

# Organization and Operation of Internal Auditing

## Purpose of internal auditing

Internal auditing is to audit all operations and make recommendations for improvement in order to provide reasonable assurance on the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, safeguard of assets security, etc.); reliability, timeliness, transparency and compliance with relevant standards in terms of reporting; and compliance with relevant laws and regulations.

## Organization of internal auditing

The Company's Internal Auditing Division reports directly to the Board and is assigned with full-time auditors. The division has a total of three persons including an auditing head and auditors.

## Appointment and Dismissal of Internal Auditors

The appointment, dismissal, evaluation, and compensation of the Company's internal auditors are performed based on the rules of the "Personnel Recruitment Procedure", "Performance Appraisal Regulations" and "Application Rules for Resignation." Their evaluation is performed twice every year. The above-mentioned appointment, dismissal, evaluation, and compensation actions will be submitted to the Chairman of the Board for review and approval. The above-mentioned rules have been disclosed in the Company's internal regulations zone.

## Execution process of internal auditing

1. The annual audit plan is formulated based on the risk assessment outcomes. It includes items to be audited on a monthly basis and is approved by the Board.
2. Deficiencies and abnormalities identified during an audit are communicated with the audited units. Follow-up reports are prepared quarterly to ensure the adoption of appropriate improvement measures in a timely manner.
3. The auditing head would attend the Board meetings to report significant audit items and improvements on deficiencies.
4. Audit reports and follow-up reports are submitted to supervisors and independent directors for reviews before the end of the following month after the completion of audit items. They are also communicated via phone or email during normal course of business.
5. Audit plans and details are regularly communicated with certified public accountants. Updates on laws and regulations as well as accounting standards are communicated when the need arises.
6. The Company has established an internal control system in compliance with laws and regulations and formulated internal auditing implementation rules to audit and assess the effectiveness of the system's design and execution. The scope covers all operations and subsidiaries of the Company.
7. The internal auditing unit reviews the self-assessment reports performed by each unit and use them as well as the improvement status of deficiencies and abnormalities in

internal control identified by the auditing unit as the main reference for the internal control statement.

## Communication among Independent Directors, internal Audit Supervisors and accountants

The independent directors and the internal audit supervisors contact each other by E-mail, telephone or through meeting at any time as necessary, and make internal audit reports at quarterly audit committee meetings. In case of significant anomalies, meetings will be convened at any time, enabling a diverse and smooth communication channels. Each month, the internal audit supervisor of Accton delivers a summary report on the verifying deficiency and rectification tracking of the previous month to the Independent Directors for review. The Independent Directors will then respond or comment based on the content of the report. Communications between independent directors and the internal audit supervisors are summarized as follows:

Meeting Date	Issues communicated with internal audit supervisor	Recommendation from Independent Directors
2022.03.17	<p><b>(Individual meeting between the audit supervisor and independent directors)</b></p> <ul style="list-style-type: none"> <li>●Internal audit operation status discussion</li> <li>●Internal audit report of the 4th quarter of 2021.</li> <li>●Discussion of "Statement about Internal Control System" of 2021.</li> </ul>	<p>Execute according to the audit plan.</p> <p>The audit committee reviewed or approved and the independent directors have no objection.</p>
2022.05.12	<ul style="list-style-type: none"> <li>●Internal audit report of the 1st quarter of 2022.</li> </ul>	<p>The audit committee reviewed or approved and the independent directors have no objection.</p>
2022.06.16	<ul style="list-style-type: none"> <li>●Review on the implementation report of the internal audit.</li> </ul>	<p>The audit committee reviewed or approved and the independent directors have no objection.</p>
2022.08.11	<ul style="list-style-type: none"> <li>●Internal audit report of the 2nd quarter of 2022.</li> </ul>	<p>The audit committee reviewed or approved and the independent directors have no objection.</p>
2022.11.10	<p><b>(Individual meeting between the audit supervisor and independent directors)</b></p> <ul style="list-style-type: none"> <li>●Internal audit report of the 3rd quarter of 2022.</li> <li>●Discussion of the 2023 Internal Audit Plan.</li> </ul>	<p>The audit committee reviewed or approved and the independent directors have no objection.</p>
2023.03.09	<p>(Individual meeting between the audit supervisor and independent directors)</p> <ul style="list-style-type: none"> <li>●Internal audit operation status discussion</li> <li>●Internal audit report of the 4th quarter of 2022.</li> </ul> <p>Discussion of "Statement about Internal Control System" of 2022.</p>	<p>Execute according to the audit plan.</p> <p>The audit committee reviewed or approved and the independent directors have no objection.</p>

In addition to reporting the audit or review of financial reports to the independent director, Accton's CPAs will also communicate and implement measures in response to the impacts of the latest financial and taxation regulations. Independent directors and the CPAs contact each other by email, telephone, or through meeting at any time as necessary. The Independent Directors and CPAs of Accton maintained smooth communication. The communications between the independent directors and the accountants are shown in the following table:

Meeting Date	Communication with CPAs	Recommendation from Independent Directors
2022.03.17	<p><b>(Individual meeting between CPA and independent directors)</b></p> <ul style="list-style-type: none"> <li>● Discussion on the audit of the financial statements of 2021, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.05.12	<ul style="list-style-type: none"> <li>● Discussion on the audit of the financial statements for the 1st quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.08.11	<ul style="list-style-type: none"> <li>● Discussion on the audit of the financial statements for the 2nd quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.11.10	<ul style="list-style-type: none"> <li>● Discussion on the audit of the financial statements for the 3rd quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2023.03.09	<p><b>(Individual meeting between CPA and independent directors)</b></p> <ul style="list-style-type: none"> <li>● Discussion on the audit of the financial statements of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.