

# Regulations Governing the Evaluation of the Board and Functional Committee's Performance of Cathay Financial Holdings

Approved on November 5, 2015

Amended on November 10, 2016

Amended on April 26, 2018

Amended on August 20, 2020

Amended on May 11, 2023

Responsible Department: Administrative Division

## Chapter I General Provisions

### Article 1 (Purpose and Scope)

In order to implement effective corporate governance, enhance board performance and to establish performance targets aimed to strengthen the board practices of Cathay Financial Holdings Co., Ltd. ("the Company"), the Regulations is adopted in accordance with the "Corporate Governance Best Practice Principles for Financial Holding Companies" and the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies".

Board and Functional Committee performance evaluation of the Company shall be conducted by following the frequency, period, subjects, methods, organizers, benchmarks, procedures and other applicable rules specified in the Regulations.

### Article 2 (Subjects)

The Regulations applies to evaluation of the overall performance of the Company's Board of Directors and Functional Committees. Evaluation of the performance of individual directors shall follow Cathay Financial Holdings Co., Ltd. Guidelines for Director Performance Evaluation.

The Functional Committees of the Company include the Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee, and Risk Management Committee.

Chapter II Internal Performance Evaluation of the Board and Functional Committee

### Article 3 (Frequency and Period of Evaluation)

The Company shall perform board and functional committee performance evaluation once a year. The board performance of the Company is assessed for the period January 1 to December 31 of each year. If the Corporate Governance and Nomination Committee has not been convened during the evaluation period, the performance evaluation of such committee during that year shall not be performed.

### Article 4 (Methods)

The methods of board and functional committee performance evaluation of the Company include self- assessments by board members and assessments by the board procedural unit.

### Article 5 (Executive and Supporting Departments of Evaluation)

The implementation unit of the board and functional committee performance evaluation of the Company is the board procedural unit.

All departments involved shall provide information for the "Board and Functional Committee Performance Evaluation Period" to assist the members of the board and functional committees and the board procedural unit in completing the necessary measurements in the board and functional committee performance evaluation.

## **Article 6 (Benchmarks and Evaluation Procedure)**

The benchmarks for the Company's board and functional committee performance evaluation encompass five areas as follows, each of which is divided further into Qualitative Evaluation Indicators and Quantitative Evaluation Indicators.

1. Involvement in the operation of the company.
2. Improving quality of the board's (the functional committee) decision-making.
3. Composition and structure of the Board of Directors (the functional committee).
4. The election and continuing education of Directors (members of Functional Committee).
5. Internal control.

The procedure of board and functional committee performance evaluation of the Company begins with the board procedural unit completing the Quantitative Evaluation Indicators in the attachment, Cathay Financial Holdings Board Performance Internal Evaluation Questionnaire and Functional Committee Performance Internal Evaluation Questionnaire, followed by the directors and members of functional committees completing the Qualitative Evaluation Indicators. The data will be summarized by the board procedural unit and processed in accordance with the scoring rules under Article 7 of the Regulations before being reported to the Board of Directors for discussion.

## **Article 7 (Achievement Rates and Evaluation Results)**

The results of board and functional committee performance evaluation of the Company will be scored as follows:

1. With respect to the Quantitative Evaluation Indicators in the attachment, if the data collected by the board procedural unit of board performance evaluation under a category meet the corresponding benchmark, it will be deemed that the board performance benchmark for the category has been satisfied.
2. With respect to the Qualitative Evaluation Indicators in the attachment, if more than half of all directors or members of functional committees select "yes" under a category in their self-assessments, it will be deemed that the board performance benchmark for the category has been satisfied.
3. With respect to the achievement rate under the Overall Benchmark (i.e. the sum of scores under Qualitative Evaluation Indicators and Quantitative Evaluation Indicators) in the attachment, board performance will be rated "above standard" if the achievement rate reaches 90% (inclusive) or higher, "standard" if between 80% (inclusive) and 90% (exclusive), or "needs improvement" if less than 80%.

## **Chapter III External Performance Evaluation of the Board**

### **Article 8 (External Evaluation — Cycle and Period of Evaluation)**

The Company shall engage an external independent professional institution or experts and scholars to conduct an external performance evaluation of the Board of Directors every three years. The period of evaluation starts from January 1 and ends on December 1 in any given year.

### **Article 9 (Methods of External Evaluation)**

To conduct the external performance evaluation of the Board of Directors, the Company shall engage an external independent professional institution or experts and scholars to conduct an evaluation based on the preset procedures and items.

### **Article 10 (Implementation Unit and Supporting Units for External Evaluation)**

The Company's Implementation Unit for External Performance Evaluation of the Board of Directors is an "external independent professional institution or experts and scholars entrusted by the Company."

