

2023 Performance evaluation of the Board of Directors

Regular performance evaluation of the Board of Directors (internal assessment):

2023 Board of Directors' performance evaluation and progress

(a) Basis: "Performance Evaluation Policy for the Board of Directors and Its Functional Committees."

(b) Evaluation cycle and frequency

The Company's Board of Directors and functional committees are subject to internal performance evaluation at the end of each year.

(c) Evaluation indicators

◎ Board of directors' performance is evaluated using 48 indicators across 6 different areas, including board engagement in the Company's operations, improving the quality of board decisions, the board's composition and structure, election and continuing education of board members, enforcement of internal control, and engagement in sustainable operation (ESG).

◎ Directors' (individual) performance is evaluated using 23 indicators across 6 different areas, including director awareness towards the Company's goals and missions, their respective duties, level of engagement in the Company's operations, maintenance of internal relations and communication, continuing education, and enforcement of internal control system.

◎ Functional committees' performance is evaluated using 19–22 indicators across 5 different areas, including committee engagement in the Company's operations, awareness of committee duties, improvement of committees' decisions, the committee's composition and member selection, and enforcement of internal control.

(d) Evaluation procedures

◎ At the end of each year, the Company evaluates year's performance using various indicators. Results of internal and external performance assessments are presented for discussion by the Corporate Governance and Sustainability Committee and the Board of Directors within 3 months of the following financial year.

◎ 2023 performance of the Board of Directors and functional committee was reported and discussed during the Corporate Governance and Sustainability Committee meetings dated March 14, 2024.

(e) Assessment results

The Board of Directors and functional committees have performed in accordance with corporate governance principles. All committees have duly performed their duties and supported the board.

◎ Out of the 48 board performance indicators, average performance scores ranged between 4.9 and 5.0 (out of 5) across all categories.

Area of assessment	Average score
	2023
1. Engagement in the Company's operations	4.90
2. Improvement of the Board's decision quality	4.96
3. Composition and structure of the Board of Directors	4.92
4. Election and continuing education of directors	4.91
5. Internal control	4.93
6. Engagement in sustainable management (ESG)	5.00

③ Out of the 23 individual director performance indicators, average performance scores ranged between 4.8 and 5.0 (out of 5) across all categories.

Area of assessment	Average score
	2023
1. Comprehension of the Company's targets and missions	4.98
2. Directors' duty awareness	5.00
3. Participation in the Company's operations	4.83
4. Management and communication of internal relations	4.96
5. Professionalism and continuing education of directors	4.91
6. Internal control	4.96

④ Functional committees: 22 of which were applicable to the Audit Committee, 21 of which were applicable to the Remuneration and Nomination Committee, whereas 19 of which were applicable to the Corporate Governance and Sustainability Committee. Average performance scores of functional committees as below.

Committee Area of assessment	Audit Committee 2023	Remuneration and Nomination Committee 2023	Corporate Governance and Sustainability Committee 2023
1. Engagement in the Company's operations	4.96	4.96	4.97
2. Awareness toward the functional committees' responsibilities and duties	4.97	4.90	5.00
3. Improvement of the functional committees' decision quality	5.00	5.00	5.00
4. Formation and election of functional committee members	5.00	5.00	5.00
5. Internal control	5.00	-	-

Note: Scores are assigned using a 5-scale system: "Outstanding (5), Excellent (4), Good (3), Fair (2), Improvement Required (1)." A perfect score is 5 for all assessments.

⑤ Improvement measures:

① With regard to Board of Directors performance evaluation and director self-evaluation, the board scored lower compared to the previous year, whereas directors' individual self-assessed scores were better than the previous year. Below is an explanation to aspects that scored less than 4.85:

