



DAVICOM Semiconductor, Inc. 2023 Sustainability Report



Illustration : Diversity and Inclusion (Indigenous Ecology)

Location : Bunun, Kanding Tribe, Guanshan Township, Taitung County

Photography : Davicom Semiconductor, Inc. Sustainability Committee

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Dr. Ting Hao

Chairman of DAVICOM Semiconductor, Inc.

Chairman's Words

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

In order to realize the goal of "Customer satisfaction and reasonable return", we have always insisted on the core value of "people-oriented, sincere and steady operation" to carry on comprehensive innovation on technology, service and management. Davicom's corporate development and business operation are grounded on a value concept based on the company's six cultural characteristics, with the concept being the DNA accounting for our long-term operation and continued development.

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

Davicom has performed well in corporate governance. Based on the concept of integrity management, we have formulated various behavioral regulations supported by strict internal control to ensure investors' and employees' interests. We made significant achievement in corporate governance evaluation in the past few years. Particularly for corporate governance evaluation, we were ranked among the top 5% of listed companies under evaluation. Even in the negative impact of COVID-19 pandemic, we have successfully maintained stable profitability and revenue growth to bring stable compensation for investors and employees due to our capability of flexibly coping with the negative impact and our steady corporate culture. In the post-pandemic era, the semiconductor industry has faced inventory destocking pressures. Although Davicom's performance in 2023 was slightly impacted, our long-standing corporate culture of "Diligence, Agility, Value, Integrity, Cooperation, Opportunity, Modesty" has guided us to maintain profitable operations every quarter (achieving 72 consecutive quarters of profitability). Dr. Ting Hao was also honored with the 2023 Asia Pacific Enterprise Award of Master Entrepreneur Category.

Over the past 50 years, the greenhouse effect resulting from high levels of industrialization and the consequent ecological damage have led to devastating downpours and droughts, posing significant challenges for humanity. Addressing climate change has become the most pressing issue of this century. In response, Davicom has fully leveraged internal resources and core technologies, while also integrating external resources for technological innovation. In 2022, we launched low-power products that save 38.5% energy and continue to monitor societal dynamics and industry trends.

In 2023, we set "Diversity, Equity, Inclusion" as the cornerstone of our corporate governance, aiming to foster a sense of belonging and pride among employees to enhance innovation and problem-solving capabilities. We persist in developing environmentally friendly products and collaborate with clients to build a low-carbon supply chain, creating value towards achieving net-zero emissions. We are also committed to creating a fair and diverse workplace environment for our employees and establishing a stable, reliable investment target for the investing public. Additionally, we leverage our strengths as a technology company to participate in the long-term sustainable development of education and cultural arts, embodying contemporary values that balance technology and humanity.

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:

Responsible Unit: Sustainability committee

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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



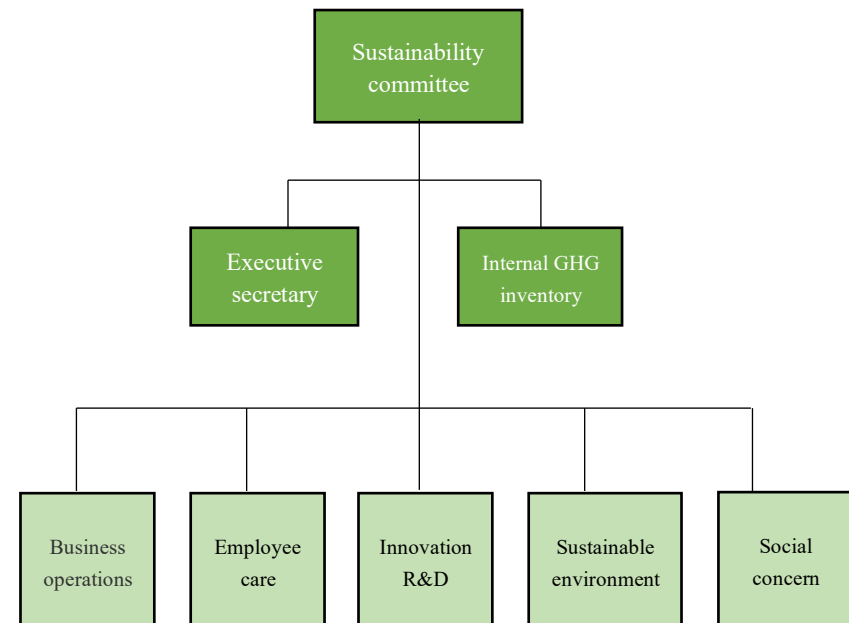
1.1 Sustainability Committee

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).

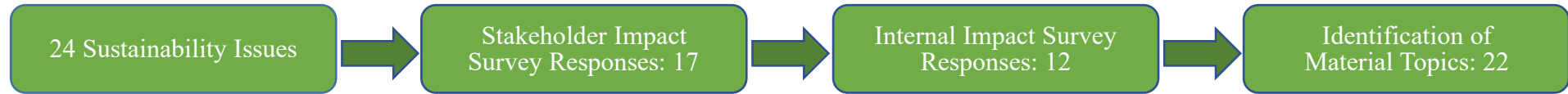
1.3 Stakeholder Communication Channels and Concern Issues

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

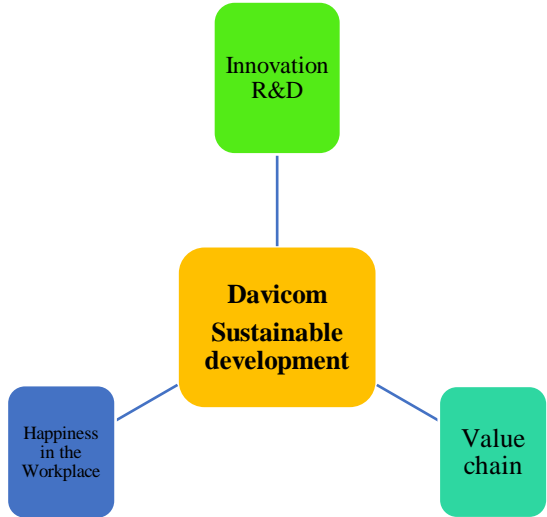
The Davicom Sustainability Committee, referencing GRI specific topics and industry benchmarks, identified 24 sustainability issues (see previous page). Questionnaires were distributed to key stakeholders, yielding 17 valid responses, which provided ratings on the economic, environmental, and social impact 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



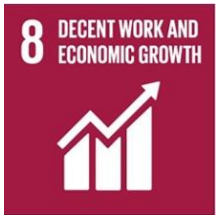
The Sustainable Development Goals (SDGs) were introduced by the United Nations in 2015, outlining 17 goals and 169 targets to guide member states and global enterprises towards sustainable development by 2030.





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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2. About DAVICOM Semiconductor

2.1 Company Profile

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

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

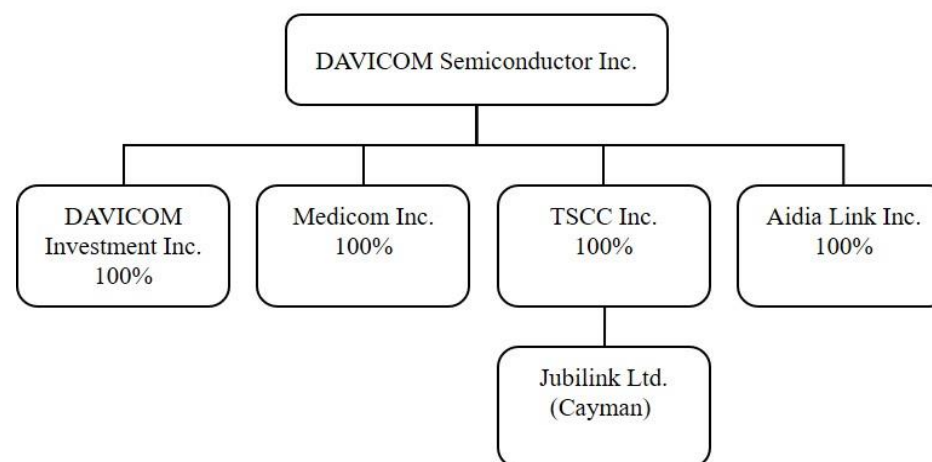
“Connectivity Beyond Limits” is our sustainability-related vision, “development and promotion of environmentally friendly technologies” is our mission, “forward looking, steadiness” is our gene, and “customer satisfaction and reasonable return” is our insistence.

Based on the belief of “walk steadily for long-distance destinations”, we are moving toward corporate sustainability goals. With spiritual cohesion of all employees, we keep creating sustainability value that is balanced among social harmony, economic sustainability and environmental sustainability.

■ Organizational profile

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

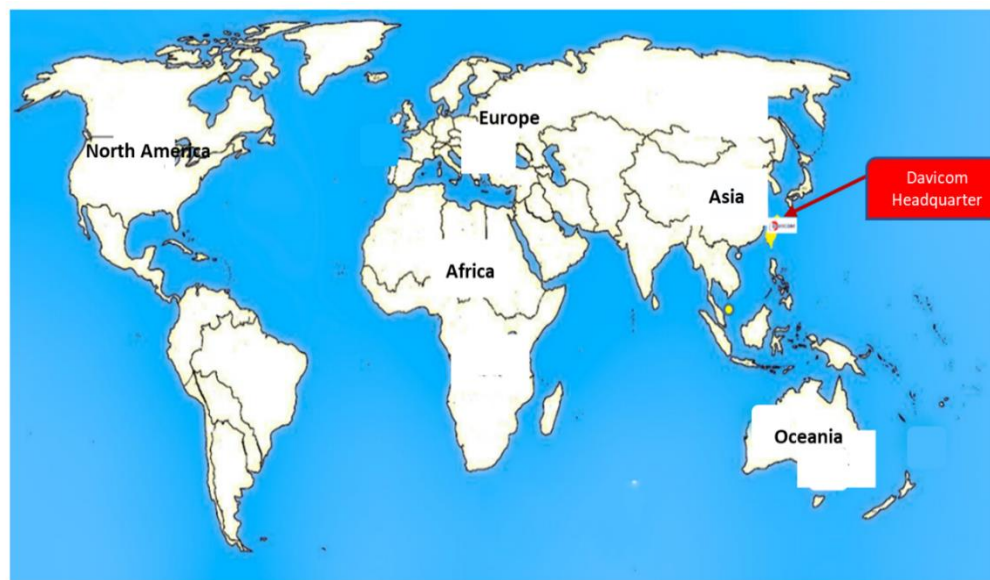
Organizational chart of affiliates



■ **Basic information on affiliates**

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

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



Europe

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

Africa

South Africa

Asia

Japan
South Korea
India
Southeast Asia
China

Oceania

New Zealand
Australia

2.2 Material Information and Product Development

Year	Material Information and Product Development
1996	Founded in Hsinchu Science Park with NT\$130,000,000 capital.
1997	<ol style="list-style-type: none"> 1. Additional Cash Capital NT\$60,000,000, Paid-up Capital increased to NT\$190,000,000. 2. Launched 2 in 1 Internet Chip (DM9101F), 10/100M Base-TX PHY+MLT3 single chip Transceiver. 3. Additional Cash Capital NT\$50,000,000, Paid-up Capital increased to NT\$240,000,000. 4. Davicom was authorized by ISO 9001. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
1998	Launched 3 in 1 Internet Chip (DM9102F), Bus MAC Controller and PHY/Transceiver.
1999	<ol style="list-style-type: none"> 1. Additional Cash Capital NT\$160,000,000, Paid-up Capital increased to NT\$400,000,000. 2. Launched 56K Modem Chip (DM560P). 3. Launched DM9801, 0.35μm 1 Mbps Home Networking PHY/Transceiver. 4. Securities and Futures Institute authorized public offering.
2000	<ol style="list-style-type: none"> 1. Replenished earnings and employee bonuses NT\$109,500,000 into Capital, Paid-up Capital increased to NT\$509,500,000. 2. Launched DM9102A, Bus MAC Controller and PHY/Transceiver.
2001	<ol style="list-style-type: none"> 1. Replenished earnings and employee bonuses NT\$21,880,000 into Capital, Paid-up Capital increased to NT\$531,380,000. 2. Launched DM9000, NON-PCI Bus MAC Controller and PHY/Transceiver.
2002	<ol style="list-style-type: none"> 1. Launched DM9331A, Fiber Ethernet media converter chip. 2. Fulfilled the requirements of Emerging listing.

Year	Material Information and Product Development
2003	<ol style="list-style-type: none"> 1. Launched the world's smallest IrDA MODEM Module. 2. Developed 802.11b WLAN MAC Control Chip. 3. Developed 10/100M 0.25μm PHY Chip. 4. DM9700, 1.8/3.3V 0.18μm 10/100/1000M Base-TX Single chip Gigabit MAC and PHY transceiver. 5. DM9102C, 2.5/3.3V 0.25μm 10/100M Base-TX Integrated PCI, Single chip Bus Embedded System. 6. Davicom was authorized by ISO 9001: version 2000. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited) 7. Launched DM562AP, Support MFP G3 33.6K color fax with T.31 command.
2004	<ol style="list-style-type: none"> 1. Davicom moved to the new building. 2. Additional Cash Capital NT\$108,620,000, Paid-up Capital increased to NT\$640,000,000. 3. Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs. 4. Launched DM3003, USB 2.0 Card Reader Controller 5. Developed DM8603, Gigabit Switch.
2005	<ol style="list-style-type: none"> 1. Provided environmentally friendly products: RoHS. 2. Launched DM6588A-E5 2.5/3.3V 0.25μm. 3. Launched DM9000A-E7.
2006	<ol style="list-style-type: none"> 1. Launched an integrated program of DM9218 and IP-CAM 2. Products obtained the certification of SONY SS-00259. 3. Launched DM9013. 4. Provided industry-standard products. 5. Launched DM6588A-E6 2.5/3.3V 0.25μm and multi-function fax modem chip.

Year	Material Information and Product Development
2007	<ol style="list-style-type: none"> 1. Launched DM9000B 0.18 μm. 2. Launched DM9161B 0.18 μm. 3. Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs. 4. Distributed stock dividends from retained earnings and employee bonus NT\$10,542,000 transferred into Capital, Paid-up Capital increased to NT\$700,700,000. 5. Mass production of DM9003/ DM9103 and hit the market. 6. Additional Cash Capital NT\$93,430,000, Paid-up Capital increased to NT\$794,131,000. 7. Listed on Taiwan Stock Exchange (Code-3094) on August 6th.
2008	<ol style="list-style-type: none"> 1. Launched the solution of IP2001 MPEG4 IP Camera. 2. Launched DM9016, Embedded Ethernet Switch Controller.
2009	<ol style="list-style-type: none"> 1. Launched DM9620, USB2.0 to Ethernet MAC Controller. 2. Launched DM9302 3. Davicom was authorized by ISO 9001: version 2008. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited) 4. Launched DM9621, Ethernet MAC Controller for USB Dongle.
2010	<ol style="list-style-type: none"> 1. Developed 802.3az Energy-saving technology. 2. Launched DM9161C 3. DM9620 & DM9621 certified by USB IF (ITD40001021). 4. Launched DM8606C. 5. Launched DM8603/DM8203. 6. Davicom won Gold Medal of 2010 Standard Chartered SMEs. 7. DM9620 & DM9621 certified by Microsoft drivers. 8. Developed IEEE1588 Precise time synchronization technology.

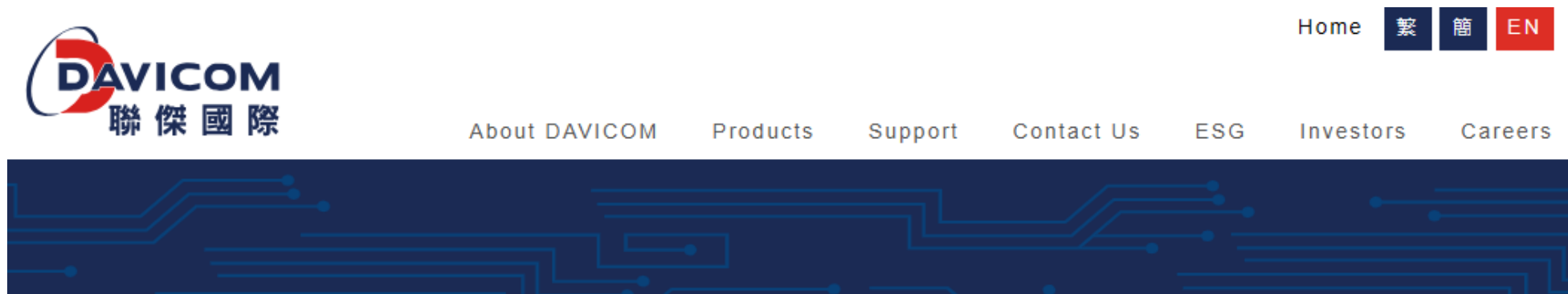
Year	Material Information and Product Development
2011	<ol style="list-style-type: none"> 1. Developed DM8806. 2. Developed DM8603A. 3. Developed DM9633 USB3.0, to Ethernet MAC Controller. 4. Launched DM9162 (162um).
2012	<ol style="list-style-type: none"> 1. Launched DM9620A/ DM9621A, USB to Ethernet MAC Controller. 2. Launched DM8806/ DM8806L. 3. Launched hearing aid software “HearingAmp” and was available on iTunes. 4. Launched Medical Care return pass system hardware, firmware and server platform.
2013	<ol style="list-style-type: none"> 1. Launched new IC product line: Video Decoder 1-Channel: DM5900/ DM5960/ DM5150/DM5160. 2. Launched hearing aid software “HearingAmp V1.2” and was available on iTunes. 3. Launched new IC product line: Video Decoder 4-Channel: DM5865/ DM5866/DM5885/DM5886. 4. Launched hearing aid software “HearingAmp V1.3” and was available on iTunes. 5. Launched Medical Care return pass system Apps.
2014	<ol style="list-style-type: none"> 1. Launched the DM9163 physical layer industrial-grade chip. 2. Purchased Teamtech Technology Corp EPD Driver and SoC IC product line 3. Launched DM9051. 4. Launched hearing aid software “HearingAmp V1.4” and was available on iTunes. 5. Launched hearing aid software “HearingAmp V1.5” and was available on iTunes.
2015	<ol style="list-style-type: none"> 1. Developed capacitive voltage type three color E-paper driver IC with wireless energy harvesting embedded 2. Developed embedded portable hearing aid software “HearingPod V1.0” 3. Developed voltage mode low-power high speed Ethernet transceiver chipsets.