The Company's relevant units shall provide reference materials for the year under evaluation to enable the Implementation Unit for External Performance Evaluation to conduct the performance evaluation of the Board of Directors.

## **Article 11 (External Measuring Indicators, Evaluation Procedures, Achievement Rates and Evaluation Results)**

Measuring indicators, evaluation procedures, achievement rates and evaluation results with respect to the external performance evaluation of the Company's board of directors shall be arranged in accordance to the plan of the Implementation Unit for External Performance Evaluation. The Company results of the external performance evaluation of the board of directors shall be reported to the Board of Directors for discussion.

### **Chapter IV Supplementary Provisions**

## **Article 12 (Disclosure)**

The Company shall disclose these Regulations on the Market Observation Post System and the Company's website, and shall disclose the implementation of the internal/external performance assessment of the Board of Directors every year and every third year in its annual reports and website. The contents of an assessment report shall include at least the cycle, period, scope, methods, and contents of the assessment for future reference.

## **Article 13 (Implementation)**

Adoption, amendment, or revocation of the Regulations shall be approved by the Board of Directors. The Regulations shall be effective and enforceable from the date of the adoption of the Regulations. The same shall apply to the amendment or revocation of the Regulations.

Chapter III (Article 8 to Article 11) was added on November 10, 2016, and became effective since January 1, 2017.

**Cathay Financial Holdings xxxx (year) Board Performance Internal Evaluation Questionnaire**

Instructions: This questionnaire includes five major aspects; each aspect is divided into qualitative evaluation indicators and quantitative evaluation indicators. Each Director is kindly requested to complete self evaluation of the qualitative evaluation indicators. Quantitative evaluation indicators are evaluated by the board's procedural unit based on related information and data.

<b>I. Level of participation in Company operations</b>			
	Yes	No	Remarks
<b>Qualitative Evaluation Indicators</b>			
1. Do the directors read and understand the agenda before attending a meeting?			
2. Do the board of directors and the management team interact in a friendly manner?			
3. Do the board members have a sufficient understanding of the company, the management team and the industry in which the company operates?			
4. Does the board of directors perform regular checks on business performance and respond to development in various areas in a timely manner?			Related information provided by the Finance Division for evaluation and reference.
5. Has the board shown sufficient support on the issues in corporate governance and corporate sustainability? Has the board supported the Company's participation in relevant assessments to improve corporate governance and implement corporate social responsibility?			Related information provided by the board's procedural unit and Corporate Sustainability Office for evaluation and reference.
<b>Quantitative Evaluation Indicators</b>			

6. Is it true that none of the chairman, board members, and managers of the company has violated the Securities and Exchange Act, the Company Act, the Banking Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or has been prosecuted for corruption, malfeasance in office, fraud, breach of trust, or embezzlement?			Evaluated by the board's procedural unit based on related information.
7. Is the actual attendance for the board of directors as a whole in the evaluation period 80% or higher?			Evaluated by the board's procedural unit based on statistical data.
8. Has 50% or more of the board of directors been present in shareholders meetings?			Evaluated by the board's procedural unit based on statistical data provided by the Shareholders' Service Section.

## II. Improving the quality of board decisions

	Yes	No	Remarks
<b>Qualitative Evaluation Indicators</b>			
9. Are discussions and formulation of strategies and annual targets for the company appropriate?			Related information provided by the Strategic Planning Division and Finance Division for evaluation and reference.
10. Does the Company offer complete, timely, and quality information to the board, so that the board (including independent directors) can perform its duties without difficulties?			
11. Is there sufficient time for each board meeting to conclude in a satisfactory manner? Are the proposals submitted to the board appropriate?			
12. Does the board provide a good environment for communication to appropriately communicate with Independent Directors?			
13. If certain directors have to recuse themselves from certain proposals, do the directors voluntarily recuse themselves or does the chairman ask the directors to recuse themselves, and are these actions recorded in the meeting minutes?			
14. Do board meeting minutes record sufficient details of the discussions as well as personal or group opinions?			