➤ The Board of Directors' performance valuation

Indicator	Improvement measures
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<p>A. Level of participation in the Company's operations</p> <p>3. Are directors given relevant information prior to a board meeting? (Average score: 4.80)</p>	<ul style="list-style-type: none"> ● Agenda of a board meeting and all related information is mailed to each director, along with the meeting advice, 7 days in advance so that they may read and comprehend beforehand.
<p>A. Level of participation in the Company's operations</p> <p>10. Do directors engage financial statement auditors in adequate communication and interaction? (Average score: 4.80)</p>	<ul style="list-style-type: none"> ● The Company invites financial statement auditors to discuss during board meetings when presenting financial statements for the previous year or previous half. Furthermore, the Company hosts two meetings a year where financial statement auditors may discuss with independent directors on key audit issues. Overall, adequate time is given for directors and financial statement auditors to communicate face-to-face regarding the audit plans proposed by the Company and subsidiaries.
<p>A. Level of participation in the Company's operations</p> <p>11. Does the board regularly and thoroughly examine performance of the management team, and make reward and disciplinary decisions in a timely manner? (Average score: 4.73)</p>	<ul style="list-style-type: none"> ● Yearly/quarterly reports on business operations or significant motions are made to provide directors with a better understanding of the Company's operations and performance of the management team. Yearly performance evaluation is conducted in accordance with Paragraph 1, Article 26 of the Articles of Incorporation, Article 5 of "Director Remuneration Policy," and Paragraph 1, Article 4 of "Remuneration and Nomination Committee Articles of Incorporation." Performance evaluation, salary, and compensation for the Company's Chairman and managers, as well as subsidiaries' chairmen, vice chairmen, and presidents, are presented for review by the Remuneration and Nomination Committee and for resolution by the Board of Directors.
<p>C. Composition of the Board of Directors</p> <p>30. Does the Company have no more than two directors on the board who are related to each other as a spouse or 2nd-degree relative or closer, so as to ensure objective and independent decision-making? (Average score: 4.67)</p>	<ul style="list-style-type: none"> ● The Board of Directors will propose the establishment of the "Election Standards for the 9th Board of Directors" when electing members of the 9th board. This standard will serve as reference for nomination and re-

<p>D. Election and ongoing education of directors 32. Does the Company have robust and transparent director election procedures and succession plans in place? (Average score: 4.73)</p>	<p>election. The Company has implemented a key role system. All chairmen and presidents of the financial holding company and the main subsidiaries and their subordinates are considered key roles whose annual performance and compensation are determined differently from other managerial positions. Each key role holder shall have their annual performance evaluated based on aspects including strategic direction, key indicators, corporate social responsibilities, and leadership quality. Performance goal-setting and performance review are subject to approval by the Chairman. By monitoring performance and gaining insight into leadership style, the Company hopes to identify suitable director candidates from within the organization.</p>

➤ The Board and director (individual) performance assessment

Indicator	Improvement measures
<p>C. Level of participation in the Company's operations 7. Directors' personal attendance (excluding proxy attendance) at board meetings (Average score: 4.67)</p>	<ul style="list-style-type: none"> ● Prior to setting a time for board meetings, the Company will first determine directors' availability and schedules in line with city council meetings so that all directors are able to attend. In the case of extraordinary meeting, best efforts will be made to schedule meetings at times when all directors are able to attend. Board meetings between March and June each year are scheduled depending on the types of motions to be resolved for the upcoming shareholders' meeting, so as to meet the time requirements imposed by laws.
<p>C. Level of participation in the Company's operations 14. Are directors free of concurrent director/supervisor duties in other companies? (Average score: 4.60)</p>	<ul style="list-style-type: none"> ● The concurrent duty arrangement conforms with the "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a

	Financial Holding Company,” the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” and related laws.
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- ② With regard to the evaluation of functional committee performance, the Audit Committee was the only one that scored lower compared to the previous year, whereas the Remuneration and Nomination Committee and the Corporate Governance and Sustainability Committee both scored higher compared to the previous year. The indicators that scored 4.8 and below are shown with explanations and suggestions:

Indicator	Improvement measures
Remuneration Committee B. Awareness towards duties of the functional committee 11. The Remuneration and Nomination Committee communicates regularly with senior managers on performance evaluation and development plans. (Average score: 4.67)	<ul style="list-style-type: none"> ● To enable more adequate explanation of senior managers’ annual performance evaluation and development plan (including training history), a decision was made during the Board of Directors meeting held in January 2024 to amend the “Senior Manager Performance Evaluation and Development Schedule” and add the assessment criteria – “Senior managers’ participation in key internal meetings (such as Operational Committee and Risk Management Committee meetings) and internal/external training courses.” The Company will continually review and improve other assessment aspects to further complete senior managers’ performance evaluation.

