

Code : 6533



Andes Technology Corporation

**2022
ESG Report**

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About this Report

Andes Technology Corporation (from now on referred to as Andes) has prepared its 2022 Sustainability Report (ESG Report) by GRI Guidelines, SASB Sustainability Indicators, and the climate-related financial disclosure recommendations disclosed by TCFD's guidelines. In this sustainability report, Andes presents the company's management and actual impact on the environmental, social, and economic aspects. The report covers corporate governance, environmental protection, a supportive workplace, and the execution of social engagement, providing stakeholders with comprehensive and transparent information on corporate sustainability.

Scope of This Report

The information disclosed in this report covers the period from January 1st, 2022, to December 31st, 2022, which is the same period as our annual report. The reporting cycle is annual, with the report being published on the company's official website in both Chinese and English versions. The scope of this report encompasses the key issues and tangible actions related to the company's corporate social responsibility and sustainability objectives in 2022. This includes the company's relationships with customers, employees, investors, suppliers, and the community, as well as the company's efforts in environmental protection and social engagement.

The information disclosed in the report covers the scope of Andes, including its headquarters in Hsinchu, branch office in Hsinchu, and Taipei office. The relevant financial data is sourced from Andes' 2022 annual report, which includes both consolidated and individual financial statements. These financial statements have been audited and verified by Ernst & Young Certified Public Accountants by International Financial Reporting Standards (IFRS), and the data is consistent with the information presented in the Company's annual report. The environmental and social category information pertains to Andes Technology Corporation's operations at its Hsinchu headquarters, Hsinchu branch office, and Taipei office.

Reporting Guidelines

This report is prepared in accordance with the latest 2021 version of the Sustainability Reporting Standards by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standards as the disclosure principles. A complete index, including GRI Standards and SASB, is provided for referencing the content of each chapter. Climate-related information is disclosed following the climate-related financial disclosure recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, the report writing takes into account the "Guidelines for the Preparation and Submission of Sustainability Reports by "Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports" and " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" issued by the Taiwan Stock Exchange, aiming to provide stakeholders with specific explanations of Andes' sustainability initiatives and their outcomes.

Contact Information

If you have any questions or suggestions regarding this report, please feel free to contact us. You can reach out to the responsible team using the following contact information:

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Phone: 03-572-6533

Company Website: <https://www.andestech.com/tw/>

Feedback Email: ir@andestech.com





A Word from Our Chairman

Andes Technology Corporation is committed to ongoing technological innovation, utilizing cutting-edge solutions to promote energy efficiency and reduce carbon emissions.

We remain dedicated to our corporate sustainability mission, actively supporting green energy initiatives and environmental conservation for a more sustainable and eco-friendlier planet.

In the fiscal year 2022, as the global COVID-19 pandemic gradually subsided, countries began to reopen their borders, and various promotional activities and seminars slowly transitioned back to in-person events. Since the beginning of 2023, economic vitality has made a significant recovery, with various sectors, including industry, agriculture, and commerce, resuming physical operations. To return to pre-pandemic levels of activity, Andes Technology Corporation and its dedicated team have embraced a mindset of cautious optimism and proactive development.

Throughout this period, Andes continued to focus on technological innovation, introducing a range of low-power consumption products. By collaborating with the global RISC-V community and engaging in the entire ecosystem, we have remained committed to a technology-driven, energy-efficient approach, contributing to carbon reduction in our pursuit of progress.

Since its establishment in 2005, Andes has been dedicated to developing microprocessor IP cores based on its proprietary architecture V3, and the open-source RISC-V architecture. We have designed and released up to forty microprocessor IP cores, all with a fundamental focus on reducing power consumption, saving energy, and enhancing computational efficiency. Through analysis, it has been determined that approximately 70% of these microprocessor IP cores can achieve power savings of 10% to 40% compared to equivalent products from competitors. This represents a significant energy-saving contribution to society, something we take pride in and which genuinely helps reduce energy consumption for the planet.

As a responsible member of society, Andes is committed to making a positive impact on climate issues and demonstrating our dedication to sustainability. We will continue to leverage our technological and operational capabilities to improve energy efficiency, reduce power consumption in our products, and promote ESG (Environmental, Social, and Governance) practices among our entire team. Our commitment to ESG principles in our operations and our dedication to fostering innovation for our customers align with our shared efforts to promote energy efficiency and carbon reduction.

Looking to the future, Andes will continue to work on corporate governance

Integrity and honesty form the bedrock of Andes' sustainable development spirit. Looking back over the years, since our listing on the Taiwan Stock Exchange in March 2017, Andes has been recognized with numerous prestigious awards and accolades. In October 2017, we were honored with the ASPA Excellence Prize from the Asian Science Park Association. In May 2020, AI Global Media awarded us the "2020 Most Outstanding Embedded Processor IP Supplier." In November of the same year, our AndesCore™ NX27V received the "Annual Outstanding Product Performance Award" from the ASPENCORE Media Group. In December 2020, the AndesCore™ NX27V was granted the "Excellent Company Innovative Product Award" by Hsinchu Science Park. In September 2021, we received the "Potential Middle and Large Enterprise Award" from the Ministry of Economic Affairs. In November 2021, we were honored with the "Featured IoT Cybersecurity Chip Supplier Award" by EE Times / EDN. In November 2022, the ASPENCORE Media Group recognized us with the "Annual Outstanding Innovation Award." In December 2022, our 45MP series product was granted the "Annual Best IP / Processor Award" by EE Times / EDN. Most recently, in March 2023, our AndesCore™ N25F-SE received the "Best in Show Award" in the Processing & IP category from Embedded Computing Design.

All these accolades serve as a testament to Andes' outstanding technological innovation capabilities and our significant contributions to advancing industries globally.

Looking ahead, Andes will continue to drive corporate governance and streamline research and development efforts. We are committed to making a substantial contribution to the global digital transformation, enabling humanity to use less energy in its activities, achieve greater technological advancements, and support green energy and environmental conservation. Our goal is to facilitate sustainable development on this beautiful blue planet.

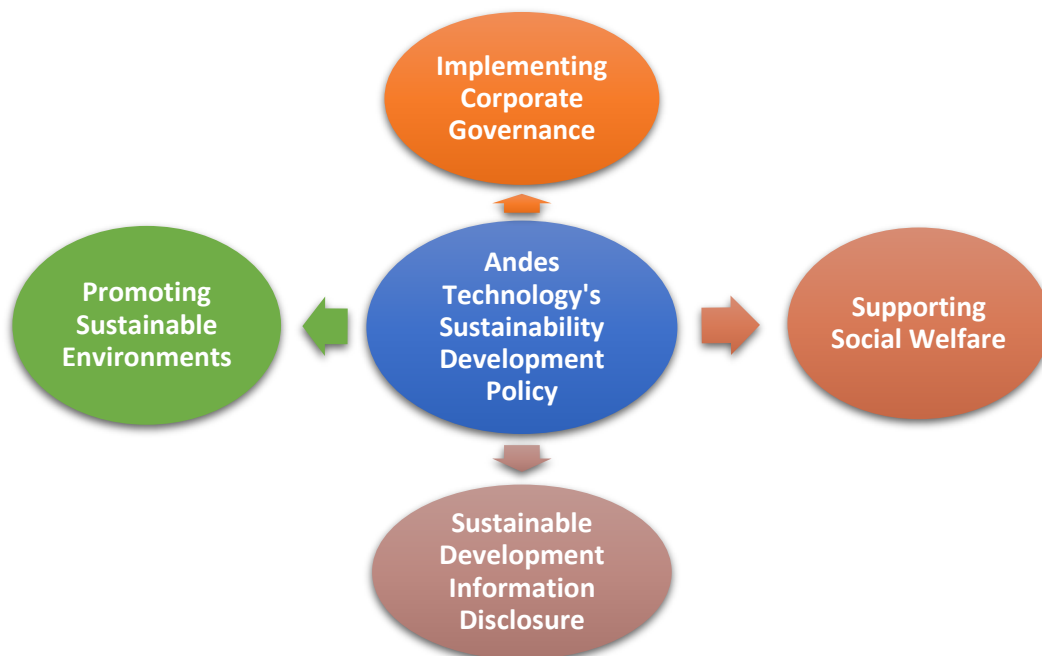
Chairman of Andes Technology
Frankwell Lin



Andes Technology's Corporate Sustainability

Corporate sustainability is the principle of balancing the priorities of shareholders, employees, suppliers, and customers, while also considering the well-being of society and the environment. This approach entails engaging in community activities, practicing financial transparency, communicating effectively with all stakeholders, and prioritizing environmental protection. It has become an important global perspective that companies adopt while pursuing growth.

In recent years, Andes has been actively practicing corporate sustainability. We have consolidated our core values, established a gradual plan to implement corporate social responsibility, rigorously executed corporate governance, shown care for our employees, protected the environment, and engaged in social welfare. To fulfill our corporate social responsibility and facilitate progress in the economic, environmental, and social spheres, Andes has formulated its "Sustainability Practices Guidelines" to manage the company's economic, environmental, and social risks and impacts. Our practice of corporate sustainability is guided by the following principles.



United Nations Sustainable Development Goals (SDGs)

The United Nations adopted the 2030 Agenda for Sustainable Development in 2015, which includes 17 Sustainable Development Goals (SDGs) and 169 associated targets. These 17 SDGs encompass various aspects, including environmental, economic, and social dimensions, demonstrating the scale and ambition of the sustainable development goals.

Andes has identified 14 priority SDGs to connect with, including:

- SDG 1: No Poverty – End poverty in all its forms everywhere.
- SDG 2: Zero Hunger – End hunger, achieve food security and promote sustainable agriculture.
- SDG 3: Good Health and Well-being – Ensure healthy lives and promote well-being for all at all ages.
- SDG 4: Quality Education – Ensure inclusive and equitable quality education and promote

lifelong learning opportunities for all.

- SDG 5: Gender Equality – Achieve gender equality and empower all women and girls.
- SDG 6: Clean Water and Sanitation – Ensure availability and sustainable management of water and sanitation for all.
- SDG 7: Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable, and modern energy for all.
- SDG 8: Decent Work and Economic Growth – Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- SDG 10: Reduced Inequality – Reduce inequality within and among countries.
- SDG 12: Responsible Consumption and Production – Ensure sustainable consumption and production patterns and promote a circular economy.
- SDG 13: Climate Action – Take urgent action to combat climate change and its impacts.
- SDG 15: Life on Land – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss.
- SDG 16: Peace, Justice, and Strong Institutions – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels.
- SDG 17: Partnerships for the Goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Andes is committed to aligning its efforts with these SDGs to contribute to the global agenda of sustainable development.

Andes aligns with the Sustainable Development Goals (SDGs) by setting the following sustainable development goals

Corporate Governance

We are committed to upholding legal compliance and adhering to ethical principles. We strengthen corporate governance and risk management to safeguard the rights of our shareholders. Our goal is to identify and mitigate corporate risks effectively, ensuring the integrity and sustainability of our operations.



- Advocating and providing educational training to enhance employee awareness of ethical values and compliance with integrity.
- Enhancing economic performance, including metrics such as gross profit margin, after-tax net profit, and earnings per share (EPS).
- Establishing a fair whistleblowing mechanism to prevent corrupt practices and ensure a clear reporting and complaint channel.

Environmental Protection

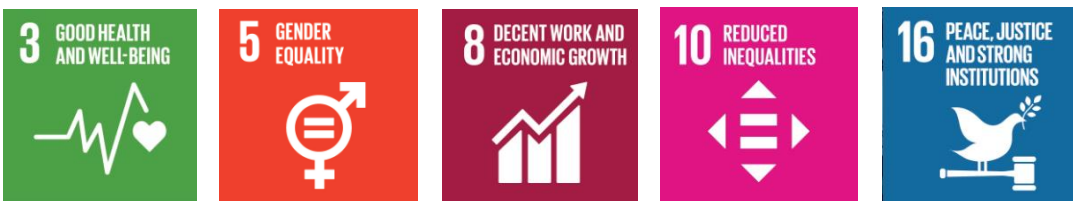
Investing in innovative research and development to introduce green products, collaborating with a sustainable supply chain, and focusing on energy conservation and carbon reduction while optimizing water resource management and enhancing energy efficiency.



- Formulating energy-saving and carbon reduction plans.
- Implementing electronic document systems (e-forms) to improve work efficiency, reduce paper usage, and minimize waste generation.
- Research and development of eco-friendly designed products.
- Ensuring that key suppliers sign supplier commitment agreements for responsible and sustainable practices.

Friendly Workplace

Ensuring employee rights and welfare, providing comprehensive talent training, and creating a safe and comfortable working environment.



- Creating a healthy and safe work environment.
- Maintaining employee diversity and equal opportunities.
- Increasing the average training hours for employee education and training.
- Prioritizing the physical and mental well-being of employees, establishing relevant clubs, and providing health-promoting services.

Community Engagement

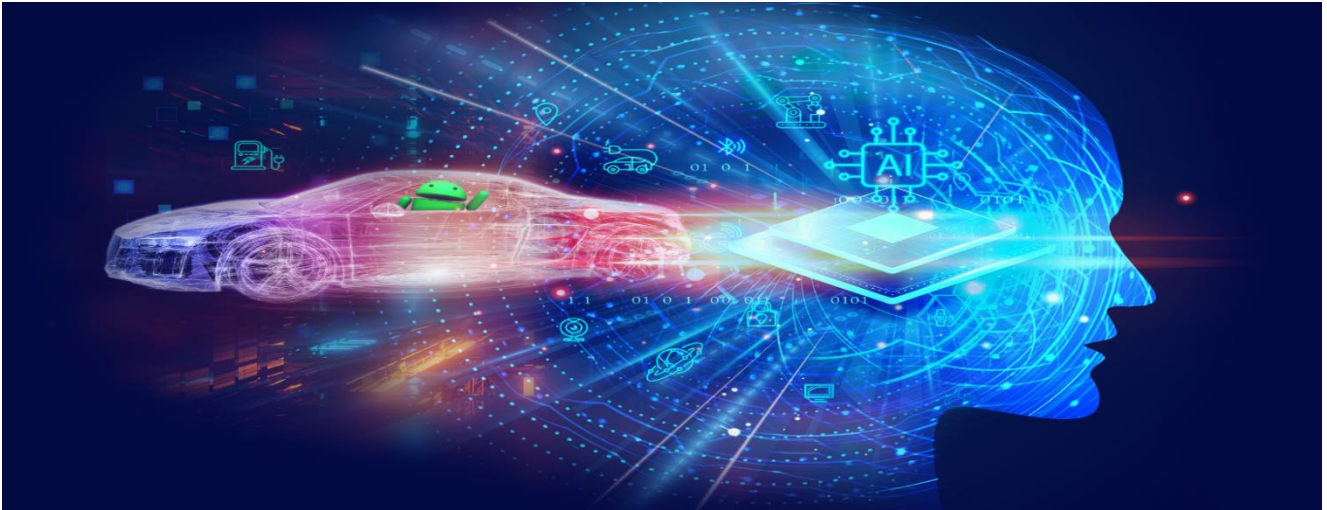
Continuous talent development, active participation in social engagement, caring for vulnerable groups, and supporting environmental initiatives.



- Involvement in industry-academia collaborations to nurture future industry talents.
- Sponsorship of social welfare initiatives and contributions to the community.



Sustainable of Andes Technology Corporation



1.1 Company Overview

Andes Technology Corporation was established on March 14, 2005, in Hsinchu Science Park, Taiwan. The company has its headquarters in Taiwan and operational locations in the United States, Wuhan, and Shanghai. It became listed on the Taiwan Stock Exchange (stock symbol: 6533) in March 2017. Andes' primary business is to research, design, develop, manufacture, and sell semiconductor intellectual property (IP) cores for embedded microprocessors, as well as related hardware, software development platforms, and toolchains. As the first professional CPU IP supplier in Taiwan, Andes is committed to designing and developing innovative, high-performance/low-power 32/64-bit embedded processors and corresponding system-on-chip development platforms that cater to the rapidly growing market of embedded systems applications worldwide.

The design of electronic products is becoming increasingly complex, and chip design companies are facing multiple demands such as expandability, flexibility, efficiency, cost-effectiveness, and energy efficiency for the development of next-generation products. The emergence of diverse consumer markets further complicates the design requirements, making it challenging to provide cost-effective solutions promptly.

Andes has developed an innovative configurable platform solution that enables customers to construct unique system architectures and software-hardware partitioning, resulting in design optimization at all levels. Leveraging the core competencies in processor technology, system architecture, operating systems, software development toolchains, and system-on-chip design, Andes works closely with customers and offers technical support to help them complete high-quality designs and reduce time-to-market.

