

Status of Corporate Governance

| Evaluation Item | Implementation Status | | Reason for Non-implementation | |
|---|-----------------------|----|---|-----------------------|
| | 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 the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and approved of Board of Directors on 08/19/2009. The information has been disclosed on the MOPS website and Company’s website. | None |
| 2. Shareholding structure & shareholders’ rights | | | | None |
| (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓ | | The Company established internal procedures and assigned designated departments to handle shareholder suggestions, doubts, disputes and litigations. | |
| (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? | ✓ | | The Company tracks the shareholdings of directors, officers and shareholders’ holding more than 10% of the Company’s outstanding shares. | |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? | ✓ | | The Company has established internal control system and Procedures to Supervision and Management of Subsidiaries to 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? | ✓ | | <p>The Company established “Codes of Ethical Conduct”, “Employees for Code of Ethical Conduct” and “Standards of Behavior Regarding Insider Trading”, strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability.</p> <p>The Company carries out regular training and propaganda of ethical for its directors and employee every year. For new employees, training on personnel rules, management systems, business ethics, prevention of insider trading, and all other CSR-related subjects are carried out on their first day of work.</p> <p>The Company's implementations of prevention of insider trading in 2019</p> <ol style="list-style-type: none"> 1. New employees who are required to sign the “Code of Ethic Commitment” on their first day of work. 2. Participants of prevention of insider trading training total 214 personnel. 3. The Company has not any matters about discipline of insider trading conduct in 2019. | |
| 3. Composition and Responsibilities of the Board of Directors | | | | None |
| (1) Does the Board develop and implement a diversified policy for the composition of its members? | ✓ | | Members of the Board are diversified, with different nationalities, genders, skills and professional backgrounds, to form a well-balanced structure. The diversity of composition of the Board of Directors, please refer to page 4-5. | |
| (2) Does the company voluntarily establish other functional | ✓ | | In addition to the existing Compensation Committee and Audit Committee, the Company plans to establish other | |

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| <p>committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> | ✓ | | <p>functional committees to assist the Board in managing the Company.</p> <p>The company has established "Procedures Governing the Performance Evaluation of Board of Directors" on 08/11/2015 and conducts it annually. The evaluation scope shall cover the Board of Directors and individual members of the Board; corporate governance officer is the unit to conduct the evaluation. Methods of evaluations include the internal evaluation of the Board of Director and self-evaluation by members of the Board.</p> <p>1. The Board's performance evaluation by self-assessment covers the following five major areas:</p> <p>(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 controls.</p> <p>2. Self-assessment of Board members covers the following six major areas:</p> <p>(1) Their grasp of the Company's goals and missions. (2) Their recognition of director's duties. (3) Their degree of participation in the Company's operations. (4) Their management of internal relationships and communications. (5) Their professionalism and continuing professional education. (6). Internal controls.</p> <p>3. The functional committee's (Audit Committee and Compensation Committee) performance evaluation by self-assessment covers the following five major areas:</p> <p>(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. (5) Internal controls.</p> <p>According to the most recent (2019) Board performance evaluation, the Board's performance was graded as excellent. The Company will to submit the results of performance assessments to the board of directors in the first quarter of 2020.</p> |
| <p>(4) Does the company regularly evaluate the independence of CPAs?</p> | ✓ | | <p>The Company's Audit Committee regularly evaluates the independence of CPAs every year, and submits the evaluation results to the Board of Directors.</p> <p>Standards for CPA Independence:</p> <p>1. Whether the CPA has a direct or materially indirect financial interest in the Company. 2. Whether the CPA or the audit team members serve as a director, manager or in a position of the Company that could significantly influence the audit work either currently or in the past two years. 3. Whether the CPA acts as a defender of the Company or resolves conflicts with a third party on behalf of the</p> |

