

2022 Board of Directors Performance Evaluation

Board of directors performance evaluation mechanism

On October 31, 2018, the TCFHC Board of Directors adopted the "Board of Directors Performance Evaluation Regulations", stipulating that the board of directors shall be conducted internal performance evaluation of the board, individual directors, and functional committees every year. TCFHC's functional committees include Audit Committee, Remuneration Committee, and the Ethics Management Committee. In order to establish a comprehensive performance evaluation system for the Board of Directors, the Board of Directors revised the Regulations on August 24, 2019 to strengthen information disclosure and fulfill corporate governance.

According to Article 2 of the TCFHC "Board of Directors Performance Evaluation Regulations", there shall be conducted an internal performance evaluation on the board every year, and an assessment by an external professional institution or a panel of external experts and scholars shall be performed at least every three years. The results of the evaluation shall be reported to the Board of Directors before the end of the first quarter of the following year.

In accordance with Article 7 of the TCFHC "Board of Directors Performance Evaluation Regulations", the results of the performance evaluation of the Board of Directors of the Company shall be used as a reference for the selection or nomination of directors, and the results of the performance evaluation of individual directors shall be used as a reference for determining their individual remuneration.

According to the Regulations, EY Business Advisory Services Inc. was invited to carry out a Board of Directors performance evaluation in 2020, and the result was approved by the 7th Board meeting of the 4th session of the Board of Directors on January 25, 2021. Regarding the internal evaluation result of in 2022, the result was reported to the 31th Board meeting of the 4th session of the Board of Directors on January 18, 2023. The implementations were as follows:

(I) Implementation of internal performance evaluation

The scope of the internal performance evaluation in 2022 includes the Board of Directors, functional committees, and individual directors. The evaluation method covers internal self-evaluation and self-evaluation by members. The evaluation is divided into five scores: very poor, poor, neutral, good, and excellent. The results of 2022 internal performance evaluation on the board of director, functional committees, and individual directors were respectively “good”, “excellent”, and “good”(as shown in the figure below).

Internal performance evaluation result in 2022

Subject	Items	Results
Board of Directors	<ol style="list-style-type: none">1. Engagement of company operation2. Enhance the quality of decision making for the Board of Directors3. Composition and structure of the Board of Directors4. Directors’ selection and continual education5. Internal control	Good
Functional committees <ol style="list-style-type: none">1. Audit Committee2. Remuneration Committee3. Ethical Management Committee	<ol style="list-style-type: none">1. Engagement of company operation2. Understanding of functional committees' duties and responsibilities.3. Enhance the quality of decision making for the functional committees4. Composition of functional committees and member selection5. Internal control	Excellent
Individual director	<ol style="list-style-type: none">1. Understanding of the Company's goals and missions2. Understanding of directors’ duties and responsibilities.3. Engagement of company operation4. Internal relation management and communication5. Director's expertise and continual education6. Internal control	Good

*Evaluation period: January 1 to December 31, 2022

(II) Implementation of external performance evaluation

In August 2020, the Company entrusted EY Business Advisory Services Inc. to conduct the external performance evaluation of the Board of Directors in 2020. The institution is composed of experts in corporate governance, risk management, and compliance. Additionally, no matters were found between the institution and the Company that may affect their independence. These experts were not certified public accountants of the Company, so they are solely independent.

1. Evaluation period : September 1, 2019 to August 31, 2020.
2. Evaluation items : Board structure, Board members, process and information.
3. Evaluation content : There are eight major aspects to evaluate the performance of the Board of Directors, including Board structure and procedure, Board members, institutional members and organization, role and duty, behavior and culture, directors' training and development, supervision of risk control , supervision of declaration , disclosure, and performance .
4. Evaluation method : Document review, board self-evaluation questionnaire, and on-site interview.
5. Evaluation standard and result :
 - (1) Standard : 3 grades (Basic, advanced, and outstanding)
 - (2): Result : "Advanced" in the three items.

6. Suggestions and improvements

Item	Suggestions	Improvements
1	It is suggested that the diversity strategy of Board members shall be adopted to meet business development and operation.	Since 2021, the Company adopted a nomination system for director election. The diversity strategy implemented will be disclosed in the annual report and on the company website.
2	It is suggested that external experts can be invited to hold lectures for the directors, so as to enhance the interaction among the directors and build consensus for the decision-making.	The Company will continue to invite external experts to hold lectures and adjust the approach to enhance the interaction among the directors, further building consensus for the decision-making.
3	It is suggested that the Company can continuously identify newly emerged risks and build corresponding internal control mechanisms. In the mid and long term, the intensity of the internal control for newly emerged risks will be improved.	The Company held a newly emerged risk seminar in December 2020. Regular meetings will be held every year to make relevant countermeasures. The Company will continue to focus on the trends and development of risks to adjust the risk mitigation measures.