Industry Chain Division Chart of the IC Industry :



About Andes Technology

- Date of Establishment: March 14, 2005
- Company Type: Listed on the Taiwan Stock Exchange Stock code: 6533
- Number of Employees: 323 (as of December 31, 2022)
- Capital: NT\$ 506,509 thousand (as of December 31, 2022)
- Revenue: NT\$ 931,821 thousand (for the full year 2022)
- Industry: Semiconductor, IC design
- Headquarters Address (Hsinchu): A1-4, 3F, NO.1, Li-Hsin First Road, Hsinchu Science Park, Hsinchu City, Taiwan
- Branch Office Address (Hsinchu): 10F., No. 1, Sec. 3, Gongdao 5th Rd., East Dist., Hsinchu City, Taiwan
- Operating Locations: Taiwan, Shanghai, Wuhan, the United States



Andes Milestones

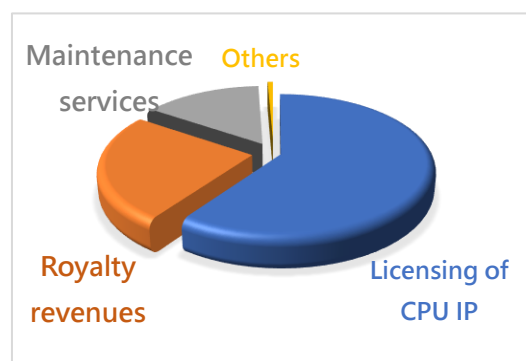
Year	Milestones
Mar, 2017	Listed on the Taiwan Stock Exchange (TWSE)
Mar, 2017	Announced AndeStar™ 32-/64 bit V5 digital signal instructions
May, 2017	Announced D15F and N15F processors, supporting Superscalar V3 architecture, DSP extension instructions, and floating point unit (FPU)
Oct, 2017	Won The “ASPA Excellence Prize” award
Nov, 2017	Announced the optimization for toolchains of BSP 4.2.0.
Nov, 2017	Announced AndeSight v3.1.0 STD/MCU/RDS
Dec, 2017	Announced platform IP AE300, supporting advanced AXI bus protocol
Dec, 2017	Announced 32-bit N25 Processors, with a 5-stage pipeline supporting V5 architecture
Dec, 2017	Announced 64-bit NX25 Processors, with a 5-stage pipeline supporting V5 architecture
Oct, 2018	Announced over 1.2 GHz RISC-V Cores Series at 28nm: A25/AX25 and N25F/NX25F
Mar, 2019	Announced N22, the smallest RISC-V core processor in its V5 Family.
Mar, 2019	Assisted to establish the RISC-V Alliance of Taiwan, and served as the vice chairman.
Apr, 2019	Announced D25F, the DSP core processor supporting RISC-V P-extension
May, 2019	Announced A25MP and AX25MP, multicore processors supporting RISC-V P-extension
Dec, 2019	Announced COPILOT v5.2, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Dec, 2019	Upgraded its membership in the RISC-V Foundation to Platinum
Jan, 2020	Announced ground-breaking 27-series processors, which contain high-performance memory subsystems
Jan, 2020	Announced the NX27V processor, supporting RISC-V Vector instruction extension (RVV)
Jan, 2020	Announced 45-series RISC-V core processors, equipped with high-end 8-stage superscalar pipeline
May, 2020	Became the Founding Premier member, BOD and Vice Chairman of the technical instructor committee in the RISC-V International Association (RISC-V Foundation).
May, 2020	AI Global Media Award “Most Outstanding Embedded Processor IP Supplier– 2020”
Aug, 2020	Announced COPILOT v5.3, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Nov, 2020	Announced new RISC-V processors: Superscalar 45-series with multi-core support and 27-series with Level-2 cache controller
Nov, 2020	Won the 2020 ASPENCORE World Electronics Achievement Awards (WEAA) in the Outstanding Product Performance of the Year
Dec, 2020	AndesCore™ NX27V won the Hsinchu Science Park “Innovation Award”
Dec, 2020	RISC-V Vector Processor NX27V is upgraded to RVV 1.0
Dec, 2020	Announced AndeSentry™ architecture, which is provided with the Security function
Feb, 2021	Announced COPILOT v5.4, supporting Streaming Port
Aug, 2021	Announced COPILOT v5.5, introducing an intrinsic function to support LLVM 10 and 12
Sep, 2021	Won the "Potential Taiwan Mittelstand Award" held by Minister of Economic Affairs with its unique and highly competitive technology
Nov, 2021	Won “Featured IoT Cybersecurity Chip Supplier” of 2021 EE Awards Asia hosted by EE Times and EDN. Its vector processor IP NX27V also won “Best EDA/IP of the Year” in the product category.

Year	Milestones
Dec, 2021	Frankwell Lin, Chairman and CEO, was awarded the “Outstanding Manager Award” by Professional Management Association of Hsinchu, Taiwan.
Dec, 2021	Dr. Charlie Su, President and CTO, won RISC-V Technical Contributor Award in recognition of his contribution as Vice Chair of the RISC-V International Technical Steering Committee.
Dec, 2021	RISC-V Vector Processor NX27V adds configuration to fully support 128-bit to 512-bit VLEN/SIMD/MEM
Jan, 2022	Annual shipment of SoCs embedded with Andes CPU cores reached 3 billion in 2021 which represents over 50 percent year-over-year growth. The cumulative shipments surpassed a remarkable record of 10 billion.
Feb, 2022	Announced AndeSight V5.1.0 STD/MCU/RDS
Mar, 2022	Announced a new version of RISC-V superscalar multicore A(X)45MP with upgraded specifications and performance
Jul, 2022	D25F/D45/NX27V processors revealed outstanding performance and efficiency in Mere Tiny
Oct, 2022	Announced the N25F-SE processor, the world first RISC-V CPU IP with ISO26262 full compliance
Nov, 2022	Announced the AndesCore™ AX60 series, an out-of-order superscalar multicore RISC-V processor family
Nov, 2022	A winner of the “Innovator of the Year” category at AspenCore World Electronics Achievement Awards (WEAA) 2022
Nov, 2022	AndesCore™ AX45MP won "RISC-V Japan 2022 Product Award" from RISC-V International
Dec, 2022	Announced AX45MPV, the world's first RISC-V multicore 1024-bit vector processor
Dec, 2022	A winner at EE Awards Asia 2022: superscalar processor 45MP series won "Best IP/Processor of the Year" in Taiwan, and integrated development environment AndeSight IDE V5.1 won "Best Development Tool" in Asia
Dec, 2022	Announced the AndesCore™ D23, a feature-rich, low-power and highly secured entry-level RISC-V processor
Mar, 2023	AndesCore™ N25F-SE received the Best in Show Award (Processing and IP category) from Embedded Computing Design
Mar, 2023	Andes Custom Extension™ (ACE) supports AndesCore™ 45-series processors to provide flexible acceleration

The main content of business operations and proportion

Unit: NT\$ thousand

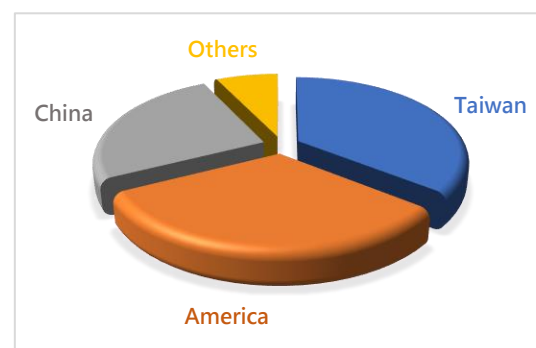
Main Products	2022	
	Amount	%
Licensing of CPU IP	557,351	60
Royalty revenues	229,725	25
Maintenance services	138,547	15
Others	6,198	-
Total	931,821	100



Regions of distribution for the Company's major products

Unit: NT\$ thousand

Regions	2022	
	Amount	
Taiwan	332,307	
America	297,050	
China	235,487	
Others	66,977	
Total	931,821	



Significant achievements

- The world's first RISC-V core, N25F-SE, fully compliant with ISO 26262 standards.
- Released the new version AX45MPV, a RISC-V superscalar multi-core with significantly upgraded specifications and vector processing performance.
- Introduced the highest-performance RISC-V superscalar out-of-order multi-core processor, AndesCore™ AX60 series.
- Announced the feature-rich, low-power, and highly secure entry-level RISC-V processor, AndesCore™ D23.
- Completed the integrated development environment AndeSight v5.2.0 STD/RDS.
- Andes Embedded achieved a total chip shipment of 12 billion units.

Vision

In today's fast-evolving world, technology is advancing at a rapid pace, bringing people and nations closer together. As responsible global citizens, Andes is committed to creating energy-efficient technologies that can benefit the world. We strive to apply Andes' high-performance, low-power processor cores to various embedded systems and encourage the adoption of energy-efficient solutions worldwide. Our goal is to improve the quality of life of people worldwide by promoting sustainable and eco-friendly practices.

Custom computation engines tailored for specific functions are becoming the latest trend in computing development. The rise of IoT, artificial intelligence, AR/VR, and 5G are all driving applications in this direction. In the RISC-V instruction set architecture, custom extension instructions play a crucial role. Since we inception, Andes has developed the ability to efficiently and quickly design custom extension instructions for its proprietary CPUs. As a founding member of RISC-V International, we have launched multiple series of commercial-grade RISC-V CPU cores, enabling us to rapidly adapt and meet the increasingly demanding needs of our customers. With its wealth of design know-how, Andes is well-positioned to maintain its leadership position in the RISC-V market and technology, becoming a trusted processor IP partner in the industry.

Membership qualification

Andes places great emphasis on participating in domestic and international associations and organizations to better understand the latest industry trends and enhance the quality of development tools and software research. This, in turn, enables the company to provide better services to its customers.

Since we inception in 2016, Andes has been an active member of RISC-V International and was promoted to Premier member status in 2020. As a founding member of RISC-V International, formed alliances with related companies such as UltraSoC (debug and trace IP), Imperas (software simulation and virtual platforms), Rambus, and more. We have attracted many companies in the automotive standards field to join after introducing products that support functional safety standards. These companies include Vector (AUTOSAR OS), FPT Software (AUTOSAR software services), Tasking (embedded product development tools), and others.

In 2019, Andes assisted in organizing the Taiwan RISC-V Alliance and served as the Deputy Director of the Alliance. This enabled the company to stay informed about the latest market trends and technologies. Apart from participating in RISC-V organizations, we also engage with other domestic and international organizations such as the Global Semiconductor Alliance. Through participation in global industry and supply chain seminars, the company collaborates with other players in the industry to address and resolve challenges facing the industry and promote its sustainable development.

Table: List of Andes' Association Participation

Andes Technology's participation in associations	
Domestic organizations	Taiwan Semiconductor Industry Association (TSIA) member
	Taiwan Internet of Things (IoT) Industry Technology Association member
	Taiwan RISC-V Alliance member
International organizations	RISC-V International Association Founding Premier Member
	GSA Global Semiconductor Alliance Member
	RISE (RISC-V Software Ecosystem) Member



1.2 Business Model, Products, and Technology Applications

Andes Technology's primary business model revolves around licensing CPU IP to IC design firms. The company generates revenue through License of CPU IP, Royalty, and Maintenance services and others. Typically, IC design firms pay an initial licensing fee, the amount of which varies according to the product, and then annual maintenance fees to access updated and maintained CPU IP and development tools. After the chips go into mass production, royalty fees are collected from IC design companies based on contract terms that are negotiated relative to their chip or product prices.

The Company is the first professional CPU IP supplier in Taiwan, dedicated to providing low-power and high-performance CPUs and peripheral Platform IPs, as well as necessary development tools and software. Our main products are:

- (1) License of CPU IP revenues, including:
 - a. AndesCore™: a series of configurable CPU core families and their Companion IP.
 - b. AndeSight™, an integrated software development environment that is an optimized tool for software/hardware development and debugging.
 - c. AndeStar™, an instruction set includes 16-bit and 32-bit mixed-length instructions.
 - d. AndeSoft™, the optimized targets running on AndesCore™ processors, including system software, driver, and middleware (hereinafter referred to as AndeSoft™).
 - e. AndeSentry™, safety protection architecture, including software and hardware solutions.
 - f. License fee: The Company has granted the licenses of our CPU IPs and Platform IPs to SoC design companies and charges the license fee based on the quantity used.
 - g. Custom Computing: Provides high-value CPU IP design and integration services according to customer needs.
- (2) Royalty revenues: customers use licensed CPU IPs to design SoC ICs. The Company collects royalties based on its sales volume after mass production.
- (3) Maintenance services and others: Maintenance fee is paid by customers every year to obtain CPU IP and development tool updates. "Others" refers to AndeShape™, an integrated hardware development environment including development platforms and Platform IPs that help customers quickly develop their SoC. It is mainly sold to customers and universities for research and development, chip debugging or teaching.


The Company continues to develop RISC-V CPU IPs that meet the needs of customers and market. In addition to the existing entry-level 32-bit N22, mid-range 25/27-series, and superscalar single-core and multi-core 45-series processors. Andes will also introduce the AndesCore™ AX60 series, the world's first 1024-bit RISC-V multicore vector processor AX45MPV, and the newly designed low-power and highly secured entry-level RISC-V processor AndesCore™ D23. The superscalar processor 45MP series won "Best IP/ Processor of the Year" in Taiwan, and the integrated development environment AndeSight IDE V5.1 won "Best Development Tool" in Asia. The company will keep speeding up the development of functional safety-compliant products such as N25F-SE, the world's first fully ISO 26262 compliant RISC-V CPU IP, D25F-SE, which supports DSP extension instructions, and the 45-SE series processors that meet the highest ASIL level, ASIL D. ACE function will be enhanced to add support for 45-series processors. Andes will also enhance the security functions for CPU and build a more complete hardware and software architecture. Meanwhile, we will be corporate with more partners to establish the Andes' ecosystem that facilitates the development of SoC. In addition, we will continue to develop more advanced CPU IPs and deep learning accelerator IPs that are more suitable for accelerating ML/AI algorithms.



1.3 Stakeholder Management



Andes maintains close and open communication with its stakeholders, embracing an open and diverse approach. We listen to various opinions to understand the genuine needs and expectations of our stakeholders and continuously strive for improvement to align with our principles of sustainable business operations. Through significant issue analysis with our stakeholders, Andes has formulated strategies and long-term goals for sustainability management. These strategies and goals not only serve as the basis for the preparation of sustainability reports and performance reviews but also drive continuous improvement within the organization, creating shared value for society and the company.

Identify and differentiate stakeholders

Andes adopts the five major principles from the AA1000 Stakeholder Engagement Standard, 2015 edition, to identify and differentiate stakeholders based on (1) dependency, (2) responsibility, (3) tension, (4) influence, and (5) diverse perspectives regarding their significance to the company. After a comprehensive assessment and scoring process, we have identified five main categories of stakeholders, which include shareholders and investors, employees, customers, suppliers, and government agencies.

Stakeholders	Importance	Issues	Communication Channel / Frequency
Shareholders and  Investors	Sustainable business practices have become a key consideration for investors. Andes Technology Corporation is committed to ethical operations and actively implements sustainable governance to secure long-term benefits for investors and shareholders.	<ul style="list-style-type: none"> ● Operational Performance ● Corporate Governance ● Company Outlook ● Risk Management ● Ethical Business Practices 	<ul style="list-style-type: none"> ● Annual General Meeting/Company Annual Report (Annually) ● Announcement of Financial Reports and Company Annual Reports (Quarterly) ● Regular Publication of Revenue Information on the Company Website (Monthly) ● Corporate Briefing Sessions (Quarterly) ● Major Announcements (Irregular) ● Establishment of Contact Points for Shareholders and Investor Relations for Two-way Communication (Irregular) ● Hosting Visits by Domestic and International Institutional Analysts (Irregular) ● Invitations to Participate in Domestic and International Forums (Irregular)

Stakeholders	Importance	Issues	Communication Channel / Frequency
 <p>Employees</p>	<p>Our employees are our most valuable assets, and we continuously innovate in IP design, making Andes a global leader in technology.</p>	<ul style="list-style-type: none"> ● Labor Relations and Human Rights ● Workplace Health and Safety ● Talent Recruitment and Retention ● Talent Development and Growth ● Compensation and Benefits ● Regulatory Compliance 	<ul style="list-style-type: none"> ● Annual Performance Review and Evaluation (Annually) ● Labor-Management Meetings/Employee Welfare Committee (Quarterly) ● Internal and External Education and Training (Irregular) ● On-site Health Consultations by Medical Professionals (Monthly) ● Personnel Announcements/Internal Employee Website/Sexual Harassment Complaint Channels/Reporting Workplace Incidents (Irregular)
 <p>Customers</p>	<p>Customers are our strategic partners, and we maintain a customer-centric approach. We develop various IP solutions and provide professional services, dedicated to assisting our customers in successful product development.</p>	<ul style="list-style-type: none"> ● Company Product Research and Development ● Product Applications ● Customer Relationship Management 	<ul style="list-style-type: none"> ● Annual Customer Satisfaction Surveys (Irregular) ● Organizing Domestic and International Technical Seminars/Conferences (Irregular) ● Responding to E-service Inquiries on the Company Website (Irregular) ● Visiting High-Level Customer Meetings (Irregular)

Stakeholders	Importance	Issues	Communication Channel / Frequency
 Suppliers	Suppliers are one of the operational partners, and through procurement actions, they convey the concepts of integrity, quality, and sustainable management.	<ul style="list-style-type: none"> ● Company Image ● Quality and Safety Assurance and Compliance Inspections ● Supplier Procurement and Management 	<ul style="list-style-type: none"> ● Supplier Evaluation (Annually) ● Email/Phone/In-Person Meetings (Irregular)
 Government	The government plays a crucial role as a policymaker and enforcer of sustainability-related policies. Andes Technology Corporation strictly adheres to regulations and cooperates with regulatory authorities to create a transparent, safe, and sustainable operating environment.	<ul style="list-style-type: none"> ● Ethical Business Conduct and Professional Ethics ● Regulatory Compliance ● Corporate Governance ● Corporate Social Responsibility 	<ul style="list-style-type: none"> ● Announcements on the Public Information Observation Website (Irregular) ● Correspondence with Government Authorities (Irregular) ● Establishing contact points to maintain good interaction with regulatory authorities (Irregular) ● Seminars/Advocacy Meetings (Irregular) ● Cooperation with regulatory authorities for supervision and audits (Irregular)

1.4 Material Topics

Stakeholder Engagement and Material Topics Assessment Process

Andes gathers sustainability-related topics from sources such as the United Nations Sustainable Development Goals (SDGs), industry norms and standards, and the organization's annual objectives. Through various stakeholder communication channels and regular/irregular interactions with stakeholders, the company assesses the impact of its operations on stakeholders and whether these Topics would have an impact on the company's operations. Taking into account the GRI guidelines, it compiles the topics of concern to stakeholders.

