

Corporate Governance Implementation Status

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has established “Corporate Governance Practical Rules” based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. These practices are being implemented in compliance with laws with information properly disclosed in the best interests of investors, stakeholders and employees.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(1) The company has appointed a spokesperson and a deputy spokesperson to handle shareholders' suggestions and disputes. (2) The company's major shareholders are mostly comprised of the management team and long-term shareholders. The company constantly monitors shareholding positions of its directors and major shareholders. Changes in shareholding positions among directors, managers and shareholders with more than a 10% holding are reported regularly to the competent authority. (3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system, the “Finance and Business Policy for Group Members and Related Parties,” and the “Subsidiary Management Policy.” (4) The company has established “Procedures for Handling Material Inside Information and Avoiding Insiders Trading” against insiders trading with undisclosed information.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its	✓		(1) The company has established “Corporate Governance Practical Rules” to formulate the diversification of the Board members and revealed it on the	None

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<p>members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to</p>			<p>company's website and MOPS.</p> <p>The board is comprised of members from a variety of backgrounds, gender and skills. Members have been chosen based on the development needs of the company. All directors have the academic background and experience necessary to enable the board's decision and supervisory capacity.</p> <p>Please refer to <Table 1> on page 40 for the diversity of each board member and page 13~18 for their experience and education.</p> <p>(2) The company has established the Remuneration Committee and the Audit Committee and is going to set up the Nominating Committee after the 2018 Annual Meeting of Shareholders. “Nominating Committee Charter” has established after approval by the board on Feb. 23, 2018. The Committee shall be composed of at least three directors selected by the board of directors from among themselves; a majority of the Committee members shall be independent directors. It shall convene at least once a year, and may call a meeting at its discretion whenever necessary. The duties of the Committee are shown as follows:</p> <ol style="list-style-type: none"> 1. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and finding, reviewing, and nominating candidates for directors based on such standards. 2. Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each committee, and each director and the independence of the independent directors. 3. Establishing and reviewing on a regular basis programs for director continuing education and the succession plans of directors. 4. Establishing corporate governance guidelines of the Company. <p>(3) The Board has approved to establish the company's “Self-Evaluation of the</p>	

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measure the performance of the Board, and implement it annually?			<p>Board of Director” about the members of the Board to assess their entire operations on Feb. 26, 2015. It shall specifically conduct internal evaluation at the end of each year through questionnaire and also conduct external evaluation on performance at least every three years according to Article 3. The criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; 5. Internal control. <p>The criteria for evaluating the performance of the board members on themselves, should cover, at a minimum, the following six aspects:</p> <ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; 6. Internal control. <p>After all questionnaires are completed, the Financial Division will then collect it and calculate the score. The internal evaluation of the Board in 2017 has been conducted by the Financial Division. The average score of the entire Board and individual member of Board is 99 and 98 respectively. (Total score is 100) It shows good performances for the entire Board and individual member of Board. The external evaluation has been conducted by KPMG as well. It is confirmed that the whole conducting evaluations team have no financial interest and</p>	

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(4) Does the company regularly evaluate the independence of CPAs?			<p>business relations with the company, and they do not violate the requirement of independence. The external evaluation process has combined three approaches, including the data analysis, questionnaires and interviews etc. The items from nine dimensions applied to evaluate the board of directors included the structure of a functioning board of directors, efficient operations of the board of directors, professional development and advanced training, provisions of the enterprise, execution of the responsibilities and obligations, management of the leadership team, creation of the company culture, stakeholder communications and performance evaluation etc. The other six dimensions, including the control of company goals and missions, awareness of role and responsibilities as the director, business development and capability upgrade, execution of the responsibilities and obligations, involvement of business operations and internal management of relationships and communications etc. were applied for the evaluation of directors. All the evaluation processes were completed with the evaluation report available by Feb. 2, 2018. The results of overall evaluation was between good to excellent; for the nine dimensions of evaluation part on the board of directors and six dimensions of evaluation part on the director, the dimensions of professional development and advanced training, execution of the responsibilities and obligations, stakeholder communications and performance evaluation, and involvement of business operations etc. were identified to have room to improve. Results of both evaluations have been reported to the Board meeting on Feb. 23, 2018 and have been revealed on the website of the company.</p> <p>(4) The company obtains the declaration of Independence from CPA Firm and the Board of the company regulates the independence of the certified accountant assigned to do the appraisal according to No. 10. Integrity, Objectivity and Independence, The Norm of Professional Ethics for Certified Public Accountants of the People’s Republic of China, which stipulates (a) whether the certified accountant, the spouse, minor children or others hold 1% of shares; (b) whether the certified accountant is the spouse or has relations up to the second</p>	