c. Director succession plan:

The Company has implemented a key role system. All chairmen and presidents of the financial holding company and the main subsidiaries and their subordinates are considered key roles whose annual performance and compensation are determined differently from other managerial positions. Each key role holder shall have their annual performance evaluated based on aspects including strategic direction, target accomplishment, corporate social responsibilities, and leadership quality, all of which are subject to approval by the Chairman of the financial holding company. Furthermore, year-end performance is evaluated individually and on a case-by-case basis by the Chairman of the respective subsidiaries. This system enables the organization to gain insight into the performance and leadership style of each individual, and uncover suitable talent for director succession. If there is a need to assign a new director to the board, the Company would first recommend one from the list of key role managers.

The Company has adopted a candidate nomination system for the election of directors since 2014. The Company currently has outside directors making up more than half of its board. To prevent Independent Directors' objectivity from being compromised after prolonged service, no Independent Director has served more than 9 years consecutively. In addition, Paragraphs 1 and 2, Article 3 of the Company's "Procedures for the Election of Directors" and Paragraphs 2 and 3, Article 29 of the "Corporate Governance Best-Practice Principles" require diversity in terms of board composition, and the level of diversity is determined based on the operations and needs of the organization. Board members offer a complete set of knowledge, skills, and qualities needed to perform their duties, including extensive expertise in banking, finance, commerce, law, and industry experience. Additionally, the Company evaluates Board of Directors' performance each year in accordance with its "Policy for Performance Appraisal on the Board of Directors and Functional Committees" to ensure that the board remains functional. Outcomes of performance evaluation are taken into consideration when electing or nominating directors.

Each year, the Company provides tuition to directors and supervisors within the group on a variety of corporate governance-related topics such as finance, risk management, cybersecurity, business, and corporate social responsibilities in an attempt to support professional capacity of the board for enhanced corporate governance. All of which have been considered essential courses for directors' education roadmap. The Company shares information about courses or conferences on topics such as ESG issues, compliance, financial reporting, and risk management, that are being held outside the organization as a means to improve board members' professional capacity and keep them up to date on the latest trends.

According to the scope of management responsibilities, the scale and complexity of business execution, the Company has different levels of basic level, mid-level and senior managers. According to the needs of business development, Talent Inventory Review is held regularly every year to discover management trainees at all levels. In addition, those who have an important influence on the organization's operation or have development potential are listed as key positions, and their annual performance goal, evaluation process, and bonus and remuneration management system are designed differently from other management positions. The annual performance goals of each key position include important strategic direction, key indicators, corporate social responsibility, and leadership characteristics, etc. The establishment of performance goals and performance inspections must be approved by the chairman. The key position performance evaluation meeting is held every year. The chairman of the financial holding company, the chairman and the president of the subsidiary of the key position holders will jointly review the annual performance achievement status and leadership control ability, and then discover suitable candidates for internal directors through the understanding of performance and leadership style, and also as an important basis for subsequent job arrangements.

In addition, report the performance evaluation results and annual development plan of the highest-level supervisors of financial holdings, the chairman of the Board of Directors and the president of the subsidiary at the beginning of each year, and submit them to the Board of Directors for approval. The Company has established "Performance Appraisal Policy" and "Manager Performance Appraisal and Remuneration Policy" and other systems. At the end of each year, the company's operating performance and individual performance are linked to distribute year-end bonuses, and individual performance would be an important reference for the selection and remuneration of senior executives. Among them, annual salary adjustments for middle to high level executives must be submitted to the remuneration and nomination committee and the Board of Directors for approval. In addition to reviewing the performance of important management teams, the remuneration conditions are also included in the review to achieve the purpose of retaining outstanding talents. For the cultivation of important management levels, in addition to selecting and training high-level executives to serve as members of the Board of Directors of the subsidiaries/sub-subsidiaries of the financial holding company, it also plans the transfer of job positions of different functions and serve in other important positions concurrently to stimulate the improvement and inherit the cultivation, to shape the leadership echelon. Every year, courses on topics such as leadership training, work management, financial development trends, and compliance with laws and regulations are planned for managers at all levels. In mid-2023, there were 15,014 attendances and 29,168 hours of training for mid to high level executives. In addition, in order to continuously cultivate international management talents, outstanding executives are regularly sent to participate in overseas leadership training programs to promote cross-border exchanges of talents, cultivate forward-looking thinking, and will be arranged important jobs after training, as a succession training plan for important management levels.

