

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, doubts and disputes according to the “Corporate Governance Practical Rules.” (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 and the “Subsidiary Management Policy.” (4) The company has established “Procedures for Handling Material Inside Information and Avoiding Insiders Trading” to avoid insiders trading with undisclosed information and revealed the procedures on the company’s website. In 2017, the company introduced the integrity standards into the E-learning system and included it as the annual required course since 2018 to enhance the attentions of all the employees constantly. Contents of the course include the company’s internal rules about prohibiting insiders trading, employee ethical business guidelines and so on. In 2018, 279 employees completed the training	None

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			and the participation ratio is 100%. As for directors of the company, they irregularly participate in external training courses such as corporate governance and insider trading policies organized by external organizations. Besides, the company also provides information of insiders trading, including laws and regulations and case analysis to its insiders by E-mail at least once a year. Information of 2018 has been sent on Sep. 7.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) The company has established “Corporate Governance Practical Rules” to formulate the diversification of the Board members and revealed it on the company's website and MOPS. In addition, the company has set up the Nominating Committee. Members of the committee will find, review, and nominate candidates based on standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. According to paragraph 3 of article 20 of the Company's “Corporate Governance Practical Rules,” all members of the board shall have the knowledge, skills, and experience necessary to perform their duties and the diversity representation of the Board. Furthermore regard for the benefits of diversity of the Board. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <ol style="list-style-type: none"> 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Ability to lead. 	None

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(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			<p>8. Ability to make policy decisions.</p> <p>Currently, the company sets a phased goal to increase the number of female directors. It is hoped that directors of each gender can reach more than one-quarter of the board in next board.</p> <p>The board is comprised of members from a variety of backgrounds, genders 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. Please refer to <Table 1> on page 43 for the diversity of each board member and page 13~17 for their experience and education.</p> <p>(2) The company has established the “Nominating Committee Charter” after approval by the board on Feb. 23, 2018 and set up the Nominating Committee on May 30, 2018. The Committee is composed of three independent directors (Yang, Qian, Yeh, Hui-Hsin, Wang, Mao-Rong) and two directors (Liang, Chin-Li, Yang, Jung-Tang.) 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 and members of the Committee perform their business according to the duties.</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. 	

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(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?			<p>4. Establishing corporate governance guidelines of the Company.</p> <p>A total of 1 meeting was held in 2018 and no one was absent. The meeting resolved to approve the 2019 programs for director continuing education.</p> <p>(3) The Board has approved to establish the company's “Self-Evaluation of the Board of Director” about the members of the Board to assess their entire operations on Feb. 26, 2015. The company conducts internal evaluation at the end of each year through questionnaire and also conducts external evaluation at least every three years according to Article 3. Results of the evaluation will serve as a reference for the selection or nomination of directors by the company. The criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects and subject to regular reviews of the Nominating Committee:</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</p>	

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			<p>and calculate the score. The internal evaluation of the Board in 2018 has been conducted. The average score of the entire Board and individual member of Board is 100 (Total score is 100), respectively. It shows good performances for the entire Board and individual member of Board and there is no need to improve. The result of the internal evaluation has been reported to the Board meeting on Feb. 26, 2019 and has been revealed on the website of the company. The external evaluation has been conducted by the risk advisor of KPMG in 2018. It is confirmed that the whole conducting evaluations team have no financial interest and business relations with the company, and they do not violate the requirement of professional and independence. The external evaluation process has combined three approaches, including the data analysis, questionnaires and interviews etc.</p> <p>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.</p> <p>The items from six dimensions applied to evaluate directors included 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.</p> <p>The items from seven dimensions applied to evaluate the Audit Committee included the structure of a functioning Audit Committee, efficient operations of the Audit Committee, professional development and advanced training, execution of the responsibilities and obligations, the establishment of the appeal channel, relationship with the board of directors and performance evaluation etc.</p> <p>The items from six dimensions applied to evaluate the Remuneration Committee</p>	

