

The Outcome of CDF’s Performance Evaluation of the Board and Directors

CDF, at the 10th meeting of the 6th Board of Directors convened on 21 November, 2016, approved to establish the “Board of Directors Performance Evaluation Guidelines”, which requires the internal performance evaluation of the Board for the current year shall be completed by the end of the year. In accordance with CDF’s “Regulations for Performance Evaluation of the Board of Directors”, the Company shall conduct the internal board performance evaluation at least once a year. The internal board evaluation scope covers the evaluation of the board as a whole, individual board members, and the board’s functional committees. Also, an external independent professional institution or a panel of external experts and scholars at least once every three years.

1. The execution of the internal board performance evaluation:

- (1) The period of the board evaluation for year 2023 is from 1 January to 31 December.
- (2) CDF completed the internal board performance evaluation for year 2023, and the results were reported at the 31th meeting of the 8th board of directors on 31 January, 2024. The results are as follows:

(A) The self-evaluation of the entire board

The criteria for the board performance evaluation covers 43 indicators in six aspects. The average score for each aspect ranges from 4.43 to 5 (out of 5), indicating that the board has perfection to guide and supervise the company's strategy, major business and risk management responsibilities, and be able to establish a proper internal control system, and have a high degree of participation in sustainable management (ESG) matters, and the overall operation is complete and consistent with the requirements of corporate governance.

Six dimensions for the self-evaluation of the entire board	No. of Indicators	Average Score
A. Participation in the operation of the company	11	5
B. Improvement of the quality of the board of directors' decision making	11	4.98
C. Composition and structure of the board of directors	6	5
D. Selection and continuing education of the directors	5	4.98
E. Internal controls	7	4.43
F. Participation in environmental, social and governance initiatives (ESG)	3	5

(B) The self-evaluation by individual directors

The criteria for the self-evaluation of individual directors covers 25 indicators in six aspects. The average score for each aspect ranges from 4.78 to 5 (out of 5), indicating that the directors have positive reviews on the efficiency and effectiveness of the operation of each indicator.

Six dimensions for the self-evaluation of individual directors	No. of Indicators	Average Score
A. Familiarity with the goals and missions of the company	4	5
B. Awareness of the duties of a director	5	4.98
C. Participation in the operation of the company	8	4.78
D. Management of internal relations and communications	3	5
E. Professionalism and continuing education of the directors	2	5
F. Internal controls	3	5

(C) The self-evaluation of the audit committee

The criteria for the self-evaluation for the audit committee covers 26 indicators in five aspects. The average score for each aspect ranges from 4.93 to 5 (out of 5), indicating that the overall operation of the audit committee is complete and consistent with the requirements of corporate governance to enhance the functions of the board of directors effectively.

Five dimensions for the self-evaluation of audit committee	No. of Indicators	Average Score
A. Participation in the operation of the company	5	5
B. Awareness of the duties of functional committees	5	5
C. Improvement of the quality of the functional committees' decision making	7	5
D. Composition and selection of the functional committees	4	5
E. Internal controls	5	4.93

(D) The self-evaluation of the remuneration committee

The criteria for the self-evaluation for the compensation committee covers 23 indicators in five aspects. The average score for each aspect ranges is 5 (out of 5), indicating that the overall operation of the compensation committee is complete and consistent with the requirements of corporate governance to enhance the functions of the board of directors effectively.

Five dimensions for the self-evaluation of remuneration committee	No. of Indicators	Average Score
A. Participation in the operation of the company	5	5
B. Awareness of the duties of functional committees	4	5
C. Improvement of the quality of the functional committees' decision making	7	5
D. Composition and selection of the functional committees	4	5
E. Internal controls	3	5

2. The execution of the internal board performance evaluation:

In August 2023, CDF has appointed EY Business Advisory Inc. (hereinafter referred to as "EY") to conduct the external performance evaluation of the board of directors. The results of the external board performance evaluation were reported at the 28th meeting of the 8th board of directors on November 20, 2023. The results are as follows:

- (1) Evaluation period: 2022/9/1~2023/8/31
- (2) Evaluation scope: The board evaluation covers three main areas: "Structure", "People", and "Process and Information".
- (3) Evaluation elements: The eight major aspects are identified to assess the board's effectiveness: "board and committee structure and process", "board and committee composition", "legal person and organizational structure", "role and function", "culture and behavior", "directors' training and development", "risk control governance", and "reporting/disclosing and performance management".
- (4) Evaluation methods: The evaluation methods include the director/committee members' interviews conducted by EY experts, board/committee members' self-assessment questionnaires and document review.
- (5) Evaluation criteria:
Standard Grading level and their definitions according to EY experts:

- Basic: The Company's practice matches basic requirements of the competent authorities and the related regulations.
 - Advanced: The Company's practice matches requirements of the competent authorities and the related regulations. In addition, the board has established a set of effective practice methodology or the board proactively enhances the performance of that aspect.
 - Excellence: The Company's practice is not only better than the requirements of the competent authorities and the related regulations, but also deemed as excellence model.
- (6) Evaluation results: The "Structure", "People" and "Process and Information" of the board were respectively appraised as "Excellence", "Advanced", and "Excellence".
- (7) EY's suggestions are as follows:
- A. We suggest CDF to enhance concrete management goals for board member diversity strategy, such as increase seats of independent directors, female directors, and nonmanagement directors to seats more than the regulations' requirement.
 - B. We suggest CDF to keep assisting the board to respond to the company's development goals, external legal tendency and other novel risks through functional committees so that CDF can ensure the appropriateness and effectiveness of medium-term/long-term risk management and resource allocation.
 - C. CDF has established nomination and performance evaluation committee and candidates nomination system is adopted for election of the directors. We suggest CDF to keep the excellence practice. Also, we suggest CDF to gradually establish a talent pool for directors through various channels in order to reinforce the nomination and succession plan.
 - D. We suggest CDF to establish an advanced plan for directors' training and development including providing learning contents and training hours more than the hours required by competent authorities, and arranging lessons for directors in different field or profession according to his/her need.
 - E. We suggest CDF to keep evaluating the business and financial influence of ESG such as promoting green finance and Inclusive Vision plans that response to policies to pursuit sustainable development goal.
- (8) CDF will consider the recommendations of EY experts and take actions to refine the functions of the board and committee.