Year	Material Information and Product Development
2016	<ol style="list-style-type: none"> 1. Launched hearing aid software “HearingAmp V1.6” and was available on iTunes. 2. Developed a digital circuit with flexible operation capability to precisely control an analog circuit and can be applied to medical products. 3. Developed a 0.11μm process Ethernet IC, 4. Completed the foresighted hearing aid platform of HearingPod V1.1 smart device. 5. Launched hearing aid software “HearingAmp V1.7” and is available on iTunes.
2017	<ol style="list-style-type: none"> 1. Completion of smart hearing aid device, HearingPod V1.3, with advanced internet-driven application platform. 2. Development of massive node topology of Electronic Shelf Label (ESL) with internet-capable system for smart retail applications. 3. Completion of in-audio IoT hearing aid platform, HearingPod V1.3, to support a Cloud-based smart hearing aid system. 4. Development of EPD IC with temperature-adaptive waveform generation and RF energy harvesting.
2018	<ol style="list-style-type: none"> 1. Launched DM9111A 2. Launched high-speed, low-power massive nodes communication E-paper system 3. Developed the E-paper driver IC with image decompression algorithm function dot matrix
2019	<ol style="list-style-type: none"> 1. Launched temperature sensor embedded three color E-paper driver IC 2. Launched industrial-grade embedded 10/100/1000M Ethernet physical layer transceiver IC 3. Released an AI-based image sensing and recognition chip. 4. Released transcutaneous Electrical Nerve Stimulation (TENS) application IC
2020	<ol style="list-style-type: none"> 1. Development of Trajectory Algorithm by RFID Data. 2. Development of USB to UART converter controller IC 3. Development of Heterogeneous Data Fusion by AI-Based CMOS Sensor and RFID.

Year	Material Information and Product Development
2021	<ol style="list-style-type: none"> 1. Developed the algorithm and weighting model system application of Edge AI chip. 2. Developed the human and objects precision locating system with RFID and AI operation. 3. Developed the real-time Ethernet network application protocol and algorithm.
2022	<ol style="list-style-type: none"> 1. Launched AI Image recognition integrated RFID logistics management. 2. Developed the new process design network chip,
2023	<ol style="list-style-type: none"> 1. Developed the One Pair Ethernet Network (OPEN) compliance SPI interface Ethernet controller IC 2. Developed the RFID system with edge AI smart factory production traceability.

Note: The financial information of Davicom is publicly available on the company's website. Please refer to the Investor Relations - Financial Information & Annual Reports section of Davicom's official website.

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



2.3 Core value and Operational strategies

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

Important core technologies



Ethernet MAC & PHY	Mixed Signal	RFID Omni-Solution
Networking Protocol Stacks	AIoT & Algorithms	Video Decoder
USB and Interfaces	Audio Signal Processing	DSP & Algorithms

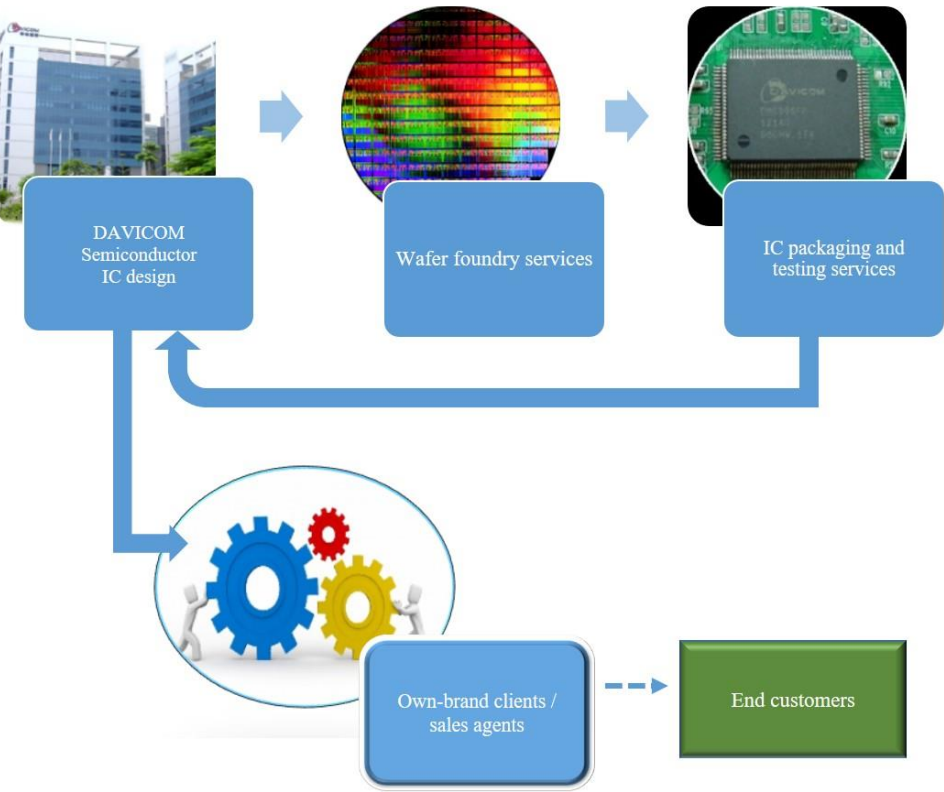
Core Value



▲ The semiconductor industry ecosystem

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

We cooperate with suppliers and clients to jointly create sustainable values for IoT, Industry 4.0, smart city solutions and end-customers' smart lives.





2.4 Awards, Recognitions, and Ratings

■ Highlights

2017		2017 Fourth Corporate Governance Evaluation: Ranked in the top 5% of listed companies.
2023		New product energy savings of 38.5% New product, DM91XX series, features reduction in dimension by 35.5% and power consumption by 38.5% (uses technology of converting current into voltage)

■ Awards

Year	Award	Achievements
2015	<p>Honored with the First Asia Pacific Enterprise Awards for Best Advancement</p> 	<p>Davicom has achieved 40 consecutive quarters of profitability.</p> <p>Our Chairman, Dr. Ting Hao, receiving the Asia Pacific Enterprise Awards for Best Advancement</p>

<p>In 2023, the Chairman received the 2023 Asia Pacific Enterprise Awards of Master Entrepreneur Category</p>  
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▲ Davicom has achieved 72 consecutive quarters of profitability, with the Chairman receiving the 2023 Asia-Pacific Enterprise Awards of Master Entrepreneur Category.



CHAPTER 3

Strengthen Corporate Governance

- 3.1 Promoting Strategies
- 3.2 Governance System
- 3.3 Integrity Management
- 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

3. Strengthen Corporate Governance

3.1 Promoting Strategies

Promote risk control and management according to Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies



Management principles: definability, standardization, quantification, analyzability

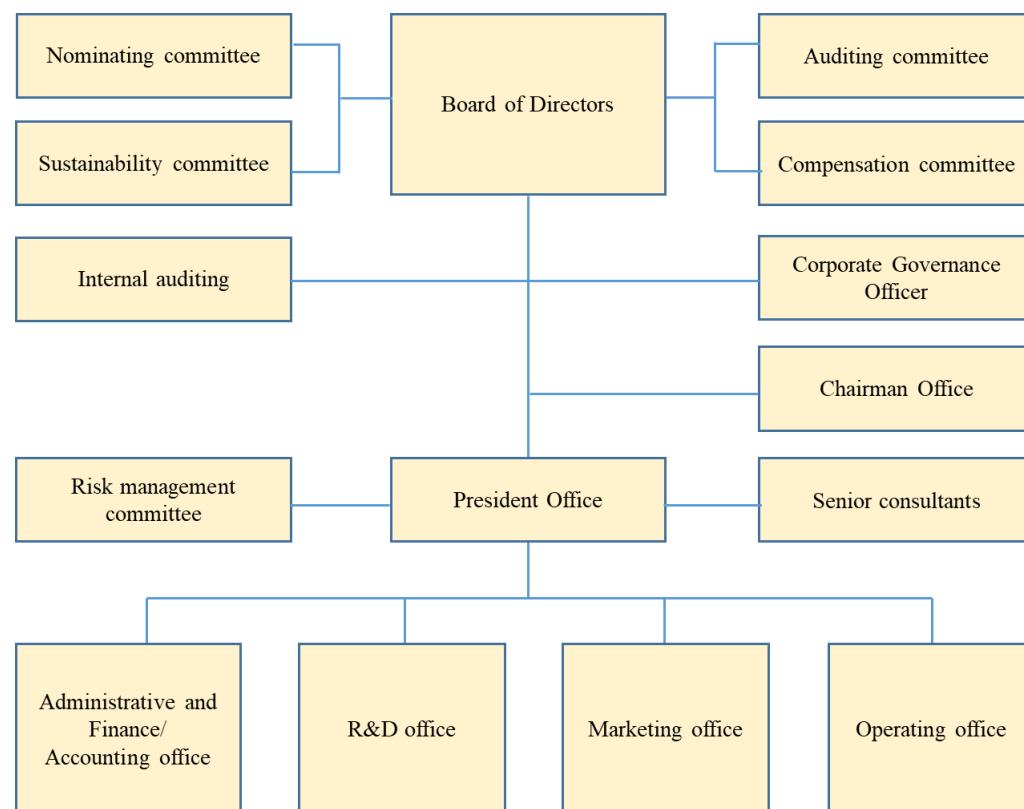
■ **Definition and management goals**

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

3.2 Governance system

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

■ Governance framework



■ Important company’s internal rules

- Articles of Incorporation
- Regulations Governing Procedure for Board of Directors Meetings
- Rules of procedure for shareholders’ meetings
- Operational Procedures for Loaning Funds to Others
- Operating procedures for acquiring or disposing of assets
- Method of endorsement guarantee
- Management procedures for preventing insider trading
- Propaganda for preventing insider trading
- Operating procedures of application for temporarily suspension or resumption of stock trading
- Method of processing reported cases of illegal and unethical or dishonest behavior
- Significant Incident Reporting Procedures

■ Our important committees

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

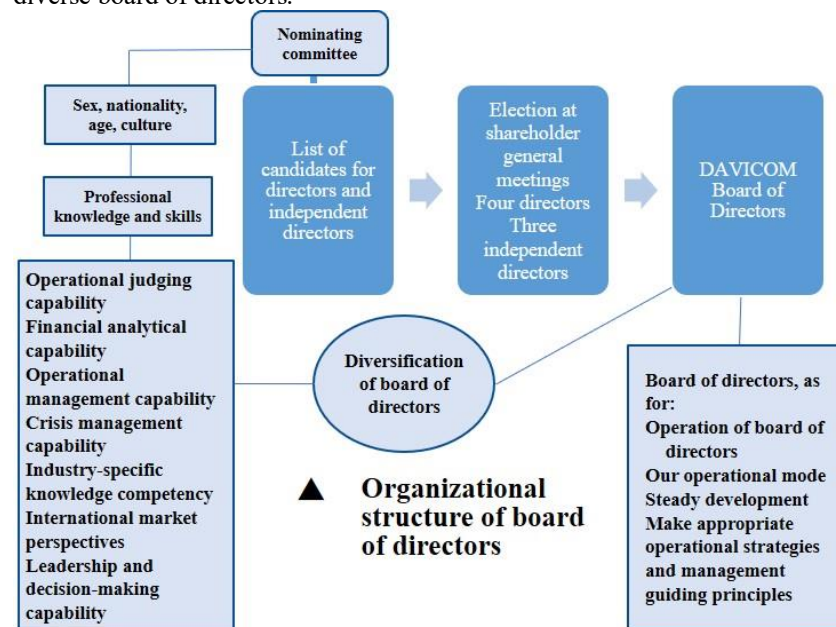
■ Risk control Framework

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

■ Board of Directors and Functional Committee

Board of directors is our highest-level governance organization and important operational decision-making center. Our board of directors consists of four directors and three independent directors. The terms for a director and an independent director are three years each. Board of directors' responsibilities include nomination and supervision of management executives, assessment of operational performance, prevention of interest conflicts, ensuring that business execution comply with the regulations concerned, corporate self-disciplinary rules and resolutions of shareholders' meeting, a bid to maximize shareholders' equity and interests.

In order to strengthen corporate governance and facilitate sound development of board of directors' composition and structure, we amended item 3 under article 20 of Corporate Governance Best Practice Principles on November 11, 2016 including gender diversity and expertise diversity, in line with the spirit of modern enterprise management to form a diverse board of directors.



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

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

■ **Diversification of the board of directors**

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

Directors' advanced studies

Our 4 directors and 3 independent directors in 2023 individually received further education for at least 6 hours each in Securities & Futures Institute, Chinese National Association of Industry and Commerce, Taiwan Stock Exchange Corp. and The Allied Association for Science Park Industries. Please refer to our website:

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

Operation of board of directors

2023: Board of directors convened meeting for six times, passing many proposals and motions (Please refer to our website: investor relations → corporate governance → board of directors → board's important resolutions.

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

Compensation for Directors

Our articles of association stipulate: Of pre-tax profit before it is deducted for employee compensation and director compensation, at least 8.5% is appropriated for employee compensation and up to 2% appropriated for director compensation; accordingly, we appropriated NT\$ 1,259,244 for director compensation in 2023.

Evaluation of board of directors' performance

To enhance corporate governance and strengthen the Board's effectiveness, we established performance objectives and implemented the "Davicom Board Performance Evaluation Guidelines" on August 10, 2015. This initiative aims to encourage self-discipline among Board members and improve the overall functioning of the Board. Accordingly, the Davicom Board conducts annual internal performance evaluations of the Board and its functional committees, and every three years, it engages an independent professional organization (or external experts) to conduct an external Board performance evaluation.

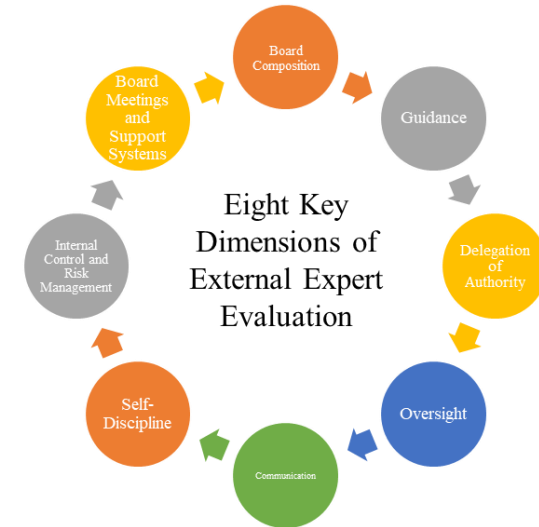
2023 Board Performance Evaluation Results

Self-Evaluation by the Board: The Chairman, representing the entire Board, scored a 5, indicating excellence (strongly agree); individual Board members, comprising seven directors, scored an average above 4, indicating high performance (agree). The functional committee evaluations, led by the conveners of the Audit Committee (Independent Director Chang-Yue Ueng) and the Compensation Committee (Independent Director Jen-Jyh Hwang), each received a score of 5, denoting excellence (strongly agree). For further details, please refer to Davicom International's official website:

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

External Expert Evaluation :

In 2023, we commissioned the Taiwan Corporate Governance Association to assess the Board's performance from November 1, 2022, to October 31, 2023. The assessment report was delivered on January 5, 2024.



Procedure and content of external expert evaluation:

The evaluation procedure included open-ended questionnaires, Board meeting minutes, functional committee meeting minutes, publicly available information, and video interviews with relevant members.

Summary of External Expert Evaluation

The Board exhibits a commendable level of independence and professionalism, with independent directors possessing the requisite expertise in alignment with the principles of division of labor and diversity, ensuring the rigor and objectivity of Board decisions. The Chairman demonstrates enlightened leadership by personally communicating with directors on future business plans and major proposals. The Chairman and independent directors effectively engage with the management team through functional committees, fostering a positive Board culture. The Chairman also leads the Sustainability Committee, which includes both regular and independent directors, supported by dedicated staff to advance sustainability efforts, reflecting Davicom's commitment to sustainable business practices. Davicom continues to engage independent external bodies to conduct Board performance evaluations and implement recommendations to refine corporate governance practices, underscoring the company's proactive approach to enhancing Board effectiveness.

Suggestions

Recommendations by Experts	Davicom's Actions:
Formalize the policies, systems, and standards for director and executive compensation, with regular reviews and revisions by the Compensation Committee.	The Compensation Committee, based on the recommendations, formulated the "Director and Executive Compensation Policy," which was approved and implemented by the Board.
Further strengthen the whistleblower mechanism, establishing direct links with independent directors.	Following the expert advice, measures were taken to protect the rights of stakeholders.
Set clear objectives and performance evaluations for the internal audit supervisor to enhance the independence of internal audits and the oversight effectiveness of the Audit Committee.	Starting from 2024, the objectives and performance evaluations for the internal audit supervisor will be jointly conducted by the convenor of the Audit Committee and the Chairman.
Establish clear reporting procedures for significant unforeseen information to ensure all Board members are promptly and comprehensively informed of critical incidents.	Davicom has adopted the recommended "Major contingencies notification procedures," which were approved by the Board and published on the company's website.

Note: For detailed information on the results of Davicom's external Board evaluation, please refer to our official website:

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

Management of conflict of interest

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

We have formulated guiding principles for integrity management, ethical behavior norms, a method of processing reported cases of illegal and unethical or dishonest behavior, operating procedures for managing trade among stakeholders, ethical behavior norms for directors and executives, professional ethics guiding principles for employees as well as rules of circumventing interest conflicts, and have reported the implementation of professional ethics guiding principles for employees to auditing/accounting committee. In order for communication with stakeholders, we have set a specific area at our website and detailly disclosed the rules and information concerned; our spokespersons and e-mail box are responsible for responding to stakeholders' questions and suggestions.

■ Function-specific committee

● Nominating committee

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

The committee's performance in 2023

The committee convened for twice in 2023, separately on January 16 and November 19, all with 100% attendance and many proposals passed. (Please refer to our website: Investor relations → corporate governance → functional committee → nominating committee's important resolutions)

- **Compensation Committee**

According to "Regulations Governing Appointment and Exercise of Power by the compensation committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", we established our compensation committee on June 18, 2012, with the committee consisting of three committee.

The term for the current compensation committee is from June 29, 2022 to June 28, 2025. The committee convenes for at least twice every year, not including meetings held for emergency cases.

The committee's performance in 2023

The compensation committee convened for five times in 2023, separately on January 16, February 7, May 11, August 9 and November 09, all with 100% attendance and many proposals passed. For the content of what was discussed at meeting and corresponding resolutions, please refer to our website: Investor relations → corporate governance → function-specific committees → compensation committee's important resolutions.

- **Auditing/accounting committee**

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

The committee's performance in 2023

Auditing/accounting committee convened for five times in 2023, separately on January 16, March 07, May 11, August 09 and November 09, all with 100% attendance and many proposals passed. For the content of what was discussed at meeting and corresponding resolutions, please refer to our website: Investor relations → corporate governance → functional committee → auditing committee's important resolutions)

- **Sustainability Committee**

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

The committee's performance in 2023

Sustainability committee convened for twice on January 16, November 09 in 2023 and separately passed our 2023 detailed planning for social concern and passed the material topics of 2023 sustainability report.