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			degree of consanguinity with other directors; (c) whether the certified accountant is the relative of someone holding a post with significant impact such as a manager or financial and accounting supervisors; (d) whether the certified accountant takes a rigid and serious attitude towards his/her performance of his/her professional service; (e) whether the certified accountant received any gift with considerable values from directors, managers; (f) whether a collaborative practicing accountant quited within one year and took charge of the directors, supervisors manger and post with significant impact on auditing cases of audited clients. It shall be confirmed by the Board that the certified accountant has no other financial interest and business relations in addition to governing auditing certification and cost of tax, and the family members of the certified accountant do not violate the requirement of independence meeting with the standard of independence on evaluation. In the case of meeting with all requirements mentioned above that is qualified certified accountant for governing auditing and certification for the company.	
4. Whether TWSE Listed Companies & GTSM Companies set up and dedicated (part-time) cooperate governance unit or person in charge of cooperate governance affairs (including but not limited to providing the essential materials to directors and supervisors for implementation of duties, relevant affairs of directors’ meeting and shareholders’ meeting according to the law, handling company registration and amendment registration and preparing proceedings of directors’ meeting and shareholders’ meeting) ?	✓		The company has set up cooperate governance unit in charging of corporate governance affairs concurrently under the Financial Division according to the resolution of Board on Nov. 8, 2016. And the manager of Financial Division has at least three years' management experience gained at a public company in handling financial affairs. The main duties of cooperate governance unit are shown as follows. (1) Furnishing information required for business execution by directors and arranging continuing education for directors. (2) Updating the developments of laws and regulations relating to the operation of the company in order to assist directors with legal compliance. (3) Plans to scheme proper corporate system as well as organizational frame to accelerating the independency of Board of Directors, transparency of company and compliance of decree. (4) Before directors’ meeting, it will inquiry the opinion of every director to scheme and formulate agenda, and inform to all directors for attendance at least 7 days	None

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			<p>prior to the meeting as well as provide sufficient meeting materials for directors’ understanding about the content of relevant proposal.</p> <p>(5) Registers date of shareholders’ meeting every year according to the deadline of law, produces and declares meeting notice, handbook for agenda and proceeding by deadline, and handles amendment registration after revision of Article of Incorporation or re-election of directors.</p> <p>(6) The company makes not only performance evaluation toward personal directors every year but also internal performance evaluation on its overall operation. Besides, we will implement an external performance evaluation once at least every three years by delegating an external professional independent institution, expert or scholarship.</p> <p>(7) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system in order to meet with the norm of cooperate governance.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders(e.g., including but not limited to shareholders, employees, customers and suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>(1) The company set up stakeholder zones official sites including employee zone, client zone, supplier zone, investor’s zone, service zone and environmental safety and health zone with respective specific contact windows respectively by category of stakeholder.</p> <p>(2) The company has a spokesperson, a deputy spokesperson and a contact mailbox in place to facilitate communication with shareholders.</p> <p>(3) The company has established different kinds of meetings to encourage an open exchange of opinions between employees and management. An employee mailbox and whistle-blower system has also been made available on the company’s website (under the HR section), through which employees may reflect their opinions and offer suggestions.</p> <p>(4) The company has a contact mailbox and an audit committee’s mailbox to serve as a means of communication with stakeholders.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with	✓		The Company designates KGI Securities Registry and Transfer Department to deal with shareholder affairs.	None

