

Corporate Governance Implementation Status

Evaluation Item	Implementation Status			Deviations 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 2019, 239 employees completed the training. 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	None

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			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 2019 has been sent on Sep. 25.	
<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.</p> <p>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. 8. Ability to make policy decisions. <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> for the diversity of each board member and</p>	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>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.) Each member has the expertise necessary to perform their duties such as finance or corporate governance. 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 independent directors and non-independent directors. 2. Planning the composition of the board and each committee, and evaluating the performance of the board. 3. Finding, reviewing and nominating candidates for independent directors and non-independent directors. 4. Review the establishment and amendment of the relevant regulations for the operation of the board of directors of the company, including but not limited to “Procedures for Election of Directors,” “Regulations governing remuneration paid to directors and functional committee,” “Self-Evaluation of the Board of Director and Functional Committees,” “Rules for Independent Director’s Scope of Duties,” “Standard Operating Procedures for Handling Requirements of Directors,” etc. 5. Reviewing the amendment of “Corporate Governance Practical Rules” of the Company. 6. Other matters instructed by the board of directors. <p>A total of 2 meetings were held in 2019 and no one was absent. The meeting resolved to approve the amendment of the “Nominating Committee Charter,” “Corporate Governance Practical Rules,” “Self-Evaluation of the Board of Director and Functional Committees,” and “Regulations governing remuneration paid to directors and functional committee.”</p>	
(3) Whether the company formulates the regulations and method for the			<p>(3) The Board has approved to establish the company’s “Self-Evaluation of the Board of Director and Functional Committees” on Feb. 26, 2015. The company conducts internal evaluation at</p>	

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performance evaluation of the board of directors, conducts evaluation regularly every year, reports the results to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director?			<p>the end of each year through questionnaire. Directors and members of Functional Committees shall fill out questionnaires such as the Questionnaire of Self-Evaluation of Performance of the Board, the Questionnaire of Self-Evaluation of Performance of Board Members, and the Questionnaire of Self-Evaluation of Performance of the Functional Committee. According to Article 3, the company also conducts external evaluation at least every three years. Results of the evaluation will serve as a reference for the calculation of individual directors' remuneration and 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>The criteria for evaluating the performance of functional committees 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. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members and 5. Internal control. <p>After all questionnaires are completed, the Financial Division will then collect it and calculate</p>	

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			<p>the score. The internal evaluation in 2019 has been conducted. All participants including the entire Board, individual member of Board, and each functional committee have scores more than 90 points (out of 100 points). The performance is evaluated as excellent and there is no need to improve. The result of the internal evaluation has been reported to the Board meeting on Feb. 27, 2020 and has been revealed on the website of the company.</p> <p>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 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>	

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(4) Does the company regularly evaluate the independence of CPAs?			<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 provides education courses to director every month 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 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. 26, 2019 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.</p>	

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4. Whether TWSE/TPEX listed companies have deployed appropriate numbers of suitable corporate governance personnel, and designated a chief corporate governance officer responsible for corporate governance affairs (including but not limited to providing provision of information required for performance of duties by the directors and supervisors, assistance to the directors in complying with laws and regulations, handling of matters relating to board of directors meetings and shareholders meetings in compliance with law, and preparation of minutes of board of directors meetings and shareholders meetings) ?	✓		<p>Upon approval by the board on Apr. 11, 2019, the company has appointed assistant vice president of financial division, Tsao, Yun-Han, as the chief corporate governance officer to be in charge of corporate governance affairs and designated Chairman and Board of Directors to be in charge of supervision. Ms. Tsao is the managerial officers of the company and has been in a managerial position at least three years in a public company in handling financial affairs, meeting the requirements of the chief corporate governance officer.</p> <p>The chief corporate governance officer performs its business according to the duties. In 2019, the main duties and business execution 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 and compliance of decree. (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 and explain the proposals for directors' understanding about the content of relevant proposal as well as complete meeting minutes within 20 days after the board meetings. (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. (6) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system. (7) Pay attention to the transparency and symmetry of information to protect shareholders' rights. <p>The chief corporate governance officer has completed a total of 21 hours of training in 2019. Please refer to <Table 2> for the states of education.</p>	None

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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?	✓		The company sets up stakeholder zones official sites including employee, client, supplier, investor with respective specific contact windows respectively by category of stakeholder, continuously listens to feedback from stakeholders, understands their concerns, and reports relevant communication mechanisms and implementation results to the board of directors every year. The result of 2018 has been reported to the Board meeting on Nov. 8, 2019 and revealed on the company's website.	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
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (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)? (3) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	✓		(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. (2) The company has appointed dedicated personnel to gather and disclose information in a timely and appropriate manner. A. The company has implemented a spokesperson and a deputy spokesperson system, and disclosed their names and contact methods on the company's website. B. Information on investor seminars is disclosed on the company's website as it becomes available. C. The Company has already set up its English website to keep foreign investors informed of its financial and business standings. (3) In order to enable investors to obtain sufficient and accurate information in a timely manner, the company has announced and reported its 2019 financial report on February 27, 2020 and the financial reports for each quarter of 2019 as well as the operating status for each month of 2019 have been announced and reported before the specified deadline.	None

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<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 ISO45001:2018-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, 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>(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. The company has also created a corporate governance section on its website in both Chinese and English to protect the interests of local and foreign investors and provide them with diversified information.</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 status of the continuing education of directors in 2019, please refer to page 75 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 Jan. 17, 2020 and revealed on the MOPS.</p>				

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<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>				
<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 6th 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 the composition of the board of directors, the company plans to increase the number of female directors and independent directors in the future. As for indicators that are not achieved, the company will review and discuss continuously.</p>				

<Table 1>

Name	Item	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	5	-	✓	-	-	✓	✓	-	✓	✓	✓	✓
Wang, Mao-Rong (Independent director)		Male	5	-	-	✓	-	✓	-	✓	✓	-	✓	✓
Yang, Qian (Independent director)		Male	5	-	-	-	✓	✓	-	-	✓	-	✓	✓

<Table 2>

Date	Host Organization	Course	Education Hours
Aug. 27, 2019	Accounting Research and Development Foundation	Frequently asked questions and practice analysis of IFRS16	3
Aug. 28, 2019	Accounting Research and Development Foundation	The trend and analysis of the “Comprehensive Enterprise Value Management”	3
Nov. 05, 2019	Securities & Futures Institute, ROC	Analysis of the disadvantages of Mergers and Acquisitions ~ from the perspective of corporate governance	3
Nov. 05, 2019	Securities & Futures Institute, ROC	Discussion on the development of Anti-avoidance and the due response of enterprises	3
Dec. 17, 2019	Accounting Research and Development Foundation	Discussion on legal responsibility of “Employee Fraud” and fraud forensic practice	3
Dec. 17, 2019	Accounting Research and Development Foundation	Impact and countermeasures of newly issued “Labor Incident Law”	3
Dec. 27, 2019	Taiwan Institute of Directors	Sustainability and impact investment	3