- **Corporate Governance Officer**

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

Staff members of corporate governance are mainly responsible for:

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

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

In 2023, Davicom's corporate governance officers attended courses at the Ministry of Environment, the Securities and Futures Institute, and the Taiwan Stock Exchange, covering topics such as "Creation of sustainability through green chemistry," "Insider Trading Prevention," and the "2023 Cathay Sustainable Finance and Climate Change Summit." The total training time was 12 hours.

■ Internal auditing

We have established internal auditing which directly belongs to board of directors, with the main purpose of establishment and its main duties as follows:

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

The objectives and performance evaluations for the internal audit supervisor are established with reference to the opinions of the Audit Committee, thereby enhancing the independence of internal audits and the effectiveness of Audit Committee oversight. The annual performance of the internal audit supervisor is jointly assessed by the Chairman and the Audit Committee convenor.

The internal audit supervisor and independent directors meet at least quarterly during Board and Audit Committee meetings and submit the previous month's audit report and deficiency tracking report before the end of each month, reviewing the execution of the annual audit plan and the status of internal control deficiency rectifications. To strengthen the interrelationship between internal and external audits, Audit Committee members hold closed-door meetings with the audit supervisor and the certified public accountant, with written communication records maintained.

Our internal auditors receive outside professional training annually to hike quality of internal auditing. In 2023, internal auditing supervisor and acting persons each received 12-hour training at Institute of Internal Auditors-Chinese Taiwan and thereby obtained certification.

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

■ High-level managers' compensation

The Board of Directors of Davicom has approved the remuneration policies, systems, and standards for directors and managers. These are regularly reviewed and revised by the Compensation Committee to align with operational development and incentive needs. Furthermore, strategic, long-term, and sustainable performance indicators are formalized in writing, ensuring that managerial compensation is closely tied to the company's operational performance and future growth. This approach is designed to motivate the management team to pursue long-term benefits, laying the foundation for sustainable development.

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

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

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

3.3 Integrity management

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

Laws, regulations, orders	Our self-disciplinary rules
Company Act, Securities & Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations concerning listing on the Taiwan Stock Exchange and Taipei Exchange and commercial business operation	<ul style="list-style-type: none"> · DAVICOM Semiconductor, Inc. “Corporate Governance Best Practice Principles” · DAVICOM Semiconductor, Inc. “Integrity Principles for Corporate Management” · DAVICOM Semiconductor, Inc. “Ethical Behavior Norms for “Directors and Managers” and “Integrity Management Principles” · DAVICOM Semiconductor, Inc. Operating procedures of administration for preventing insider trading

Integrity Management Goals and Implementation Status

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

■ Professional ethics and anti-corruption

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

According to "integrity management principles" and "ethical behavior norms for directors and managers", our operating office supervises execution of ethical regulation for directors, managers, employees as well as suppliers, sales agents and clients; we also strictly prohibit directors, managers and employees from securing inappropriate benefits (money of any form for any reason, gifts, commissions, job positions, services, preferential treatment, feedback, etc.) or anyhow behaving that would influence our corporate image and competitiveness through capitalizing on relations and/or opportunities arising from their business execution, a bid to promote honest and ethical professional behavior.

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

Employee care Hotline

We have channels of prosecution such as employee suggestion box and grievance methods through auditor inspection, which encourage employees, clients and suppliers to prosecute dishonest behavior, with their identity to be in absolute secrecy.

Email : esther_lin@davicom.com.tw (TEL : +886-3-5798797 #8569) ◦

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

We have established channels of prosecuting stakeholders' and employees' behavior that violates professional ethics, and persons inside and outside our company can offer their opinions through our e-mail at our website or our company telephone numbers.

Tablet of prosecution (grievance) cases received in 2023

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

■ Regulatory compliance

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

3.4 Realization of Risk Management

Viewing that risk management is necessary for sound corporate governance and realization of corporate management, we set up a risk management platform in 2016. The platform is systematic operation for risk management to strengthen strategies of coping with risks, reduce the probability that serious operational risks worsen to become crises and realize risk management.

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

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

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

Our risk management strategies

Reduce impact on operation and maintain operational stability

Establish efficient risk management mechanism

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

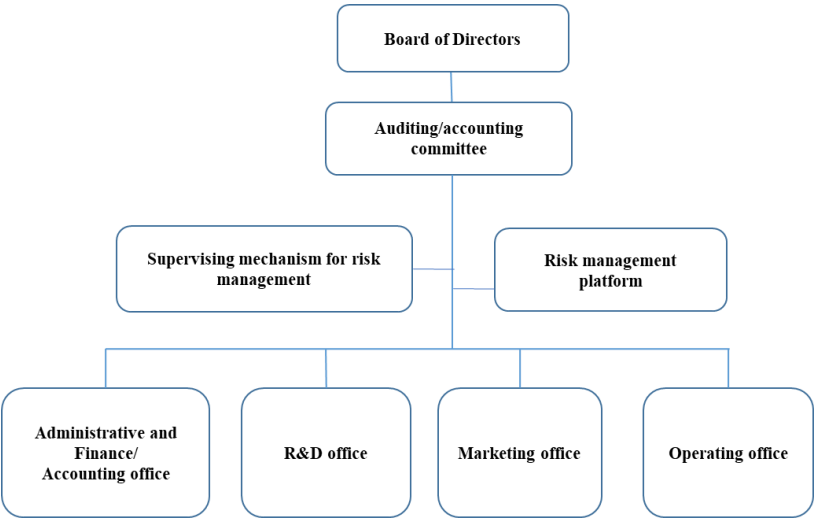
Prioritize strategies for coping with factors of high risks

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

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

Risk management platform is to systematically identify and assess risks and a mechanism of handling and monitoring risks. By virtue of combining ISO 9001 quality management system and the risk management of internal control system, promotion of risk management platform in 2023 mainly covered the nine aspects: Strategy risks, operational risks, financial risks, information risks, regulatory compliance risks, integrity risks, climate change risks, infectious disease risks, geopolitical risks, and focused on climate change actions, sustainable supply chains for procurement and supplier quality management. For operating achievement, please refer to our 2023 annual report (Our website: Investor relations → our annual report https://www.davicom.com.tw/investor-annualreport.php?lang_id=en)

Risk management framework



Business Continuity Management, BCM

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

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

Viewing that COVID-19 pandemic has raged rapidly and impacted enterprises' operation globally, we have responsively integrated operational strategies and reviewed organizational resilience to adjust risk management framework. Through integration of risk topics across operating units and emphasis on mid- and long-term planning and response, decision-making executives understand opportunities arising from risks and cope with disasters at a common platform to minimize impact and ensure continued stable operation of the company.

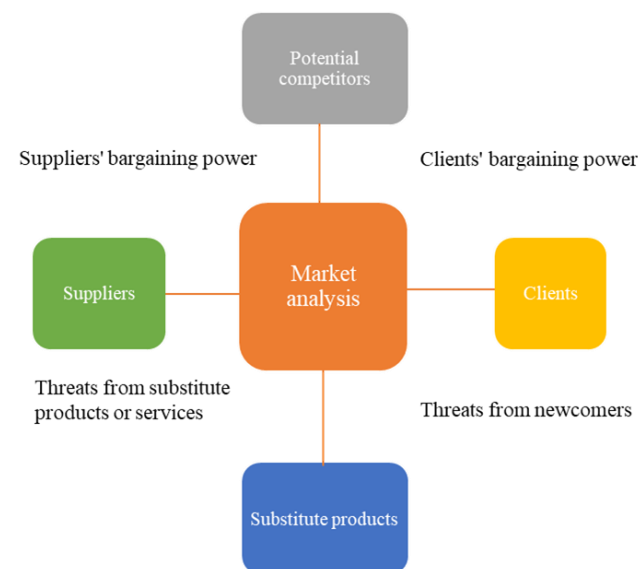
We regularly collect international topics related to sustainability risks and changes in industrial development trend to dynamically adjust material topics and include the collected information in our risk management reports. Faced with more unpredictable impact arising from newly emerging risks, we hope to combine internal and external resources via link in risk management to enable us to predict, prepare for, cope with and adapt ourselves to continued change in environment. Even if company operation is abruptly disrupted, we are still able to exist, make breakthrough in development and develop adaptability to large changes to create more development opportunities.

Infectious disease risks: Continue infectious disease preventive measures and management

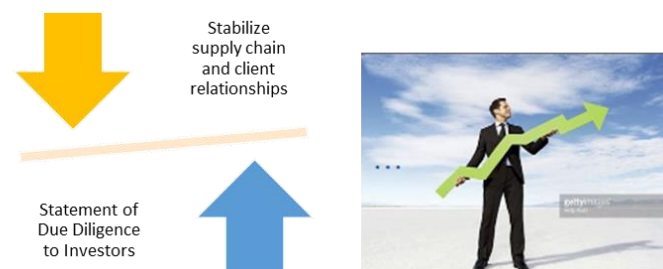
■ Ensure employees' safety and continuing execution of their duties

Preventive measures	Detail items of important management
Measure body temperatures	People coming in Davicom Building are required to pass temperature measurement and disinfect their hands. There are forehead thermometers and medical kits on each floor of Davicom Building; there is sufficient inventory of alcohol disinfectant and medical face masks.
Life-supporting equipment	Supply of disinfecting materials for sufficient disinfection of working space, pantry rooms and restrooms on each floor.
Employees were assigned to work on different floors (remotely)	<ol style="list-style-type: none"> 1. Announce ways of transferring official documents to cope with COVID-19 pandemic. 2. Require certain social distance among people in public space. 3. Maintain original one-hour flexible time of going to/off work to reduce time of contact among employees on duty. 4. Encourage employees living in areas with severe pandemic conditions to apply for remote working. 5. Restrict employees on each floor to use designated public elevators. 6. Announcement regarding COVID-19 preventive measures include restriction of the number of passengers in a public elevator. 7. Propagandize use of communication software for meetings as much as possible.
Reported records of a COVID-19 infection suspect's visiting places and personally contacting other people	Every employee is required to personally report body temperature and body health conditions after he or she go to work on weekdays. If employees have personally contacted COVID-19 infected people or have been regarded as persons with high risks of being infected, they should notify the company/human resource unit and execute preventive measures as required by the Taiwan government
Rapid antigen screening at home	Procure Fora/Vtrust COVID-19 antigen self-test reagents and arrange employees' self-screening. In line with the policy of working on different floors, designate some employees to help others undertake self-screening and interpret results.
Disease alert	Transfer information on footprint of COVID-19 infection cases released by the Central Epidemic Command Center to remind employees of careful prevention. After assigning employees to work on different floors, remind employees of not freely and casually going to other floors nor conversing in elevators.

Market competition strategy and client management



Through continuous learning, innovation, and optimization of business processes, the company also establishes robust resilience and adaptive mechanisms to respond to environmental changes. By reserving funds, maintaining effective communication, diversifying business operations, rigorously implementing PDCA, and establishing risk management mechanisms, Davicom remains flexible and steady in the face of various challenges.



3.5 Identification and Management of Operational Risks

The company's internal audit operations cover eight major cycles, including sales and collections, procurement and payments, production, payroll, financing, property, plant and equipment, investments, and R&D, with 57 control items. Additionally, 28 control tasks related to electronic data processing and daily management are identified for risk recognition, evaluation, and analysis of their significance to the company's operations. This serves as the basis for monitoring and supervision, strengthening the management of operational risks and the effectiveness of internal controls.

Top Five Operational Risk Analysis Results for 2023

No.	Category of Risk	Score	Content of Strengthen management
1	Sales and collection cycle	53	<ul style="list-style-type: none"> •Stringent selection of agents •Control of credit limits
2	R&D cycle	43	<ul style="list-style-type: none"> • Evaluation of new product ROE for reasonable profitability •Assessment of new product sales contribution against expectations
3	Production cycle	29	<ul style="list-style-type: none"> •Supplier sustainability policies •Supplier capacity and quality
4	Acquisition and payment cycle	28	<ul style="list-style-type: none"> •Adoption of digital management •Regular and ad-hoc audits
5	Payroll cycle	9	<ul style="list-style-type: none"> •Review of employee compensation regulations •Enhanced performance management

Note: The operational risk analysis results are based on the evaluations conducted by members of Davicom's Internal Control Committee, using a Likert scale on 15 items, including eight cycles and seven controls.

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

Items of affairs	Items under evaluation	Order in terms of importance	Methods of coping with
Sales and collection	Credit management, order processing, shipping operations, delivery management, shipping confirmation, shipping documentation, packaging operations, invoice issuance, invoice cancellation requests, accounts receivable, letter of credit operations, collection operations, client complaint handling, analysis of complaint cases, return handling communication, return/replacement processing, completion of complaint cases, and sales returns and allowances.	1. Credit management	Orders are subject to approval by appropriate supervisors
		2. Processing of orders	Control line of credit.
		3. Operation for shipments	Complete documentation and punctual deliveries are required.
R&D	New product planning, design and layout, product trial production, design verification, product development and data filing, verification of product production, new product release	1. New product planning	1. Control schedule of product development. 2. Cater to market demand. 3. Keep scheduling, cost and benefits under control.
		2. Design and layout	
		3. New product release	
Production	Operation for planned production, outsourced processing, operation for warehousing management, outsourced quality control operation, calculation of production cost and operation for differential analysis, analysis of stock age and sluggishness	1. Operation for planned production	1. Planned production (begin production upon receiving orders). 2. Sufficient inquiry about, comparison and negotiation of prices. 3. Strictly control quality and the number of suppliers. 4. Safety indication on products.
		2. Inventory aging and obsolescence analysis	
		3. Warehouse management operations.	
Acquisition and payment	Operation for general procurement, production procurement, engineering control, importation, inspection and acceptance, failure to comply with contracts, payment	1. Production procurement	Mutually linked to and audited with production cycle.
		2. Operation for payment	
		3. Operation for inspection and acceptance	
Payroll cycle	Human resource planning, unit staffing needs, recruitment, selection, hiring, training, attendance, performance evaluation, promotion, transfer, rewards and penalties, compensation, benefits, resignation, layoffs, leave of absence, and retirement operations.	1. Human resource planning	1. Analyze the current and future human resource supply and demand situation to inform the next year's staffing needs and recruitment planning. 2. Employment applications must be properly approved before execution. 3. Training plans and further education applications must be appropriately approved before execution. 4. Departmental/individual performance evaluations must be appropriately approved before execution.
		2. Training	
		3. Performance evaluation	

3.6 Understanding of Climate Change Risks and Related Opportunities

In response to global climate change and the transition to a low-carbon economy, Davicom has proactively addressed the potential risks and opportunities that climate change may bring. To enhance the transparency of climate-related risk and opportunity disclosures, Davicom has referenced the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The company has analyzed risks and opportunities across various dimensions, including government policies and regulations, market and technological shifts, as well as reputational and physical risks, to develop strategies for adaptation and mitigation.

TCFD Disclosure Framework and Davicom 's Management Practice

Governance	Strategies
<ul style="list-style-type: none"> ➤ Board of directors and function-specific committees: Supervise climate change risks and opportunities, execution of responsive strategies and related plans as well as actual achievement in terms of set goals, including product research and development and budget execution, budget amendment and addition, auditing of cost and benefits, tracking of performance. ➤ Corporate risk management committee: Coordinates the company's operating units concerned to jointly review internal and external risks (including climate change risks) that the company is faced with and develop responsive strategies specific to the company's material risk topics, and reports to board of directors every year. ➤ Sustainability committee: Proposes and executes vision, duties and system of our corporate social responsibility or related management guidelines as well as substantial promoting plans (including climate change), and reports execution of climate change-related promoting plans and corresponding results to board of directors every year. 	<ul style="list-style-type: none"> ➤ According to Davicom 's climate change risk and opportunity assessment methodology, the short term is defined as within 3 years, the mid-term within 10 years, and the long term as beyond 10 years. Davicom has formulated a climate change policy as the company's highest guiding principle in response to climate change, and has established a low-carbon commitment to guide the overall project implementation strategy. ➤ Following the TCFD framework, Davicom analyzes the impact and contributions of climate change risks and opportunities on operations. ➤ Closely monitoring major upstream suppliers' climate risk analyses under various scenarios. These include considering the International Energy Agency's 2°C Scenario (IEA 2DS), Announced Pledges Scenario (IEA APS), and Stated Policies Scenario (IEA STEPS), as well as the Intergovernmental Panel on Climate Change's (IPCC) AR5 RCP8.5, AR6 SSP1-2.6, and SSP5-8.5 physical scenarios, adjusting product design directions in line with Davicom's sustainability goals.
Risk management	Indicators/indexes and objectives
<ul style="list-style-type: none"> ➤ Through identifying policies, regulations, shifts in market and technology, goodwill and substantial risks which are likely to be derived from different scenarios, we undertake analysis of risks and opportunities in these aspects. Assess our operations and upstream and downstream value chain (such as suppliers and clients). ➤ Through the participation of relevant departments in assessing climate change risks and opportunities, Davicom has identified the top three risks and formulated corresponding adaptation and mitigation strategies. The overall assessment results and related response measures are submitted to the Corporate Sustainability Committee for approval. Davicom has established climate-related risk and opportunity assessment management indicators, including water usage, energy consumption, greenhouse gas emissions, and the development of low-energy consumption product technologies. ➤ Emission-related information has been audited in accordance with the Greenhouse Gas Protocol and ISO 14064-1 standards and will be verified by a third party within the statutory deadline. 	<ul style="list-style-type: none"> ➤ Davicom has established management indicators for assessing climate-related risks and opportunities, including water usage, energy consumption, greenhouse gas emissions, and the development of low-energy consumption product technologies. ➤ Emission-related information has been inventoried in accordance with the Greenhouse Gas Protocol and ISO 14064 standards and will be verified by a third party within the statutory deadline, ensuring compliance with regulations. ➤ Every year, Davicom reviews changes in policies, regulations, technology, market conditions, and reputational risks and opportunities in the context of transition risk. Every three to five years, during updates to the IPCC climate scenarios and Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), Davicom revisits the results of physical and transition risk and opportunity assessments, making rolling adjustments as necessary. ➤ Set key climate KPIs for 2025 and 2030, including greenhouse gas reduction, renewable energy, water and electricity conservation, and product design. The greenhouse gas reduction targets include achieving net zero emissions by 2050 and science-based targets by 2030.

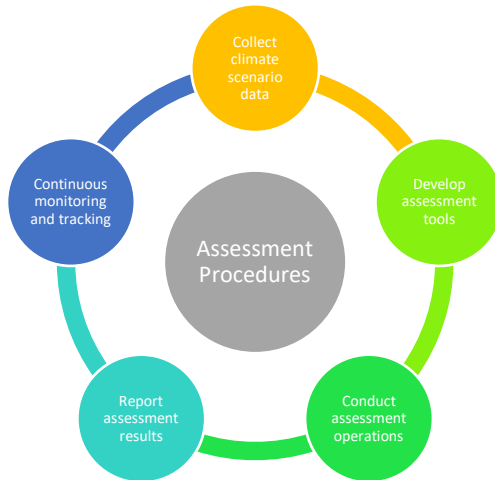
Climate change risk and opportunity assessment reporting mechanism

Each year, the Sustainable Development Task Force conducts assessment work, develops adaptation and mitigation strategies, and submits the assessment results for approval by the Risk Management Committee. If the assessment results identify company-wide major risk issues, the Risk Management Committee will simultaneously incorporate them into management and regularly track the progress of response measures, reporting to the Sustainability committee for decision-making, the Auditing committee for supervision, and the Board of Directors.