1. Collecting sustainability topics

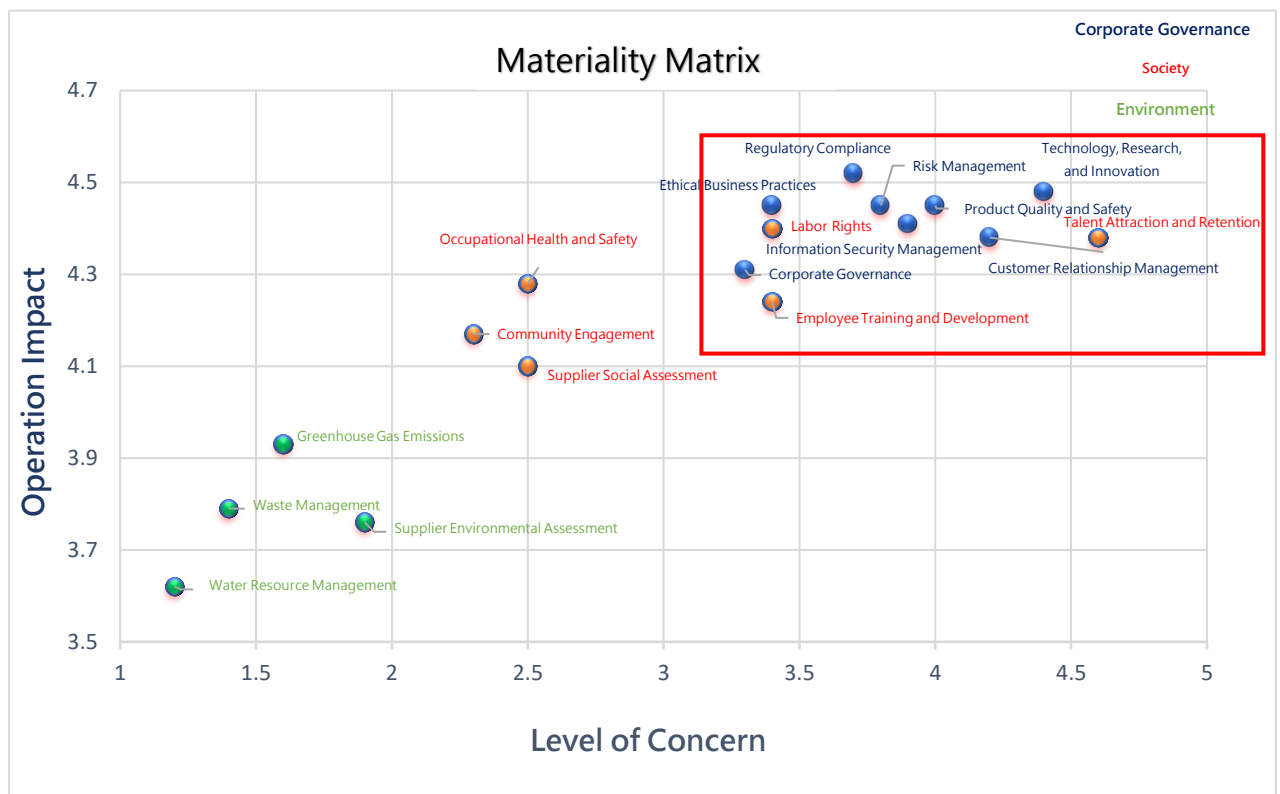
Based on the identification of stakeholders, the company distributed a questionnaire on key concerns to significant stakeholders to understand their levels of concern. A total of 31 responses were collected through various channels, and the feedback from different sources was summarized into 18 key material topics.

Environment	Society	Corporate Governance
<ul style="list-style-type: none"> ●Water Resource Management ●Greenhouse Gas Emissions ●Waste Management ●Supplier Environmental Assessment 	<ul style="list-style-type: none"> ●Occupational Health and Safety ●Talent Attraction and Retention ●Employee Training and Development ●Labor Rights ●Community Engagement ●Supplier Social Assessment 	<ul style="list-style-type: none"> ●Corporate Governance ●Ethical Business Practices ●Customer Relationship Management ●Technology, Research, and Innovation ●Product Quality and Safety ●Regulatory Compliance ●Information Security Management ●Risk Management

2. Organizing topics

Based on the issues of concern to stakeholders and discussions among the company's 29 management personnel, the 18 topics were ranked in a matrix according to their impact on Andes and the level of concern as feedback from stakeholders. From this analysis, 11 significant issues were identified, comprising 8 corporate governance-related issues and 3 social-related issues.

Among the issues with a smaller impact were topics such as water resource management, greenhouse gas emissions, supplier environmental assessment, and waste disposal. These topics were considered to have a lower impact on Andes because the company specializes in CPU IP design and does not have a manufacturing process associated with these issues. Consequently, the impact and level of concern in these areas were relatively minor.



According to the findings of this topic survey, Andes, and its relevant stakeholders have shown heightened concern in two areas surpassing other domains. Since Andes doesn't have physical products and factory operations, it can more effectively utilize its limited resources and manpower to ensure projects related to hazardous substance management, waste disposal, and energy usage meet the standards. At the same time, the company continues to emphasize corporate governance, human resources management, and social contributions to enhance the sustainability of its operations further. In these critical areas, Andes will strive to achieve sustainability goals and is committed to taking responsibility towards its employees, shareholders, customers, suppliers, and society as a whole, working together to create a better and sustainable future.

3. Material Issues and Andes' Value Chain

Material issues	Scope of Impact on Value Chain	Chapter	GRI Material Topics/ SASB Standards
Talent Attraction and Retention	<ul style="list-style-type: none"> Employee 	CH4 Friendly Workplace 5.1 Talent Incubation	<ul style="list-style-type: none"> GRI 202 Market Presence GRI 401 Employment GRI 405 Diversity and Equal Opportunity SASB Recruitment and Management of Global Professionals
Technology, Research, and Innovation	<ul style="list-style-type: none"> Shareholder Customer Employee 	1.1 Company Overview 1.2 Business Model, Products, and Technology Applications	<ul style="list-style-type: none"> Non-GRI Material Topic Non-SASB Topic
Customer Relationship Management	<ul style="list-style-type: none"> Shareholder Customer 	2.4 Integrity management 2.5 Whistleblowing System	<ul style="list-style-type: none"> GRI 418 Customer Privacy Non-SASB Topic
Product Quality and Safety	<ul style="list-style-type: none"> Customer 	1.2 Business Model, Products, and Technology Applications CH3 Environmental protection	<ul style="list-style-type: none"> GRI 416 Customer Health and Safety SASB Product Lifecycle Management
Information Security Management	<ul style="list-style-type: none"> Shareholder Customer Employee Supplier 	2.6 Information Security Management	<ul style="list-style-type: none"> GRI 418 Customer Privacy Non-SASB Topic
Risk Management	<ul style="list-style-type: none"> Shareholder Customer Employee Supplier Government 	2.7 Risk Management	<ul style="list-style-type: none"> GRI 102-15 Key impacts, risks, and opportunities Non-SASB Topic
Regulatory Compliance	<ul style="list-style-type: none"> Shareholder Customer Employee Supplier Government 	CH2 Corporate Governance	<ul style="list-style-type: none"> Custom Major Topics SASB Intellectual Property Protection and Competitive Behavior

Material issues	Scope of Impact on Value Chain	Chapter	GRI Material Topics/ SASB Standards
Labor Rights	<ul style="list-style-type: none"> Employee 	CH4 Employee-Friendly Workplace	<ul style="list-style-type: none"> ➤ GRI 402 Labor Relations ➤ GRI 406 Non-discrimination ➤ GRI 412 Human Rights Assessment ➤ Non-SASB Topic
Integrity Management	<ul style="list-style-type: none"> Shareholder Customer Employee Supplier Government 	2.4 Integrity management 2.5 Whistle-blowing System	<ul style="list-style-type: none"> ➤ GRI 205 Anti-Corruption ➤ GRI 206 Anti-Competitive Behavior ➤ Non-SASB Topic
Training and Development	<ul style="list-style-type: none"> Shareholder Employee 	4.2 Training and Development 5.1 Talent Incubation	<ul style="list-style-type: none"> ➤ GRI 404 Training and Education ➤ Non-SASB Topic
Corporate Governance	<ul style="list-style-type: none"> Shareholder Customer Employee Supplier Government 	CH2 Corporate Governance	<ul style="list-style-type: none"> ➤ GRI 102 General Disclosures ➤ Non-SASB Topic

4. Material Related Policy and Our Approach

Material issues	Related Policy	Our Approach
Talent Attraction and Retention	<ul style="list-style-type: none"> ■ Provide competitive compensation and benefits systems to attract and retain excellent talents. ■ Create a friendly workplace and sustainable reward system to retain talents and care for the physical and mental well-being of employees. 	<p>Short-term goals</p> <ul style="list-style-type: none"> ➤ Ensure that the talent aligns with the company's current needs to provide professional output, making the company competitive in the industry. ➤ Offer competitive compensation and benefit systems to attract and retain top talent. ➤ Optimize the onboarding and guidance mechanisms for newcomers to ensure their retention and development. <p>Mid-to-long-term goals</p> <ul style="list-style-type: none"> ➤ Continue to invest in talent recruitment and development mechanisms, complemented by competitive compensation and benefits, to enhance the company's development momentum. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ Implemented vacation policies that surpass the Labor Standards Act. ➤ Increased the number of employees by 40% compared to 2021, with an employee turnover rate below 8%. ➤ In 2023, the average and median salaries for "Full-time employees not holding supervisory positions" in listed List companies were 2.517 million and 2.057 million, respectively, which grew by 38% and 34% compared to 2021.
Technology, Research, and Innovation	To provide innovative products that meet consumer demands, build trust with customers and partners, deliver high-spec products, and offer high-quality services, creating sustainable business operations.	<p>Short-term goals</p> <ul style="list-style-type: none"> ➤ Continue developing higher-level CPU IPs and deep learning accelerator IPs suitable for accelerating ML/AI algorithms. ➤ Invest in ongoing technical research and development to create product competitiveness. <p>Mid-to-long-term goals</p> <ul style="list-style-type: none"> ➤ Develop industry-leading products to become an industry benchmark for sustainable growth. ➤ Penetrate mainstream product applications with high-end RISC-V CPUs to establish our products as high-quality and high-performance in the eyes of customers.

Material issues	Related Policy	Our Approach
		<p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ R&D expenses for 2022 amounted to NTD 559,679 thousand, accounting for approximately 60% of that year's revenue. ➤ Completed the integrated development environment AndeSight v5.1.0 STD/RDS. ➤ Developed the first ISO-26262 ASIL B RISC-V processor, N25F-SE. ➤ Released the upgraded RISC-V super-scalar multi-core processor A(X)45MP with improved specifications and vector processing performance. ➤ Introduced the AndesCore™ AX60 series, the highest-performance RISC-V out-of-order multi-core processors. ➤ Presented a feature-rich, low-power, and highly secure entry-level RISC-V processor.
Customer Relationship Management	<ul style="list-style-type: none"> ■ Strictly enforce information security policies and protective measures, ensuring the confidentiality of our company's business secrets and customer data. ■ Establish a competitive ecosystem for our company through partnerships with third-party developers, leveraging our brand to create a unique advantage for our products. This strategy expands our influence in the industry and makes our products indispensable. 	<p>Short-term goals</p> <ul style="list-style-type: none"> ➤ Increase orders and continually enhance economies of scale. ➤ Maintain and improve relationships by keeping communication channels open with stakeholders. ➤ Conduct regular customer satisfaction surveys to meet annual targets. ➤ Proactively disclose information related to Andes' sustainable development and innovative research and development. <p>Mid-to-long-term goals</p> <ul style="list-style-type: none"> ➤ Establish a competitive ecosystem and create products that are irreplaceable, expanding Andes' influence in the industry. ➤ Actively provide more comprehensive and diverse solutions to various types of customers, enhancing the core technological competitiveness of our products and strengthening customer trust and relationships. ➤ Continue to participate in RISC-V International's technical workshops and related conferences, actively contributing to specification development and the development of related tools and software. ➤ Promote our V5 architecture RISC-V processor cores through the Company's self-organized RISC-V CON seminars.

Material issues	Related Policy	Our Approach
		Performance in 2022 <ul style="list-style-type: none"> ➤ Hosted and participated in 30 technical seminars both domestically and internationally (online and offline). ➤ Achieved an 88% customer satisfaction rate in 2022. ➤ complaints numbers of customer privacy violations or data loss : 0.
Product Quality and Safety	<ul style="list-style-type: none"> ■ Implement quality management processes to comply with ISO 9001 Quality Management System requirements, meet objectives, and maintain system integrity. ■ Enhance customer satisfaction through analysis and reviews to improve product design and manufacturing quality. 	Short-term Goals <ul style="list-style-type: none"> ➤ Continue to follow ISO 9001 quality management processes to ensure product quality. ➤ Uphold the spirit of "Building Safety and Reliability at Andes" and focus on product quality. ➤ Increase customer satisfaction. Mid-to-long-term goals <ul style="list-style-type: none"> ➤ Provide customers with safe, reliable, and high-quality products, assisting them in gaining a competitive edge in the market. Performance in 2022 <ul style="list-style-type: none"> ➤ Achieved an 88% customer satisfaction rate in 2022. ➤ Successfully developed the first RISC-V processor compliant with ISO-26262 ASIL B standards.

Material issues	Related Policy	Our Approach
Information Security Management	Promote confidentiality and compliance with regulations, establish data protection technology and management, as well as analyze and provide early warnings for information security anomalies, ensuring the highest level of security and stringent information security measures.	<p>Short-term Goals</p> <ul style="list-style-type: none"> ➤ Promote information security policies and establish a dedicated information security unit to enhance information security awareness and implementation. ➤ Actively strengthen information security maintenance measures, reinforce employees' information security awareness, and reduce operational risks for the company. <p>Mid-to-long-term goals</p> <ul style="list-style-type: none"> ➤ Promote the development of detailed regulations for data protection technology, management, and information security anomaly analysis and early warnings to ensure the highest level of security and stringent information security measures. ➤ Segregate independent logical domains based on network service requirements and establish appropriate information security protection control measures for different operational environments. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ Held 2 TQM e-committee meetings. ➤ Planned to establish a dedicated information security unit. ➤ No significant information and communication security incidents occurred in 2022.
Risk Management:	Following the three major dimensions of "Corporate Governance," "Environment," and "Society," we identify and summarize significant risks that the company may face in its operations. For each type of risk, we plan corresponding management methods and crisis response measures, aiming to minimize uncertainty in our business operations to the greatest extent possible.	<p>Short-term Goals</p> <ul style="list-style-type: none"> ➤ Establish an appropriate risk management framework and processes based on the company's environmental, scale, business characteristics, risk profile, and operational activities. <p>Mid-to-long-term goals</p> <ul style="list-style-type: none"> ➤ Establish a risk reporting mechanism and conduct effectiveness reviews. ➤ Continuously enhance employee risk awareness and cultivate a comprehensive risk management culture. ➤ Integrate ESG considerations into the corporate risk management mechanism. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ A total of 7 risk management items were preliminarily identified.

