted to the Nomination Committee and confirmed by the Board no later than the end of March. ;

On January 29, 2026, at the 5th meeting of the 11th Board of Directors, the Board approved the 2025 annual performance evaluation, which included self-assessments by the Board, Directors, and the Nominating, Compensation, and Audit Committees. The evaluation results were rated as "Outstanding," confirming the Board's sound operations with no major improvement projects required. Nevertheless, the Company remains committed to continually enhancing Board performance to further strengthen governance capabilities.



In addition to conducting regular self-assessments, Davicom engages an external professional institution to evaluate the performance of the Board of Directors every three years. The most recent external evaluation was commissioned to the Taiwan Corporate Governance Association on October 3, 2023, covering the period from November 1, 2022, to October 31, 2023. The evaluation framework encompassed five key dimensions: participation in corporate operations, enhancement of decision-making quality, Board composition and structure, Director selection and ongoing development, and internal control mechanisms.

Summary of the Evaluation Results:

1. Board Composition and Diversity: The Company's Directors possess the professional expertise and extensive experience necessary to support corporate development. Independent Directors bring specialized knowledge in finance and accounting, human resources, and industry practices, ensuring effective division of responsibilities and diversity. This structure not only strengthens the objectivity and rigor of decision-making but also facilitates steady business advancement and sustainable growth.

2. Board Operations and Leadership Style: The Board fosters an open and inclusive meeting environment. The Chairman adopts a participatory leadership approach, proactively engaging with Directors on significant matters and collaborating with Independent Directors to maintain constructive dialogue with management. This has fostered a strong governance culture, effectively enhancing both Board efficiency and overall operational performance.

3.Advancement of Sustainability: The Company established a dedicated Sustainability Committee, chaired by the Chairman and comprising both Directors and Independent Directors, supported by a full-time secretary to coordinate sustainability-related affairs. The Committee focuses on greenhouse gas inventory management and the preparation of the Sustainability Report, underscoring the Company's steadfast commitment to sustainable operations.

4. Board Performance Evaluation: Since 2021, the Company has consistently commissioned external professional evaluations of Board performance, leveraging the findings to further refine its governance framework. This reflects the Board's pursuit of excellence and progressive spirit. The Company has also implemented improvement measures based on recommendations from the external review. For further details, please refer to the publicly disclosed "Board Performance Evaluation Results" available on the Company's website.

3.2.3 Continuous Education on Sustainable Development

The Company arranges annual training programs for its directors to enhance their knowledge of corporate governance, economic, environmental, and social issues, thereby strengthening the Board's capacity to manage risks. In 2025, the Board of Directors of Davicom collectively accumulated 66 hours of training, with each director averaging more than 8 hours, surpassing the regulatory requirement of 6 hours. Notably, 73% of the training hours were devoted to sustainability-related topics, fully aligning with corporate governance evaluation standards.

The training records of all directors, including independent directors, are disclosed annually in the Shareholders' Meeting Report and published on both the Company's website and the Market Observation Post System for investor reference.



3.3 Integrity Management

3.3.1 Ethical Business Practices and Professional Conduct

To foster sound business operations, instill a culture of integrity, and ensure robust corporate governance, Davicom adopted its Code of Ethical Business Practices on June 29, 2012, in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies." The Board of Directors and senior management attach great importance to ethical conduct, upholding the principles of integrity, transparency, and accountability in business operations, thereby cultivating an environment conducive to sustainable growth.

The Administrative and Finance/Accounting Division has been designated as the dedicated unit responsible for formulating, implementing, and supervising integrity policies and preventive measures. Supporting functions such as the Business and Procurement Departments assist in this effort. Through mechanisms including internal controls and internal audits, the Company strengthens risk management and oversight of business activities deemed to have higher risks of unethical conduct. Regular reports are submitted to the Board, ensuring timely review, evaluation, and continuous improvement of policy implementation.

In business interactions, the Company's Code of Ethical Business Practices clearly stipulates that employees shall not directly or indirectly offer, promise, solicit, or accept any improper benefits, nor engage in conduct that contravenes integrity, violates the law, or breaches fiduciary duties. Prior to establishing business relationships, the Company evaluates the legality, ethical practices, and historical conduct of agents, suppliers, customers, and other business partners to ensure fairness, transparency, and the avoidance of bribery in all commercial dealings.

