

Acer Incorporated

Internal Control Systems

Article 1 Basic of the Law Source

These Systems are established and promulgated in accordance with Article 14-1, paragraph 2 of the Securities and Exchange Act (the "Act"), and the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by Financial Supervisory Commission (hereinafter, "FSC").

Article 2 Purpose of Internal Control

These Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company, so as to reasonably ensure that the following objectives are achieved:

1. Effectiveness and efficiency of operations; including profits, performance and safeguard of asset security.
2. Reliability, timeliness, transparency and compliance with relevant regulations of the Company's internal and external financial reporting and non-financial reporting, and ensuring that external financial reports are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles and that appropriate approvals are obtained for transactions.
3. Compliance with internal control systems and applicable laws, regulations and rules.

Article 3 Procedure of Implement and Amendment

These Systems, including Internal Audit Implementation Rules, should be passed by the board of directors. If any director expresses dissent, where stated in minutes or in a written statement, the dissenting opinions shall be submitted to each supervisor together with these Systems: the same shall apply to any amendment thereto.

Where the Company has established the position of independent director, when these Systems are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions; the independent directors'

specific opinions of assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting, and shall be submitted to the supervisor.

In the event that the Company has established the Audit Committee, the adoption or amendment of internal control system shall be subject to the consent of the Audit Committee and be submitted to the board of directors for a resolution. If the aforesaid adoption or amendment has not been approved by the Audit Committee, it may be approved subject to at least two-thirds of the consent of the board of directors for effectiveness and shall be noted the resolution of the Audit Committee in the minutes of the board of directors' meeting.

Article 4 Constituent Elements of Internal Control Systems

These Systems, and the Company operating these Systems or carrying out self-inspection, shall comprise and fully consider the following constituent elements that shall be supplemented by actual needs:

1. Control environment.

Control environment is the basis of design and operating internal control systems. Control environment includes matters such as integrity and ethical values of the Company, the responsibility of governance and supervision by the board of directors and supervisors, organizational structure, assignment of powers and duties, human resources policies, performance measurements and rewards and punishments. The Company shall establish internal codes of conduct, including items such as codes of conduct for board of directors, codes of conduct for employees.

2. Risk assessment.

Set various goals of the company and be in alliance with units at different levels. At the same time, consider the suitability of such goals, impact of the change of the external environment and business models, and the possible malpractice, in order to assist the Company in designing, correcting, and operating necessary control activities in a timely manner.

3. Control activities.

Based on assessment results, adapt proper policies and procedures to control the risk within an affordable extent. Implementation of control activities shall include extents such as all levels, each stage within business processes, all technology environments in the Company, and supervision and management of its subsidiaries.

4. Information and communications.

Information and communications refer to information collected, generated and used from internal and external, which is of great concern and with quality by the company, in order to support the continuous operation of other constituent elements of internal control and to assure the effective communication through such information within the Company and between the Company and external parties. Internal control systems must have mechanisms for generating information necessary for planning, executing and monitoring and providing timely information to those who need it.

5. Monitoring activities.

Monitoring activities refer to continuous assessments, individual assessments or both are conducted at the same time in the Company in order to assure whether each constituent element of internal control systems does exist and continuously operate. Continuous assessment refers to routine supervision during operations at different levels. Individual assessment refers to assessments conducted by different personnel such as internal auditors, supervisors, or the board of directors. Defects of internal control systems found shall be communicated to the proper management levels, board of directors and supervisors and be timely corrected.

Article 5 Organizational structure for Internal Control Systems

1. The Company has one Chief Executive Officer under Chairman, and one Corp. President under Chief Executive Officer. The organizational level and structure of each Business Group under President is proposed by HR Unit according to the business requirement, and get final approved from Business Group President and above.
2. The restructure, abolishment, new establishment, revision of department name in each organization should be reviewed by Human Resource Unit, and final approved by Business Group President and above.
3. The managers of the Company include Chief Executive Officer, Corp. President, Vice President, Chief Corporate Accountant, Chief Corporate Finance and Chief Human Resource Officer. The appointment or discharge of Chief Executive Officer, Corp. Present or Vice President should be reported for passage by the board of directors. When the Company has established the position of independent director, the appointment or discharge of Chief Corporate Accountant, and Chief Corporate Finance should be reported for passage by the board of directors.

4. The Auditing Office shall be under direct administrative supervision of the board of directors, and the appointment and discharge of General Auditor shall be approved by the Audit Committee and be submitted to the board of directors for a resolution.