15. Are board resolutions followed up afterwards?			Related information provided by the board's procedural unit for evaluation and reference.
<b>Quantitative Evaluation Indicators</b>			
16. Do the board of directors and the directors undergo regular performance evaluation?			Evaluated by the board's procedural unit based on statistical data.
17. Does the board of directors meet six times or more in a year?			Evaluated by the board's procedural unit based on statistical data.
<b>III. Board composition and structure</b>			
	Yes	No	Remarks
<b>Qualitative Evaluation Indicators</b>			
18. Does the company implement a policy of diversification regarding board membership in response to the needs of business development?			Related information provided by the board's procedural unit for evaluation and reference.
19. With respect to the company's current conditions, are the composition, skills, knowledge and experiences of the board of directors appropriate?			Related information provided by the board's procedural unit for evaluation and reference.
20. Are existing functional committees capable of performing duties assigned by the board of directors?			Related information provided by the board's procedural unit for evaluation and reference.
<b>Quantitative Evaluation Indicators</b>			
21. Are the qualifications and composition of board members in accordance with applicable laws and regulations and the Company's Articles of Association?			Evaluated by the board's procedural unit based on board member composition.
22. Is the board of directors equipped with the required minimum number of independent directors or more?			Evaluated by the board's procedural unit based on statistical data.
23. Is it true that independent directors of the company are not independent directors at more than three other listed companies?			Evaluated by the board's procedural unit based on statistical data.
24. Do the board of directors assemble functional committees as required by law?			Evaluated by the board's procedural unit based on statistical data.
<b>IV. The election and continuing education of directors</b>			
	Yes	No	Remarks
<b>Qualitative Evaluation Indicators</b>			

25. Is the procedure for electing new directors sufficiently vigorous and transparent?			Related information provided by the board's procedural unit for evaluation and reference.
26. Are new directors provided with relevant information to help new directors understand their responsibilities?			
27. Does the company provide continuing education and training for directors and record the number of hours to help directors advance their knowledge and skills?			Related information provided by the board's procedural unit for evaluation and reference.

#### Quantitative Evaluation Indicators

28. Are the qualifications and number of Committee Members in accordance with applicable regulations?			
29. Do the directors undertake continuing education and training and meet the minimum hours requirement?			Evaluated by the board's procedural unit based on statistical data.

#### V. Internal Control

	Yes	No	Remarks
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#### Qualitative Evaluation Indicators

30. Has the board supervised the Company in establishing three lines of defense to complete its internal control (including 1. self-inspection; 2. compliance and risk management; 3. internal audit)			Related information provided by the Regulatory Compliance Department, Risk Management Division, and Auditing Division for evaluation and reference.
31. Does the board of directors assess and monitor effectively the validity of different internal control systems?			Related information provided by the Auditing Division for evaluation and reference.
32. Do internal control systems approved by the board of directors encompass five elements/principles and cover all business activities and controls on trade cycles?			Related information provided by the Auditing Division for evaluation and reference.
33. If nonaudit services are provided by CPAs, are appropriate arrangements in place to ensure the impartiality and independence of the CPAs?			Related information provided by the Finance Division for evaluation and reference.
34. Do the board of directors have an understanding of the company's accounting system, finances and financial statements, audit reports and follow-up activities and oversee these operations?			Related information provided by the Finance Division and Auditing Division for evaluation and reference.

**Quantitative Evaluation Indicators**

35. When the company performs annual self-inspection of internal control designs and practices, is it true that the board of directors has not presented any statement suggesting major shortcomings in the internal control systems?			Evaluated by the board's procedural unit based on information provided by the Auditing Division.
36. Does the chief auditor of the company attend the board meeting to present internal audit reports and deliver the audit reports (including follow-up reports) to individual independent directors or notify them as required?			Evaluated by the board's procedural unit based on information provided by the Auditing Division.
37. With respect to internal controls system reviews, do independent directors meet at least once a year with internal auditors and keep minutes of discussions, which shall be reported to the board of directors?			Evaluated by the board's procedural unit based on information provided by the Auditing Division.
38. Are the appointment, dismissal, promotion, reward and discipline, job rotation, and evaluation of the internal audit personnel signed by the chief auditor and approved by the Chairman?			Evaluated by the board's procedural unit based on information provided by the Auditing Division.

**Director (Signature):**

**Cathay Financial Holdings xxxx (year) Functional Committee Performance Internal Evaluation  
Questionnaire**

Instructions: This questionnaire includes five major aspects; each aspect is divided into qualitative evaluation indicators and quantitative evaluation indicators. Each Committee Member is kindly requested to complete self evaluation of the qualitative evaluation indicators. Quantitative evaluation indicators are evaluated by the board's procedural unit based on related information and data.

**I. Level of participation in Company operations**

Indicator item	Audit Committee		Remuneration Committee		Corporate Governance and Nomination Committee		Risk Management Committee		Remarks
	Yes	No	Yes	No	Yes	No	Yes	No	
<b>Qualitative Evaluation Indicators</b>									
1. Do the directors read and understand the agenda before attending a meeting?									
2. Do the Committee Members interact well with the management team?									
3. Can the Committee ask related department managers of the Company, external consultants or other personnel to attend the meeting and provide them with necessary information?									Related information provided by the board's procedural unit for evaluation and reference.
4. Does the Audit Committee fully understand and supervise the Company's material financial operations, and does it fully communicate with the CPA that provided attestation services?			N/A	N/A	N/A	N/A	N/A	N/A	Related information provided by the Finance Division for evaluation and reference.
5. Does the Remuneration Committee establish and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers? Does the Remuneration Committee regularly evaluate and establish the remuneration for directors and managers?	N/A	N/A			N/A	N/A	N/A	N/A	Related information provided by the Administration Department and Finance Division for evaluation and reference.

