

2019 Outcome of CDF’s Performance Evaluation of the Board and Directors

1. To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, CDF establish the “Principles for the Performance Evaluation of the Board of Directors”, which requires the internal board performance evaluation shall be conducted at least once a year. The board evaluation scope covers the evaluation of the board as a whole, individual board members, and the board’s functional committees. Since 2018, an external independent professional institution or a panel of external experts and scholars have performed the evaluation at least once every three years to enhance the independence and effectiveness of the board performance evaluation.
2. The period of the board evaluation of year 2019 is from 1 January to 31 December.
3. CDF completed the internal board performance evaluation for year 2019, and the results were reported at the 11th meeting of the 7th board of directors on January 16, 2020. The results are as follows:

(1) The self-evaluation of the entire board

The criteria for the board performance evaluation covers six aspects(42 indicators). The evaluation results are 25 items rated “excellent(5)”, 16 “good(4)”, and 1 “good(3)”, 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 aspects for the self-evaluation of the entire board	No. of the indicator	Score
A. Participation in the operation of the company	11	4.66
B. Improvement of the quality of the board of directors' decision making	11	4.99
C. Composition and structure of the board of directors	6	4.98
D. Election and continuing education of the directors	5	4.82
E. Internal control	7	4.97
F. Participation in environmental, social and governance initiatives (ESG)	2	4.89

(2) The self-evaluation by individual directors

The criteria for the self-evaluation of individual directors covers six aspects(25 indicators). The evaluation results are 12 items rated “excellent (5)” and 13 “good (4)”, showing that the directors have positive reviews on the efficiency and effectiveness of the operation of each indicator.

six aspects for the self-evaluation of individual directors	No. of the indicator	Score
A. Familiarity with the goals and missions of the company	3	4.93
B. Awareness of the duties of a director	4	4.97
C. Participation in the operation of the company	8	4.81
D. Management of internal relationship and communication	3	4.85
E. Professionalism and continuing education of the directors	4	5
F. Internal control	3	4.93

(3) The self-evaluation of the audit committee

The criteria for the self-evaluation for the audit committee covers five aspects (26 indicators). The evaluation results are 24 items rated “excellent (5)” and 2 “good (4)”, 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 aspects for the self-evaluation of audit committee	No. of the indicator	Score
A. Participation in the operation of the company	5	5
B. Awareness of the duties of functional committees	5	4.93
C. Improvement of the quality of the functional committees' decision making	7	5
D. Composition and election of the functional committees	4	4.92
E. Internal control	5	5

(4) The self-evaluation of the remuneration committee

The criteria for the self-evaluation for the remuneration committee covers five aspects (24 indicators). The evaluation results are 22 items rated “excellent (5)” and 2 “good (4)”, 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 aspects for the self-evaluation of remuneration committee	No. of the indicator	Score
A. Participation in the operation of the company	5	5
B. Awareness of the duties of functional committees	5	4.93
C. Improvement of the quality of the functional committees' decision making	7	5
D. Composition and election of the functional committees	4	4.92
E. Internal control	3	5

(5) In order to enhance the functions of the board of directors and the board efficiency, aiming at the evaluation indicator that does not reach the "Good (4)" rating, the improvement plan will be discussed to improve the effectiveness of the board of directors. The entire board performance evaluation had one indicator rated "Good (3)" due to 2019 AGM attendance of directors only 56%. Therefore, CDF will notify the directors the date of 2020 AGM in advance to arrange time to attend.

4. In December 2019, CDF has appointed EY Business Advisory Inc. (hereinafter referred to as "EY experts") to conduct the external performance evaluation of the board of directors. The results of the 2019 external board performance evaluation were reported at the 16th meeting of the 7th board of directors on April 27, 2020. The results are as follows:

- (1) Evaluation scope: The board evaluation covers three main areas: “Structure”, “People”, and “Process and Information”.
- (2) Evaluation contents: The eight major aspects are identified to assess the board’s effectiveness: “ Board structure and process”, “Board composition”, “Legal entity and group structure”, “Roles and responsibilities”, “Behavior and culture”, “Director training and development”, “Oversight of risk control”, and “Oversight of declaration, disclosure and performance”.

- (3) Evaluation methods: The evaluation methods include director interviews conducted by EY experts, director self-assessment questionnaires and document review.
- (4) Evaluation criteria:
Standard Grading level and their definitions according to EY experts:
-Basic: The Company's practice meets all regulatory requirements.
-Advanced: The Company not only meets all regulatory requirements, but also has an effective practical framework or takes active actions to enhance the performance.
-Benchmark: The Company's practice not only is better than the basic requirements of all regulations, but also can be referred as a benchmark model.
- (5) Evaluation results: The "Structure", "People" and "Process and Information" of the board were appraised as "Advanced".
- (6) In summary, EY experts believe that the company has a good board interaction culture, which is one of the basic elements of a high-performance board. Based on this good foundation, EY experts made some recommendations on aspects such as board members, operational practices, risk management and performance monitoring, assisting CDF and the board to continuously optimize and progress in order to become the benchmark for corporate governance and board performance. CDF will consider the recommendations of EY experts and take actions to refine the functions of the board.