Article 6 Emphasis of Internal Control Activities

1. The control activities as following shall be classified by transaction cycle type:
 - (1) Sale and receipt cycle. This cycle includes policies and procedures such as for processing customer orders, credit management, delivery of goods or provision of services, issuance of sales invoices, issuance of bills, recording of revenues and accounts receivable, sales allowances and returns, customer complaints, product destruction, execution and recording of negotiable instruments and cash receipts.
 - (2) Purchase and payment cycle. This cycle includes policies and procedures such as for management of suppliers, management of original equipment manufacturers, requisitioning, comparing or negotiating a price, outsourcing, purchasing, and procuring goods, materials, supplies, assets, and services; processing purchase lists; accepting goods; quality inspection; preparing inspection reports or returning goods; recording suppliers' liabilities; approving payment; purchase allowances; and executing and recording negotiable instruments and cash payments.
 - (3) Labor and wage cycle. This cycle includes policies and procedures such as for hiring, job rotations, leave-taking, shifts arrangement, overtime work, dismissal, training, retirement, determining wage rates, calculating working time, calculating salaries and benefits, calculating payroll taxes and withholdings, creating payroll records, salary payment, and review of attendance and performance.
 - (4) Finance cycle. This cycle includes policies and procedures such as for authorization, execution, and record-keeping with regard to finance and financing matters such as borrowing of funds, granting of guarantees, acceptance of checks, renting/leasing, and issuance of corporate bonds and/or other securities.
 - (5) Real estate, factory and facility cycle: This cycle includes policies and procedures such as for acquisition, disposition, maintenance, safeguarding, and recording of real estate, factories and facilities.

- (6) Investment cycle: This cycle includes policies and procedures such as for decision-making, trading, safekeeping, and recording with respect to securities, investitive real estate, derivatives, and other investments.
- (7) Research and development (R&D) cycle. This cycle includes policies and procedures such as for fundamental research, product design, technology development, prototype manufacturing and product testing, recording of R&D operations, and safekeeping of documents, acquisition, maintenance and exercise of intellectual property rights.
A public company may tailor its control activities to meet the needs of its actual business activities according to the characteristics of the industry to which the enterprise belongs.
- (8) Information Processing Cycle
 - (a). A clear division of the functions and duties of the information-processing department;
 - (b). Control of system development and program modification;
 - (c). Control of preparing system documentation;
 - (d). Program and data access control;
 - (e). Data input/output control;
 - (f). Data processing control;
 - (g). File and equipment security control;
 - (h). Control of purchase, usage, and maintenance of software and hardware;
 - (i). Control of system recovery plan and testing procedures;
 - (j). Control of information flow security inspection;
 - (k). Control of relevant procedures for disclosing and reporting information on websites designated by the FSC.

2. Other control activities:

In addition to control activities for different types of transaction cycles as set out in the preceding article, a public company shall include controls for the activities listed below in its internal control systems:

- (1) Management of the use of seals.

- (2) Management of the receipt and use of negotiable instruments.
 - (3) Management of the budget.
 - (4) Management of assets.
 - (5) Management of endorsements and guarantees.
 - (6) Management of liabilities, commitments, and contingencies.
 - (7) Implementation of authorization and deputy systems.
 - (8) Management of loans to others.
 - (9) Management of financial and non-financial information.
 - (10) Management of related party transactions.
 - (11) Management of the procedures for preparation of financial statements, including applying management of the International Financial Reporting Standards, procedures of accounting professional judgment, progress of accounting policies and changes in accounting estimates, etc.
 - (12) Supervision and management of subsidiaries.
 - (13) Management of the operation of Board of Directors meetings.
 - (14) Management of Insider Trading
 - (15) Management of the Operation of Remuneration Committee
 - (16) Management of the service operation
 - (17) Management of personal data protection
 - (18) Management of the operation of Audit Committee
3. The detailed control procedures and audit programs should be established by the competent unit.

Article 7 Self-Assessment and Internal Control System Statement

1. The scope of self-assessment shall include the design and operation of all of the Company's internal control systems.

2. Self-Assessment operations shall be established by the competent unit based on the laws, regulations and rules and the result of the risk assessment, include at least the following items:
 - (1) Determination of the control activities that shall be tested.
 - (2) Determination of the business units that shall be included in the self-assessment.
 - (3) Assessment of the design effectiveness of each control activity.
 - (4) Assessment of the operating effectiveness of each control activity.
3. The Company shall first see that all internal departments and subsidiaries should conduct self-assessments at least once each year, have Auditing Office review the self-assessment reports prepared by all departments and subsidiaries, and submit the self-assessment reports, together with the reports on the correction of defects and irregularities of internal control systems discovered by Auditing Office, to serve as the primary basis for the board of directors and President to evaluate the overall efficacy of all internal control systems and to produce Internal Control System Statements.

The self-assessments hereunder shall be recorded in working papers that shall be preserved, together with the self-assessment reports and relevant materials, for no less than five years.

