

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.

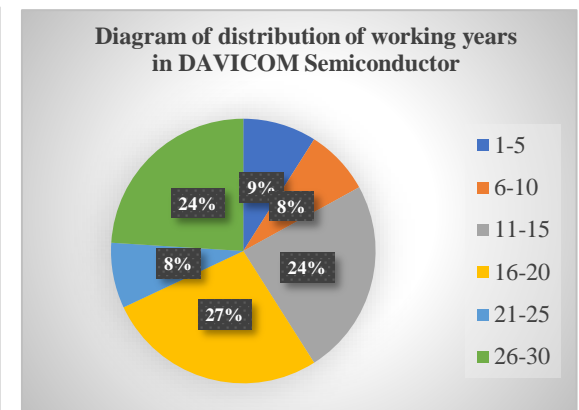
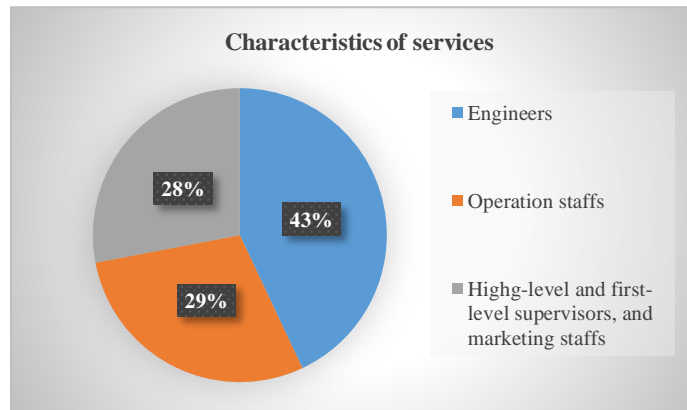
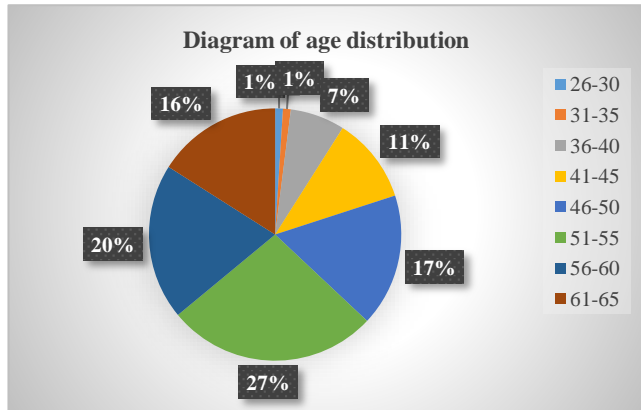


▲ For traditional Chinese custom, the Year of Tiger lapsed and that of Rabbit comes

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.



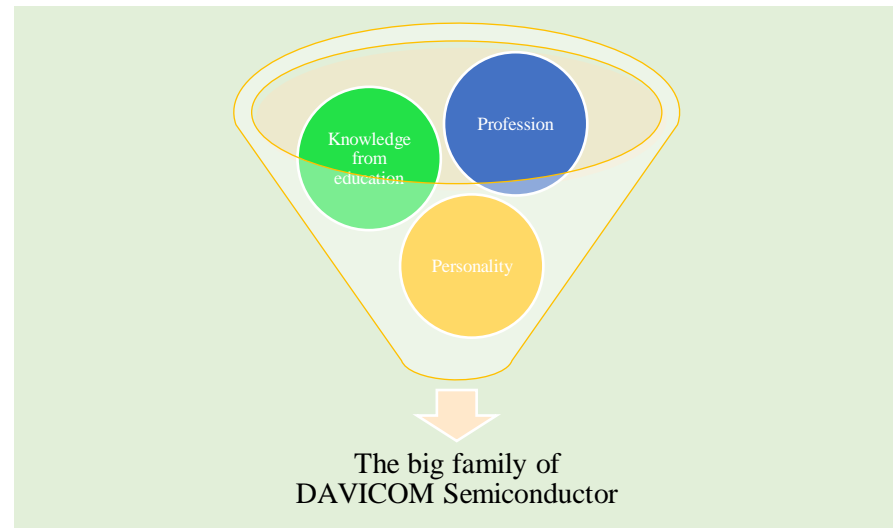
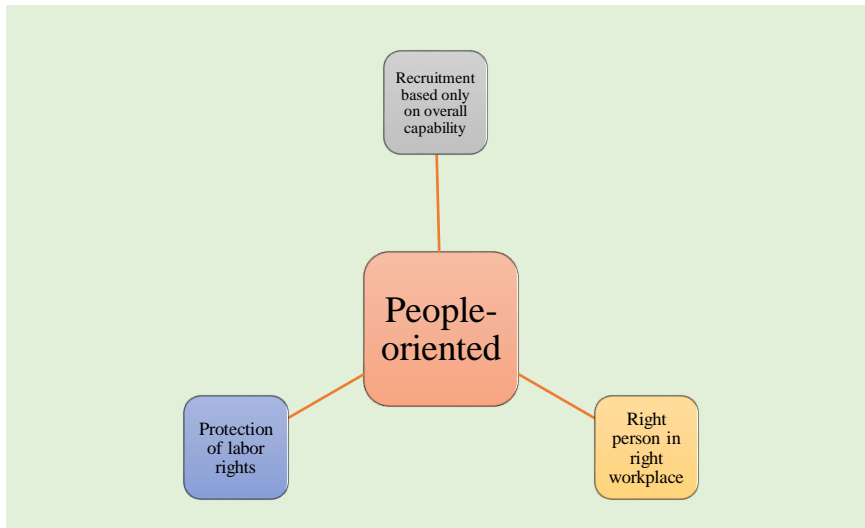
Employee turnover rates in the latest two years