Material issues	Related Policy	Our Approach
Regulatory Compliance	Compliance with Government Regulations in a Fair and Transparent Manner	<p>Short-term Goals</p> <ul style="list-style-type: none"> ➤ Adhering to international and government regulations while conducting business activities fairly and transparently. ➤ Internally disseminating the latest regulatory information and trends to enhance employees' understanding and capabilities regarding business-related policies and regulations. <p>Mid-to-Long-term Goals</p> <ul style="list-style-type: none"> ➤ Strengthening the promotion and implementation of regulatory compliance and risk management mechanisms. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ 4 violations related to occupational health were addressed and rectified within the specified timeframe, as of March 15, 2022. ➤ No significant compliance issues were found in other aspects concerning the environment, social responsibility, and the economy.
Labor Rights	We adhere to international human rights norms, supporting the fundamental international human rights protection that employees are entitled to, and treating them with equality, dignity, and respect.	<p>Short-Term Goals</p> <ul style="list-style-type: none"> ➤ Regularly provide colleagues with information on labor rights to help employees understand their rights and responsibilities. ➤ Periodically review labor conditions to ensure compliance with legal requirements and safeguard employees' rights. ➤ Implement supplier corporate social responsibility codes to ensure that suppliers also adhere to relevant labor rights standards. <p>Mid-to-Long-term Goals</p> <ul style="list-style-type: none"> ➤ Establish various internal communication mechanisms to enhance the effectiveness of information dissemination and communication. ➤ Develop human rights education and training programs. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ No incidents of employee rights violations, gender-related issues, or sexual harassment incidents were reported.

Material issues	Related Policy	Our Approach
Integrity Management	Through regular education and training, we continuously reinforce the awareness and understanding of ethical conduct among our supervisors and colleagues.	<p>Short-Term Goals</p> <p>Implement integrity in business operations by establishing regulations and arranging relevant educational and training courses for our colleagues.</p> <p>Assess whether agents, suppliers, customers, and other business partners are involved in any unethical activities.</p> <p>Establish an independent reporting mailbox or hotline for both internal and external use.</p> <p>Enhance the reporting system for illegal (including corruption) and unethical behaviors.</p> <p>Mid-to-Long-term Goals</p> <ul style="list-style-type: none"> ➤ Strengthen the promotion of integrity in business operations, compliance with regulations, and risk management mechanisms. ➤ Regularly analyze and assess business activities with higher risks of unethical behavior within our operational scope. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ No employees were involved in corruption events, and there were no incidents of non-compliance with regulations or any domestic or international penalties. ➤ The content of ethical conduct guidelines and principles of integrity in business operations was disseminated through training, with a total of 114 participants and a duration of 57 hours. ➤ New employees signed confidentiality agreements, covering obligations of confidentiality, intellectual property rights ownership, and anti-counterfeiting clauses. ➤ "Preventing Insider Trading Awareness" education and training were provided to current managers and new employees, with a total of 36 participants and a duration of 15 hours.

Material issues	Related Policy	Our Approach
Employee Training and Development	<p>Arrange professional training based on the specific needs of each functional unit to strengthen language proficiency and professional competence, providing our colleagues with comprehensive professional capabilities.</p>	<p>Short-Term Goals</p> <ul style="list-style-type: none"> ➤ Offer diverse education and training programs, including business English, health and wellness, and emotional stress management. ➤ Continuously enhance the professional skills and management abilities of employees and supervisors. ➤ Train employees in ISO certification courses. <p>Mid-to-Long-term Goals</p> <ul style="list-style-type: none"> ➤ Ensure that employees have access to a wide range of training resources and a conducive learning environment to unlock their potential and fortify the company's core competencies. ➤ Establish mechanisms for the transfer of specialized R&D knowledge and foster a culture of self-directed learning. ➤ Create an online e-learning platform, enabling diverse learning and development opportunities without time and location constraints. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➤ The total duration of the new employee training program was 340 hours. ➤ We offered 21 in-house training courses and 27 external training courses, with a total duration of 111.8 hours. ➤ Provided employees with approximately 250 hours of free online English learning courses. ➤ Trained employees to obtain ISO 26262 certification.

Material issues	Related Policy	Our Approach
Corporate Governance	<ul style="list-style-type: none"> ■ By establishing a governance structure and implementing internal control mechanisms, we ensure that all personnel and operations within the company strictly adhere to relevant legal regulations. ■ We practice corporate social responsibility and promote progress in the economic, environmental, and social spheres to achieve the goal of sustainable development. 	<p>Short-Term Goals</p> <ul style="list-style-type: none"> ➢ Ensure that the effectiveness of corporate governance evaluation ranks no lower than the previous year among listed companies. ➢ Maintain an attendance rate of at least 80% for the Board of Directors and functional committees. ➢ Strengthen the operation of the Board of Directors and functional committees, conducting regular performance assessments annually. ➢ Enhance information transparency and disclosure timeliness to facilitate investors in obtaining complete and accurate information promptly. ➢ Hold or participate in a corporate briefing session at least once per quarter to improve communication frequency with investors. ➢ Promote and enhance the whistleblower system. <p>Mid-to-Long-term Goals</p> <ul style="list-style-type: none"> ➢ Strengthen the role of the Board of Directors and encourage the establishment of functional committees beyond statutory requirements. ➢ Increase the representation of female directors to enhance diversity. ➢ Understand the reasonable expectations and needs of stakeholders through appropriate communication and respond effectively to significant sustainability issues of concern. ➢ Implement sustainability initiatives and actively seek third-party certifications or verifications to ensure information reliability. ➢ Conduct external performance evaluations of the Board of Directors. <p>Performance in 2022</p> <ul style="list-style-type: none"> ➢ Corporate governance evaluation results remained consistent with those of 2021, falling within the 36% to 50% range. ➢ Attendance rates for the Board of Directors and functional committees both exceeded 80%. ➢ Regularly updated the company website to provide investors with timely and accurate information. ➢ Published annual and quarterly reports and required information through the Taiwan Stock Exchange and the company's official website. ➢ Self-handled and invited to participate in 4 legal person briefing sessions, and invited to participate in 8 domestic and international forums.

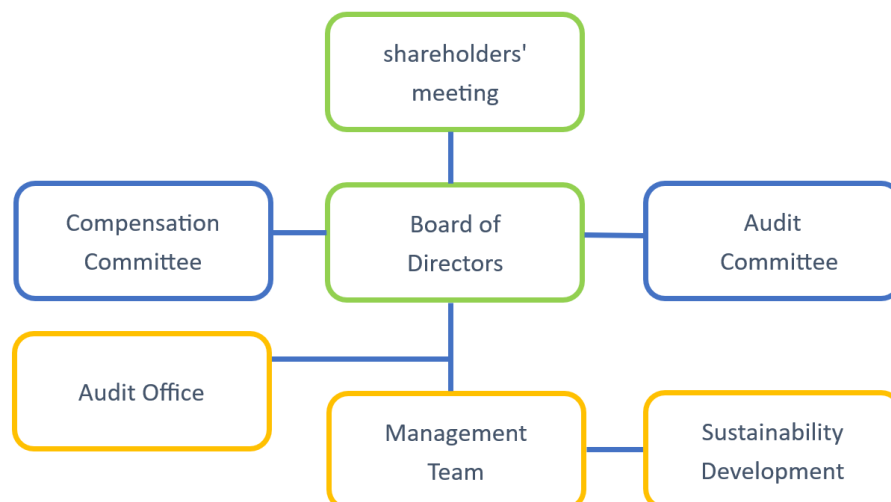
Corporate Governance



2.1 Corporate Governance Functions and Strategies

2.1.1 Organizational Structure

The highest governing unit of Andes is the Board of Directors. On March 8, 2023, the Board of Directors resolved to appoint Ms. Fiona Zhou, the Vice President of Finance, as the Director of Corporate Governance, responsible for corporate governance-related affairs. The primary responsibilities of the Director of Corporate Governance include handling matters related to meetings of the Board of Directors and Shareholders' meetings by the law, preparing minutes of the Board of Directors and shareholders' meetings, assisting directors in their appointment and continuing education, providing information required by directors for their business execution, assisting directors in compliance with laws and other matters as stipulated in the company's articles of incorporation or contracts.



The Company has established sustainability practices and guidelines and, in April 2023, set up a Sustainability Development Team as a dedicated unit. The Director of Corporate Governance chairs the team and integrates company resources to follow sustainability practices and

guidelines. The team focuses on four main aspects: implementing corporate governance, promoting sustainable environmental practices, supporting social welfare, and enhancing sustainability information disclosure. The team reports on its activities to the Board of Directors on an annual basis. It uses this information to complete the Andes ESG Report, thereby ensuring the implementation of the sustainability development policy.

Goals and Directions of the Sustainability Development Team

Implement Corporate Governance	<ul style="list-style-type: none"> • Establish a corporate governance system. • Practice ethical standards and uphold integrity. • Enhance operational performance. • Reduce operational risks. • Safeguard the rights and interests of stakeholders.
Sustainable Environmental	<ul style="list-style-type: none"> • Promote various environmental protection measures. • Improve energy efficiency and reduce water resource consumption. • Enhance supply chain management. • Ensure product and service quality. • Enhance customer satisfaction.
Social Welfare	<ul style="list-style-type: none"> • Supports labor rights and protects employee interests. • Ensure occupational safety, health, and well-being of employees. • Maintain positive labor-employer relationships and establish effective communication channels. • Provide comprehensive employee benefits and create a happy workplace. • Give back to the community and support disadvantaged groups.
Sustainability Information Disclosure	<ul style="list-style-type: none"> • Fully disclose sustainability development information. • Provide effective communication channels for stakeholders. • Regularly publish ESG reports.

2.1.2 Board of Directors

Andes places great importance on corporate governance practices and is dedicated to establishing a diversified composition of the Board of Directors, ensuring that the composition considers various factors. In formulating diversity policies, we consider the company's operations, business model, and developmental needs to ensure the appropriateness of the policies.

Members of the Company's Board of Directors

Title	Name	Gender
Chairman	Jyh-Ming Lin	Male
Director	Hong-Men Su	Male
Director	Andrew Chang Representative: Hsiang Fa Co.	Male
Director	Herming Chiueh Representative: National Development Fund	Male
Independent Director	Chien-Kuo Yang	Male
Independent Director	Tien-Fu Chen	Male
Independent Director	Jun-Hao Lai	Male

The Management Goals of Board Diversity

The Company has established the "Corporate Governance Practices Guidelines," which emphasize the consideration of diversity in the composition of the Board of Directors. In addition to not exceeding one-third of director positions held concurrently by company executives, appropriate diversity policies are formulated based on the company's operations, business model, and development needs.

Diversity policies encompass but are not limited to, two main aspects: fundamental criteria and values, and professional knowledge and skills.

1. Fundamental Criteria and Values: Consider factors such as gender, age, nationality, and culture to ensure diversity within the Board of Directors.
2. Professional Knowledge and Skills: Emphasize that directors possess professional knowledge and skills in fields such as law, accounting, industry, finance, marketing, or technology.

Implementation of Board Diversity

The current Board of Directors of Andes consists of seven members, with director selection conducted through a candidate nomination system by the "Director Election Regulations." The current board members possess diverse and rich professional backgrounds in various fields.

Among them, four directors have extensive expertise and experience in the technology industry, two directors come from the academic sector with relevant academic expertise, and one director has a professional background in financial accounting. The representation of employee directors is 29% of the total; three independent directors represent 43% of the board. The company places importance on gender balance within the board and has set a goal of having at least one female director, an effort that is currently ongoing. In terms of age distribution, the goal is to have at least one director in the young and middle-aged categories. Currently, there are three directors in this category, constituting 43% of the board.

Director \ Diversified Core Items	Gender	Employee	Age		Operating	Accounting/ Finance	Management	Crisis Management	Industry knowledge	International outlook	Leadership/ Decision Making
			Below 60	60 and Above							
Jyh-Ming Lin	Male	V		V	V	V	V	V	V	V	V
Hong-Men Su	Male	V		V	V	V	V	V	V	V	V
Herming Chiueh Representative: National Development Fund	Male		V		V		V	V	V	V	V
Andrew Chang Representative: Hsiang Fa Co. Development Fund	Male		V		V	V	V	V	V	V	V

Independent Director \ Diversified Core Items	Gender	Independent Directors Tenure	Age		Operating	Accounting/ Finance	Management	Crisis Management	Industry knowledge	International outlook	Leadership/ Decision Making
			Below 60	60 and Above							
Chien-Kuo Yang	Male	2		V	V	V	V	V	V	V	V
Tien-Fu Chen	Male	2	V		V			V	V	V	V
Jiun-Hao Lai	Male	1		V	V	V	V	V	V	V	V



Practices of the Board of Directors

In the year 2022, Andes convened a total of 5 board meetings, with an actual attendance rate of over 80% for all board members. The board meetings primarily addressed topics such as annual operating plans, financial reports, formulation or amendments to internal control systems, handling significant financial transactions, and other major matters requiring resolution by the shareholders' meeting or submission to the board.

Regarding matters in which directors have conflicts of interest with themselves or the entities they represent, the directors disclosed the essential content of their conflicts of interest during the respective board meetings. If such matters could harm the interests of the company, the director concerned was prohibited from participating in discussions and voting. Furthermore, they were required to abstain from representing other directors during discussions and voting. Directors' spouses, direct blood relatives, and companies with control or subsidiary relationships with directors were considered to have conflicts of interest when discussing relevant matters in board meetings.

Andes adheres to the principles of accurate, timely, and fair disclosure. The company has established a comprehensive information disclosure system, providing information related to operations, finance, board meetings, and shareholders' meetings on both the Taiwan Stock Exchange and the Company's website. This ensures that shareholders have access to the latest information and facilitates the effective operation of corporate governance.

Performance Evaluation

Andes has established the "Performance Evaluation By Internal Questionnaire" which requires an annual performance assessment for the overall Board of Directors, individual board members, and functional committees. The evaluation results serve as a reference for the selection or nomination of directors. Additionally, the individual performance evaluation results for directors are used as a reference for determining their compensation.

The performance assessment for the year 2022 at Andes has been completed. On March 8, 2023, the results were reported to the Board of Directors. Directors generally agreed with the positive evaluations, noting that they contribute to the effective implementation of corporate governance and the enhancement of the efficiency of board operations. The performance evaluation results for the year 2022 can be found in the Company's annual report and on its website.

2.1.2 Audit Committee

Andes' Audit Committee is composed of three independent directors. Its primary purpose is to oversee the following matters: the accurate presentation of the Company's financial statements, the selection, dismissal, independence, and performance evaluation of certified public accountants, the effective implementation of internal controls, the company's compliance with relevant laws and regulations, and the management of existing or potential risks.

The audit committee's powers and work priorities are as follows:

1. Formulate or amend internal control systems by Article 14-1 of the Securities and Exchange Act.
2. Assess the effectiveness of internal control systems.
3. Establish or amend procedures for significant financial transactions involving acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, endorsing for others, or providing guarantees, as stipulated in Article 36-1 of the Securities and Exchange Act.
4. Matters involving conflicts of interest for directors.
5. Significant transactions involving assets or derivative commodities.
6. Significant lending of funds, endorsements, or guarantees.
7. Fundraising, issuance, or private placement of equity securities.
8. Appointment, dismissal, or compensation of certified public accountants.
9. Appointment and removal of financial, accounting, or internal audit executives.
10. Annual financial reports signed or stamped by the Chairman, managers, and accounting executives, and the quarterly financial reports that require certification by auditors.
11. Other significant matters as stipulated by the company or regulatory authorities.

List of audit committee members and attendance in 2022

Title	Name	Attendance Rate
Convenor	Chen-Kuo Yang	100%
Committee	Tien-Fu Chen	80%
Committee	Jun-Hao Lai	100%

◆ For other information about the Audit Committee, please refer to Andes' website → Corporate Governance (Audit Committee section)

2.1.3 Compensation Committee

Andes established the Compensation Committee in July 2015 to strengthen corporate governance and establish a sound compensation system for directors and executives. The main responsibilities of the Compensation Committee are to assess the company's policies and systems regarding the compensation of directors and executives from a professional and objective standpoint. The committee provides recommendations to the Board of Directors for their reference in the decision-making process.

The Compensation Committee, with due care of a good manager, faithfully carries out the following duties and submits recommendations for discussion by the Board of Directors:

1. Formulate and periodically review policies, systems, standards, and results of performance evaluation and compensation for directors and executives of the company.
2. Regularly evaluate and set the remuneration of directors and executives.

List of Compensation Committee members and attendance in 2022

Title	Name	Attendance Rate
Convenor	Chen-Kuo Yang	100%
Committee	Tien-Fu Chen	100%
Committee	Jun-Hao Lai	100%

◆ For other information about the Compensation Committee, please refer to Andes' website → Corporate Governance (Compensation Committee section)

2.2 Internal Audit

The internal audit unit at Andes operates directly under the Board of Directors. It is configured with appropriate and qualified full-time internal auditors based on the company's size, business conditions, management needs, and relevant regulatory requirements. Currently, the company has one full-time internal auditor. According to the provisions of Article 3 of the Corporate Governance Best Practice Principles, matters related to the appointment, assessment, and compensation of internal auditors must be submitted for the Board's review or reported by the audit supervisor for approval by the Chairman.