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shareholder affairs?				
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p>	✓		<p>(1) The company has an official website (http://www.acter.com.tw) that regularly updates the company's financial performance and discloses corporate governance information.</p> <p>(2) The company has appointed dedicated personnel to gather and disclose information in a timely and appropriate manner.</p> <p>A. The company has implemented a spokesperson and a deputy spokesperson system, and disclosed their names and contact methods on the company's website.</p> <p>B. Information on investor seminars is disclosed on the company's website as it becomes available.</p> <p>C. The Company has already set up its English website to keep foreign investors informed of its financial and business standings.</p>	None
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p> <p>Below is a summary of steps taken by the management to ensure sound corporate governance:</p> <p>(1) The company has a set of work rules in place that protect employees' interests. Under these rules, employees, irrespective of rank, gender or nationality, are provided with benefits such as insurance, training, health checkups and retirement plans superior to legal requirements. In addition, the company's Employee Welfare Committee introduces welfare packages that aim to create a harmonious workplace and to enrich employees' lifestyles. The company is ISO 14001 and OHSAS 18001-certified for the purpose of ensuring proper management over workplace safety and health. It has a Quality Insurance & safety Department that is dedicated to promoting and supervising workplace safety; meanwhile, an employee opinion mailbox has been made available on the company's website (under the HR section) to facilitate direct communication between employees and the company.</p> <p>(2) Investor relations, supplier relations and stakeholders' rights: as part of its goal of information transparency, the company discloses financial and business information in a timely and appropriate manner in compliance with related laws. It has contact windows and mailboxes that investors, suppliers and stakeholders can use to leave</p>				

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<p>messages and give opinions. Apart from making regular financial and business disclosures, the company has also created a corporate governance section on its website in both Chinese and English, so as to protect the interests of local and foreign investors.</p> <p>The company establishes trade arrangements and issues purchase orders to suppliers in compliance with the principle of equality. These agreements clearly outline the rights and obligations between the two parties, and work to secure both parties' legal interests.</p> <p>(3) Status of the Continuing Education of Directors: all directors of the company have completed the mandatory courses stipulated under “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” For details regarding these courses, please refer to page 72~73 of the annual report, titled "xi. Status of the Continuing Education of Directors in 2017."</p> <p>(4) Risk management policy and risk assessment standards: the company is focused on its primary business. It has risk management guidelines and policies in place to avoid or minimize risks that may jeopardize the company's interests, while in the meantime ensure employees' safety. All major operating policies, investments, asset acquisitions and disposals, corporate guarantees and endorsements are subjected to thorough analysis before they are proposed for the board's resolution. The Auditing Office develops annual audit plans based on assessed risks and executes accordingly as a means of risk supervision.</p> <p>(5) Customer policy: The company has a Business Department and an Engineering Department responsible for engaging customers in timely communications, responding to customization needs, providing excellent services and resolving any issues that might arise. Besides, the General Administration Division conducts customer satisfaction survey from time to time and keeps all channels open for bilateral communication with customers.</p> <p>(6) Insurance against directors' liabilities: the company has taken out liabilities insurance for its directors. Information about the insured amount, coverage and premium rate has been reported in the Board meeting on Feb. 23, 2018.</p>				
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>The company is ranked in top 5% in 4th Corporate Governance Evaluation of Listed Companies. The company reviews items not achieving evaluation standard every year after the result of evaluation be announced, makes adjustment and improvement successively and carries out step by step. In the perspective of information disclosure, apart from adjust, update annual report and disclosed content on the website, the company also participates investor conferences, in light of making the information more transparent and reducing the issue of information asymmetry. In terms of system, the company has approved the revision proposal of Article of Incorporation in Shareholders' meeting in 2017 and will elect directors via candidate nomination system totally. For items that have not achieving evaluation standard yet such as setting up of nomination committee, the company has established “Nominating Committee Charter” after approval by the board on Feb. 23, 2018 and is going to set up the Nominating Committee after the 2018 Annual Meeting of Shareholders.</p>				

<Table 1>

Name	Gender	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions
Liang, Chin-Li	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Jung-Tang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Hu, Tai-Tsen	Male	✓	None	✓	✓	✓	✓	✓	✓
Kao, Hsin-Ming	Female	✓	✓	✓	✓	✓	✓	✓	✓
Yeh, Hui-Hsin (Independent director)	Female	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Qian (Independent director)	Male	✓	None	✓	✓	✓	✓	✓	✓
Wang, Mao-Rong (Independent director)	Male	✓	None	✓	✓	✓	✓	✓	✓