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.

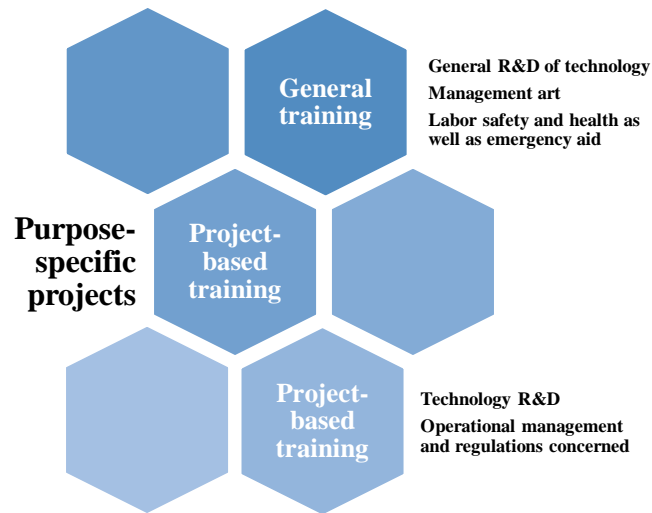
To protect labor rights and interests, we establish a leave-without-pay system according to Labor Standards Act, with leave-without-pay including retention of job positions during extended sick leave and parental leave.

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.

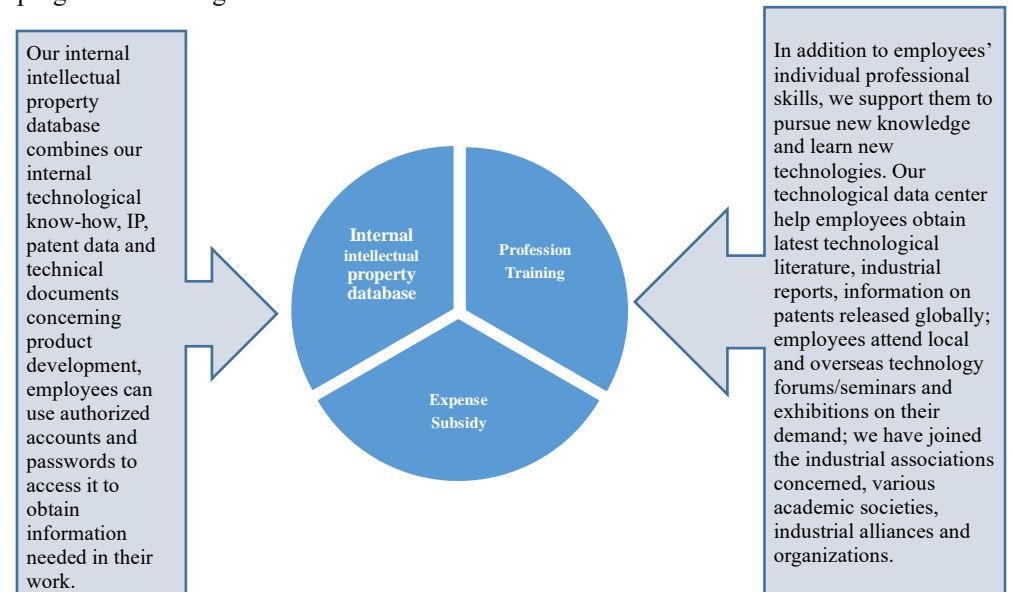


For general R&D of technologies, management art, labor safety and health as well as emergency aid, we adopt a model of seed students by assigning employees responsible for the respective areas to learn management regulations and latest conditions of technological research in these areas at research organizations 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:



