

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” and “Procedures for Handling Investor Relationship.” (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 2021, 261 employees completed the training and total education hours is 261 hours. Besides, the company provides information of insider trading, including laws and regulations and case analysis to its insider (directors and managerial | None |

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| | | | <p>officers) by E-mail at least once a year. Information of 2021 has been sent on Oct. 26, 2021. Directors of the company also irregularly participate in external training courses such as corporate governance and insider trading policies organized by external organizations. The amendment to the “Corporate Governance Practical Rules” was approved by board resolution on February 24, 2022. The amended provisions stipulate the adoption of stock trading control measures from the date insiders of the Company become aware of the contents of the company’s financial reports or relevant business results. Such measures include, but are not limited to, the prohibition of stock trading by directors during closure periods 30 days and 15 days prior to the release of annual and quarterly financial reports, respectively. We notified our insiders of the aforementioned closure periods by e-mail on the date the amendment took effect. In the future, insiders will be reminded of upcoming closure periods by e-mail 5 days in advance.</p> | |
| <p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Whether the company formulates the regulations and method for the 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> | ✓ | | <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. Please refer to page 20~21 for the content of the diversified policy, specific management goals and implementation.</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. Please refer to page 47~48 for the composition and operations of the Nominating Committee.</p> <p>(3) The Board has approved to establish the company’s “Rules for Performance Evaluation of Board of Directors and Functional Committees” on Feb. 26, 2015. The company conducts internal evaluation at the end of each year through questionnaire. 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 2021 internal evaluation has been conducted. In addition, the company commissioned the “Taiwan Corporate Governance Association” to carry out an external evaluation of Board performance in November 2020.</p> | None |

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| (4) Does the company regularly evaluate the independence of CPAs? | | | <p>Please refer to page 32~33 for more information regarding content and results of evaluations.</p> <p>(4) Our Audit Committee will conduct annual assessments of CPA independence and competence and submit the results of such assessments to the board for resolution pursuant to the “Regulations governing the CPA’s performance evaluation”, which have been approved by the board of directors. In addition to the acquisition of a written statement issued by a CPA for financial reporting, Audit Committee members evaluate the performance and independence of CPAs pursuant to the aforementioned Guidelines. Adopted independence indicators include the following: (a) the CPA has no direct or material financial interest in the Company; (b) the CPA has no improper interest in the Company; (c) has the CPA provided relevant services for the Company within the past two years?; (d) the CPA’s name is not used by other companies; (e) do auditing service task force members utilize undisclosed information they have become privy to in the performance of their duties for the trading of securities held by customers?; (f) no debtor–creditor relationship exists between the CPA and the Company; (g) no joint investment or profit sharing relationship exists between the CPA and the Company; (h) the CPA holds no concurrent appointment with fixed compensation at the Company; (i) the CPA receives no business-related commissions from the Company; and (j) has the CPA served consecutive terms in excess of seven years? The 2021 assessment results were approved by the Audit Committee and ratified by board resolution on February 24, 2022. CPA independence and performance indicator scores reached an average of 95. Since relevant criteria have been met, the contract with the CPA has been renewed.</p> | |
| 4. Whether TWSE/TPEX listed companies have deployed appropriate numbers of suitable corporate governance personnel, and designated a chief corporate governance officer responsible for cooperate 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 | ✓ | | <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 officer of the company and has been in a managerial position for 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 2021, the main duties and business execution are shown as follows.</p> <p>(1) Furnishing information required for business execution by directors and arranging continuing education for directors.</p> | None |

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| 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>(2) Updating the developments of laws and regulations relating to the operation of the company in order to assist directors with legal compliance.</p> <p>(3) Plans to scheme proper corporate system as well as organizational frame to accelerate the independency of Board of Directors, transparency of company 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 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.</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 the corporate governance evaluation system.</p> <p>(7) Pay attention to the transparency and symmetry of information to protect shareholders' rights. The chief corporate governance officer has completed a total of 14 hours of training in 2021. Please refer to <Table 1> on page 44 for the states of education.</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? | ✓ | | The company sets up stakeholder zones of 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 2021 has been reported to the Board meeting on Nov. 5, 2021 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 | ✓ | | (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. | None |

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| <p>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>(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?</p> | | | <p>(2) The company has adopted “Procedures for Handling Investor Relationship” to ensure the effective communication of systematically integrated information pertaining to financial and operational status, future development, and corporate governance to different target audiences in accordance with their individual needs based on the principles of fairness and transparency. 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> <p>(3) In order to enable investors to obtain sufficient and accurate information in a timely manner, the company has announced and reported its 2021 financial report on February 24, 2022 and the financial reports for each quarter of 2021 as well as the operating status for each month of 2021 have been announced and reported before the specified deadline.</p> | |
| <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</p> | | | | |

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| <p>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 2021, please refer to page 79~80 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 and crisis management rules 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 and reports to the board of directors on risk management once a year. The company's risk management scope, organization and performance of 2021 have been disclosed on the company's website.</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. 22, 2022 and revealed on the MOPS.</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</p> | | | | |

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| 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. | | | | |
| (8) The company participated in the CG6012 (2019) Corporate Governance System Evaluation in 2020, which was hosted by the Taiwan Corporate Governance Association and was awarded the Top rating on Oct. 25, 2021. The certificate is valid from Oct. 25, 2021 to Oct. 24, 2023. In the future, we will respond to the feedback and suggestions obtained from the evaluation and continue to improve our corporate governance mechanisms accordingly. | | | | |
| 9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange The company is ranked in top 5% in 7th 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. Among the indicators that did not meet the standards this year, the company has improved such as the establishment and disclosure of the quantitative management goals for the following years on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management. In addition, the company increases one female independent director and the numbers of independent directors exceed one-half of the total directorships. As for other advanced indicators, the company will review and discuss continuously. | | | | |

<Table 1>

| Date | Host Organization | Course | Education Hours |
|---------------|--|---|-----------------|
| Aug. 09, 2021 | Accounting Research and Development Foundation | Case Analysis of "Illegal Securities Transactions by Fake Foreign Investment" and Discussion on Legal Liability | 3 |
| Aug. 20, 2021 | Accounting Research and Development Foundation | The Role and Operational Practice of "Independent Directors" in Corporate Governance | 3 |
| Aug. 31, 2021 | Taipei Exchange | 2021 Sustainable Online Forum | 2 |
| Sep. 01, 2021 | Financial Supervisory Commission | The 13th Taipei Corporate Governance Forum | 6 |