Changes of directors in 2023:

The Company held a total election for the 9th Board of Directors during the annual general meeting dated June 9, 2023. Independent Director Ming-Je Tang and Independent Director Hsiang-Wai Lai stepped down on June 8, 2023, whereas Independent Director Paulus Siu-Hung Mok, Independent Director Barry Chen, and Independent Director Kuang Shih Yeh came onboard on June 9, 2023. The subjects conformed with the independence requirements for independent directors stipulated in Paragraph 2, Article 2 and Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

Director Chris Tsai, representative of corporate shareholder – Ming Dong Co., Ltd., succeeded Mr. Eric Chen in director duties on June 9, 2023. New Director Cherng-Ru Tsai possesses professional qualification in financial holding and insurance; conforms with Article 9 of "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company"; and has extensive experience in the financial industry. Currently the Vice Chairman of Fubon Life Insurance Co., Ltd.

Taipei City Government, a corporate shareholder, reappointed Madam Hsiao-Lan Hu to replace Mr. Shih-Ming You as director on October 19, 2023. The subject possesses professional competence in finance, legal affairs, risk management, operational management, e-commerce, and marketing, and is currently the Commissioner of Taipei City Government Department of Finance.

d. Refinement of directors' professionalism:

To ensure the completeness of directors' education, the Company conducts annual assessments on prevailing risks, important local and foreign regulations, and current affairs including but not limited to risk management (including integration and legal risk), ESG, net zero emission, AI, cloud computing, cybersecurity, IFRS etc. Based on these findings, the Company is able to shortlist courses that are relevant to directors' duties and present them for the Chairman's approval. The shortlisted courses then provide the basis for directors' and supervisors' education throughout the group.

Each year, the Company provides tuition to directors and supervisors within the group on a variety of corporate governance-related topics such as finance, risk management, business and corporate social responsibilities. In an attempt to promote financial consumer protection awareness among financial professionals, the FSC issued an instruction in May 2022 that required directors, the person-in-charge, and senior managers of every financial institution to complete minimum hours of training on financial inclusion each year. In support of FSC's requirements for financial inclusion training among financial institutions, the Company invited Richard Fang, Dean of College of Sustainability and Innovation, Chinese Culture University, to host a course on "The New Key Issues of Fair Customer Treatment – Sustainability of Digital Finance and Consumer Protection" on October 3, 2023. Furthermore, to give directors a better understanding of the uprise of ChatGPT and Generative AI (GAI) that have taken the world by storm, the Company invited Executive Operating Officer Shiaw-Shian Yu of the Industrial Technology Research Institute (ITRI) and Deputy Director Wei-Chung Huang of ITRI Information and Communications Research Laboratories to host a seminar on "Industry Changes, Opportunities, and Challenges of Generative AI" on October 6, 2023, during which they shared their views on the application of GAI in finance, commerce, telecommunications, and other critical fields. Furthermore, the Company shares information about courses or conferences on topics such as ESG issues, compliance, financial reporting, risk management, corporate social responsibilities etc. that are being held outside the organization as a means to encourage continuing education among directors.

Additionally, the Company shares information with directors on courses organized by external financial training institutions, which also cover the above issues relating to risks, regulations, and current affairs, so that directors of the financial group may undergo training according to their own requirements. Examples of the above courses include: "Corporate Governance Seminar - Fintech Series - Fintech Development Roadmap 2.0, Corporate Governance and Integrity Culture for Financial Institutions, and Multi-risk Management" organized by Taiwan Academy of Banking and Finance, and "ESG and The Carbon Link - Carbon Fee, Carbon Tax, Carbon Credit, and Carbon Trading" organized by Taiwan Corporate Governance Association.

All of the Company's directors had completed their 6-hour minimum training in 2023. The Board as a whole completed 144.5 hours of training in total.