The internal audit unit at Andes is responsible for assisting the Board of Directors and management in examining and evaluating deficiencies in the internal control system, measuring the effectiveness and efficiency of operations, and providing improvement recommendations. This ensures the continuous effective implementation of the internal control system and serves as the basis for amending the internal control system. The audit unit formulates an annual audit plan based on the results of risk assessments, including items to be audited each month, and assesses the company's internal control system accordingly. The results of the audit plan execution are reported regularly or as needed to the Board of Directors and the Audit Committee.

The audit unit oversees internal units and subsidiaries, urging them to conduct regular self-assessments of the effectiveness of their internal control systems each year. The audit unit then reviews the self-assessment reports submitted by each unit and subsidiary. Synthesizing the results of these self-assessments provides the basis for the Board of Directors and the General Manager to state the internal control system.

◆ For more detailed information on internal audit, please refer to the Andes website under Corporate Governance in the section on Internal Audit Organization and its Operational Status.

2.3 Regulatory Compliance

To ensure that operations comply with regulations and avoid situations that could lead to substantial fines, thereby damaging the company's profitability or affecting its processes and reputation, Andes closely monitors policies or laws that may significantly impact its business or finances. The company has an intellectual property legal unit that provides legal advice and assistance to various operating units.

The audit unit conducts regular audits of compliance with laws and regulations each year. It reports the audit results and follow-up improvement status to the Audit Committee and the Board of Directors. In 2022, no incidents of violating environmental or other regulations resulted in fines or



penalties. Moreover, no incidents of providing products and services led to substantial fines or violations of marketing and promotion regulations.

2.4 Integrity Management

Integrity-based operation is the cornerstone of Andes' most critical corporate social responsibility. Behaviors lacking integrity expose the company to losses and may lead to a decline in ethical standards among employees, trust issues with customers and partners, and potential involvement in illegal activities such as lobbying and bribery. This can harm corporate governance mechanisms and result in the deterioration of the overall operating environment.

The Board of Directors is responsible for fulfilling the duty of care as good managers to oversee the company's efforts to prevent dishonest conduct and ensure the effective implementation of integrity management policies. To ensure integrity in dealings with customers, suppliers, creditors, shareholders, and the general public, the Andes Board of Directors has approved the "Code of Integrity Management" and the "Operating Procedures for Ethical Conduct." These serve as guidelines for the behavior of all employees, and any actions to establish, modify, or abolish them require the approval of the Board of Directors.

Implementation Status

1. To ensure that all employees are fully aware of and adhere to the principles of integrity management, ethical behavior, and the Code of Integrity Management, new employees' concepts related to legal compliance were incorporated into the training program. In the year 2022, a total of 114 employees received training, accumulating a total training duration of 57 hours.
2. All new employees have completed the signing of confidentiality agreements. The content of these agreements encompasses obligations related to confidentiality, intellectual property rights ownership, and anti-counterfeiting provisions.
3. In the fiscal year 2022, the company did not encounter any reported incidents related to operational issues or employees engaging in activities that violated the principles of integrity or involved any unlawful behavior.

2.5 Whistleblowing System

Andes is committed to the principle of integrity in its operations and strictly prohibits any misconduct. To protect stakeholders' legitimate rights and interests, the company has established a reporting channel and complaint mechanism based on the "Code of Integrity Management" and the "Operational Procedures for Ethical Conduct." In addition to designated personnel responsible for communicating and coordinating with relevant stakeholders, the company has set up a reporting channel and complaint mechanism.

Stakeholders who observe governance activities or any illegal conduct within the company can make reports through the established channels. Andes has launched a whistleblowing mailbox and related complaint channels, with designated personnel assigned to handle these matters. The identity and content of whistleblowers will be kept confidential to protect their rights. Andes will conduct a thorough and high-standard investigation upon discovering any illegal activities.



Simultaneously, we will strictly maintain the confidentiality of the investigation process and results to ensure the rights of all involved parties are not compromised.

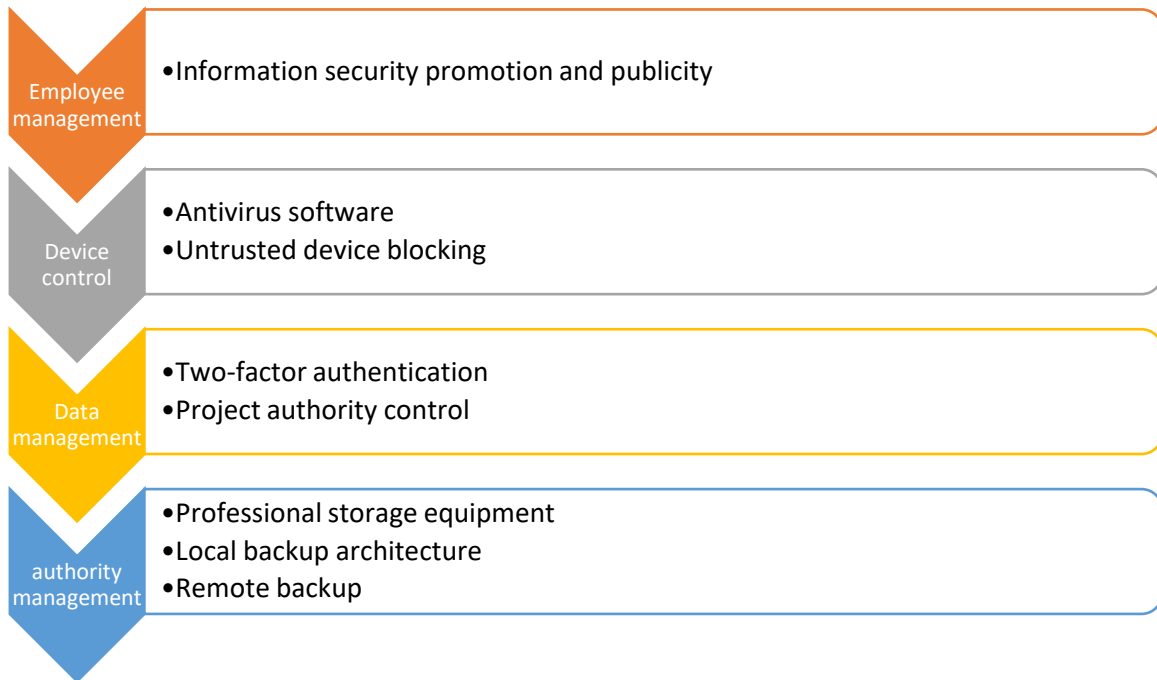
2.6 Information Security Management

Information security has consistently been a crucial focus for Andes. To ensure the effective implementation of information security management operations and to promptly identify any improper behavior, security vulnerabilities, or threats, we actively engage in early detection to prevent unlawful activities and minimize potential risks.

To enhance information security management, Andes has established the "TQM e-Committee," which regularly conducts information security awareness programs and reports on improvement measures. Quarterly meetings are held to discuss relevant issues. Regular information security training is provided to all employees, including explanations of information security cases such as phishing emails. Employees are sent periodic emails to notify them of precautions against malicious emails. Andes is committed to establishing a secure information environment to ensure the confidentiality, integrity, and availability of data, protecting the company's and its employees' interests from harm.

Information Security Management Procedure

1. Establishment of Information Security Policy:
The information security specifications have been defined in the information system management procedures. These specifications articulate the necessary principles and measures for employees regarding information security.
2. Development of Information System Emergency Response Procedures:
Emergency response procedures for information systems have been established to ensure that information operations can take appropriate emergency measures and quickly recover computer operations during natural disasters or intentional sabotage. In a cybersecurity incident, an Emergency Situation Significant Security Incident Response Team should be immediately formed. The CEO and department heads will organize this team according to their responsibilities. They will be responsible for the emergency response to information security incidents. The Information Technology department will execute information security prevention, crisis reporting, and emergency response measures.



Information Security Resources Invested

1. Information Security Meetings:
TQM e-Committee meetings are held every six months.
2. Anti-Virus Protection:
Procurement of next-generation endpoint protection devices, firewalls, and automatic virus code updates to ensure an optimal protection mechanism.
3. Establishment of Backup Mechanisms:
Construction of backup management mechanisms and systems to ensure the security and availability of data.
4. Information Security Case Sharing and Awareness Enhancement:
Analysis and promotion are conducted irregularly as suspicious cases arise.
5. Establishment of Information Security Office and Appointment of a Security Chief:
The Information Security Office has been established, and a Chief Information Security Officer has been appointed.
6. Human Resource Investment:
 - Daily system status checks.
 - Regular weekly backups and off-site storage of backup media.
 - Irregular information security awareness campaigns.
 - Annual system disaster recovery simulations.
 - Internal audits of information circulation annually.
 - Audits by accountants.

2.7 Risk Management

Andes conducts risk assessments to comprehensively understand the internal and external risks that the company may face in economic, environmental, social, and other aspects. It identifies potential risks and evaluates the impact of various risk issues on the company. Through assessment and analysis, it determines the internal and external issues that impact the company most. Based on these assessment results, relevant reports are provided to the management at various levels to understand the impact of each risk issue. This helps the management make informed decisions and take appropriate measures to address these risks.

Risk Analysis and Evaluation

Risk	Impact	Mitigation measures
Operational Risk	Affects the Safety of Andes employees and equipment, leading to internal operational interruptions.	<ol style="list-style-type: none"> 1. To ensure immediate activation of backup mechanisms during a disaster, allowing the company to continue operations unaffected. 2. Pre-assessment of potential emergencies that may impact employees, equipment, and operations. Implementation of preventive measures to reduce the frequency of these events. 3. In the event of accidents or injuries to employees at the workplace, commuting, or during business trips, provide employees with appropriate handling procedures to minimize the extent of injuries. Conduct investigations to review the causes and preventive measures to prevent similar accidents from recurring.
Credit Risk	Default risk arising from customers, suppliers, or other business counterparts failing to fulfill their contractual obligations due to poor financial health or other factors.	Conduct a comprehensive risk assessment for critical banks, customers, and suppliers. Implement necessary control mechanisms to reduce credit risk.
Exchange Rate Fluctuation	Sharp depreciation of the New Taiwan Dollar (NTD) against the US Dollar, eroding the company's profit and loss.	Continuously monitor market interest rates and exchange rate fluctuations.
Expansion of Facilities	Operational funding turnover risk and the risk of idle facilities if economic conditions do not meet expectations.	Detailed planning for expansion projects to meet new product development requirements and optimize capital utilization.

Risk	Impact	Mitigation measures
Information Security	Due to external hacker attacks or leakage of business secrets, there is a risk to the company's intellectual property, business secrets, and internal information security.	<ol style="list-style-type: none"> 1. Strengthen information security management to reduce cybersecurity risks. 2. Enhance cybersecurity defense capabilities. 3. Regularly announce and provide training to enhance awareness of information security among employees. 4. Implement intellectual property management.
Climate Change	To mitigate extreme climate events, there is a global emphasis on whether companies comply with various environmental protection trends or standards.	<ol style="list-style-type: none"> 1. Periodically review international environmental trends and develop ecological protection measures based on operational needs. 2. Conduct internal education and awareness campaigns.
Human Rights Risk	Violations of employee rights and deterioration of labor relations are significant issues.	<ol style="list-style-type: none"> 1. Ensure that labor policies comply with domestic and international human rights conventions and local government regulations. 2. Hold regular labor-management meetings.



2.8 Adapting to the changing climate

According to the "Global Risk Report 2023" released in January of that year, the threat of climate change is increasing, and environmental risks are expected to intensify over the next decade. In 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD), which developed a voluntary framework for disclosing climate-related financial information. This framework enables investors and decision-makers to understand significant risks better and make more accurate assessments of climate-related risks and opportunities.

Andes recognizes the impact of climate change on the planet and has adopted the TCFD framework for climate-related financial disclosure. The company identifies the types of risks and opportunities brought by climate change and assesses their potential impact on its operations and finances through four core elements: "Governance," "Strategy," "Risk Management," and "Metrics and Targets." Andes proactively formulate response strategies and management measures to prevent the risks and damages caused by climate change.

Governance

The company's Sustainability Development Committee, established under the Board of Directors, conducts annual meetings to review the execution plan for sustainable development for the year. It also evaluates the effectiveness of the implementation of the previous year, tracks the achievement of targets, and reports the results to the Board of Directors at least once a year. The Board of Directors reviews these results and provides guidance.

Strategy

The company will continue to monitor greenhouse gas emissions to reduce the risk of climate change associated with emissions from its operations. It is committed to developing energy-efficient technologies, reducing power consumption, conserving energy, and improving computing efficiency by using processor cores in various embedded systems, thereby reducing the consumption of global energy resources. It also follows and complies with government-issued environmental and safety regulations and other relevant requirements.

Risk Management

To identify significant impacts or risks of climate change on ongoing and future activities, the Sustainability Development Committee has adopted a risk assessment mechanism recommended by the Task Force on Climate-related Financial Disclosures (TCFD). It prioritizes potential climate change risks that have specific financial impacts and takes corresponding strategies. The company reviews the execution status of physical risk factors and response measures annually and continuously revises risk management.

Metrics & Targets

The company has set targets to reduce greenhouse gas emissions, water usage, and electricity consumption. It also formulates relevant objectives for waste resource recycling and reuse.

The impact of climate change risks on operational and financial risks and Response measures

Risk Categories	Types Of Risks	Climate-Related Risks	Potential Impacts On Operations And Finances	Management Measures For Identifying Climate-Related Risk Categories
Transition risk	Policy and Legal Risk	Climate change adaptation methods or strategies	<ol style="list-style-type: none"> 1. Imposing carbon fees on emissions sources increases operating costs. 2. Raw material costs are also rising, leading to higher operating expenses. 3. Climate change adaptation regulations may result in revenue losses due to penalties. 	The company's contributed capital is less than 5 billion NT dollars. As per the regulations for greenhouse gas inventory, the company needs to complete the inventory in the fourth phase, which means it should be completed by 2026 and verified by the year 2028. Andes will continue to manage the greenhouse gas inventory in compliance with the guidelines and regulations issued by the competent authority. The company will also plan the execution details to mitigate operational cost risks.
	Technology Risk	Energy-efficient and carbon-reduction technology transition	<ol style="list-style-type: none"> 1. Investment in research and development for low-power, energy-saving products, incurring initial costs. 2. Increased operating costs due to research and development failures. 	Continuously strengthening mature process design techniques to reduce the error rate resulting from research and development. The company has achieved a 70% efficiency in microprocessor IP cores, resulting in 10% to 40% power savings compared to competitors.
	Market Risk	Consumer demand transition	<ol style="list-style-type: none"> 1. Due to suppliers not aligning with consumer demands related to climate change, product supply is insufficient. 2. Market uncertainties are impacting product demand. 	<ol style="list-style-type: none"> 1. At our organization, we ensure that all products at the board level are purchased with RoHS-compliant materials. We closely monitor high-risk suppliers for quality control and provide them with our experiences to help them meet the product specification standards. This helps to enhance the stability of the supply chain. 2. We continuously work towards promoting green manufacturing, and we offer low-carbon emission products to meet the market demands of our IC end customers. We aim to align with market trends and contribute towards a sustainable future.

Risk Categories	Types Of Risks	Climate-Related Risks	Potential Impacts On Operations And Finances	Management Measures For Identifying Climate-Related Risk Categories
	Reputation Risk	Transition to a low-carbon image	Climate change affects how customers or consumers perceive a company's commitment to a low-carbon transition, leading them to choose products from competitors, resulting in reduced revenue.	Our ESG report integrates the TCFD framework to communicate climate change adaptation measures with consumers, building trust and maintaining low carbon emissions.
Physical risks	Acute Risk	Physical risks associated with immediate extreme weather events	Power outages can disrupt employees' work schedules, while water shortages and heavy rain can hinder their commute, leading to operational disruptions.	<ol style="list-style-type: none"> 1. Implementing an uninterruptible power supply (UPS) system to mitigate power outages. 2. Establishing remote connectivity for employees to work from home during extreme weather.
	Chronic Risk	Long-term climate risks	Extreme rainfall and water shortages due to rising global temperatures pose risks to employee health and safety.	Our daily operations conserve water and electricity, align with government climate regulations, and reduce energy consumption to promote environmental sustainability.

Climate change presents opportunities that impact on operations and finances, and management measures

Opportunity Categories	Types Of Opportunity-Related Categories	Potential Impacts On Operations And Finances	Management Measures For Identifying Climate-Related Opportunity Categories
Resource Efficiency	<ol style="list-style-type: none"> 1. Improving efficiency in server room 2. reducing water and electricity usage 3. implementing effective waste management practices 	Effective resource utilization can reduce energy costs and carbon emissions.	<ol style="list-style-type: none"> 1. Regular maintenance of machinery and equipment sustains operational efficiency, reducing premature replacement costs due to neglect. 2. Continuously monitor water and electricity usage data to minimize resource consumption and reduce operational costs while preserving the environment. 3. Promote waste reduction and proper categorization to combat climate change.