To embed the concept of ethics and integrity into daily operations, the Company provides periodic training and awareness programs for directors, managers, and employees. On January 29, 2026, during the 4th meeting of the 11th Board of Directors, the Company reported to the Board on the implementation status of ethical management for 2025. In 2025, ethical management awareness programs reached a total of 136 participant-times, accumulating 68 person-hours.

Management goals	Measures	Performance
External Transaction： Constraint by Special Provisions	When entering into contracts with their clients, agents, and suppliers, the companies shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the companies may at any time terminate or rescind the contracts.	Achieved
Internal of the company： Training、Promoting、 Whistleblower	Regularly conduct training and promotion on ethical corporate management to directors, managers, and employees. If you find any suspected violation of ethical corporate management, you must immediately report it to the management department esther_lin@davicom.com.tw.	Achieved
Precautions： Internal Control, Internal Audit	For business activities with high risk of dishonest behavior, the company has established an effective accounting system and internal control system, and regularly reports to the board of directors through the internal audit system to review and implement the effectiveness and continuous improvement at any time to ensure the implementation of the integrity management policy.	Achieved

Furthermore, Davicom has established multiple reporting channels. Stakeholders who suspect violations of the Code may immediately report concerns to the Administration Division via email at esther_lin@Davicom.com.tw

3.3.2 Anti-competitive practices.

Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goals	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Competitive behavior	A sound and orderly competitive environment forms the cornerstone of the Company's long-term growth. Preventing monopolistic practices, price manipulation, and other anti-competitive behaviors not only ensures compliance with regulatory requirements but also safeguards the Company's reputation and strengthens market trust.	The Company is committed to conducting business activities in a fair and transparent manner, in strict adherence to the Company Act and the Company's Code of Ethical Business Practices.	Zero violations of anti-competitive practices.		1. Completion of internal process audits for the two risk-prone departments—Sales and Procurement. 2. Zero violations of anti-competitive practices.	Administration Department：esther_lin@Davicom.com.tw	1.Regular internal audits are conducted annually, with the audit results reported to the Board of Directors for review to examine the implementation of internal control systems and strengthen management mechanisms. 2.Continuous monitoring of fair competition practices across the supply chain through stakeholder surveys and supplier questionnaires.

In terms of corporate governance, Davicom strictly abides by its integrity management policies and complies with the Company Act, Securities and 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, as well as relevant TWSE/TPEx regulations and other applicable commercial laws. The Company is committed to fostering a fair and competitive marketplace, rigorously observing all relevant competition laws and policies. In 2024, the Company recorded no involvement in anti-competitive behavior, anti-trust violations, or monopolistic practices.

3.4 Risk Management

3.4.1 Risk Management Policy

Davicom adopts a preventive approach to risk management, not only establishing a robust internal control system in compliance with applicable laws and regulations, but also conducting regular and ad hoc audits by the Internal Audit Department to ensure execution aligns with both legal requirements and internal policies. In addition, the Company has established multiple functional committees and crisis management task forces dedicated to overseeing various aspects of risk control.
In 2016, following approval by the Board of Directors, the Company enacted the Risk Management Procedures and established the Risk Management Committee to integrate relevant operating units in the identification of risk factors, with priority given to addressing high-risk items. Based on these findings, the Committee formulates improvement measures, identifies opportunities, and fosters a resilient and adaptive risk management framework.

3.4.2 Risk Management Organizational Structure

Risk management responsibilities are allocated according to the nature of each business function. Relevant management units are charged with overseeing their respective risks, while the Internal Audit Department reviews existing and potential risks and formulates a risk-based annual audit plan. The key risk management responsibilities are as follows:

Responsible Unit	Areas of Risk Management
Office of the President	Oversees strategic decision-making and evaluates the benefits of medium- to long-term investments to mitigate strategic risks.
Internal Audit	Establishes and promotes internal control systems, enhancing their effectiveness and ensuring their ongoing, reliable operation.
Finance Department	Manages financial planning and utilization, establishes hedging mechanisms to reduce financial risk, and ensures compliance with regulatory requirements to safeguard the reliability of financial reporting and mitigate accounting risks.
Information Technology Services Department	Maintains and manages systems, networks, servers, and related infrastructure, while developing and maintaining automated systems and software applications to reduce cybersecurity and information security risks.
Quality and Reliability Engineering Department	Enhances product quality and service efficiency through engineering reliability checks and continuous improvements to reduce operational risks.
Marketing Department	Formulates product and market promotion strategies, monitors market trends, and reduces exposure to market risks.
Sales Department	Oversees the Company’s annual business objectives and execution plans, including pricing, contracting, shipping, collections, customer complaints, and credit limits, thereby mitigating business risks.
Operations	Responsible for product testing, packaging, quality engineering, production planning, and cost control, aimed at minimizing operational risks.
Design Services and R&D	Leads product development, design, maintenance, customer service, chip integration technology, software applications, and IP planning, to mitigate technology-related risks.