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| | | | <p>Company.</p> <p>4. Whether the CPA has close relationship with the Company's directors, managers or persons in a position that could significantly influence the audit work.</p> <p>5. Whether the CPA has created intimidation threats with actual or perceived pressures of the Company.</p> <p>6. Whether the CPA Independence is influenced of result from the non-assurance services.</p> | |
| 4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the Board of Directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)? | ✓ | | <p>The Board of Directors appointed Financial director as Company Secretary, the corporate governance team under the president office as the department responsible for corporate governance and business integrity, to safeguard shareholder rights and strengthen the Board's functioning. Primary duties are to provide the Board directors with information needed for executing their roles, conducting and producing meeting minutes Board Meetings, Audit Committee Meetings, and Shareholder Meetings, assisting in on boarding and continuous development of directors and to assist the Board Directors with legal compliance. The Company Secretary is an officer of the Company and a qualified accountant.</p> <p>The Company's implementations of corporate governance in 2019:</p> <ol style="list-style-type: none"> 1. Conducted matters relating to Board Meetings and Shareholder Meeting. 2. Recorded minutes of Board Meetings and Shareholder Meeting. 3. Regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance". 4. Assisting continuous development of directors. | |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities? | ✓ | | <p>The Company set up telephone numbers and email addresses in the "Stakeholder Area" of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's CSR report and corporate website for Issues of Concern and Communication Channel of stakeholders.</p> | None |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | ✓ | | <p>The Company has appointed the professional agency "Transfer Agency Department, Taishin International Bank" to deal with shareholder affairs.</p> | None |
| 7. Information Disclosure | | | | None |
| (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? | ✓ | | <p>The Company has set up website (www.acxc.com.tw) to disclose information regarding the Company's financial standings, business, corporate governance and corporate social responsibility status.</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>The Company has set up its website, and has assigned an appropriate person to handle information collection and disclosure. The Company has designated the spokesperson and deputy spokesperson in charge of making external statements. Investor conference information is disclosed on the corporate website.</p> | |

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| 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' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? | ✓ | | <p>Employee rights and employee wellness: Please refer to the "5.5 Labor Relations" section of annual report.</p> <p>Investor relations: To achieve openness and information transparency, the Company has delegated specific personnel to announce information including finance and business, on the MOPS website and corporate website on a timely basis in compliance with the related regulations.</p> <p>Supplier relations and rights of stakeholders: The company has maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholders area on its website. When any of a stakeholder's legal rights or interests is harmed, the company has handled the matter in a proper manner and in good faith.</p> <p>Directors' training records: Please refer to the "3.3.15 Continuing education of Directors" section of annual report.</p> <p>The implementation of risk management policies and risk evaluation measures: Please refer to the "VII. Review of Financial Conditions, Financial Performance, and Risk Management" of annual report.</p> <p>The implementation of customer relations policies: The Company normally maintains close contact with its customers, and ensures products can achieve the expected reliability and quality. Moreover, the Company also actively participates in the customers' CSR and Ethical policies.</p> <p>Purchasing insurance for directors: To reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director, the Company purchaser liability insurance for Directors each year.</p> | None | | | | | | |
| 9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: None. | | | | | | | | | | |
| 10. The diversity of composition of the Board of Directors | | | | | | | | | | |
| (1) The company's diversity policy of the Board of Directors: The Board of Directors shall have least three independent directors, least one director from another country, and least one female director. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. | | | | | | | | | | |
| (2) State of implementation: | | | | | | | | | | |
| Diversity item | Independence | Nationality | Gender | Business Judgment | Business Management | Leadership and Decision-making | Industry Knowledge | Crisis Management | International Outlook | Accounting and Financial |
| Name | | | | | | | | | | |
| Chien-Wen Kuo | Non-independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Yung-Fu Kuo | Non-independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chih-Chun Kuo | Non-independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Te-Ti Han | Non-independent | R.O.C. | Female | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

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|---------------------|-----------------|--------|------|---|---|---|---|---|---|---|
| Petrinec John Darko | Non-independent | US | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Kelvin Kiew | Non-independent | US | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ming-Huang Li | Non-independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Chiu-Feng Lien | Non-independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Shiuh-Kao Chiang | Independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ta-Wen Sun | Independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shang-Ming Chin | Independent | R.O.C. | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

11. Continuing education of company officer in 2019

| Date | Host | Class | Duration |
|--------------------------|--|---|----------|
| 2019.03.21 2019.03.22 | Accounting Research and Development Foundation | The annual professional development training for principal accounting officer | 12 |
| 2019.05.09 | Accounting Research and Development Foundation | Analysis of common tax violation cases | 3 |
| 2019.06.18 2019.11.05 | Taiwan Corporate Governance Association | China-United States trade war and the influences and response of Taiwan enterprises | 6 |