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(4) Does the company regularly evaluate the independence of CPAs?			<p>included the structure of a functioning Remuneration Committee, efficient operations of the Remuneration Committee, professional development and advanced training, execution of the responsibilities and obligations, the establishment of the complaints pipeline, relationship with the board of directors and performance evaluation etc.</p> <p>All the evaluation processes were completed with the evaluation report available by Feb. 2, 2018. The results of overall evaluation were between good to excellent. But some dimensions were identified that still have room to improve, such as professional development and advanced training, stakeholder communications, and so on. In terms of professional development and advanced training, the company has drawn up the 2019 programs for director continuing education and arranges courses according to the functional requirements of the directors. For stakeholder communications, the company participates in or holds at least 2 investor’s conferences each year and increases the communication channel with interested parties. The result of the external evaluation has been reported to the Board meeting on Feb. 23, 2018 and has 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 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</p>	

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			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 is confirmed by the Board on Feb. 23, 2018 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) ?	✓		<p>The company has deployed an adequate number of corporate governance personnel, appointed a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs and designated Chairman and Board of Directors to be in charge of supervision after approval by the board in 2019. The chief corporate governance officer shall be the managerial officers of the company and is a qualified practice-eligible lawyer or accountant or have been in a managerial position at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs. Information and education about the chief corporate governance officer has been revealed on MOPS.</p> <p>The corporate governance units perform its business according to their duties. In 2019, the main duties and business execution of the corporate governance unit are shown as follows.</p> <ol style="list-style-type: none"> (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 	None

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			<p>and compliance of decree.</p> <p>(4) Before directors’ meeting, it will inquiry the opinion of every director to scheme and formulate agenda, inform to all directors for attendance at least 7 days prior to the meeting, and provide sufficient meeting materials for directors’ understanding about the content of relevant proposal as well as complete meeting minutes within 20 days after the board meetings.</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) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system.</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 shareholder affairs?	✓		The Company designates KGI Securities Registry and Transfer Department to deal with shareholder affairs.	None

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<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 14001:2015 and OHSAS 18001:2007-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 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>				

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<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 status of the continuing education of directors in 2018, please refer to page 77 of the annual report.</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. 26, 2019.</p> <p>(7) Succession planning and execution of board members and key management levels of the company: At present, the succession planning of the company is under way, and presidents of the company and its subsidiaries are the successor of the chairman, who shall cultivate succession ability through experience in operating the company or its subsidiaries. The operating directors of each company of the group agree with the company's culture and their values are consistent with those of the company. They have already served the group for a certain period of time. They have gained recognition for their integrity, customer service and operating ability. At present, the successors are already members of the board of directors of each company. They are expected to learn about the operations of the board of directors in the next 8-10 years and take over from the board of directors in the future 10-15 years.</p> <p>The succession of senior executives in the company is mainly hierarchical, so it does not only focus on a few high-level executives. First, the departmental executives must have agents and prepare them as successors to the senior executives of each department. Subsequently, there will be an agent system for the executives of divisions and staff. Through work rotation training and functional development, mentorship, education, training, self-study, teaching and work experience, and the company's existing performance appraisal system, the company's future successors are assessed and cultivated for the company's future development. The company recruits excellent talents, internally and externally to increase the width and depth of the company's successors.</p>				

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<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 5th 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 set up the Nominating Committee in 2018. As for indicators that are not achieved, the company will review and discuss continuously.</p>				

<Table 1>

Item Name	Gender	The term of independent director	Employee of the company	Age			Experience			Ability			
				Under 60 years old	61~69 years old	Over 70 years old	management administration	accounting	Industry experience	Knowledge of the industry	Knowledge of accounting	Ability to lead and make policy decisions	Ability to conduct management administration
Liang, Chin-Li	Male	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓
Yang, Jung-Tang	Male	-	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓
Hu, Tai-Tsen	Male	-	-	-	✓	-	✓	-	✓	✓	-	✓	✓
Yeh, Hui-Hsin (Independent director)	Female	4	-	✓	-	-	✓	✓	-	✓	✓	✓	✓
Wang, Mao-Rong (Independent director)	Male	4	-	-	✓	-	✓	-	✓	✓	-	✓	✓
Yang, Qian (Independent director)	Male	4	-	-	-	✓	✓	-	-	✓	-	✓	✓