3.4.3 Risk Management Process

Risk Assessment

Davicom's risk assessment is conducted by the Risk Management Committee, which, based on the characteristics of the semiconductor IC design industry, evaluates risks across eight operational cycles, electronic data processing, and associated control activities.

Operational Cycle	Internal Control Activities	Priority Ranking
Sales and Collection	Credit management, order processing, shipment operations, delivery scheduling, shipment verification, shipping documentation, packaging, invoice issuance, voided invoice applications, accounts receivable, export financing and documentation, collection operations, customer complaint handling, complaint case review and analysis, communication of return-handling decisions, re-shipment/return processing, complaint resolution, sales returns and allowances	1. Credit management 2. Order processing 3. Shipment operations, delivery scheduling, shipment verification, shipping documentation, packaging
R&D	New product planning, design and layout, pilot production, design verification, product development documentation, mass production validation, new product release	1. New product planning 2. Design verification and new product release 3. Design and layout
Production	Production planning, subcontracting, warehouse management, outsourced quality control, production cost calculation and variance analysis, inventory aging and obsolescence review	1. Production planning 2. Inventory aging and obsolescence review 3. Warehouse management
Procurement and Payment	General procurement, production-related procurement, engineering project management, import operations, goods acceptance, handling of non-conformities, payment processing	1. Production-related procurement 2. Payment processing 3. Goods acceptance
Payroll and HR	Human resources planning, manpower demand assessment, recruitment, selection, hiring, training, attendance, performance evaluation, promotions, transfers, disciplinary actions, payroll, employee benefits, resignations, dismissals, unpaid leave, and retirement processing.	1. Human resources planning 2. Training and development 3. Performance evaluation

Risk Control and Oversight

Based on the results of its risk assessment, Davicom formulates and executes internal audit plans to strengthen risk control:

Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goal	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Risk Management	In the face of risks such as market, supply chain, regulatory, and information security, sound risk management serves as a crucial foundation for Davicom's stable operations. By continuously strengthening capabilities in risk identification, assessment, monitoring, and response, the Company can mitigate operational impacts, enhance operational resilience, safeguard stakeholder rights, and support sustainable corporate development.	The Company commits to complying with the Regulations Governing Establishment of Internal Control Systems by Public Companies, the Corporate Governance Best Practice Principles, and relevant laws and regulations. An independent internal audit unit has been established to report directly to the Board of Directors and the Risk and Audit Committee, ensuring the effective operation of internal controls while reinforcing operational transparency and accountability mechanisms.	1. Short-term Goal: Complete the annual internal audit plan to ensure the effective operation of the internal control system. 2. Medium- and Long-term Goal: Strengthen risk identification, monitoring, and response capabilities to enhance operational resilience and mitigate major operational risks.		1. Regularly convened risk management meetings to review key risk issues. 2. Executed internal audits and follow-up improvements to reinforce internal controls. 3. Annual training hours for internal audit personnel: 24 hours. 4.100% execution rate of the annual internal audit plan.	Administrative Department：esther_lin@Davicom.com.tw	1. The Risk and Audit Committee reviews the annual audit plan and audit reports. 2. Audit results and follow-up on improvements are regularly reported to the Board of Directors to continuously examine the effectiveness of risk management and internal controls.