Opportunity Categories	Types Of Opportunity-Related Categories	Potential Impacts On Operations And Finances	Management Measures For Identifying Climate-Related Opportunity Categories
Energy Source	Implementing a low-carbon lifestyle.	Taking steps to reduce operational costs by implementing carbon reduction measures and aligning with government policies on energy-saving.	<ol style="list-style-type: none"> 1. Implementing policies to promote energy savings for air conditioning and lighting equipment while ensuring their efficient operation. 2. When replacing equipment, it is important to apply for relevant energy-saving subsidies by government policies.
Products and Services	Researching and developing low-carbon design products.	Researching and developing low-power consumption products to increase business revenue.	Committed to developing processor IP cores that reduce power consumption, save energy, and improve computational efficiency, thereby decreasing energy consumption.
Markets	Create new business opportunities	To boost business earnings, we aim to create energy-efficient products that align with the latest market trends.	Strategizing to respond to the green energy policies of different countries and exploring new customer sources to expand business.
Resilience	Enhancing climate change adaptation capabilities.	Reducing operational risks that cannot be mitigated.	The company had already established a highly flexible remote work model before the Covid-19, which we fully implemented during the crisis. As a result, we have demonstrated a high level of resilience in adapting to climate change. Moving forward, we are committed to strengthening our contingency mechanisms to further reduce the impact of climate change on our operations.

Environmental protection



3.1 Environmental Sustainability Policy

Andes is an Intellectual Property (IP) company that complies with all relevant environmental regulations. Since we don't have any physical products or manufacturing processes, we don't generate any industrial wastewater, industrial emissions, hazardous gases, or chemicals. Our waste mainly consists of general waste and recyclables. Colleagues temporarily store the waste in designated areas, and the property management company properly disposes of it, aligning with our commitment to environmental protection and resource recycling for sustainable operations.

As of December 2022, Andes has not violated any environmental regulations that resulted in fines or penalties. We understand the importance of environmental protection and recognize our responsibility in contributing to sustainable societal development. Therefore, we have implemented an environmental sustainability policy to ensure that we minimize our environmental impact and strive towards sustainable operations.

Reducing energy consumption

Reducing energy consumption and minimizing environmental impact by using energy-efficient equipment.

Reducing greenhouse gas emissions and waste generation

Implementing effective emission reduction regulations, including reducing greenhouse gas emissions, and setting targets for an average annual reduction of more than 5% per person, along with adopting waste management measures.

Compliance with environmental regulations and standards

Regularly checking for updates from the environmental agency to incorporate the latest environmental regulations into our work ensures compliance with all relevant environmental regulations.

Green products

Our company develops energy-efficient, low-power silicon IP products for various devices, contributing to low-carbon green tech.

Environmental education

Increasing environmental awareness and encourage environmentally friendly practices among employees through environmental education.

Continuous improvement and innovation

Continuously assessing our environmental sustainability policy and implementing ongoing improvements and innovative measures to ensure sustained progress.






3.2 Energy Saving and Waste Reduction

Andes is a silicon intellectual property (SIP) company that doesn't manufacture physical products. Our energy consumption is limited to the public electricity and water supply in our work environment. To promote environmental sustainability, we have established management policies focused on conserving energy, reducing carbon emissions, and protecting water resources. These policies include the following,

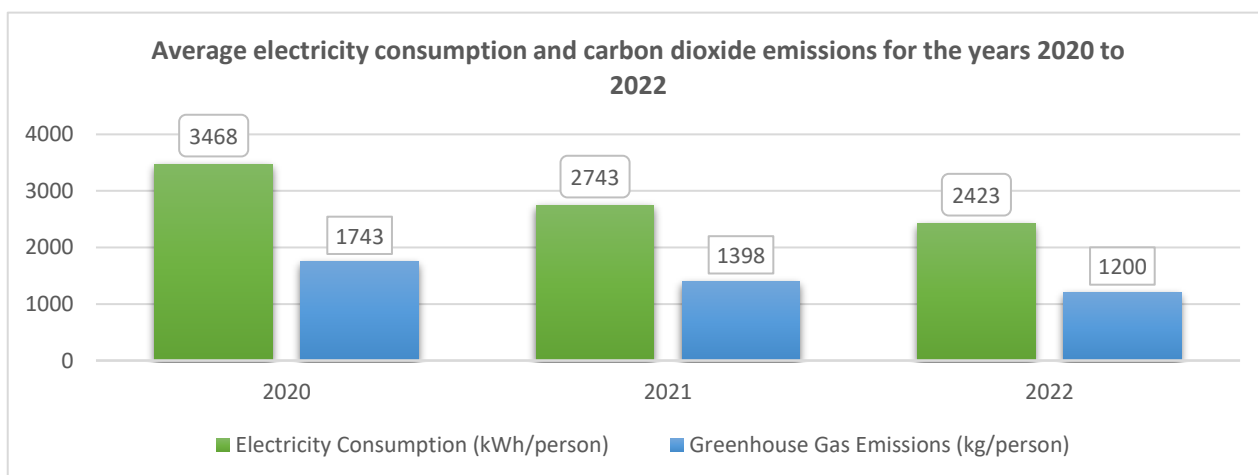


3.3 Greenhouse Gases Inventory

By commitment to environmental protection, Andes has conducted a greenhouse gas inventory to evaluate and track our carbon footprint. Here are the key points of our greenhouse gas inventory,

-  **Purpose:** To better understand our carbon footprint, we need to quantify the greenhouse gas emissions generated in our work environment.
-  **Scope:** The current greenhouse gas inventory covers our entire company, including all subsidiaries, for a comprehensive assessment of carbon emissions.
-  **Data Collection:** Gathering and organizing relevant greenhouse gas emissions data to calculate and evaluate the company's carbon footprint.
-  **Measurement:** Using appropriate inventory methods to measure greenhouse gas emissions.
-  **Assessment and Reporting:** The inventory data is analyzed to create an annual report on greenhouse gas emissions. This report contains emissions data for the past three years, our performance against goals, and helps us set targets for reducing emissions along with corresponding measures. The report is uploaded to our website and is also disclosed annually on the Taiwan Stock Exchange's public information observation platform.

The average electricity consumption and greenhouse gas emissions for the past three years are shown in the table below.



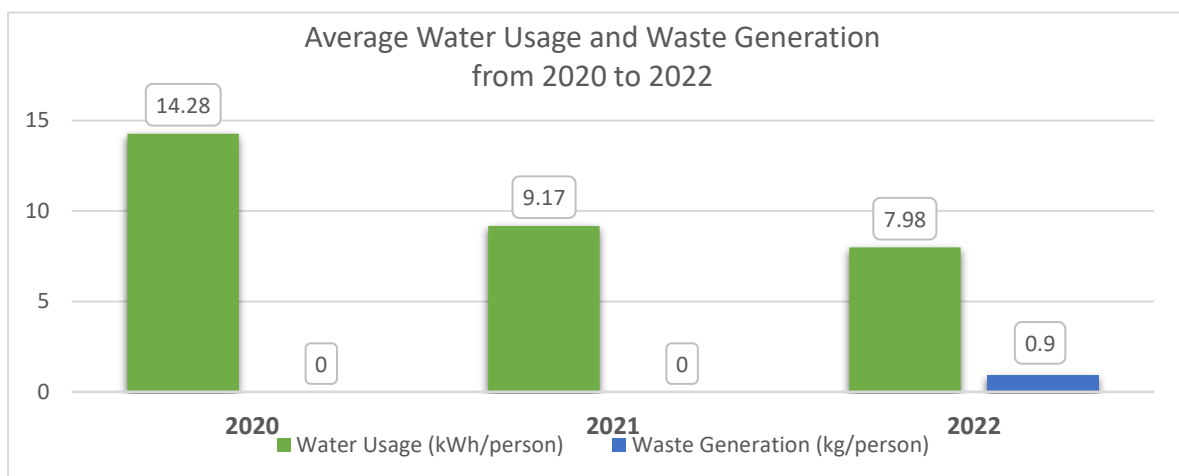
Andes is a silicon intellectual property (IP) company that does not have any manufacturing processes. Therefore, all greenhouse gas emissions sources are classified as indirect emissions (Scope 2). As per the emissions inventory results for the year 2022, the total emissions amount to roughly 341,741.39 metric tons of carbon dioxide equivalent (CO₂e) per annum. The company has selected revenue as the specific metric to measure its organizational performance, and the energy intensity has been calculated as illustrated in the table below.

Emission category	Emission source	Greenhouse gas categories	Emission quantity (metric tons CO ₂ e per year)	Revenue (in million NT dollars)	Greenhouse gas emission intensity (metric tons CO ₂ e per million NT dollars)
Indirect energy emissions	Purchased electricity	CO ₂	341,741.39	729	468.78

3.4 Water and Waste Management

As Andes does not have manufacturing processes, there is no demand for process water. The company only uses water for daily life purposes, and its main office is located in the TFC One building owned by Taiwan Fertilizer Company (TFC). The domestic wastewater is directed into the sewage system and does not discharge into surface water bodies, thus posing no significant impact on water bodies. In 2022, Andes' total water consumption was 2,248 cubic meters, with an average per capita water consumption of 7.98 cubic meters. This represents a 12.9% decrease compared to the per capita water consumption of 9.17 cubic meters in 2021. The water intensity is 3.08 cubic meters per million NT dollars of revenue.

Regarding waste management, Andes does not operate manufacturing facilities and primarily generates general non-hazardous waste from daily activities and business-related commercial waste. The company strictly implements garbage classification for recycling and kitchen waste separation to achieve resource recovery and reuse goals. We encourage employees to minimize the generation of general daily waste. General non-hazardous waste from Andes' location in the TFC building is collectively transported without being individually weighed. In the future, we will consider the feasibility of self-weighing before transportation by the building. Commercial waste mainly consists of scrapped IC chips, PCB boards, wires, and computer equipment from the research and development process. These materials are periodically entrusted to professional cleaning companies for inventory counting, photography, weighing, and final removal. Throughout the process, dedicated personnel are responsible for supervision.



Achievements in 2022

- 100% compliance with regulations: air, water, waste, energy management, and noise.
- Implementation of an internal electronic signature system to reduce paper usage.

Targets for Future Execution:

- Regular disclosure of greenhouse gas inventory results.
- Over the next three years, achieve a 1% reduction in organizational energy intensity and water intensity.
- Maintain per capita water usage within 8 kWh.

3.5 Supply Chain Management

As a professional CPU IP design company specializing in silicon intellectual property, Andes primarily procures test boards from suppliers. While the amount spent on these products is a minimal portion of the total revenue, the company ensures that materials purchased for board products comply with the European Union's mandatory RoHS (Restriction of Hazardous Substances) directive. Emphasizing product quality and its benefits, the supplier selection criteria focus on stable quality and reputable vendors.

Currently, the procurement contracts with the collaborative suppliers do not involve any violations of the corporate social responsibility policy. The company has only engaged with reputable suppliers throughout the years, and no significant violations of major regulations have been discovered. Appropriate measures will be taken if any supplier is found to violate corporate sustainability significantly or impact the environment and society.

In the future, Andes will adhere to sustainable supply chain management policies and establish supplier management procedures. From introducing new suppliers to evaluation and auditing, suppliers must adhere to the Supplier Code of Conduct, undergo ESG risk assessments, and undergo periodic evaluations. In addition to focusing on quality, cost, price, and delivery, other business considerations will also include ESG-related factors. Compliance with internationally recognized green product specifications and the management of harmful substances will be required from suppliers. Simultaneously, a certain percentage of local procurement will be maintained to reduce the environmental impact of transportation and increase local employment opportunities. Through these measures, a sustainable supply chain will be collaboratively developed with suppliers.

Local Procurement

Andes adheres to the principle of local procurement, aiming to increase opportunities for local economic development. The local procurement amount accounts for 48%, involving 57 local suppliers, contributing to sustainable corporate development.

Category	Procurement %		Number	
	Domestic		International	
Productive Procurement	46%	9	54%	3
General Procurement	48%	48	52%	4

2023 Objectives

- Promote the "Andes Technology Supplier Code of Conduct."
- Suppliers must adhere to the "Andes Technology Supplier Code of Conduct" and sign the "Andes Technology Supplier Social Responsibility Commitment."
- Incorporate the Supplier Code of Conduct into the supplier evaluation criteria.

Friendly workplace



Andes firmly believes that talent is one of our key success factors. We have been dedicated to attracting, nurturing, and retaining outstanding talent since our establishment. We actively invest in enhancing our employees' professional skills and planning their career development, in addition to bringing in individuals with excellent skills and experience. This enables our employees to achieve personal and professional growth in their careers.

We value our employees' input and regularly hold labor-management meetings to encourage their participation in feedback mechanisms. We foster a culture of open and two-way communication, and a positive, supportive, and dynamic work environment by swiftly responding to suggestions for company operation and process improvements.

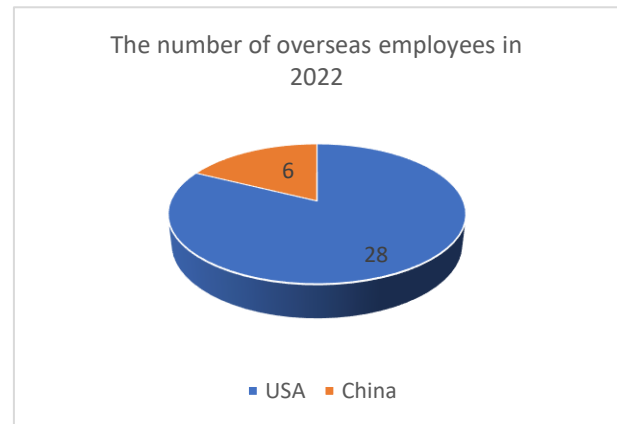
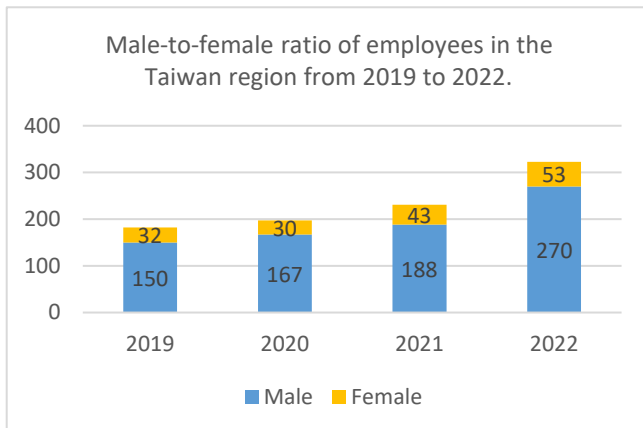
Moreover, as a company, we offer competitive compensation and employee benefits. We provide rewards and advancement opportunities based on employees' contributions and achievements, creating a motivating work environment where employees can continue to grow.

At Andes, we believe that employees are our most valuable asset. We are committed to creating a friendly and communicative workplace environment where employees can continuously improve and showcase their talents. Our ultimate goal is to help our employees find passion and balance in both their work and life.

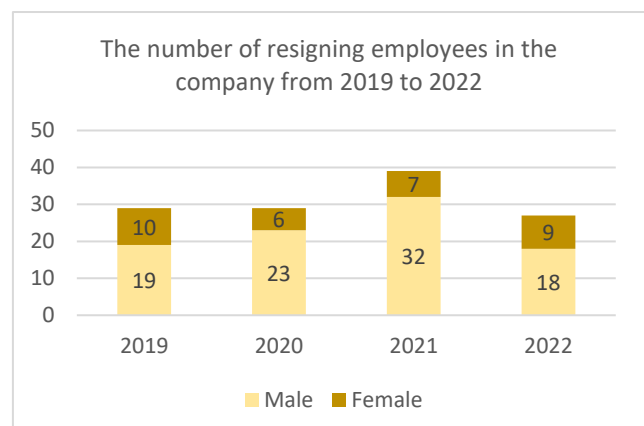
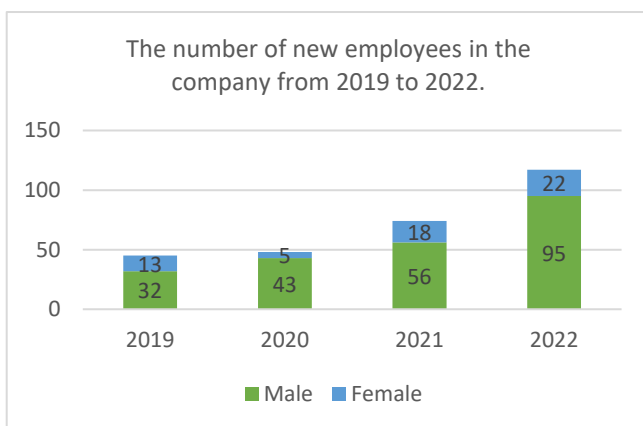
4.1 Employee Structure and Distribution

Andes had a total of 323 employees in 2022. Of these, 83.59% were male and 16.41% were female. Foreign national employees accounted for 0.09%. The gender ratio of employees has remained consistent over the years, reflecting the semiconductor industry in Taiwan, where females make up around one-sixth of the total workforce. The company's overseas subsidiaries had a total of 34 employees located in China and the United States. We prioritize effective communication and close team collaboration to serve customers in different regions, understand their needs, and ensure smooth progress of business and research activities.