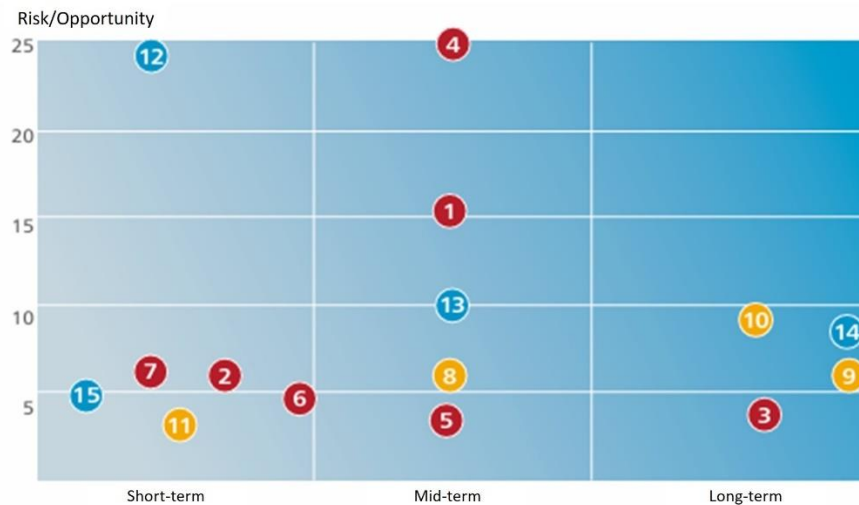
Significant recent matters related to climate risk and opportunity management.

Management requires that external wafer manufacturing suppliers must have substantial emission reductions to ensure products meet carbon reduction targets.	In 2023, the Board of Directors formulated the "Davicom Sustainable Development Best Practice Principles " (to be approved in early 2024), including enhancing energy use and Scope 3 greenhouse gas emissions management.	In 2022, the Board approved linking employee compensation with ESG KPIs, including climate change-related indicators. The results were audited in 2023, with all targets met.
In 2021, multiple climate change-related sustainable strategy blueprints, including short, medium, and long-term goals and action plans, were established. The Sustainability committee reviews the achievement of these targets semi-annually, with the goals for 2022 and 2023 fully achieved.	Planning to participate in the international renewable energy initiative "RE100" to set a phased goal of a 30% reduction in collaboration with major suppliers by 2030 and achieving 100% renewable energy use by 2050.	Davicom aims to achieve a 50% reduction in carbon emissions by 2030, based on carbon footprint reports from major suppliers.



Climate change risk assessment procedures

Assessment Procedures	Explanation.
Collect climate scenario data	Refer to the International Energy Agency's 2DS, APS, STEPS transition risk scenarios, the Intergovernmental Panel on Climate Change's (IPCC) AR5 and AR6 reports, and government downscaling simulations for physical risk scenarios, gathering and updating climate simulation data.
Develop assessment tools	Reference ISO 14090 Adaptation to Climate Change, the United Kingdom Climate Impact Programme (UKCIP), and the TCFD to develop climate change risk and opportunity assessment methodologies.
Conduct assessment operations	Invite relevant departments to participate in climate change risk and opportunity assessments, developing adaptation and mitigation strategies for identified risks.
Report assessment results	Submit the assessment results and corresponding measures to the Corporate Sustainability Committee for approval.
Continuous monitoring and tracking	Regularly review the effectiveness of risk mitigation and adaptation measures through the TCFD assessment process to achieve management objectives.



Transitional Risk

- 1 Regulation on greenhouse gas emissions leading to carbon fees/taxes.
- 2 Customer demand for low-carbon strategies to align with trends.
- 3 Corporate reputation impact.
- 4 Increased investment and operational costs due to green energy policies.
- 5 Uncertainty in infrastructure supply resilience.
- 6 Water consumption fees during drought periods.
- 7 Focus on R&D for low-energy/low-carbon products.

(Note: Items marked in red are the top three risks.)

Physical Risk

- 8 Global warming leading to increased electricity consumption.
- 9 Strong typhoons/extreme rainfall increasing the frequency of work stoppages and voltage drops.
- 10 Extreme weather raising supply chain coordination costs.
- 11 Droughts severely impacting production.

Opportunity

- 12 Increased market demand for environmentally friendly products.
- 13 Opportunities for carbon trading and offsets.
- 14 Strengthening hardware protection to enhance climate resilience.
- 15 Improving energy efficiency of facility operations.

Dimension of Risks	Category	Risk	Description of Risks	Affected Regions	Davicom 's Response Measures
Transition risk	Policies and Regulations	Greenhouse gas emission control, The imposition of carbon fees/taxes	The imposition of carbon fees/taxes, and rate increases lead to higher operational costs.	Taiwan, Europe, and the United States	<ul style="list-style-type: none"> • Implement greenhouse gas reduction initiatives, such as reducing fluorinated greenhouse gases and energy-saving projects. • Participate in government's voluntary greenhouse gas emission reduction projects • Apply for carbon offset projects to secure carbon credits. • Develop in-house solar power generation facilities. • Purchase green electricity or green electricity certificates. • Evaluate the introduction of carbon-negative technologies to promote net-zero emissions. • Engage in carbon trading markets to purchase carbon credits for offsetting.
		Green energy policies also contribute to increased investment and operational costs	Electricity price hikes	Taiwan	<ul style="list-style-type: none"> • Expand energy-saving initiatives • Increase self-built renewable energy and energy storage facilities. • Purchase renewable energy certificates.
Physical risk	Immediacy	Extreme climate events elevate supply chain coordination costs	Extreme climate changes disrupt transportation, escalating product logistics and supply chain management expenses.	Taiwan	<ul style="list-style-type: none"> • Establishment of a risk detection mechanism to proactively prevent and manage these challenges. • Monitor supplier production areas and key transportation nodes. • Manage supplier capacity information to preemptively assess supply and demand dynamics. • Conduct supplier risk assessments to avoid or minimize procurement from high-risk areas. • Establish diversified transportation routes and avoid high-risk paths. • Increase internal storage capacity.

Top Three Climate Risks and Corresponding Responses

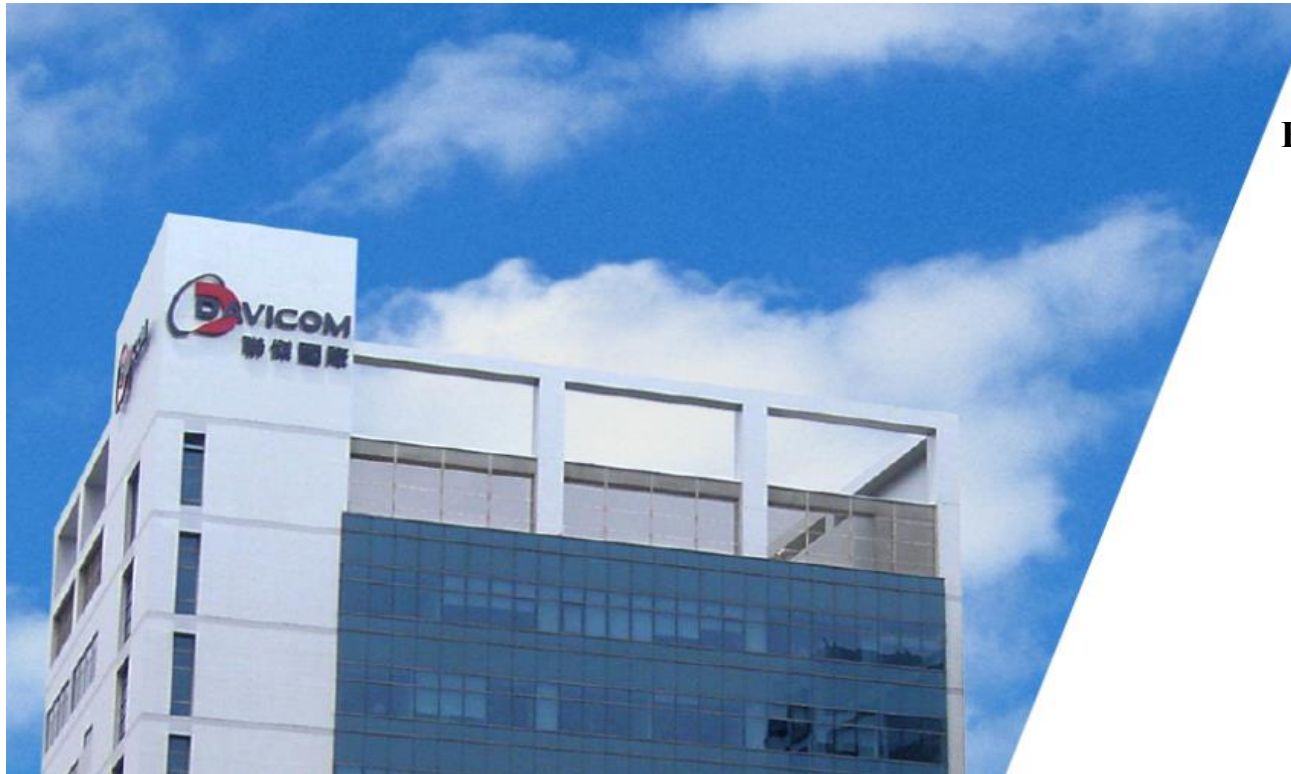
In addition to identifying climate change risks, Davicom has conducted potential financial impact analyses across various regions, listing the financial implications of the "greenhouse gas emission control and carbon tax/carbon fee risks" as follows :

- Greenhouse gas emission control and carbon tax/carbon fee risk.
- In Taiwan, the imposition of carbon fees is assumed at NT\$300 per ton, which may lead to cost transfers from upstream suppliers (such as wafer manufacturers) to contracted foundries, with the carbon fee burden shared by the company.
- In mainland China, the imposition of carbon fees is currently assessed as low-risk in the short term. In the mid-term, the assumed rate is NT\$300 per ton.
- The European Union's Carbon Border Adjustment Mechanism (CBAM) and the United States' Clean Competition Act (CCA) are expected to have no short-term impact on the company. In the mid-term, an assumed rate of NT\$300 per ton is projected.

3.7 Management for Information and Communication Security

Davicom aims to build a rigorous and effective cybersecurity defense network as part of its cybersecurity governance vision, appointing a cybersecurity officer to oversee cybersecurity matters. Based on cybersecurity governance consistency, the company gradually enhances its comprehensive protection capabilities, striving to become an enterprise with outstanding cybersecurity governance maturity. Its management processes include four major categories: information asset classification, email usage, physical environment security, and computer usage security.

Category	Davicom 's Response Measures
Information asset classification	<ol style="list-style-type: none"> 1. People: Including all employees and outsourced suppliers. 2. Document: Paper-based documents, data, reports, forms and tables including official documents, printed tables, forms, plans used in projects. 3. Software: Operating systems, application system programs, packaged software, etc. including source codes, application codes, databases, etc. 4. Communication: Networking equipment, networking security equipment, information transmission/switch lines or services. 5. Hardware: Main equipment and related hardware facilities. 6. Data: Digital information stored in hard disks, magnetic tapes, optical discs., etc. 7. Environment: Related infrastructure and services including offices, rooms to house information equipment, electric facilities, firefighting facilities etc.
E-mail usage	<ol style="list-style-type: none"> 1. Use of e-mail to transfer electronic documents classified as above “confidential” (secret or top secret) is prohibited. 2. Documents containing personal data have to be encrypted for transfer. 3. E-mail should be attached with signatures to avoid anonymity or forgery. 4. E-mail should not be used to infringe on other people’s rights or interests or in illegal behavior. 5. Formulate regulation on using the Internet to include clauses concerning restricted use of e-mail.
Physical environment security	<ol style="list-style-type: none"> 1. In order to ensure equipment and information security. Adopt safety doors equipped with functions of personal recognition for the purpose of entrance control. 2. Except managing staffs of information equipment rooms, other people who need to come into such rooms should be accompanied by members of staffs and their names and purposes should be recorded. 3. When employees come into information equipment rooms, they have to notice whether there are unauthorized persons following them. 4. Outside people or outsourced suppliers’ employees coming into the company for business purposes have to bear the company’s identification cards and work in designated environment. 5. Protect sources of power supply to avoid failure in power supply and disruption of supply of supporting public services. 6. In information equipment rooms, temperatures are controlled at 18-28 degrees Celsius and humidity at 30-70%. 7. Special fire extinguishing equipment is installed in information equipment rooms. 8. Sign maintenance contracts with qualified professional providers for regularly maintaining important equipment in information equipment rooms.
Computer usage security	<ol style="list-style-type: none"> 1. According to security control regulation regarding desktop and screen clearance, undertake desktop clearance and place important documents in safekeeping. 2. When saving information in mobile devices and portable media, encrypt the information or adopt protective measures pursuant to regulation on removable media so as to avoid leakage of the information if mobile devices and portable media are lost. 3. According to regulation on disposal of information assets, storage of information and data classified as confidential, restricted use, internal use in any form should be in locked areas for safekeeping. 4. According to testing/formal environment for application systems and security maintenance rules for databases, it is necessary to separate sensitive systems. 5. Sealed personal data, paper-based documents and portable storage media, when not in use or in off-duty time, should be placed in drawers or cabinets and lock the drawers or cabinets in compliance with desktop clearance policy.



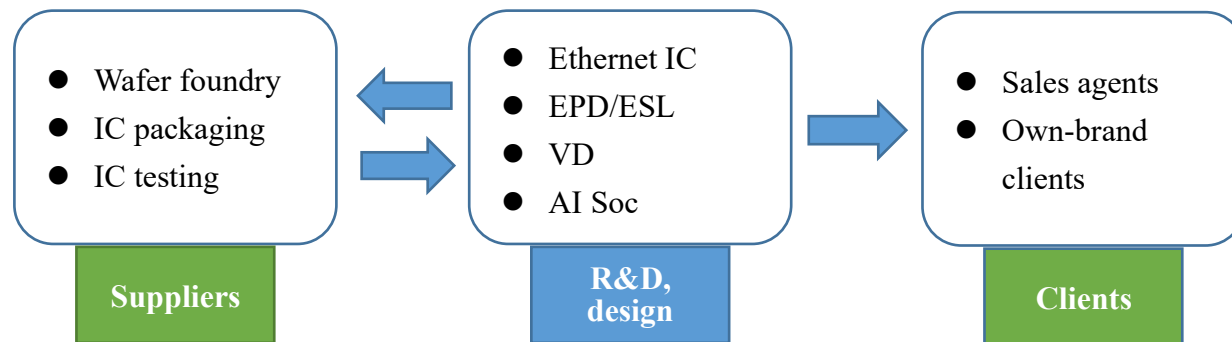
CHAPTER 4

Enhance Cooperation among Value Chains

- 4.1 Innovation R&D and Services
- 4.2 Responsible Production and Consumption
- 4.3 Client Relationship Management
- 4.4 Sustainable Suppliers

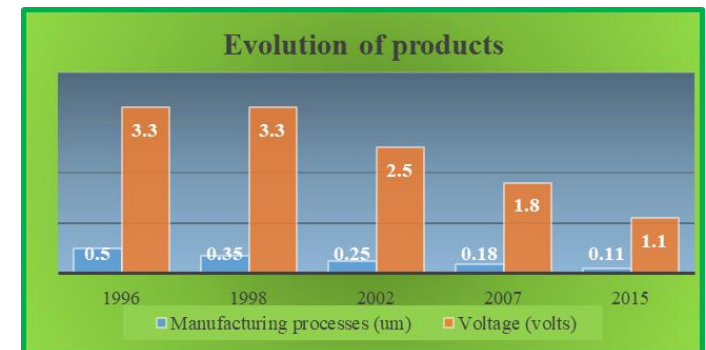
4. Enhance Cooperation among Value Chains

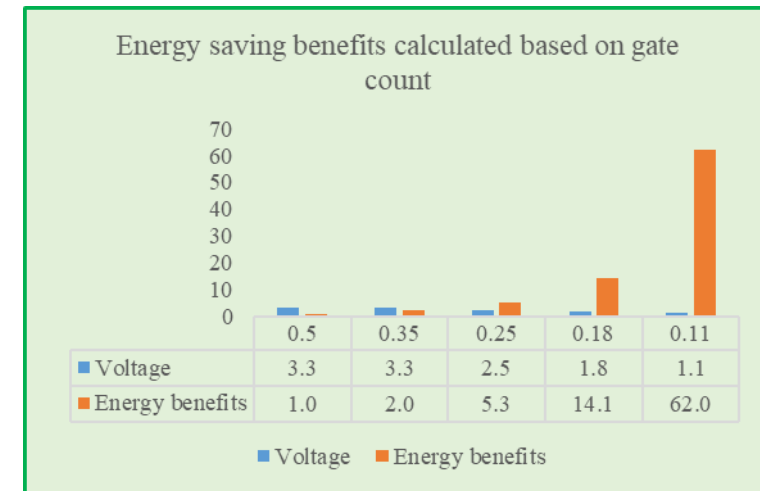
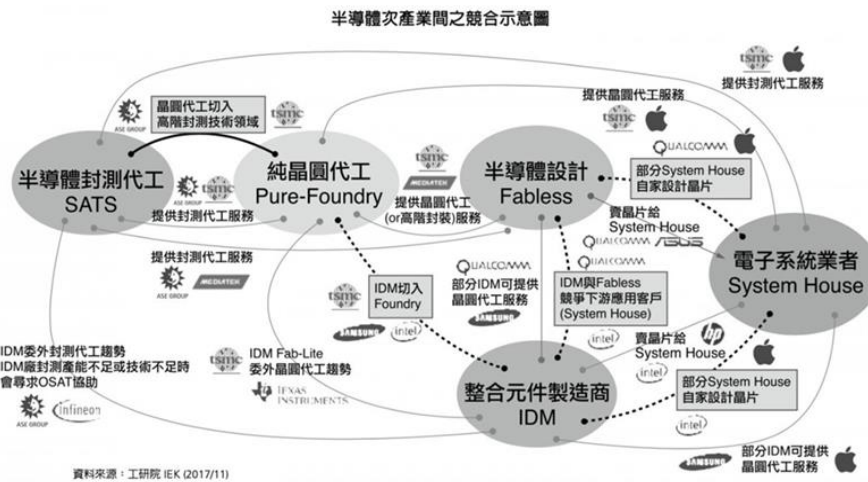
DAVICOM Semiconductor is a small-size IC design house and aims to develop durable and top-quality products. Through conforming to EICC (Electronic Industry Citizenship Coalition) Code of Conduct, we have cooperated with upstream and downstream partners. Our business covers four main product lines: Ethernet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



4.1 Innovation R&D and Services

Davicom have made efforts to develop energy-saving products and keep carrying on innovation R&D through following international market trends. We focus on R&D of four main product lines: Ethernet ICs, EPD (E-Paper Display) driver ICs, Video Decoder ICs, AI SoC, and continue innovation and technological improvement to enhance functions, reduce weight and dimensions, save energy and reduce carbon emissions, add AI functions for products. Because of diversity of market demand, semiconductor manufacturing processes are improving and wafer sizes are decreasing. Davicom continued to investment in R&D including R&D manpower and we set an energy-saving target of reduction in power consumption by 20% in 2017. In recent years, we have focused on developing factory production line tracking systems and warehouse logistics based on UHF RFID as the core technology. We aim to create more energy-efficient, environmentally friendly, and diversified IoT systems to meet our client s' varied demands. By helping clients develop diversified intelligent AIoT systems, we seek to seize market opportunities.