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

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ARTICLE INFO

Article history:
Received 19 December 2012
Received in revised form 31 October 2013
Accepted 14 November 2013
Available online 4 December 2013

Keywords:
Business model innovation
Industrial sustainability

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"> 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. 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. 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. 4. We commission qualified professional service providers to maintain elevators twice every month to ensure safe and normal use of elevators anytime.
Safety and health	<ol style="list-style-type: none"> 1. Install ultraviolet lamps in the dining area of our headquarters building to disinfect the area at night. 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. 3. Give wellness subsidies to employees (March).
Insurance	<ol style="list-style-type: none"> 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). 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.
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"> 1. Beginning 2022, nurses provide wellness services once every month at the company and doctors do so once every year. 2. Topics regarding employees' wellness and related hygiene are propagandized every month.

- **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:**

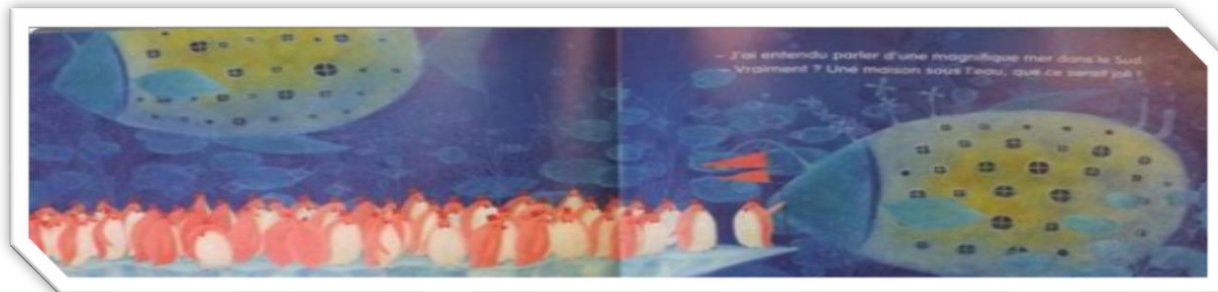
- ① Upon entering DAVICOM Building: Wear face masks, measure body temperatures, disinfect hands mainly.
- ② After entering DAVICOM Building: Separately use elevators to minimize gathering of people, use communication software instead of face-to-face discussion.

(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. The labor-management meeting is made up of five labor representatives and five management representatives.	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. We hold labor-management meeting at least four times annually, with labor-management relation remaining harmonious.
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
Average percentage upward adjustment in salaries for full-time employees in 2022					%
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"> 1. Work at the company for over 15 years, and above 54 years old. 2. Work at the company for over 25 years. 3. Work at the company for over 10 years, and above 60 years old. 	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"> 1. Employees aged over 65. 2. Employees with mental disability or physical disability, and thus not qualified for the work. 	



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 1st, 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.

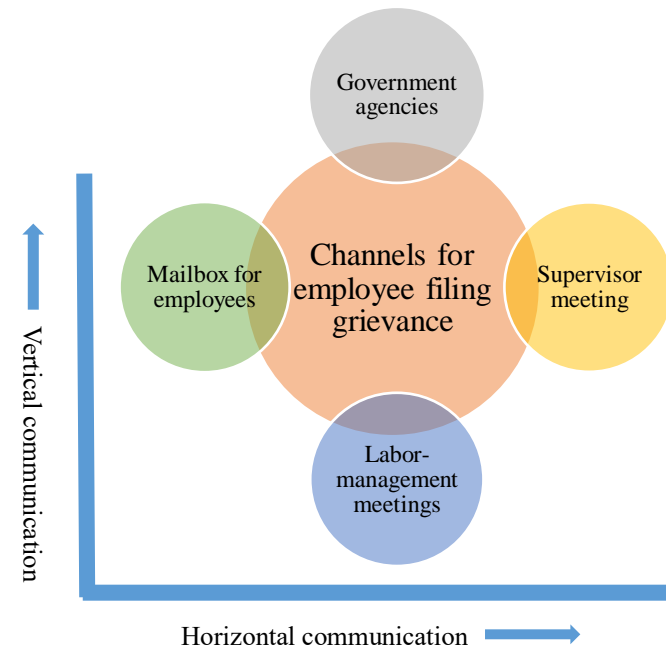
- **There was an employee qualifying and applying for retirement in 2022**

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.