The mission of the internal audit function includes reviewing and revising the Company's internal control systems, executing and coordinating audit operations, and consolidating the results of the Company's self-assessment of internal controls. In compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, Davicom has established effective internal controls covering both the Company and its subsidiaries. These controls are subject to ongoing review and enhancement in response to internal and external environmental changes, thereby ensuring their sustained effectiveness. To preserve impartiality and independence, the Company's internal audit unit reports directly to the Board of Directors. The unit currently consists of one full-time internal auditor and one alternate auditor. In accordance with regulatory requirements, internal auditors are required to participate in annual professional training programs provided by competent authorities, thereby strengthening expertise, maintaining audit quality, and improving overall effectiveness. The appointment or dismissal of the Chief Internal Auditor must be approved by the Audit Committee and resolved by the Board of Directors. The Company's audit operations are conducted by the Audit Office, which formulates the annual audit plan based on risk assessment results and audit items required by laws and regulations. The plan is submitted to the Board of Directors for approval prior to implementation. In addition, special audits are carried out in response to the Company's operational and management conditions. Audit reports and improvement recommendations are presented to ensure the effectiveness of the design and implementation of the internal control system, enhance operational management efficiency, and reduce operational risks. Furthermore, the Audit Office reviews and consolidates the results of self-assessments conducted by each department (including subsidiaries), together with the remediation status of internal control deficiencies and irregularities identified by the Audit Office. These serve as the primary basis for the Board of Directors and the President in evaluating the overall effectiveness of the internal control system and in issuing the Internal Control System Statement.Through continuous monitoring of the implementation of various operational procedures by audit personnel, Davicom strengthens its corporate governance and risk management mechanisms, striving to build a sound and sustainable operating structure. In 2025, the Audit Office completed the annual audit work as planned and found no material non-compliance issues.

Risk Communication

The Risk Management Committee convenes meetings on a regular basis to review key risk management issues and require responsible departments to present reports. Such reports shall, at a minimum, include: current status, problem analysis, corrective measures, and expected outcomes. Where appropriate, the Committee may provide recommendations for improvement to the reporting departments. Upon conclusion of each meeting, minutes are prepared, and the Internal Audit Unit submits a consolidated report to the Audit Committee.

3.5 Regulatory Compliance

Davicom strictly adheres to relevant laws and regulations governing corporate governance, securities trading, labor, human rights, environmental protection, occupational health and safety, information security, and product liability. The Company continuously refines its compliance management system and enhances overall employee compliance awareness and risk management capabilities through internal controls, internal audits, compliance reviews, and education and training, ensuring that all operational activities comply with relevant regulatory standards.

In response to ongoing regulatory updates, various departments within the Company continuously monitor announcements from competent authorities, statutory amendments, and related information. Internal management systems and operational procedures are reviewed and revised in a timely manner to ensure that all business operations meet the latest legal requirements, thereby mitigating compliance risks and strengthening the foundation for corporate governance and sustainable operations.

In 2025, Davicom experienced no incidents of significant fines or non-monetary sanctions imposed by competent authorities due to material violations of economic, environmental, labor, occupational health and safety, information security, customer privacy, product liability, or other related laws and regulations. Nor did the Company receive any material environmental impact grievances processed through formal complaint mechanisms. Overall, no material non-compliance incidents have occurred in recent years, demonstrating the Company's commitment to regulatory compliance and business integrity.

Looking forward, Davicom will continue to monitor regulatory developments and trends, refine its compliance management system, strengthen compliance training and internal control mechanisms, reduce operational risks, safeguard the rights and interests of shareholders and stakeholders, continuously enhance corporate governance quality, and support sustainable corporate development.



Item	2025 Implementation Status
Material non-compliance incidents	0
Material sanction cases	0
Material environmental grievance cases	0

3.6 Management for Information and Communication Security

Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goal	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Information Security and Privacy Protection	Information security and customer privacy are critical topics for Davicom's sustainable operations. During R&D, chip design, and customer collaboration, the Company must properly safeguard intellectual property, trade secrets, and customer information. Continuously strengthening information security management and privacy protection mitigates cybersecurity risks, ensures regulatory compliance, maintains customer trust, protects corporate reputation and operational resilience, and supports sustainable corporate development.	Davicom's cybersecurity governance vision is to build a rigorous and effective cybersecurity defense network. The Company has designated the Information Management Department as the dedicated unit responsible for cybersecurity. The Information Technology Service Department coordinates cybersecurity systems and reasonable regulations, promotes the implementation of related operations, and continuously enhances cybersecurity awareness and professional capabilities. By leveraging technology, the Company identifies cybersecurity risks and vulnerabilities to effectively reinforce defenses, constructing comprehensive cybersecurity policies and holistic cyber defense capabilities. Security policies are reviewed regularly, and the Company's cybersecurity status is reported to the Board of Directors annually.	Zero material cybersecurity incidents and personal data breaches		1. Completed 2 cybersecurity training sessions, reaching a total of 130 participant-times. 2. Completed 1 external cybersecurity audit and the annual internal cybersecurity audit. 3. Completed annual data backup verification and disaster recovery drills.	Administration Department: esther_lin@davicom.com.tw	Report the overall operational effectiveness of cybersecurity management practices and systems to the Board of Directors once a year.