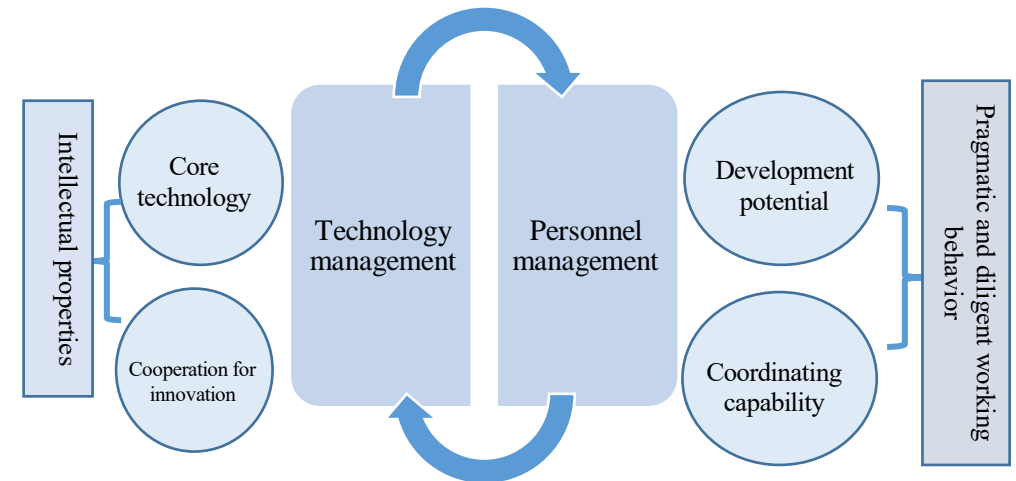


▲ Interrelations of our products in the secondary semiconductor industry

Management framework for innovation R&D

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

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



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

Technologies and R&D

Year	R&D expense	Proportions
2022	74.524 million	24%
2023	66.024 million	27%

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

Embedded system with high speed ethernet network IC - 10/100/1000 M SPI 、USB bus, PCI bus, MAC+PHY single chip
Embedded system with high speed ethernet network and switch IC - 10/100M multi-port smart switch IC
E-Paper Display driver ICs and SoC
MCU chips
Video Decoder Chips
UHF RFID Factory production line warehousing and logistics tracking system

4.2 Responsible Production and Consumption

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

Quality management

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

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

protection regulations, and our environmental management system has won clients' high trust.



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

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

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

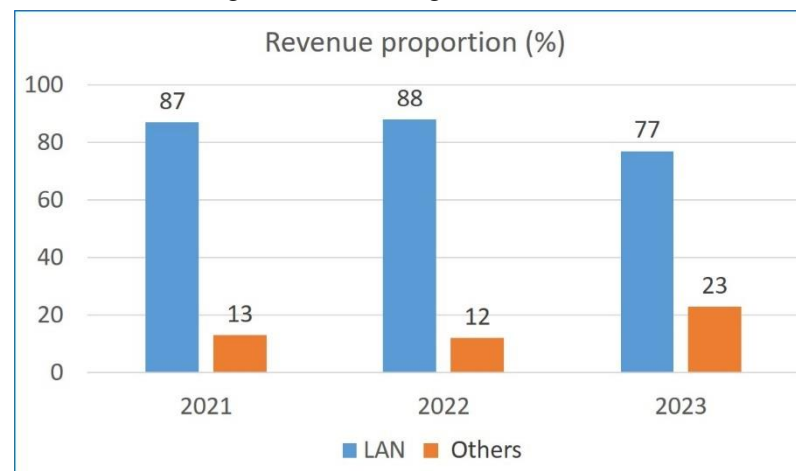
Year	2019	2020	2021	2022	2023
Frequency of regulation violation	0	0	0	0	0

■ Operational Strategy Emphasizing Lean and Agile Approaches

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

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

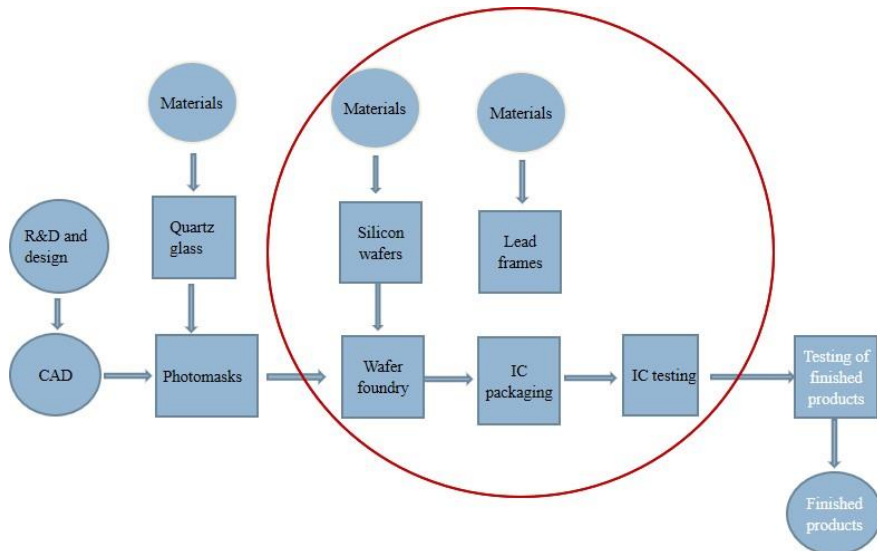
In 2023, while the chip market generally adopted a destocking strategy, Davicom timely introduced a factory production line and warehouse logistics tracking system based on UHF RFID, securing a market advantage.



4.3 Client Relationship Management

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

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



▲ The marked portions are our outsourced manufacturing processes

Note: Main clients please refer to our 2023 Annual Report

■ Benefit-sharing business model

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



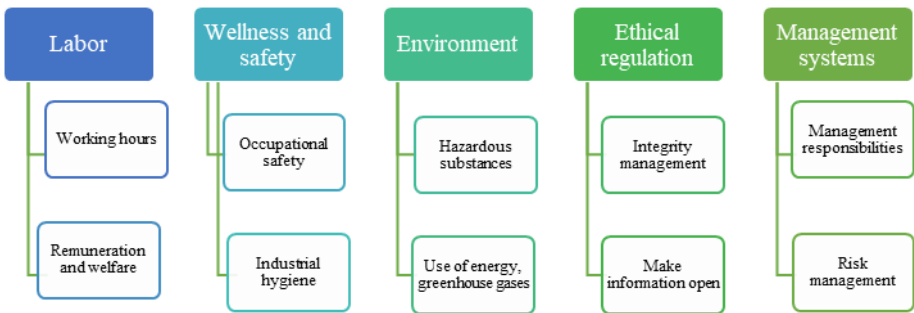
■ Protect client privacy

Since B2B is our operational model, protection of clients' business secrets to maintain industrial ethics and competition order is a serious problem. We have adopted two systems to efficiently manage clients' privacy. As for employees, they are required to abide by professional ethics not to leak clients' methods, technologies, manufacturing processes, formulae, software programs, designs or other information that can be applied to operation, production or marketing. In addition, we have set up a reliable information security system and recorded content of services provided for clients in detail.

■ Handling of client complaints

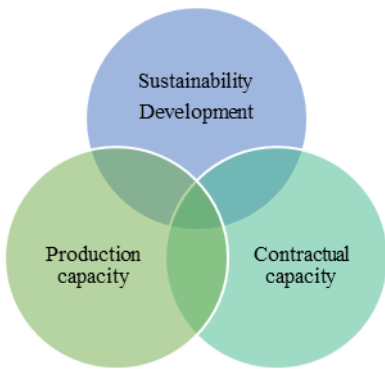
We immediately respond to clients' complaints through carefully listening to their problems, analyzing these problems and offering solutions as well as improving the products and services concerned to prevent same problems from happening again. Besides, we have set up an efficient client service system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

4.4 Sustainable Suppliers



4.4.1 Carefully select partners

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



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

As regards environment, we ask suppliers of wafer foundry, IC packaging and IC testing services to have ISO 14001 and ISO 14064 certification and ensure that all materials for use comply with Sony's management rules under substance environmental management for components and materials (SONY SS00259) and EU ROHS Directive.

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

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

Surveys of and maintaining conformity to environmental protection

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

Labor, safety and health, maintenance of ethical regulation

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

4.4.2 Supplier management

Management goals	Targets of auditing	Content of evaluation	Expected fruition
Maintain long-term and stable relations with excellent suppliers	Wafer foundry service providers: 50 or more wafers/month IC packaging service providers: one million or more ICs per month IC testing service providers: one million or more ICs per month or equivalent of 50 or more wafers per month	•Contractual capacity •Sustainable development : Environment : ISO14000 (including ISO14001, ISO14062, ISO14063, ISO14064),no use of conflict minerals. Social aspects: salary, wellness, human rights for labor, equal rights for men and women, social concern	100% attainment, the same as in 2023
	Once a year	Twice a year (the first and second halves)	DAVICOM Semiconductor ISO 9001 Execution results of documents

Supplier Risk Description

Industry Category	Corporate Governance	Raw Materials/Climate Change	Technology/Labor
Wafer Manufacturing	Allocation of capacity across different processes	Insufficient supply of raw wafers	Discontinuation of low-end processes
Packaging	Allocation of capacity across different packaging types	Shortage of lead frames or substrates	Discontinuation of outdated packaging lines
Testing	Insufficient available testing platforms	Power outages affecting deliveries	Discontinuation of outdated testing equipment

Main suppliers

Name	Item	Proportion of annual procurement (%)		Note
		2022	2023	
A	Wafers	81.29	50.86	Due to vertical integration in semiconductor market, we procure main silicon wafers from UMC.
C	Wafers	-	5.7	
G	IC packaging and testing	-	17.44	
H	IC packaging and testing	16.08	24.98	
I	IC packaging and testing	1.21	-	
Others	IC packaging and testing	1.42	1.02	

Supplier auditing and evaluation

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

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





CHAPTER 5

Measures in Response to Climate Changes

5.1 Climate Action

5.2 Utilization of Energy and Resources

5.3 Product Environmental Footprint

5.4 Nurturing the Seeds of Biodiversity—

Safeguarding Delicate Guests from Afar

5. Measures in Response to Climate Changes

Energy transition is a global trend, driven by the need to meet the 2030 global greenhouse gas emission reduction targets in response to the escalating threat of climate change. As part of the global supply chain, Davicom is actively exploring ways to align with the United Nations' sustainable development goals.

5.1 Climate Action

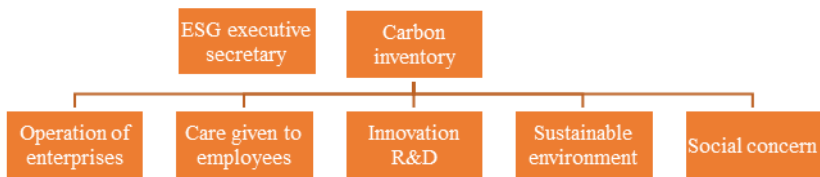
Climate action is the action taken to cope with global climate change, consisting of carbon inventory to assess carbon emissions to see performance in reducing greenhouse gas emissions as well as development of various types of sustainable strategies to decrease greenhouse gas emissions to mitigate impact arising from climate change.

In 2017, Davicom declared its R&D goal: a 20% energy reduction in new products. In 2021, we set greenhouse gas reduction targets: maintaining Scope 1 emissions at current levels and reducing Scope 2 emissions by 2% annually from 2022 to 2025. We also aim to reduce electricity consumption by 2% per year, decrease daily waste by 1 kilogram, and increase the recycling rate of packaging materials by 3% annually. Beyond internal climate actions, Davicom extends its climate action plans through the Davicom Caring Initiative.

5.1.1 Carbon Emission Management

Davicom follows ISO 14064 standards and the Climate Change Administration Ministry of Environment's guidelines for greenhouse gas inventory, covering Scope 1 and Scope 2 emissions, and external Scope 3 emissions. After considering factors such as emission volume, influence, risks, stakeholders, and outsourcing activities, we disclose our greenhouse gas emissions from employee commuting, business travel, downstream transportation, downstream leased assets, and waste disposal.

Davicom Carbon management Framework



Carbon Inventory

2023 Organizational Greenhouse Gas Emissions

Period for information	January 1 to December 31, 2023	
Scope of information	Our headquarters building (not including public-use space and rented floors) and two offices in Tainan, southern Taiwan	
Categories of inventory	Scope 1 (tCO2e)	87.7770
	Scope 2 (tCO2e)	399.8872

Explanation of Greenhouse Gas Emissions Within the Organization

- Davicom's Scope 1 and Scope 2 greenhouse gas emissions totaled 487.6642 tCO₂e/year.
- The main source of emissions is purchased electricity (Scope 2), accounting for 82% of the total emissions.
- Scope 1 direct emissions amount to 87.777 tCO₂e/year, comprising 18% of total emissions, primarily from energy consumption for employee living needs (e.g., chillers, refrigerators) and other sources such as fixed emissions (diesel for emergency generators), mobile emissions (gasoline for company vehicles), and fugitive emissions (dehumidifiers, gas circuit breakers, programmable thermostats). Since Davicom operates solely as an office without production lines, there are no process emissions.

2023 Scope 1 Greenhouse Gas Emissions Statistics - Seven Major Emissions Categories

Category	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Total
Carbon Dioxide Equivalent (tCO ₂ e/year)	0.8348	0.0000	0.0000	86.9086	0.0000	0.0333	0.0000	87.777
Proportions (%)	0.95%	0.00%	0.00%	99.01%	0.00%	0.04%	0.00%	100.00%

Note: Global Warming Potential (GWP) values are based on the IPCC 2021 Sixth Assessment Report, with emission factors sourced from the Climate Change Administration Ministry of Environment's Greenhouse Gas Emission Factors Management Table version 6.0.4.

Scope 3: [other indirect] emissions outside organizations

Carbon emissions attributable to employees' vehicular transportation for work

Transportation vehicles	Data on activities	Emission Factor	Carbon emissions (kg)	Carbon emissions (t CO ₂ e)
High-speed railway	73,639.26	0.040	2,945	2.945
Transportation by driving cars	732,199.26	0.173	126,670	126.67
Motorcycles	89,550.40	0.046	4,119	4.119
Public passenger transportation	71,891.28	0.056	4,025	4.025
Total	38,691.21			137.759

Carbon emissions due to downstream freight transportation

Data on activities (kilometer)	Volumes of dimensions (m ³)	Carbon emissions (kg)	Carbon emissions (t CO ₂ e)
1,217,040	81.78	141,176	141
Note: The carbon footprint of air freight is estimated using an emission factor of 1.16E+0 kgCO ₂ e, with actual emissions influenced by factors such as weather conditions, aircraft load, and fuel efficiency.			

Carbon emissions attributable to domestic and overseas business trips

Item	Data on activities (Km)	Emission Factor	Carbon emissions (kg)	Carbon emissions (t CO ₂ e)
Transportation by self-driving cars	111,106.70	2.92E+0 kgCO ₂ e	32,443	32.443
International aviation	34,809.85	2.81E-1 kgCO ₂ e	9,782	9.782
Total	145,916.55		42,225	42.225

Note: Emission factors for gasoline (mobile) and air freight are calculated according to the Ministry of Environment's Carbon Footprint Information Platform.