6. Does the Corporate Governance and Nomination Committee nominate and review director candidates, and does the committee discuss and deliberate on the establishment and revision of regulations related to operations of the board of directors and committees as well as corporate governance?	N/A	N/A	N/A	N/A				N/A	N/A	Related information provided by the board's procedural unit for evaluation and reference.
7. Does the Risk Management Committee regularly review the implementation of the company's risk management business? And discuss and deliberate on the establishment or revision of the company's risk management policies and standards, the annual risk appetite, or the limits that must be approved by the board of directors?	N/A			Related information provided by the Risk Management Division for evaluation and reference.						

### Quantitative Evaluation Indicators

8. Has the actual attendance rate of all Committee Members reached 80% in average in the evaluated year?										Evaluated by the board's procedural unit based on related information.
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## II. Improving the quality of Functional Committee decisions

Indicator item	Audit Committee		Remuneration Committee		Corporate Governance and Nomination Committee		Risk Management Committee		Remarks
	Yes	No	Yes	No	Yes	No	Yes	No	

### Qualitative Evaluation Indicators

9. Does the Company offer complete, timely, and quality information to the board, so that the board (including independent directors) can perform its duties without difficulties?										
10. Is the time for Committee meetings sufficient? Are the proposals submitted to the Committee appropriate?										
11. Does the Committee provide a good environment for communication and discussion?										

12. Are the contents of discussion and personal or collective opinions appropriately recorded in Committee meeting minutes and delivered to each Committee Member after meetings are concluded?									
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**Quantitative Evaluation Indicators**

13. Does the Committee perform performance evaluation periodically?									Evaluated by the board's procedural unit based on statistical data.
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14. Is the frequency of Committee meetings in accordance with the Organizational Rules?									Evaluated by the board's procedural unit based on statistical data.
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**III. Functional Committee composition and structure**

Indicator item	Audit Committee		Remuneration Committee		Corporate Governance and Nomination Committee		Risk Management Committee		Remarks
	Yes	No	Yes	No	Yes	No	Yes	No	

**Qualitative Evaluation Indicators**

15. Are the Committee Members capable of fulfilling the duties of the Committee?									
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**Quantitative Evaluation Indicators**

16. Are the qualifications and number of Committee Members in accordance with applicable regulations?									Evaluated by the board's procedural unit based on statistical data.
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#### IV. The election and continuing education of Functional Committee members

Indicator item	Audit Committee		Remuneration Committee		Corporate Governance and Nomination Committee		Risk Management Committee		Remarks
	Yes	No	Yes	No	Yes	No	Yes	No	
<b>Qualitative Evaluation Indicators</b>									
17. Is the election process of Committee Members sufficiently rigorous and transparent?									Related information provided by the board's procedural unit for evaluation and reference.
<b>Quantitative Evaluation Indicators</b>									
18. Are the Committee Members equipped with professional knowledge necessary for serving on the Committee, and do they pursue continuing education?									Evaluated by the board's procedural unit based on the pursuit of continuing education of Committee Members.

#### V. Internal Control

Indicator item	Audit Committee		Remuneration Committee		Corporate Governance and Nomination Committee		Risk Management Committee		Remarks
	Yes	No	Yes	No	Yes	No	Yes	No	
<b>Qualitative Evaluation Indicators</b>									
19. Do Committee Members value compliance with laws and regulations and codes of practice?									
20. With respect to internal information of the Company they acquire during the course of performing their duties, do Committee Members observe their confidentiality obligations?									

21. Does the Audit Committee look into the effectiveness of the Company's internal control system, accounting system, finances and financial statements, and audit reports, and does it oversee these operations?			N/A	N/A	N/A	N/A	N/A	N/A	Related information provided by the Finance Division, Compliance Department, and Auditing Division for evaluation and reference.
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**Quantitative Evaluation Indicators**

22. Does the Chief Auditor of the Company attend Audit Committee meetings and present internal audit reports and deliver or notify each Independent Director of the audit report (and its follow-up report(s)) in accordance with regulations?			N/A	N/A	N/A	N/A	N/A	N/A	Evaluated by the board's procedural unit based on information provided by the Auditing Division.
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**Committee Member's signature:**