3.6.1 Information and Communication Security Risk Management Framework and Policy

Davicom envisions the establishment of a rigorous and effective cybersecurity defense network as the cornerstone of its information security governance. The Company has designated the Information Management Department as the dedicated unit responsible for cybersecurity and, on November 9, 2023, formally appointed Mr. Alan Ma, Head of the Information Management Department, as Chief Information Security Officer (CISO). Grounded in the principle of consistent governance, the Company is progressively enhancing its comprehensive defense capabilities with the goal of becoming a leader in cybersecurity governance maturity.

The Information Technology Services Department oversees the formulation of information security systems in alignment with applicable regulations and ensures their effective implementation. The Department continuously strengthens cybersecurity awareness and professional competence, leveraging technological applications to identify risks and vulnerabilities, reinforce defense measures, and establish robust security policies and all-encompassing protective capabilities. Cybersecurity policies are periodically reviewed, and annual reports on the Company's information security status are submitted to the Board of Directors.

Information and Communication Security Committee

The Information and Communication Security Committee is composed of five department heads and is tasked with the planning, establishment, and maintenance of the Company's information security management system. Chaired by the CISO, the Committee supervises the execution of cybersecurity operations and the effectiveness of the Company's risk management mechanisms. The Committee submits an annual report to the Board of Directors detailing the functioning of the cybersecurity management structure and the performance of related policies and systems.

Davicom safeguards its confidential information through the Plan-Do-Check-Act (PDCA) management cycle, thereby continuously reinforcing protective capabilities, enhancing employees' awareness and vigilance regarding the safeguarding of sensitive information, and effectively mitigating the risk of data leakage.

3.6.2 Information Security Management Countermeasures

Item	Response Strategy
Information Security Risk Assessment	The Company conducts annual risk assessments to identify potential threats and vulnerabilities, consolidating them into key risk categories, including: (1) Fraudulent groups exploiting counterfeit emails to deceive employees into transferring funds or executing unauthorized transactions. (2) Corporate espionage or competitors infiltrating internal servers through hacking techniques to steal proprietary data. (3) Criminal syndicates collaborating with hackers to disseminate malicious links via email, text messages, social media, or communication platforms, resulting in ransomware-encrypted data. (4) Large-scale cyberattacks launched by hackers, disrupting the Company's network services. (5) Employees using unauthorized software or duplicating confidential information onto portable storage devices, leading to data leaks caused by loss, theft, or illicit sale. (6) Natural disasters or human-induced incidents damaging IT infrastructure, causing service interruptions or data loss.
Cybersecurity Education and Training	In accordance with the risk assessment outcomes, the Company implements information security management standards, introduces technological solutions, and strengthens cybersecurity training. From January to December 2025, two dedicated cybersecurity training sessions were held, with a total of 130 participants.
Information Security Risk Management – Key Implementation Measures	The Company adopts a multifaceted approach to establish a robust information security management framework, encompassing the following measures: (1) Conducting regular internal and external audits to continuously refine the cybersecurity management system. The most recent external audit was conducted by PwC Taiwan from December 1 to 3, 2025. (2) Antivirus protection systems are installed on client endpoints, providing real-time anomaly detection and alerting, forensic analysis, and endpoint remediation capabilities. Additionally, backup file servers are utilized to back up critical data, and bank safe deposit boxes are leased for off-site storage. (3) Enforcing network traffic and application control through firewalls. (4) Establishing intranet defense mechanisms and database access security monitoring systems. (5) Safeguarding document confidentiality through Digital Rights Management (DRM) and disk encryption technologies. (6) Implementing email filtering, audit systems, and Anti-APT solutions to mitigate email-related risks. (7) Introducing access control card systems to ensure the physical security of the information center. (8) Centralizing server management, instituting environmental monitoring and alert mechanisms, performing regular data backups and archiving, maintaining offsite storage (bank safe deposit box), and conducting annual disaster recovery drills.