Disposal of wastes

Disposal of wastes-garbage				
Item	Data on activities (kg)	Emission Factor	Carbon emissions (Kg)	Carbon emissions (t CO ₂ e)
Incinerators	6,249.6	0.737	4,605.9552	4.6059552
Disposal of wastes-business operation				
Item	Data on activities	Emission Factor	Carbon emissions (Kg)	Carbon emissions (tCO ₂ e)
Recycling service providers	44	0.0218	0.9592	0.0009592

Downstream leased assets

Procured electricity	Data on activities			Emission Factor	Carbon emissions (kg)	Carbon emissions (t CO ₂ e)
	DAVICOM Semiconductor	Proportions	Outside power consumption			
	1,820,310.00	56.20	102,301,422		505,369	505.369

Scope 3: analysis of emission density

	Employees' vehicular transportation for work	Carbon emissions due to freight transportation	Business Trip	Disposal of wastes	Downstream leased assets	Total
tCO ₂ e	137.76	141.00	42.23	4.61	505.37	830.96
Proportions (%)	16.00	17.00	5.00	1.00	61.00	100.00

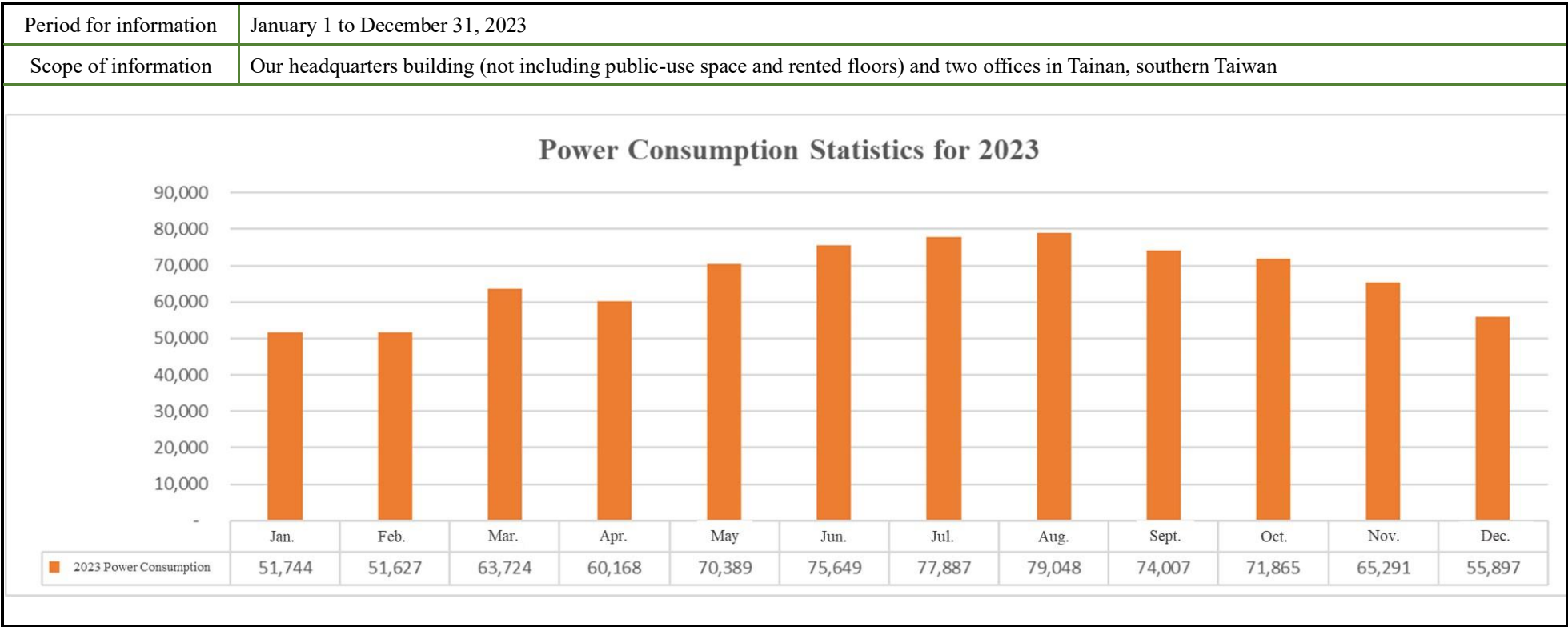
5.2 Utilization of Energy and Resources

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

■ Conditions of power consumption

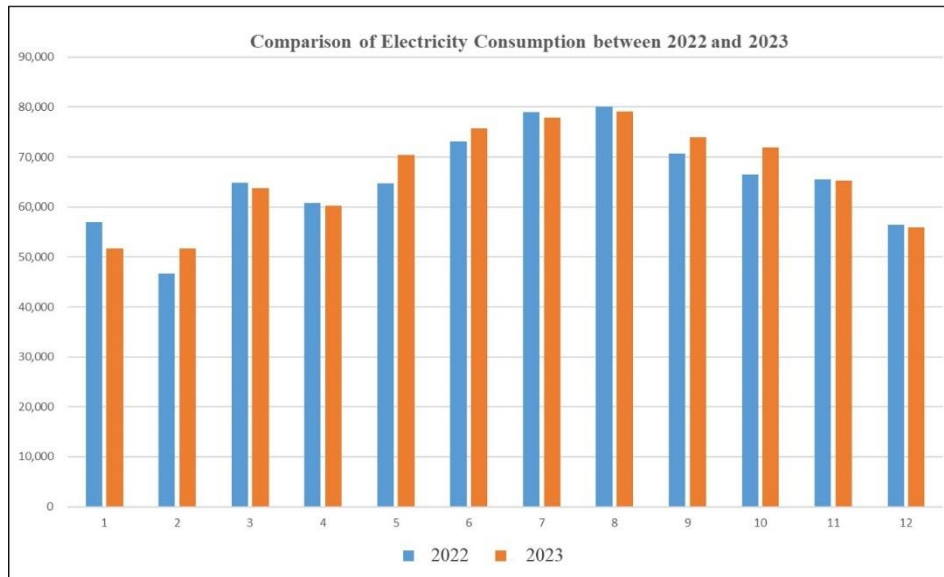
Davicom's office building comprises 13 floors, with 4 underground and 9 above ground. To achieve energy savings and carbon reduction, and to reduce indirect greenhouse gas emissions within the organization, we have implemented various energy-saving measures. The entire company adheres to energy conservation policies, contributing to environmental protection.

2023 Power Consumption Statistics



Month	January	February	March	April	May	June	July	August	September	October	November	December	Total
power consumption	51,744	51,627	63,724	60,168	70,389	75,649	77,887	79,048	74,007	71,865	65,291	55,897	797,296

Analysis of 2023 power consumption : Davicom's peak power consumption occurs from May to October, with the highest usage in July and August. This pattern highlights the rising temperatures in Taiwan, with shorter winters and worsening global warming. Due to an increase in hot days compared to the previous year, power consumption in Davicom's building in 2023 slightly increased compared to 2022.



Specific Energy-Saving and Carbon Reduction Measures

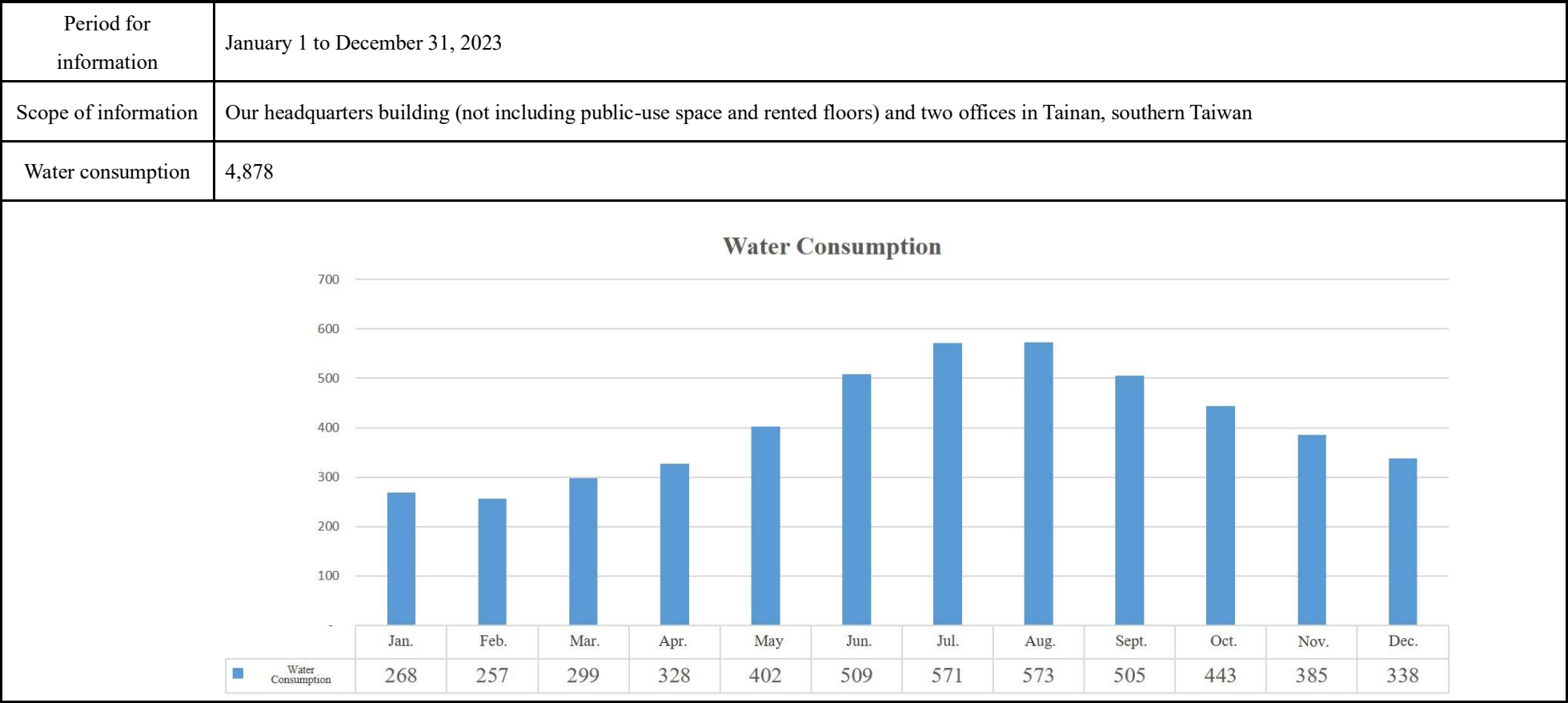
1. Installing inverters in air conditioning equipment to improve energy efficiency.
2. Reducing the number of corridor lights to decrease energy usage.
3. Raising indoor air conditioning temperatures by one degree to enhance energy savings.
4. Turning off lights during lunch breaks or when leaving the office to conserve electricity.
5. Installing thermal insulation film or curtains to improve energy efficiency.
6. Collecting rainwater or using RO recycled water for irrigation to enhance energy efficiency.
7. Encouraging employees to use stairs instead of elevators, promoting health and reducing energy consumption.
8. Promoting carpooling or the use of eco-friendly transportation (e.g., bicycles) at labor-management meetings and other events.

Planning for greenhouse gas reduction: Davicom has conducted a feasibility assessment for the small-scale installation of solar panels, aiming to become a company that generates a portion of its own electricity, ensuring convenience for employees during power outages.

■ Conditions of using water resource

Davicom's office building relies entirely on Taiwan Water Corporation's supply for all water usage, which is limited to office needs. In 2023, the total annual water consumption was 11,137 degrees, with Davicom accounting for 4,878 degrees of the water bill. The building's overall water consumption increased slightly by 549 degrees compared to last year (2022), primarily due to the rise of enterovirus and COVID-19 variants in 2023. To prioritize employee health, we encouraged employees to follow the Ministry of Health and Welfare's recommended hand-washing technique, leading to an increase in annual water usage. (Note: 2021 water consumption was 5,375 degrees; 2022 water consumption was 4,329 degrees; 2023 water consumption was 4,878 degrees.)

2023 Water Consumption Statistics



Month	January	February	February	April	May	June	July	August	September	October	November	December	Total
Water consumption	268	257	299	328	402	509	571	573	505	443	385	338	4,878

2023 Water Consumption Analysis : Davicom’s peak water usage occurred in June, July, August, and September, with the highest consumption in July and August. This pattern indicates that infectious diseases are also a significant risk of climate change. Employees are the most valuable asset to the company, and their health considerations take precedence over controlling operating costs.

5.3 Product Environmental Footprint

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

Davicom is an IC design company, outsourcing the manufacturing stages (wafer fabrication, packaging, and testing) to external partners. As our suppliers have yet to provide detailed product environmental footprint data, we currently lack reference information. However, our newly developed product (PHY, DM91XX) has a die size of $(1784 \times 1505) = 2,684,920 \mu\text{m}^2$, reducing power consumption from 429mW to 165mW, achieving a 38.5% reduction in energy usage.



Process Map



Raw Material Acquisition Phase— Utilization of energy and resources

Category	Data on activities	Emission Factor	Carbon emissions (tCO ₂ e)
Power Consumption	797,296 kWh	9.73E-2 kgCO ₂ e	775.77
Water Consumption	4,878 cubic metre	2.33E-1 kgCO ₂ e	1.13
Total			776.90

Cargo distribution

Category	Data on activities	Emission Factor	Carbon emissions (tCO ₂ e)
International air freight	1,217,040 km	1.16E+0kgCO ₂ e	141

Disposal of wastes

Category	Data on activities	Emission Factor	Carbon emissions (tCO ₂ e)
General waste incineration	6249.6 kgs	0.737	4.6059552
Industrial waste disposal	44 kgs	0.0218	0.0009592
Total			4.61

Recycling and reuse

Category	Data on activities	Emission Factor	Carbon emissions (tCO ₂ e)
PPE Recycle (4,061pcs)	488Kg	1.95E+0 kgCO ₂ e	0.9516
Cardboard recycling (1,460pcs)	458Kg	1.69E+0 kgCO ₂ e	0.77402
Total			1.72562

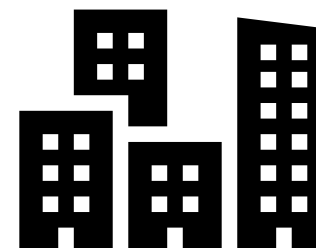


Distribution

Carbon Footprint (tCO ₂ e)		Controller	Phy	Switch	USB	SPI	Serial	EPD、VD、AI SoC
Energy and resources acquisition phase	776.9	90.95	166.46	26.53	78.13	59.62	1.75	353.47
Manufacturing Phase—Waste	4.61	0.54	0.99	0.16	0.46	0.35	0.01	2.10
Distribution and Sales Phase	141.0	16.51	30.21	4.81	14.18	10.82	0.32	64.15
Recycling and reuse	(1.72562)	-0.20	-0.37	-0.06	-0.13	-0.13	0.00	-0.79
Product Environmental Footprint	920.78438	107.80	197.29	31.44	92.64	70.66	2.07	418.93

Note: The product environmental footprint allocation ratio is based on the production quantity of each product type as shown in the table below.

Product	Amount(K)	Proportion (%)
Controller 9000	624	11.707317
Phy 9161、9162、9119	1,142	21.425891
Switch B203、B603、B606	182	3.4146341
USB 9621、9620	536	10.056285
SPI 9051	409	7.673546
Serial port 9625	12	0.2251407
EPD、VD、AI SoC	2,425	45.497186



5.4 Nurturing the Seeds of Biodiversity—Safeguarding Delicate Guests from Afar

A migratory bird, the *Gorsachius goisagi*, passed through and found refuge in the campus buildings, where it settled and raised the next generation.

For seven consecutive years, Davicom has been committed to environmental education in Taiwan's remaining pristine lands. At the beginning of 2023, exciting news came from the campus: the *Gorsachius goisagi*, migrating from the north to the south to escape the cold, chose Guanshan Elementary School's beautiful and clean campus as a breeding ground. Teachers and students were overjoyed and formed a campus patrol to protect these precious guests from afar. From the female bird laying eggs, incubating, hatching, and fledging to the final farewell, the students experienced a remarkable life education lesson.



CHAPTER 6

Realization of Happiness in Workplace

6.1 General Conditions of our Employees

6.2 Talent Cultivation

6.3 Compensation and Welfare

6.4 Wellness and Safety

6.5 Labor-management Communication

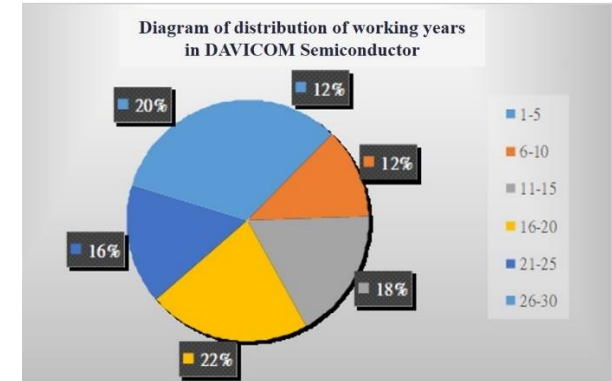
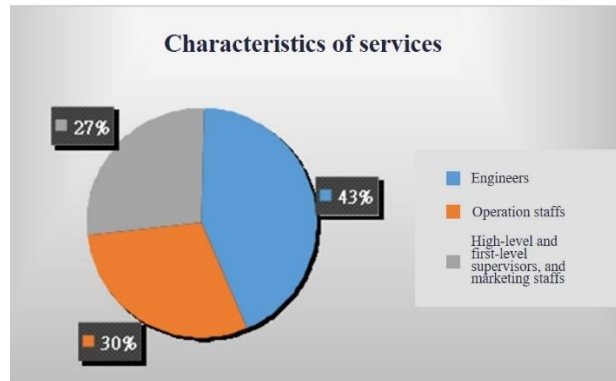
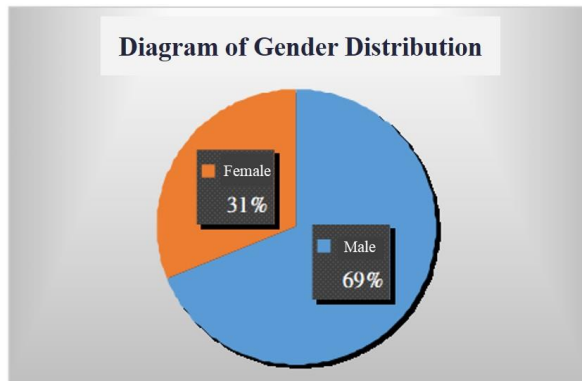
6.6 Human Rights and Tolerance



6. Realization of Happiness in Workplace

Davicom firmly believes that talent is the company's most valuable asset. We are committed to cherishing, nurturing, and caring for our employees, striving to create a diverse, equitable, and inclusive workplace. We provide a warm working environment with comprehensive compensation and benefits, ensuring that employees can work with peace of mind while caring for their families. We value transparent and open communication between labor and management, prioritizing the physical and mental well-being of every colleague, and are dedicated to safeguarding employee rights, as well as workplace health and safety.

6.1 General Conditions of our Employees



Employee Distribution

Characteristics of services	Total	Male	Female
Engineers	32	28	4
Operation staffs	22	6	16
Highg-level and first level supervisors, and marketing staffs	20	17	3
Total	74	51	23

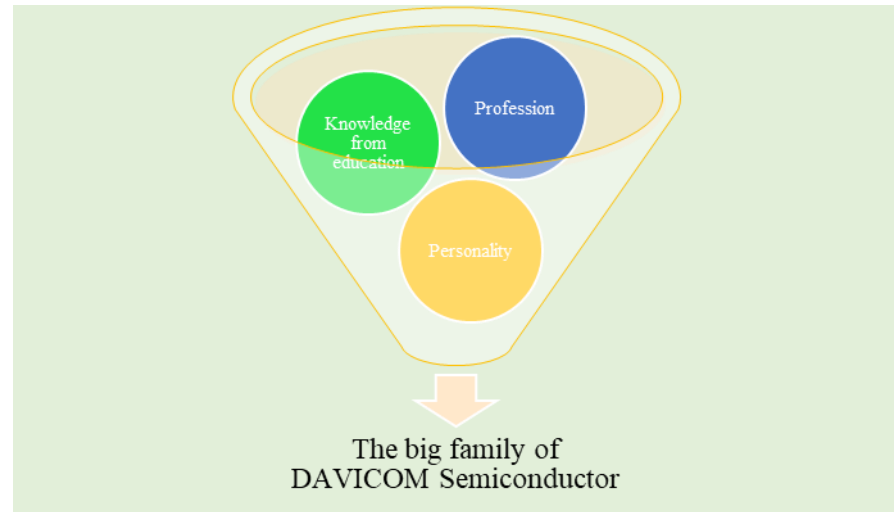
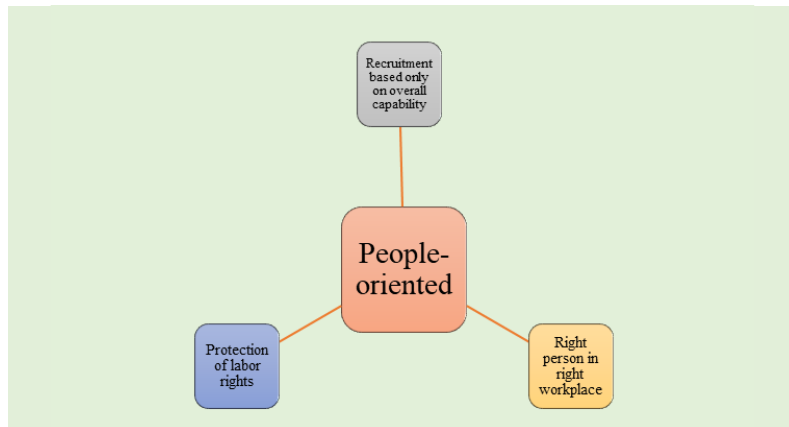
Employee turnover rates in the latest two years

Personnel change	2022				2023			
	Total number of employees	New employees	Resigning employees	Difference	Total number of employees	New employees	Resigning employees	Difference
Supervisors	10	1	1	0	9	0	1	(1)
Non-superviso	65	2	1	1	65	2	2	0
Total/proportion	75	3	2	1	74	2	3	(1)

6.2 Talent Cultivation

■ Human resources policies

To effectively utilize human resources and enhance business performance, Davicom advocates for workplace DEI (Diversity, Equity, and Inclusion), respecting the diversity of employees in terms of gender, identity, culture, experience, and professional skills, and striving for a balanced workforce. We implement workplace diversity and inclusion through three key approaches: recruitment based only on overall capability, right person in right workplace, and protection of labor rights. We have established human resource policies and seniority reward measures that surpass labor laws, institutionalizing management to protect employees' rights and ensuring a well-rounded work environment and company management system. We rehire retired senior engineers as consultants, allowing their wisdom to continue contributing to the workplace. We also warmly welcome new talent to join the Davicom family, aiming for an ideal workforce ratio of 1:1:1 across older, middle-aged, and younger generations, ensuring representation across all demographics.