Number of Employee



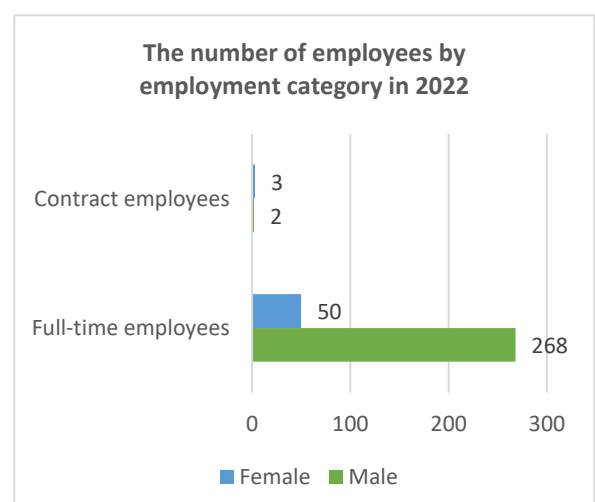
New hires and resign



In 2022, there were 95 male employees and 22 female employees who got hired. Out of the total workforce, 27 employees left the company that year, of which 18 were male employees (accounting for 5.57% of the total workforce) and 9 were female employees (accounting for 2.79% of the total workforce). The company is determined to continue its efforts to retain exceptional employees and create a stable and development-focused work environment.

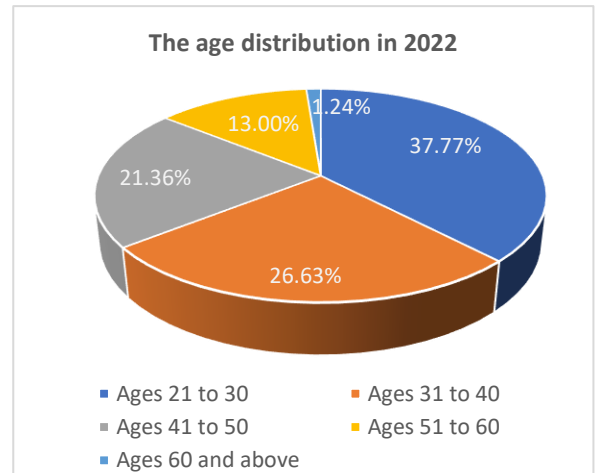
Number of employees by employment category

The company mostly hires full-time employees, with only a small number of contract workers. This strategy is based on the goal of achieving long-term stability and fostering loyalty. Full-time employees are dedicated to both their personal and the company's growth and development. This helps them build a wealth of knowledge and skills in their work and helps them form strong working relationships with their colleagues.



Employee age distribution

Our company is proud to have a young workforce. The average age of our employees is 38 years old. Our younger employees bring with them fresh perspectives, innovative ideas, and creative solutions, which help us stay competitive and adaptable to the rapidly changing technology landscape. They are full of energy and enthusiasm and have a strong desire for career advancement and growth, which in turn motivates and boosts morale throughout the entire company. With their proactive and inquisitive attitude, the young workforce at Andes is well-equipped to face the challenges of a rapidly changing era.



The proportion of male and female employees in managerial and general staff levels

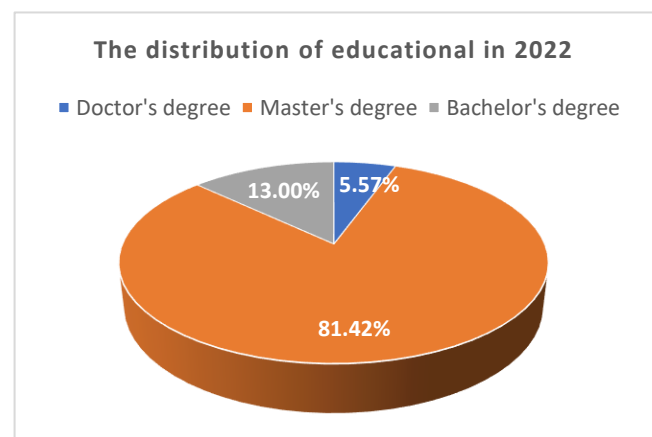
We currently have a predominantly male workforce due to the semiconductor industry's characteristics in Taiwan. However, we are committed to promoting gender equality and diversity within the company by recruiting female managerial talent in the future. Our aim is to increase the proportion of female executives and create a more balanced and inclusive workplace.

Job Categories	Male		Female	
	Number	Percentage	Number	Percentage
General Employees	216	66.87%	46	14.24%
Managerial Level	54	16.72%	7	2.17%

The educational distribution of employees

86.99% of employees hold bachelor's or master's degrees, reflecting a commitment to attracting and retaining exceptional talent.

Educational	Number	Percentage
Doctor's degree	18	5.57%
Master's degree	263	81.42%
Bachelor's degree	42	13.01%



Employee Job Distribution

Our workforce is comprised of 76.16% research and development staff, highlighting strong R&D capabilities.

Job Positions	Number	Percentage
Research and Development Department	246	76.16%
Management Department	77	23.84%



4.2 Employees' Training and Development

4.2.1 Education and Training

Our company is committed to enhancing the quality and skills of our employees through a variety of training courses. These courses include pre-employment training, professional skills development, English language learning, and technical skill training, all designed to improve work quality and performance.

On the first day of joining Andes, new employees are enrolled in a comprehensive orientation program. This program covers the company's environment, history, organizational structure, administrative systems, employee benefits, and rights. It helps new employees quickly grasp the content of various departments, the company's core values, culture, and individual benefits and rights.

In addition, new employees are required to participate in occupational safety and health education. This training focuses on disaster prevention facilities, awareness of operational hazards, and other workplace safety-related topics. The goal is to enhance the company's and employees' ability to prevent occupational accidents and improve the working environment, thus preventing workplace accidents in various engineering projects or operations. In 2022, the total training hours for new employee training was 340 hours.

Apart from new employee education and training, our company also provided internal and external training for professional skills, leadership capabilities, and general education in 2022. These programs include physical courses, online courses, seminars, lectures, and more. There were 21 internal courses and 27 external courses offered, with a total training duration of 111.8 hours.

Internal Education and Training Courses

Training Programs	Number of Sessions	Total Participants	Total Hours
New Employee Training	146	343	340
Professional Skills Training	16	650	29
Leadership Training	1	21	1
General Training	4	233	3
Total	167	1247	373

External Education and Training Courses

Training Programs	Number of Sessions	Total Participants	Total Hours
Professional Skills Training	16	22	80.5
Leadership Training	8	32	56.3
General Training	3	5	22.5
Total	27	59	159.3

4.2.2 Performance Appraisal

Andes conducts performance evaluations to ensure a comprehensive understanding of employee job performance. These evaluations serve as a basis for personnel promotions, salary adjustments, and bonus distribution. They are conducted through face-to-face communication and help assess employees' strengths and areas for improvement. By providing guidance, making necessary corrections or recommendations, and ensuring the enhancement of individual and organizational work efficiency, performance evaluations help drive the overall performance of the company.

Performance evaluations are divided into two categories: evaluations for new employees and evaluations for existing employees. In 2022, all new and existing employees completed their evaluations, achieving a 100% participation rate.

For new employees, performance evaluations are conducted within the first three months of joining the company to determine whether their performance is sufficient to handle assigned tasks. Factors such as job accomplishments, problem-solving skills, independence, innovation, teamwork and coordination skills, professional knowledge, skills, and work attitude are assessed. The results of this evaluation are used to determine whether the new employee should continue their employment with the company.

For existing employees, performance evaluations are conducted annually and quarterly. The evaluation scope includes assessing the results of each department's and employee's execution of the company's annual operational objectives and departmental work plans from the previous year or quarter. The evaluation outcomes serve as the basis for performance bonuses and salary adjustments for that year or quarter. The evaluation process is open, allowing employees to provide information on job performance and discuss the execution of work plans and their impact. They may also offer suggestions for the company, departments, or teams.



Managers assess employees' performance based on their achievement of individual work objectives and job attitudes. In cases where employees' performance does not meet the company's standards, managers review the issues with the employees and arrange suitable training or guidance. The aim is to help employees reach the desired performance standards gradually during the coaching period.

The purpose of performance evaluations is to ensure that employees' work and contributions receive a fair assessment and to provide motivation and development opportunities. The company values each employee's growth and is committed to establishing a favorable work environment and growth opportunities. Performance evaluation is an interactive and open process, encouraging employees to actively raise questions and provide feedback to promote work efficiency and personal development. Through successful performance evaluations, employees strive for excellence, thereby driving the overall development of the company.

4.3 Employee Benefit and Welfare

At Andes, we prioritize the well-being of our employees and provide them with a comprehensive and competitive benefits system. We have established multiple channels of communication to ensure that our employees' labor conditions and welfare issues are regularly discussed at quarterly labor-management meetings and welfare committee meetings. Our objective is to create a culture that supports and cares for our employees' welfare, and we believe that offering quality benefits contributes to their happiness, job satisfaction, and long-term loyalty.

4.3.1 Compensation and Rewards

Andes provides a comprehensive compensation package to employees, which includes monthly fixed salaries and performance bonuses based on operational performance and individual contributions. In 2022, the company had 254 non-managerial employees, with an average salary of NT\$2,517 thousand. This represents a significant increase of 38% from the previous year. The median salary was NT\$2,057 thousand, which also showed a remarkable 34% increase from the previous year.

The increase in employee compensation can be attributed to various factors, including annual salary adjustments, hiring more experienced R&D professionals, and an increase in the company's overall employee compensation allocation for the year. It is the company's ongoing effort to ensure that employee salaries are commensurate with their contributions and value.

Furthermore, the company's bylaws stipulate that if the company is profitable for the year, it will allocate no less than 2% for employee compensation distribution. In 2022, employee welfare expenses increased by approximately 68% from the previous year, and employee compensation amounted to NT\$96,721 thousand, which is approximately 7.45 times higher than the previous year.

These figures demonstrate Andes' commitment to providing a fair and transparent compensation system that motivates employees' efforts and talents and creates a dynamic and attractive work environment.



Taiwan Stock Exchange Announcement: "Average Employee Compensation Expense"

Year	2021	2022
item		
Average Employee Compensation Expense	NT\$927 thousand	NT\$1,214 thousand

Taiwan Stock Exchange Announcement: "Average and Median Salary of Non-Managerial Full-Time Employees"

Year	Non-Managerial Full-Time Employees	
item	2021	2022
Total Compensation for Non-Managerial Full-Time Employees (A)	NT\$350,194 thousand	NT\$639,394 thousand
The number of non-managerial full-time employees (B)	192	254
The average salary for non-managerial full-time employees (A/B)	NT\$1,824 thousand	NT\$2,517 thousand
The median salary for non-managerial full-time employees	NT\$1,537 thousand	NT\$2,057 thousand

4.3.2 Leave Policies

Our leave policies reflect our commitment to work-life balance, employee well-being, and fostering a supportive and inclusive work environment. In addition to the statutory leave types prescribed by labor laws, we offer additional leave policies.

Flexible Leave: We offers a flexible leave policy of up to 7 days, allowing employees to adjust their leave as needed.

Special Leave: We provide annual special leave days to employees, following a calendar-year model, which must be used by the end of the year.

Other Leave: Includes sick leave, 8 days of marriage leave, 7 days of prenatal examination leave, paternity leave, 56 days of maternity leave, bereavement leave, monthly 1-day menstrual leave, and unpaid parental leave.

Our company offers a range of flexible work arrangements, including remote work plans, long-term home office plans, and guidelines for temporary home office work. We believe that by allowing employees to work from different locations, they can better manage their work schedules and personal lives. This approach reduces long commutes, minimizes transportation-related stress, eliminates geographic constraints, and enables us to attract a more diverse range of skilled professionals. It also promotes employee loyalty and retention.

In 2022, four employees utilized parental leave. Three of them have since returned to work, resulting in a 100% return and retention rate. One employee is still on leave.

4.3.3 Employee Benefits

We prioritize the well-being and happiness of our employees. We offer a wide range of benefits, including holiday bonuses, subsidies for weddings, funerals, and celebrations, birthday bonuses, birthday celebrations, monthly snacks and afternoon tea, year-end party raffles, travel insurance, and various gatherings. Additionally, we have established several employee clubs and activities, such as a table tennis club, board game club, and running club, where colleagues from different departments can come together and bond over shared interests, fostering a sense of camaraderie and teamwork.

We are committed to complying with legal requirements and have set up an Employee Welfare Committee, consisting of representatives from various departments. The committee's role is to understand the diverse needs and expectations of different departments regarding employee benefits and organize regular activities that strengthen the emotional bonds and teamwork among employees. Through these activities, we aim to provide not only leisure and entertainment but also a relaxed and joyful environment for employees to enjoy their time outside of work. These activities also help enhance team cohesion, promote interaction, and encourage knowledge sharing among colleagues from different teams.

The Welfare Committee has planned several activities for 2022 that include the following:

- Annual Gala Dinner: The Welfare Committee organizes an annual gala dinner to show appreciation for employees' contributions in the previous year. This event invites employees from both domestic and international locations. The gala features a variety of prizes, team-building games for all employees, and captivating performances.



- Bowling Competition: An annual bowling competition is held, offering team and individual categories to enhance team cohesion. Employees can showcase their sports skills in the individual category. The company provides awards, trophies, and certificates to recognize top performers, making the competition more challenging and exciting.



- **Half-Day Tour Activities:** Two domestic half-day tour activities are held each year, providing employees with opportunities for relaxation, exercise, and entertainment outside of work.



- **Table Tennis Tournament:** The company's table tennis club, equipped with tables, ball machines, and paddles in the employee lounge, facilitates recreational sports practice. The club also organizes regular table tennis tournaments, inviting employees interested in the sport to come together, compete, and build friendships.



- **Company Anniversary Celebration:** The company celebrates its anniversary annually in March. During this celebration, employees review the company's growth in the past year, look forward to the future, and express gratitude to all employees for their dedication and support. Bonuses or commemorative coins are presented to employees who have served for 5, 10, or 15 years.



- Day Trip Travel Activities: The company organizes day trips throughout the year, allowing employees to bring their families along. The destination is chosen by employee voting, giving staff the flexibility to choose where they'd like to go.



- Birthday Celebrations and New Employee Welcome Parties: Monthly birthday celebrations and welcome parties for new employees are held at the end of each month. The Welfare Committee orders cakes to celebrate that month's birthdays and welcome new staff, fostering a sense of community and connection among colleagues.



4.3.4 Retirement Policies

Our company has established a "Retirement Management Policy" to encourage employees' dedicated service and secure their post-retirement quality of life. This policy follows the Labor Standards Act and the Labor Pension Act, and outlines retirement conditions, payment standards, application procedures, and other related matters. We actively align with government policies to ensure that our employees receive the best possible retirement benefits.

Our retirement policies adhere to the new labor pension system. As per the Labor Pension Act, the company contributes to the individual accounts of employees with the Labor Insurance Bureau. In 2022, we contributed a total of NT\$ 23,291 thousand to the accounts. Only one employee applied for retirement in that year.



4.4 Safety and Healthy Workplace Environment

Andes places great importance on the health and well-being of our employees. We firmly believe that employees' good health is the foundation of the company's success and is crucial for achieving personal and professional goals. Starting from January 2023, we have employed a full-time professional nurse who will provide employees with health consultations and organize health-related activities. This initiative is designed to ensure that our employees' physical well-being is taken care of and attended to appropriately.

4.4.1 Health Workplace Management

1. **Regular Health Checkups:** We conduct annual health checkups, which include comprehensive physical examinations and routine tests such as blood pressure, blood tests, X-rays, vision, and hearing tests. These checkups help detect potential health issues early on and provide medical advice and guidance. In 2022, 100% of new employees participated in physical examinations, while 100% of regular employees (including senior management) participated in health checkups.
2. **On-Site Medical Services and Consultations by Professional Nurses:** Every month, we collaborate with contracted hospitals to dispatch physicians to provide on-site consultation services. We also have professional nursing staff available, and employees can make advance appointments with the company for various health needs. Our consultation services cover a range of topics, including:
 - Assessment and counseling on personal health check results
 - Management of employees with abnormal health check results and health guidance
 - Consultation on work-related injury and illness prevention
 - First aid and emergency response
 - Support for pregnant employees
 - Health education, hygiene guidance lectures, mental health protection, and health promotion activities
 - Consultation on disease diagnosis issues
3. **Health Seminars:** We regularly offer seminars on health management, nutrition, exercise, and stress management. These seminars help employees understand how to maintain good physical and mental health and adopt appropriate lifestyles.
4. **Health Activities:** We organize regular health activities such as mountain climbing, walking competitions, and table tennis competitions to encourage employees to participate and pay attention to their physical health.
5. **Health Insurance:** We provide comprehensive health insurance coverage, including basic statutory insurance (e.g., labor and health insurance), company group insurance, occupational accident insurance, business travel insurance, and a family group insurance plan that allows employees' parents, spouses, and children to join. This ensures that our employees and their families receive comprehensive protection.
6. **Maternal Health:** We take measures to ensure the physical and mental health of female employees during pregnancy, postpartum, and breastfeeding. These measures include hazard assessment and control, medical staff counseling and guidance, risk grading management, and suitable work arrangements. We provide a safe, hygienic, healthy, and friendly workplace environment for employees who are pregnant, postpartum, or breastfeeding, with the goal of protecting maternal employee health.