4. The Company's findings in its self-assessment of its internal control systems shall classify the systems as either "effective internal control systems" or "materially defective internal control systems" based on whether or not they can reasonably ensure the following:
 - (1) That the board of directors and the President know the degree of achievement of operational effectiveness and efficiency objectives;
 - (2) That the financial reports of the company are reliable, instant, transparent and comply with relevant laws and regulations; and
 - (3) That applicable laws, regulations and rules have been complied with.
5. The Company shall conduct annual self-assessment of the design and operating effectiveness of its internal control systems, after passed by the board of directors, publicly announce and report the Internal Control System Statement which is approved

by the Audit Committee, on the websites designated by the FSC within three (3) months from the end of each fiscal year in the prescribed format, and publish in the Company's annual report, public offering and issuance prospectus.

Article 8 Supervision and Management of Subsidiaries

1. With consideration to the statutory requirements of the government where a given subsidiary is located and the nature of the subsidiary's business, the Company will have its competent unit to establish necessary control activities with respect to supervision and management of its subsidiaries, and see that a subsidiary establishes its own internal control systems.
2. The Company shall execute at least the following control activities when supervising and managing the subsidiaries' business management:
 - (1) Establish an adequate organizational control structure between it and each subsidiary, including matters such as the methods to elect and appoint power and duties to, the subsidiary's directors, supervisors, and high-level managers, and policies and systems of remuneration.
 - (2) Set out overall business strategies, risk management policies, and guidelines applicable to it and the subsidiaries, as a basis for each subsidiary to map out business plan and risk management policies and procedures for relevant business operations.
 - (3) Set forth policies and procedures applicable to it and each subsidiary in relation to business segmentation, liaison regarding order placement, materials preparation methods, inventory allocation, conditions for accounts receivable and accounts payable, and account processing.
 - (4) Set forth policies and procedures for supervising each subsidiary's material financial and business matters such as business plan and budget, material investment and reinvestment in equipment, borrowings and debt, lending of funds to others, endorsement/guarantees, obligations and commitments, investment in securities and derivatives, important contracts, major changes in assets, adoption of International Financial Reporting Standards, accounting professional judgment procedures, policies and procedures of process management on critical accounting policies and changes in accounting estimates.

3. The Company shall execute at least the following control activities when supervising and managing its subsidiaries' financial and business information:
 - (1) Supervise the establishment of independent financial and business information systems by its subsidiaries.
 - (2) Establish effective financial and business communication systems between it and each subsidiary; in addition to the major financial and business matters referred to in the preceding article that shall be reported prior to their occurrence, the subsidiary shall also immediately report to the company the occurrence of any other material event that, under the Act or any applicable regulations, shall be announced or reported as likely to affect company rights and interests and securities prices.
 - (3) Regularly obtain, on at least a quarterly basis, analyze and review each subsidiary's monthly management reports, including business report, monthly statement of production and sales volumes, monthly balance sheet, monthly income statement, monthly cash flow statement, aging account receivable analysis and delinquent debt report, aging inventory analysis, monthly report on loaned funds, and monthly report on endorsements/guarantees.
 - (4) Arrange for each subsidiary to provide necessary financial and business information or retain CPAs to audit or review each subsidiary's financial report in compliance with the requirements of laws and regulations regarding matters to be publicly announced or reported and the time limits therefore.
4. The Company shall execute at least the following control activities when supervising and managing its subsidiaries' audit management:
 - (1) Direct each subsidiary to establish an internal audit department and to adopt procedures and methods for self-assessment of its internal control systems, based upon the nature of its business, its operational scale, and number of employees, and monitor the subsidiary's execution of such matters.
 - (2) Include all subsidiaries in the internal audit scope in the Company's internal audit implementation rules, and regularly, or from time to time, conduct audits. Upon submission of the audit findings and recommendations in reports, the public company shall notify the audited subsidiary to make corrections and prepare follow-up reports on a

regular basis, to ensure that proper corrective measures have been taken in a timely manner.

- (3) All subsidiaries shall, with the least delay, report to the Company matters such as special audit plans, annual audit plans and the implementation thereof, and the correction of any defects and irregularities discovered in their internal control systems.
- (4) The Auditing Office shall review the audit reports or self-assessment reports submitted by each subsidiary, and shall follow up on the correction of any defects and irregularities in internal control systems.

Article 9 Mutatis Mutandis Application

For the Company that has established an audit committee pursuant to laws, the provisions regarding supervisions in these Systems shall apply mutatis mutandis to the audit committee.

Article 10 Punishment of Violation of These Systems

When employees and personnel of the Company violated these Systems, they will be punished according to the clauses thirty-eight (38) and thirty-nine (39) of the "Personnel Administration Regulation".