■ Talent recruitment and retention

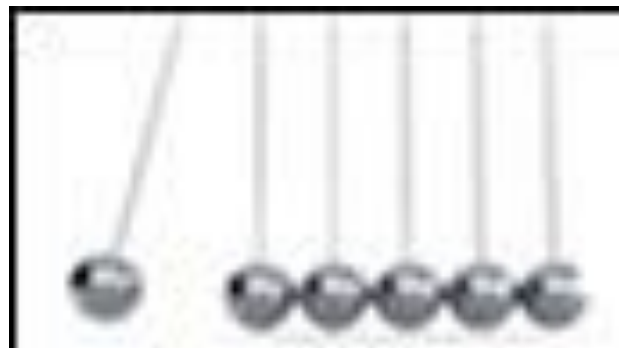
We recruit talent openly via “human resource area-talent recruitment area” at our website. For talent recruitment, we abide by local labor regulations to employ people. For talent recruitment, we lay emphasis on applicants’ education background, professional records and personal character regardless 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 "Open House" 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.



Summary: In recent years, Davicom has built a diverse and professional talent pool, laying the foundation for the company's sustainable development. Our recruitment channels are as follows:

1. Company website
2. Campus recruitment
3. Overseas talent acquisition
4. Corporate mergers and acquisitions



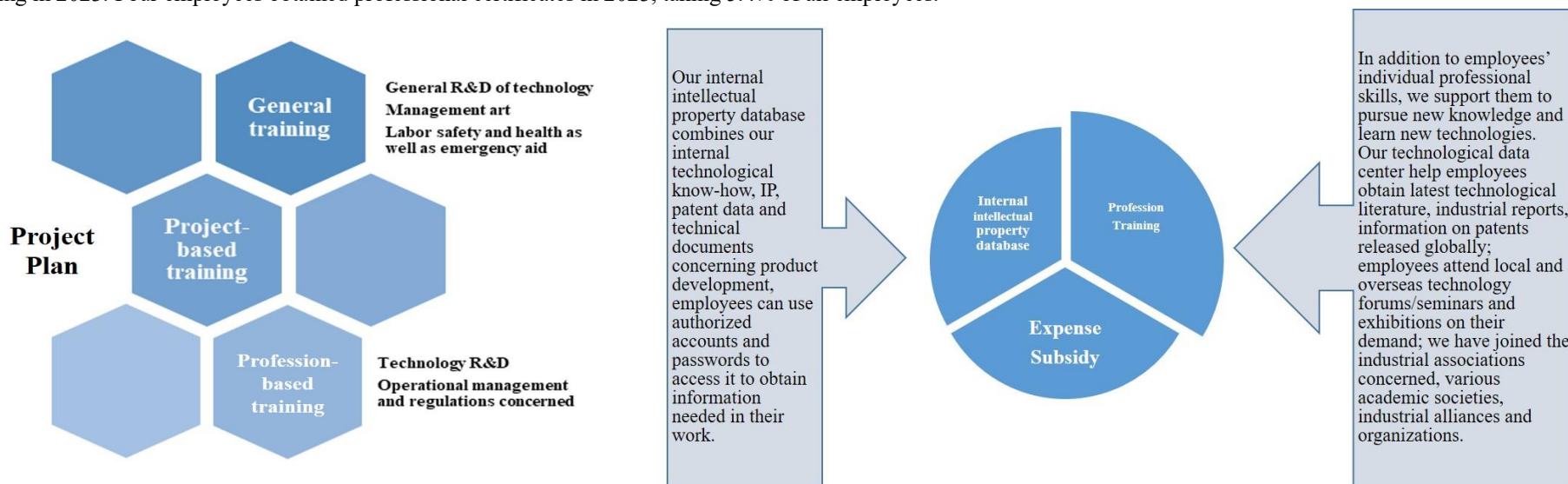
Talent Recruitment and Retention Performance: To protect employee rights, the company has established a leave without pay system in accordance with the Labor Standards Act. This system includes the extension of sick leave and the retention of positions during parental leave.

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)									
2022	2023	2022	2023	2022	2023	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 2023		The number of employees who still stayed in their job positions 12 months after resumption		Ratio of the number of employees resuming job positions to that of employees with job positions retained	
3	3	2	2	1	0	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
						1	1	0	0	1	0	1	0	100%	-

■ 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 173 person-times in total for employees' receiving outside curriculums and an average of 3.2 hours for their receiving outside training in 2023. Four employees obtained professional certificates in 2023, taking 5.4% of all employees.



▲ We encourage employees to keep learning through offering learning and growth programs as above.

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.

6.3 Compensation and Welfare

This chapter introduces our compensation and welfare 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 compensation 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 employees' salaries with corresponding benefit expenses for non-executive job positions in 2023

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\$ 1,183 ,000	Decrease by NT\$ 26,000	NT\$ 1,161,000	Decrease by NT\$ 16,000	NT\$ 73,371 ,000	Decrease by NT\$ 390,000

Reduction in welfare expenses: Due to a decrease in pre-tax net profit in 2023, the net amount allocated for employee compensation and benefits was reduced.

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 2023					
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

■ 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 employee
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 compensation for allocating project bonuses

Compensation 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 compensation in the latest three years

Year	Total amount of salaries	Total amount of expenses	Total amount of compensation	Salaries/expenses (100%)	Compensation /expenses (100%)	Explanation
2021	93,517,144	139,841,733	9,492,879	66.87%	6.79%	1. Employees are our most important asset. 2. We minimize disbursement of various items of expenses and increase salaries for employees every year.
2022	106,508,197	151,600,153	10,158,927	70.26%	6.70%	
2023	100,927,029	143,999,397	6,610,850	70.09%	4.59%	

■ 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 national health insurance, labor insurance and group insurance 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.

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

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.

Execution of employee benefits in 2023					
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	41
	Funeral allowance	9		Scholarship for employees' children	23
	Meal allowance	74	Education and training	Recruit training	2
	Maternity allowance	1		On-the-job training	67
	Hospitalization allowance	0		Transfer training	4
	Physical wellness checkups	74	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	Employee retirement plan	Procedure
Voluntary retirement	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	1. Employees aged over 65. 2. Employees with mental disability or physical disability, and thus not qualified for the work.	

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.

- There was one employee qualifying and applying for retirement in 2023

In compliance with the Labor Standards Act, Regulations for Allocation and Management of Labors' 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.



6.4 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.

■ 2023 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 April, 2023, with it reported to the supervised authorities concerned on May, 2023. 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 2023 showed carbon dioxide density of 500-1000ppm, meeting the regulatory requirement of below 5,000ppm. 3. We undertook inspection/testing on December 16, 2023 during annual maintenance period, and commissioned qualified consulting companies to inspect/test our high voltage power system in March and September 2023, 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 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 and non-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 07, 2023.
Medical care professionals provide services on the spot	<ol style="list-style-type: none"> 1. Beginning 2023, 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.

- **Occupational safety and accident incidents:** There were no occupational safety or accident incidents in 2023 (Note: Davicom has been established for 28 years and has never had any occupational safety or accident incidents).

- **Employee health management measures**

Level	Item	Details
During the Pandemic	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.
	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.
	Visitor management	Decline visitors during severe pandemic conditions; ask visitors to register and decline unnecessary visits when pandemic is eased.
	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	Physical checkup	Mandatorily have every employee receive a physical checkup at large hospital every year.
	Sports and Recreation	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. Setting Happy Farm.
	Happy Farm	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.

6.5 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 internal communication channels

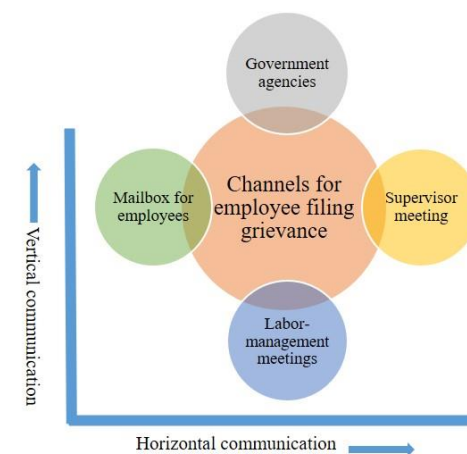
Mode	Explanation
Corporate internal information web portal	The web portal is a platform for internal transfer of information and communications to let employees quickly obtain information including announcement, regulations and rules, reservation for using resources, collaboration.
Labor-management meetings	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.

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, chairman confers mementos to them and employees get together to bless them.



▲ Employee grievance mechanism

6.6 Human Rights and Tolerance

■ 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.	Organize annual health check-ups, weekly meal subsidies, team-building activities, travel subsidies, birthday celebrations, birthday vouchers, and club subsidies.
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.	1.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. 2.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.

■ Non-discrimination

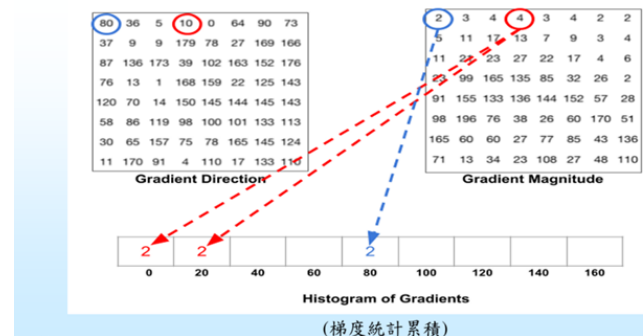
Under no circumstances shall any discriminatory words, actions, or decisions be made based on race, gender, religion, sexual orientation, age, disability, nationality, or any other personal characteristics. Davicom treats all directors and employees with fairness and equality, respecting each person's uniqueness and ensuring that no one is subjected to unjust treatment or evaluation due to personal characteristics. The company's operations are founded on the values of diversity, equality, and inclusion, promoting social diversity and integration.

Item	Specific Content and Implementation Results on Diversity, Equality, and Inclusion:	
Board of Directors	Davicom emphasizes gender equality in the composition of the board of directors.	This term, the board consists of 7 directors, including 1 female director, with a gender ratio of 1:7.
Management	Davicom values gender equality in management and fairly promotes outstanding talents to department heads.	<ol style="list-style-type: none"> Based on employees' education, professionalism, character, contributions, and development potential, we promote outstanding female employees to supervisory positions. Currently, the heads of accounting and internal audit are female. Promotion: The principle of internal promotion to supervisory positions is upheld, with one person promoted in 2023.
General Employees	Davicom recruits talent based on expertise, without discrimination based on religion, nationality, characteristics, gender, or age.	<ol style="list-style-type: none"> Davicom recruits employees based on job expertise, with 51 male and 23 female employees. Male employees are primarily in engineering roles, while female employees are mainly in management roles. °
Labor-management Meeting	Davicom's labor-management meetings are jointly composed of labor and management, with a 1:1 ratio.	The labor-management meeting of Davicom consists of 5 labor representatives (3 women, 2 men) and 5 management representatives (0 women, 5 men).

Prohibition of Child Labor

Item	Specific Content and Implementation Results	
Child Labor	According to Article 44 of the Labor Standards Act, "Employees aged 15 but under 16 years old are considered child labor." Child labor often affects children's education, health, and development, potentially depriving them of educational opportunities and posing physical and psychological health risks.	<ol style="list-style-type: none"> Our company strictly complies with legal regulations and does not employ children under 16 for labor. Our company has been established for 27 years and has never employed any child labor. The nature of our company's business is highly specialized and not suitable for child labor.

HOG : Histogram of Oriented Gradients





CHAPTER 7

Realization of Social Prosperity

- 7.1 Smart Mobility, Great Future Summit
- 7.2 Participate in Sustainable Development of Education
- 7.3 Participate in Sustainable Development of Culture and Art
- 7.4 Participate in Sustainable Development of Golf
- 7.5 Participate in Sustainable Development of Industry

Associations

7. Realization of Social Prosperity

As a responsible enterprise, we always insist on the concept of sustainable development and lay emphasis on balanced development in terms of economic, social and environmental consideration. We think that the enterprises have to consider more than their profitability, but also consider their social and environmental responsibilities, and at the meantime attend to social welfare and environmentally sustainable development along with creating economic benefits.

7.1 Smart Mobility, Great Future Summit

Following the 2022 Smart Mobility, Great Future Technology Exhibition and International Forum at the Nangang Exhibition Hall, the 2023 Smart Mobility, Great Future Summit Forum was held on September 8 at the Taipei Campus of National Chiao Tung University. Davicom provided strong support for this forum, which reported to the public concerned with AI technology development in the field of smart transportation: According to the IPCC report, transportation emissions are a major contributor to greenhouse gases, accounting for about 14% of annual greenhouse gas (including non-CO2) emissions, and 1/4 of fossil fuel CO2 emissions also come from the transportation industry. The development of smart transportation is urgent, and the electric vehicle industry will become a driving force in creating Taiwan's next "guardian mountain."

大交通 大未來 Smart Mobility ► GREAT FUTURE 高峰論壇



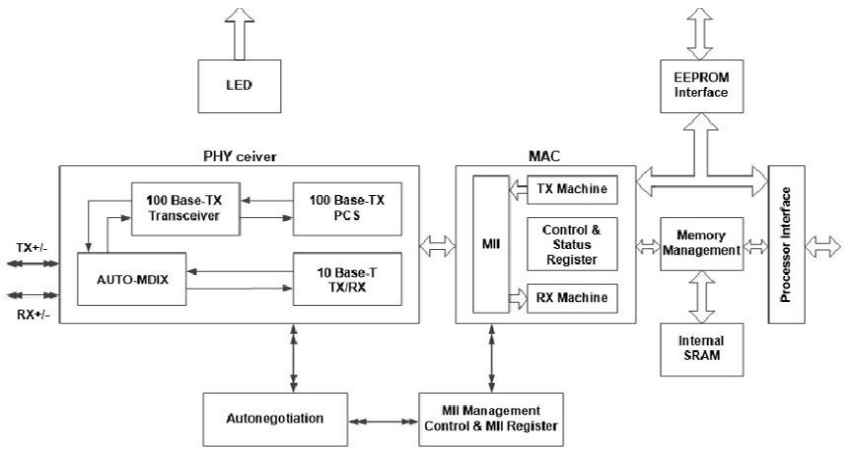
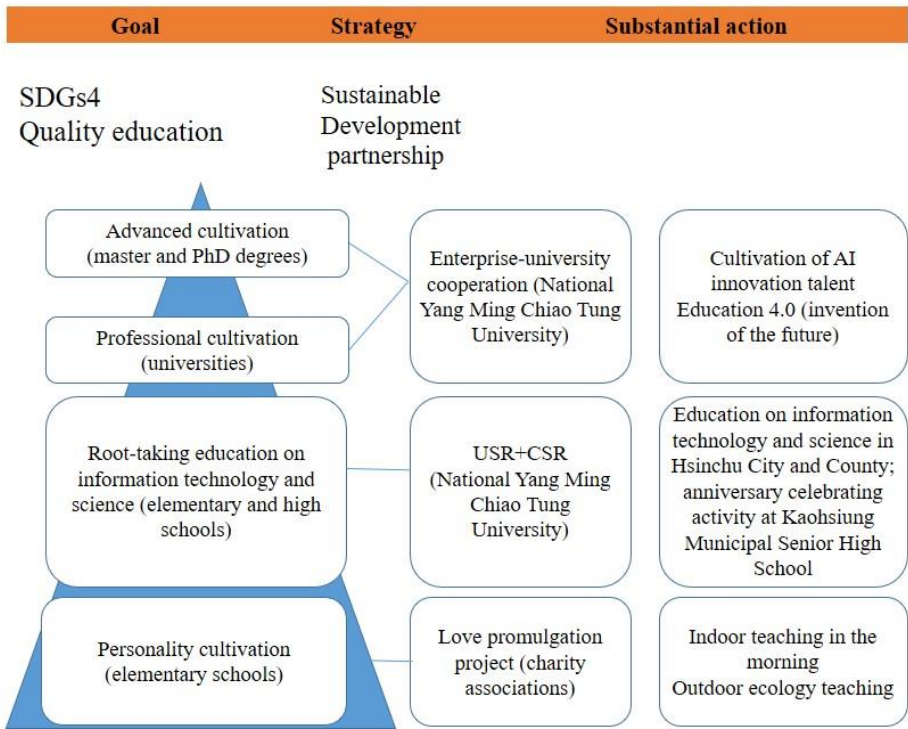
| 論壇時間：2023年9月8日(五) 9:30-16:50

| 論壇地點：國立陽明交通大學台北北門校區(北門郵局4樓EMBA教室)

(台北市中正區忠孝西路一段118號)

7.2 Participate in Sustainable Development of Education

Davicom extends its sustainability goals to SDG 4 (Quality Education). In addition to continuing to cultivate the nation's scientific and technological talents through higher education, we also work with partners to root information technology education in Taiwan's elementary and secondary schools, and further collaborate with local public welfare organizations in eastern Taiwan to extend corporate care to society in elementary schools.