4.4.2 Occupational Safety and Health Management

1. Workplace Accidents or Incidents: Because of a professional Silicon Intellectual Property (IP) company, we prioritize the health and safety of our employees. We operate in office environments that don't pose any risk of injury to our employees, and we ensure that our work doesn't involve high-risk or high-specific-disease-occurrence job roles. As a result, we had no reported cases of work-related accidents, disabilities, occupational diseases, or fatalities in 2022.

Year/Category	Gender	2021	2022
Occupational Injury Rate (OIR)	Male	0	0
	Female	0	0
Occupational Disease Rate (ODR)	Male	0	0
	Female	0	0
Number of Work-Related Fatalities	Male	0	0
	Female	0	0
Frequency of Disability Injuries (FR)	Male	0	0
	Female	0	0
Severity Rate of Disability Injuries (SR)	Male	0	0
	Female	0	0

2. Occupational Safety and Health Training: We also place a strong emphasis on the occupational safety and health of our employees. To achieve this, we provide new employees with relevant occupational safety and health education and training that complies with legal requirements and regulations. These training programs help new employees understand occupational safety and health regulations and emergency response procedures. Additionally, we regularly send our employees to participate in safety and health-related educational training courses, such as fire drills and first aid training, to enhance their awareness of safety and health practices.

4.5 Employee Communication Channels

Andes values effective communication with its employees, as we believe that harmonious relationships among employees are vital for high productivity and performance. To achieve this, we have established various communication mechanisms to promote a positive work environment and foster trust-based relationships. We encourage our employees to actively participate, share their ideas, and offer suggestions for improvement. We firmly believe that each employee has unique perspectives and expertise that can contribute to innovation and enhancements within the company.

To ensure that our employees' voices are heard, we provide multiple channels through which they can express their opinions, including weekly or monthly departmental meetings, managerial meetings, welfare committee meetings, labor-management meetings, and annual anniversary celebrations. Additionally, we cover departmental dinner expenses to create a relaxed environment for managers and employees to share their views and strengthen departmental harmony.



4.6 Human Rights Policy

Andes has a publicly disclosed Human Rights Policy on its website. We follow local laws, regulations, and international human rights standards such as the "United Nations Guiding Principles on Business and Human Rights" and the "International Labor Organization's Declaration on Fundamental Principles and Rights" at Work. It also adheres to the "Responsible Business Alliance (RBA) Code of Conduct" and is committed to treating all employees with dignity and respect while ensuring no human rights are violated.

Andes values human rights and respect, and aims to create a fair, dignified, and diverse working environment. The company follows these human rights guidelines:

Issue	Management measures
Equality and Non-discrimination	The company promises to treat all employees equally without discrimination based on race, color, gender, sexual orientation, religion, nationality, age, or physical condition. It opposes all forms of discrimination and unfair treatment and ensures that each employee can work and develop in a just and respectful environment.
Protection of Labor Rights	The company strictly adheres to the spirit and fundamental principles of human rights protection as revealed in international human rights conventions. It guarantees that employees receive fair wages, reasonable working hours, adequate leave, and a safe working environment. The company provides training and support to help employees understand their rights and responsibilities.
Diversity and Inclusion	The company encourages diversity and inclusion, recognizing and appreciating each employee's contributions to the company. It respects different perspectives, backgrounds, and cultures, as it believes that diversity promotes innovation and enhances teamwork.
Supply Chain Responsibility	When collaborating with suppliers, we ensure that suppliers adhere to human rights standards and ethical norms. The company expects its suppliers to protect labor rights, provide safe and healthy working conditions, and follow principles of environmental protection.

In addition to these guidelines, Andes has established a labor-management council that meets quarterly. Both labor and management can communicate their opinions, negotiate, and resolve issues to ensure labor-management harmony. The company also has employee rights protection measures in place, such as:

1. Labor contracts to protect the rights of employees.
2. No employment of underage child labor.
3. Flexible working hours to allow employees to balance work and family responsibilities.
4. Complaint channels such as hotlines and email for reporting workplace bullying and complaints of sexual harassment to protect human rights.

Andes considers the importance of human rights to be a core responsibility of the business and continually strives to ensure that every employee is treated with respect, equality, and given the opportunity for full development. By fostering a culture of human rights awareness, the company aims to achieve the goal of an equal and friendly workplace and sustainable development, paving the way for a brighter future.

Community Engagement



At Andes, we are committed to positively impacting society and promoting sustainable social engagement. We value stakeholder interactions and establish long-term partnerships to achieve shared social values. Over the past year, we actively participated in various social programs and initiatives to drive social progress and improvement. Andes emphasizes employees' willingness and ability to engage in society, encouraging them to participate in volunteer activities and community service. Additionally, we provide flexible working hours to enable employees to balance their work and social engagement needs.

5.1 Talent Incubation

Andes promotes diverse learning programs and provides our team members various training opportunities. Through an internal instructor system and hiring external instructors, we continuously drive talent development and professional knowledge transfer. We offer practical technical and managerial training to employees and supervisors based on organizational needs and individual development plans.



In collaboration with major universities and colleges, Andes regularly hosts the "Andes Certified Engineer Test (ACET™) Program" twice a year. In 2022, 200 individuals participated in the exam, and those who passed have been registered in the primary information database of technical and vocational schools. We also inform our clients about this certification exam, allowing certified individuals to find employment at Andes client companies after graduation. The ACET™ exam, with a question bank compiled by Andes, is accessible on the company's official website. It aids schools



in training seed teachers and students, providing insights into practical applications and future employment prospects.

Andes supports higher education by donating AndesCore™ and AndeSight™ for university research projects. These resources are applied in various fields, such as communications, storage, biomedicine, networking, and multimedia, expanding the teaching resources of educational institutions. This initiative aims to assist schools in cultivating students with practical skills, achieving a win-win situation for talent development and industry collaboration, and contributing to society.



In 2022, four academic research teams focused on AI-related topics and utilized AndesCore™ in their projects. This collaboration facilitates resource sharing, fulfills corporate social responsibility, and serves as a platform for industry-academic cooperation, promoting the integration and application of theory and practice. Such collaborations are believed to enhance knowledge sharing and exchange, fostering talents with practical capabilities and innovative thinking.

In 2022, Andes organized the inaugural "Andes Cup RISC-V Creative Contest," challenging participating teams to implement their projects on the RISC-V platform. The competition aimed to gather creative ideas, encourage university students to engage in the contest, and discover outstanding talents in the RISC-V industry. The competition, conducted openly and fairly, received enthusiastic responses, with 25 teams from 12 schools and nearly a hundred participants competing for substantial cash prizes.



5.2 Social Responsibility

To fulfill our corporate social responsibility, Andes actively participates in charity activities focusing on caring for and supporting society. We contribute through donations to charitable organizations and provide direct sponsorship and resources to vulnerable groups, aiming to make a positive and sustainable impact on society.

- **Blood Donation Events:** We regularly participate in blood donation drives, coordinating with TFC One at Taiwan Fertilizer Company to encourage employees to contribute to this life-saving initiative.
- **Blind Massage Services:** In our efforts to create employment opportunities for disadvantaged groups, we have employed two visually impaired individuals since 2021. By hiring visually impaired massage therapists, we support their employment and provide our employees with stress relief opportunities through massage services.

GRI Content Index

Statement of Use: Andes discloses information from January 1st 2022 to December 31st 2022 based on the GRI reporting principles.

GRI Version Used: GRI 1: Basic 2021

Application of GRI Industry Standards: None

GRI Standard	Disclosure	Location or Information
GRI 2: General Disclosures 2021: The organization and its practices	2-1 Organizational details	1.1 Company Overview
	2-2 Entities included in the organization's sustainability reporting	About This Report
	2-3 Reporting period, frequency and contact point	About This Report
	2-4 Restatements of information	No restatements of information during the reporting period
	2-5 External assurance	None
GRI 2: General Disclosures 2021: Activities and workers	2-6 Activities, value chain and other business relationships	1.1 Company Overview 1.2 Business Model, Products, and Technology Applications
	2-7 Employees	4.1.2 Diversity and Inclusion
	2-8 Workers who are not employees	4.1 Human Resources
GRI 2: General Disclosures 2021: Governance	2-9 Governance structure and composition	2.1 Corporate Governance Functions and Strategies
	2-10 Nomination and selection of the highest governance body	2.1 Corporate Governance Functions and Strategies
	2-11 Chair of the highest governance body	2.1 Corporate Governance Functions and Strategies
	2-12 Role of the highest governance body in overseeing the management of impacts	1.3 Stakeholder Management , 2.1 Corporate Governance Functions and Strategies
	2-13 Delegation of responsibility for managing impacts	2.1 Corporate Governance Functions and Strategies
	2-14 Role of the highest governance body in sustainability reporting	About This Report

GRI Standard	Disclosure	Location or Information
	2-15 Conflicts of interest	2.1 Corporate Governance Functions and Strategies
	2-16 Communication of critical concerns	1.4 Material Topics
	2-17 Collective knowledge of the highest governance body	2.1.2 Board of Directors
	2-18 Evaluation of the performance of the highest governance body	2.1.2 Board of Directors
	2-19 Remuneration policies	2.1.3 Remuneration Committee
	2-20 Process to determine remuneration	2.1.3 Remuneration Committee
GRI 2: General Disclosures 2021: Strategy, Policy and Practice	2-22 Statement on sustainable development strategy	A Word from Our Chairman
	2-23 Policy commitments	2.4 Integrity Management, 3.5 Supply Chain Management, 4.6 Human Rights Policy
	2-24 Embedding policy commitments	2.4 Integrity Management, 3.5 Supply Chain Management, 4.6 Human Rights Policy
	2-25 Processes to remediate negative impacts	1.3 Stakeholder Management , 2.4 Integrity Management, 2.5 Whistleblowing System
	2-26 Mechanisms for seeking advice and raising concerns	2.5 Whistleblowing System
	2-27 Compliance with laws and regulations	2.3 Regulatory Compliance
	2-28 Membership associations	1.1 Company Overview
GRI 2: General Disclosures 2021: Stakeholder engagement	2-29 Approach to stakeholder engagement	1.3 Stakeholder Management , 1.4 Material Topics
	2-30 Collective bargaining agreements	4.5 Employee Communication Channels
GRI 3: Material Topics 2021 Material Topics	3-1 Process to determine material topics	1.4 Material Topics
	3-2 List of material topics	1.4 Material Topics

GRI Standard	Disclosure	Location or Information
	3-3 Management of material topics	1.4 Material Topics
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	1.1 Company Overview, 4.3 Employee benefit
	201-2 Financial implications and other risks and opportunities due to climate change	2.8 Adapting to the changing climate 51
	201-3 Defined benefit plan obligations and other retirement plans	4.3 Employee benefit 72
	201-4 Financial assistance received from government	There were no financial assistance situations during the reporting period
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local	4.1 Employee Structure and Distribution
GRI 204: Procurement Practice 2016	204-1 Proportion of spending on local suppliers	3.5 Supply Chain Management
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	2.4 Integrity Management , 2.7 Risk Management
	205-2 Communication and training about anti-corruption policies and procedures	2.4 Integrity Management
	205-3 Confirmed incidents of corruption and actions taken	There were no incidents of corruption during the reporting period
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no legal actions for anti-competitive behavior, anti-trust, or monopoly practices during the reporting period
GRI 302: Energy 2016	302-1 Energy consumption within the organization	3.3 Greenhouse gases inventory
	302-4 Reduction of energy consumption	3.2 Energy Saving and Waste Reduction
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	3.4 Water and Waste Management
	303-5 Water consumption	3.4 Water and Waste Management
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	3.3 Greenhouse gases inventory
GRI 306: Effluents and Waste 2020	306-5 Water bodies affected by water discharges and/or runoff	3.4 Water and Waste Management

GRI Standard	Disclosure	Location or Information
GRI 307: Environmental Compliance 2016	Non-compliance with environmental laws and regulations	There was no non-compliance with environmental laws and regulations during the reporting period.
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	3.5 Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken	3.5 Supply Chain Management
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	4.1 Employee Structure and Distribution
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.3 Employee Benefit and Welfare
	401-3 Parental leave	4.3 Employee Benefit and Welfare
GRI 402: Labor Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Andes provides notice of significant operational changes which could substantially affect the employees based on governmental regulations
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	4.4 Safety and Healthy Workplace Environment
	403-2 Hazard identification, risk assessment, and incident investigation	4.4 Safety and Healthy Workplace Environment
	403-3 Occupational health services	4.3 Employee Benefit and Welfare, 4.4 Safety and Healthy Workplace Environment
	403-4 Worker participation, consultation, and communication on occupational health and safety	4.4 Safety and Healthy Workplace Environment
	403-5 Worker training on occupational health and safety	4.2 Employees' Training and Development , 4.4 Safety and Healthy Workplace Environment
	403-6 Promotion of worker health	4.2 Employees' Training and Development , 4.4 Safety and Healthy Workplace Environment
	403-7 Avoiding and minimizing danger for business partners	4.4 Safety and Healthy Workplace Environment
	403-8 Workers covered by an occupational health and safety management system	4.4 Safety and Healthy Workplace Environment

GRI Standard	Disclosure	Location or Information
	403-9 Work-related injuries	4.4 Safety and Healthy Workplace Environment
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	4.2 Employees' Training and Development
	404-2 Programs for upgrading employee skills and transition assistance programs	4.2 Employees' Training and Development
	404-3 Percentage of employees receiving regular performance and career development reviews	4.2 Employees' Training and Development
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	4.1 Employee Structure and Distribution
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No such incidents happened during the reporting period
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	4.6人 Human Rights Policy
	412-2 Employee training on human rights policies or procedures	4.6人 Human Rights Policy
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	The Company's primary operational location is in Taiwan. There are no major concerns regarding human rights protection in Taiwan, so there are no significant risks or issues on this topic.
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	3.4 Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	No such incidents happened during the reporting period
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	1.2 Business Model, Products, and Technology Applications
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No such incidents happened during the reporting period
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such incidents happened during the reporting period

SASB Standards Index

Disclosure Topics	Code	Accounting Metric	Location
Greenhouse Gas Emissions	TC-SC-110a.1	(1) Gross global Scope 1 emissions	3.3 Greenhouse gases inventory
		(2) Number of total emissions from perfluorinated compounds	Total emission was 0, no such situations happened during the reporting period
	TC-SC-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope - Greenhouse gases inventory	3.3 Greenhouse gases inventory
Energy Management	TC-SC-130a.1	(1) Total energy consumed	3.3 Greenhouse gases inventory
		(2) Percentage grid electricity	No use of grid electricity
		(3) Percentage renewable	No use of renewable energy
Water Management	TC-SC-140a.1	(1) Total water withdrawn, percentage of each in regions with High or Extremely High Baseline Water Stress	0%, Operation location not in regions with High or Extremely High Baseline Water Stress
		(2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	0%, Operation location not in regions with High or Extremely High Baseline Water Stress
Waste Management	TC-SC-150a.1	Amount of hazardous waste from manufacturing, percentage recycled	3.4 Water and Waste Management Total amount of hazardous waste from manufacturing was 0
Employee Health & Safety	TC-SC-320a.1	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	4.4 Safety and Healthy Workplace Environment
	TC-SC-320a.2	Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations	No such situations happened during the reporting period
Recruiting & Managing a Global & Skilled Workforce	TC-SC-330a.1	(1) Percentage of employees that are foreign nationals	4.1 Employee Structure and Distribution
		(2) Percentage of employees that are located offshore	4.1 Employee Structure and Distribution
Product Lifecycle Management	TC-SC-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	Andes is IP provider and does not engage in direct manufacturing.



Disclosure Topics	Code	Accounting Metric	Location
	TC-SC-410a.2	Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops	Andes is IP provider and does not have information on the overall system's energy efficiency.
Materials Sourcing TC-SC-440a.1	Materials Sourcing TC-SC-440a.1	Description of the management of risks associated with the use of critical materials	3.5 Supply Chain Management
Intellectual Property Protection & Competitive Behavior	TC-SC-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations There were no legal actions for anti-competitive behavior, anti-trust,	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations There were no legal actions for anti-competitive behavior, anti-trust,

Activity Metric	Code	Location
Total production	TC-SC-000.A	1.1 Corporate Overview
Percentage of production from owned facilities	TC-SC-000.B	0%, Andes is an IP provider and does not manufacture tangible products