■ **Universities and Graduate Schools – Continuously cultivating the high-tech talents needed by the industry**

Partners	Collaboration Methods	Content
National Yang Ming Chiao Tung University	Scholarship	Davicom Semiconductor Inc.- New Student Scholarship at Chiao Tung University
	Industry-Academia Collaboration	Summer camps since 2014
	Corporate Forum	Engineers are assigned to provide classroom guidance

■ **Middle School Stage – STEM Education**

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

Given the severe long-term challenges faced by the business world in competing with future new technologies, coupled with the impact of AI on educational learning, learning methods are undergoing significant changes. STEM is an unavoidable need of the times. To address the overly abstract nature of the 108 Curriculum Guidelines in STEM, Davicom, in collaboration with the top ten alliance companies, donated hands-on materials to enable middle school students to fully understand complex mathematical and scientific concepts through hands-on activities, making these subjects less intimidating.

內容和理論
若沒有有效的呈現方法，
這種教學就失靈了。

■ **Elementary School Stage – Life Education**

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



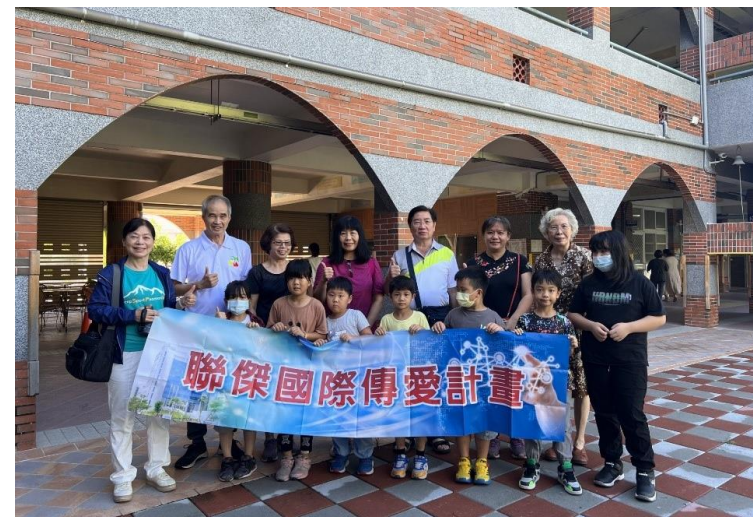
Performance in life education in Guanshan Elementary School in the first half of 2023

Grade	Teaching materials	Class	Number of persons	Number of teaching times	Person-time
Grade 1	Among people (first-level), obedience	2	48	10	480
Grade 2	Among people (mid-level), forgiveness	2	47	10	470
Grade 4	people and life (first-, mid-, high-level)	2	47	16	752
Grade 5	Emotional management	2	52	16	832
Grade 6	Setting sail of youth	3	61	13	793
Total		11	255	65	3327



Performance in life education in Guanshan Elementary School in the second half of 2023

Grade	Teaching materials	Class	Number of persons	Number of teaching times	Person-time
Grade 1	Oneself and other people (first-level), dedication	2	52	10	520
Grade 2	Oneself and other people (mid-level), thanksgiving	2	49	10	490
Grade 4	People and environment (first-, mid-, high-level)	2	47	16	752
Grade 5	Disposal of problems	2	47	17	799
Grade 6	Setting sail of youth	2	53	17	901
Total		10	248	70	3762



7.3 Participate in Sustainable Development of Culture and Art

Dr. Hao Ting, Chairman of the company, has taken concrete actions to support the crowdfunding project of the Contemporary Legend Culture and Art Foundation, actively contributing to the development of Taiwan's social culture and arts. Through the foundation's platform, artists can promote the creation, performance, and exhibition of traditional and modern drama, dance, and audiovisual performing arts, and are committed to cultivating outstanding performing arts talents to promote the sustainable development of local cultural arts, infusing contemporary society with a rich cultural and artistic atmosphere.

Over the next decade, as Taiwan's industry moves towards AI and semiconductor development, the social climate will increasingly favor science and engineering over the humanities. Cultural giants such as opera master Wu Hsing-Kuo and dancer Lin Hsiu-wei are concerned about the talent gap in cultural and artistic fields. Reflecting on past approaches centered on the artist's perspective, such as creativity and dreams, they now believe that cultural and artistic heritage has become the most important development goal. In other words, they are no longer preoccupied with individual or group challenges but are focused on how to sustain Taiwan's performing arts ecosystem in the long term.

To bring culture and art closer to life, "Contemporary Legend" has established a presence at the Banqiao 435 Art Zone, where the services provided are not limited to art but encompass aesthetic living. This platform aims to integrate multiple cultures into the system, not only preserving the past but also keeping pace with the evolution of the times. This includes combining tradition with technology. The platform's debut of the fully immersive exhibition "Water Margin Trilogy: The Crushing the Rebels" received widespread acclaim from the public.

The "Crushing the Rebels" fully immersive experience exhibition, co-organized by "Contemporary Legend" and "Science and Culture Fusion," finally realized everyone's imagination with five-screen panoramic projection, giving traditional theater performances a brand-new look. Within two months of its premiere three years ago, it achieved remarkable success with over a hundred performances.

【Excerpt from Mr. Chang Dachun's Recommendation】

Thus, The Crushing the Rebels is no different from any traditional drama. There are no innovative twists to manipulate; the audience not only understands the hero's downfall but also recognizes that it stems from the lure, deception, and oppression of power. When a play offers neither suspense nor surprise in its plot, nor any psychological depth to explore, what remains?

地址：新北市八里區龍米路一段458號17樓
核准字號：新北文發字第1100258905號
法人登記：110 證券字第 000002 號
登記簿：109 冊 19 頁第 2189 號
統一編號：91163636
服務電話：(02)2392-3868

Contemporary Legend Culture and Art Foundation
當代傳奇 財團法人新北市文化藝術基金會

當代傳奇文化藝術基金會
NO: 230047
日期：2023 年 9 月 20 日

Donation receipt.

捐款者 Name	郵政 Address	捐款方式 Payment	收據地址 Address
金額 Amount	新臺幣：壹拾萬元整 (NTD\$: 100,000)		
備註 Memo		捐款用途 Purpose	李國在此募款案

董事長： 執行長： 經手人：

元豐銀行(017)南台北分行 帳號：030-09-02422-9 戶名：財團法人新北市當代傳奇文化藝術基金會
(本收據可供您做為所得稅列單扣除之用，可扣除捐贈總額以綜合所得總額百分之二十為限，營利事業可供證明當年之費用支出，捐贈總額不超過所得總額百分之十範圍內，可以核實作為捐贈費用減除)



7.4 Participate in Sustainable Development of Golf

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



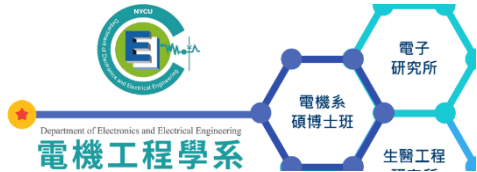
We adopt LBG (London Benchmark Group) global standards to assess performance in our social investment.

Topic and description	Output	Link	Hike	Change
<p>Topic: Cultivation of talent of ball games</p> <p>We participate in High Tech Charity Association (as a co-founder) in a bid to combine high-tech partners having consensus to offer charity funds. High Tech Charity Association is a cradle of talent of various ball sports and players can progressively develop their capabilities from training to participation in competition based on their career planning, a process of creating themselves.</p>	<p>There were significant achievements in cultivation of young amateur golfers within these eight years (2016-2023), with tens of champions coming out from Future Challenge golf tours. (Win for the first time so far in life)</p>	<p>The talent cultivation is linked to main professional (amateur) golf open tours around the world in a bid to create life values for sports talent.</p>	<p>Future Challenge golf tours offer opportunities for golfers to observe other players' performance, learn their advantageous skills and increase actual competition experience to hike overall skill level of Taiwan golfers.</p>	<p>More than 30 golfers finished their participation in Future Challenge golf tours in eight years (2016-2023) and have shifted to golf tours in Asia, Middle America and Taiwan to take higher challenges.</p>



7.5 Participate in Sustainable Development of Industry Associations

Davicom, adhering to the principle of advancing together, actively participates in industry associations and organizations, leveraging collective strength to continuously contribute to the development of Taiwan's semiconductor industry, the continued education of corporate managers, and the cultivation of ICT professionals.

Association Name	Corporate Logo	Membership Number	Member Name
Taiwan Semiconductor Industry Association		0127	DAVICOM Semiconductor, Inc.
Chinese Professional Management Association of Hsinchu		—	DAVICOM Semiconductor, Inc.
National Chiao Tung University Electrical and Computer Engineering Alliance		—	DAVICOM Semiconductor, Inc.

Appendix

Appendix 1. GRI Content Index

Statement of use	We publish our 2023 sustainability report in compliance with GRI (Global Reporting Initiative) Standards, with data spanning the period from January 1 to December 31, 2023.			
GRI 1 Version	GRI 1 : Foundation 2021			
Applicability of GRI Sector Standards	None			
GRI 2				
Indicator	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
Organization and reporting				
2-1	Organizational details	1.5 Sustainable Development Goals		12-14
		2.1 Company Profile		16-17
2-2	Entities included in the organization’s sustainability reporting	Editorial Policy		2
2-3	Reporting period, frequency and contact point	Editorial Policy		2
2-4	Restatements of information	No mergers or acquisitions, no changes in the reporting period, business nature, or measurement methods.	None	
2-5	External assurance	Regulations: The company will achieve assurance by 2028.	None	
Activity and worker				
2-6	Activities, value chain and other	1.5 Sustainable Development Goals		12-14

	business relationships	4. Enhance Cooperation among Value Chains		51-60
2-7	Employees	6.1 General Conditions of our Employees		75
2-8	Workers who are not employees	6.1 General Conditions of our Employees		75
Governance				
2-9	Governance structure and composition	3.2 Governance system		31-38
		3.2 Governance System : Sustainability Committee		37
2-10	Nomination and selection of the highest governance body	3.2 Governance System : Board of Directors and Functional Committees		32-33
2-11	Chair of the highest governance body	3.2 Governance System : Board of Directors and Functional Committees		32-33
2-12	Role of the highest governance body in overseeing the management of impacts			
		3.2 Governance System		31-38
2-13	Delegation of responsibility for managing impacts	3.2 Governance System		31-38
2-14	Role of the highest governance body in sustainability reporting	1.1 Sustainability Committee		4-5
2-15	Conflicts of interest	3.2 Governance System : Management of conflict of interest		36

2-16	Communication of critical concerns	3.2 Governance System : Management of conflict of interest		36
2-17	Collective knowledge of the highest governance body	3.2 Governance System: Board of Directors and Functional Committees: Diversification of the board of directors		34
2-18	Evaluation of the performance of the highest governance body	3.2 Governance System: Board of Directors and Functional Committees: Evaluation of board of directors' performance		35-36
2-19	Remuneration policies	3.2 Governance System: Compensation for Directors		35
2-20	Process to determine remuneration	3.2 Governance System: Board of Directors and Functional Committees: Compensation Committee		37
2-21	Annual total compensation ratio	3.2 Governance System: Compensation for Directors		35
Strategy, policies and practice				
2-22	Statement on sustainable development strategy	1.1 Sustainability Committee		4-5
		3.1 Promoting Strategies		29
2-23	Policy commitments	1.5 Sustainable Development Goals		12
2-24	Embedding policy commitments	3. Strengthen Corporate Governance		28
2-25	Processes to remediate negative impacts	4. Enhance Cooperation among Value Chains		51
		5. Measures in Response to Climate Changes		61
		6. Realization of Happiness in Workplace		74
		7. Realization of Social Prosperity		90

2-26	Mechanisms for seeking advice and raising concerns	Editorial Policy		2
2-27	Compliance with laws and regulations	3.3 Integrity Management 3.4 Realization of Risk Management		39-41 41-43
2-28	Membership associations	7.5 Participate in Sustainable Development of Industry Associations		97
Stakeholder engagement				
2-29	Approach to stakeholder engagement	1.3. Stakeholder Communication Channels and Concern Issues		5
2-30	Collective bargaining agreements		None	
GRI 3				
Indicator	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
3-1	Process of determining material topics	1.4 Identification of Material Topics		7
3-2	List of material topics	1.4 Identification of Material Topics		7
3-3	Management of material topics	3. Strengthen Corporate Governance		28
		4. Enhance Cooperation among Value Chains		51
		5. Measures in Response to Climate Changes		61
		6. Realization of Happiness in Workplace		74
		7. Realization of Social Prosperity		90

Indicator	Disclosure requirements	Chapters or explanation of report	Omission explanation	Page number
Material topics				
Innovation R&D				
3-3 Management of material topics		Innovation R&D		
Self-determined by DAVICOM Semiconductor	4. Enhance Cooperation among Value Chains			51-60
	4.1 Innovation R&D and Services			52-54
	4.1 Innovation R&D and Services - Management framework for innovation R&D			53-54
Employees' health				
3-3 Management of material topics		Employees' health		
GRI 403 (2018) Occupational Health and Safety GRI 410 (2016)	6.4 Wellness and Safety			85-86
	6.4 Wellness and Safety -2023 execution concerning labor safety and health			85
	3.4 Realization of Risk Management - Infectious disease risks: Continue infectious disease preventive measures and management			43
Risk Management				
3-3 Management of material topics		Risk Management		
GRI 2 13-19	3.1 Promoting Strategies			29-30
	3.4 Realization of Risk Management			41-43
	4.4 Sustainable Suppliers			58-60
Labor-management relations				
3-3 Management of material topics		Labor-management relations		
GRI 402	6.2 Talent Cultivation - Human resources policies			76
	6.5 Labor-management Communication			86-87
	6.6 Human Rights and Tolerance			87-89
Material topics				
Emissions of greenhouse gases				
3-3 Management of material topics		Emissions of greenhouse gases		

GRI 305 (2016)	5.1.1 Carbon Emission Management			62-65
	5.1.1 Carbon Emission Management- 2023 Scope 1 Greenhouse Gas Emissions Statistics - Seven Major Emissions Categories			63
	5.1.1 Carbon Emission Management-Scope 3: analysis of emission density			65
Client privacy				
3-3 Management of material topics		Client privacy		
GRI 418 (2016)	4.3 Client Relationship Management			57
	4.3 Client Relationship Management - Benefit-sharing business model			57
	4.3 Client Relationship Management - Protect client privacy 、 Handling of client complaints			57
Information security				
3-3 Management of material topics		Information security		
GRI 2 13-29	3.1 Promoting Strategies - Definition and management goals			30
	3.2 Governance System - Our important committees			31
	3.7 Management for Information and Communication Security			50
Supply chain management				
3-3 Management of material topics		Supply chain management		
GRI 308 GRI 414	4.4 Sustainable Suppliers			58-60
	4.4.1 Carefully select partners			58-59
	4.4.2 Supplier management			59-60

General waste				
3-3 Management of material topics		General waste		
GRI 305	5.1 Climate Action			62-65
	5.1.1 Carbon Emission Management			62-65
	5.3 Product Environmental Footprint			69-72
Compensation and welfare				
3-3 Management of material topics		Compensation and welfare		
GRI 401 GRI 401-2 (2016)	6.1 General Conditions of our Employees			75
	6.3 Compensation and Welfare			80-84
	6.3 Compensation and Welfare - Employee benefit measures			82-84

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

Disclose topics	Indicator number	Disclose content of indicators	Attribute	Corresponding chapters or explanation
Product safety	HL-PR-120a.1	Effectiveness of product safety management system	Qualitative	Reference 4.2 Responsible Production and Consumption: Quality management
	HC-PR-120a.1	Items and process of product testing and how to ensure product safety and compliance with the regulations concerned for products	Qualitative	
	HC-PR-120a.2	For us, how to ensure compliance with the regulations and standards concerned for our products	Qualitative	
Diversified employees	LC-FA1304a-01	Particularly for executive teams and key job positions, proportions of all employees for active female employees and employees belonging to minority ethnic groups and, in addition, we give equal opportunities to those people and take actions to diversify background of employees.	Qualitative	Reference 6.1 General Conditions of our Employees, 6.2 Talent Cultivation - Human resources policies
Supply chain management	TC-HW-430a.1	Our technology innovation as well as R&D expense and/or R&D investment as a percentage of consolidated revenues	Quantitative	Reference 4.1 Innovation R&D and Services: Technology and R&D
	TC-HW-410a.3	Our R&D expense and/or R&D investment as a percentage of total assets	Quantitative	
Greenhouse gas emissions	TR-MT-110a.1	Scope 1 emissions	Quantitative	Reference 5.1.1 Carbon Emission Management: Carbon inventory-Scope 1
	TR-MT-110a.2	Scope 2 emissions	Quantitative	Reference 5.1.1 Carbon Emission Management: Carbon inventory-Scope 2
Environmental footprint of products	TC-EN-120a.1	Reveal influence of the process of product production and life cycle management on environment	Qualitative/quantitative mixed	Reference 5.3 Product Environmental Footprint
Sources of materials	TC-MT-120a.1	Assess our performance in managing procurement of raw materials from suppliers as well as the transparency of such supplies	Qualitative	Reference 4.4 Sustainable Suppliers: Carefully select partners
Indicators of activities	TC-HW-000.A	Evaluate how enterprises manage hardware security risks, ask enterprises to disclose information on framework and procedures of their physical security risk management as well as their monitoring physical security, disposing of physical security events and emergency responsive plans	Qualitative	Reference 3.7 Management for Information and Communication Security
	TC-HW-000.B	Evaluate how enterprises manage hardware security risks, ask enterprises to disclose safety functions and design characteristics of their products as well as how they integrate safety functions with product development processes and provide clients with information and training related to hardware security	Qualitative	Reference 4.3 Client Relationship Management
	TC-HW-000.C	Evaluate measures adopted by enterprises in managing hardware security risks	Qualitative	Reference 4.4 Sustainable Suppliers

Appendix 3. Comparison table of the TEN Principles of the UN Global Compact

Categorization	10 principles	Chapter	Page number
Human rights	Enterprises should support and respect internationally recognized human rights protection	4.4.1 Carefully select partners	58-59
	Ensure that we never engage in activities violating human rights	4.4.1 Careful selection of partners: Labor, safety and health, maintenance of ethical regulation	58-59
Labor	Enterprises should maintain freedom of assembly and association and firmly recognize right of collective bargaining.	6.6 Human Rights and Tolerance: Respect labor rights and interests	87-88
	Eliminate any type of forced labor and compulsory labor	6.6 Human Rights and Tolerance: Respect labor rights and interests	87-88
	Completely abolish employment of children	6.6 Human Rights and Tolerance: Prohibition of Child Labor	89
	Eliminate discrimination related to employment and occupation	6.6 Human Rights and Tolerance: Non-discrimination	89
Environment	Enterprises have to support adoption of preventive methods for coping with environmental challenges.	3.6 Understanding of Climate Change Risks and Related Opportunities	46-49
	Take initiative actions to prompt more responsible environmental response	3.6 Understanding of Climate Change Risks and Related Opportunities: Identification result of Climate Change Risks and Related Opportunities	46
	Encourage development and boost environmentally friendly technologies	4.1 Innovation R&D and services	52-54
Anti-corruption	Enterprise should make efforts to resist any type of corruption, including blackmail and bribery.	3.3 Integrity Management: Professional ethics and anti-corruption	40

