

# **Taiwan Cement Corporation**

## **Rules for Performance Evaluation of Board of Directors**

Established at the 21st meeting of the 22nd Board of Directors on March 28, 2018

Amended at the 8th meeting of the 23rd Board of Directors on March 22, 2019

Amended at the 16th meeting of the 23rd Board of Directors on March 20, 2020

- Article 1 To implement corporate governance, enhance the Company's board functions, and set forth performance objectives to improve the operational efficiency of the Board of Directors, this template is established pursuant to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for compliance.
- Article 2 The general evaluation cycles, evaluation periods, scope and method of evaluation, the unit conducting evaluations, evaluation procedures and other matters for compliance under the Company's regulations governing the board performance evaluation shall adhere to this template.
- Article 3 The Company's Board of Directors shall conduct an internal performance evaluation of the Board at least once a year. This internal evaluation shall be carried out at the end of each year based on the evaluation procedures and indicators outlined in Articles 6 and 8.
- An external performance evaluation of the Board shall be conducted by an independent professional institution or a panel of external experts and scholars at least once every three years.
- The results of both internal and external performance evaluations shall be completed before the end of the first quarter of the following year.
- Article 4 The Company's board evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees. Methods of evaluations include the internal self-evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.
- Article 5 The unit conducting internal evaluations of the Company's board of directors shall have an adequate understanding of the operation of the units subject to evaluation and shall play a fair, impartial and independent role.
- Different units may be assigned to perform evaluations of the functional

committees, depending on the organizational structure and operations of the Company. The unit conducting evaluations shall be fair and impartial, and no individual or unit conducting evaluations shall have any direct interest in the operations of the units subject to evaluation.

The procedures for the Company's board performance evaluation are as follows:

1. Determine the units, period, and scope of evaluation for the current year.
2. Determine the method of evaluation.
3. Select the appropriate units to conduct the evaluations.
4. The units performing evaluations will collect information about the activities of the Board of Directors and distribute self-evaluation questionnaires for the Performance Review of the Board, Board Members (self or peers), and the Functional Committee. The responsible unit or the Secretariat of the Board will then collect all the completed questionnaires, score them based on the evaluation indexes in Article 8, record the evaluation results in a report, and submit the report to the Board of Directors for discussion and improvement.

Article 6 When the Company conducts external evaluations of board performance, whether through an external evaluation institution or a panel of external experts and scholars, it shall comply with the following guidelines:

1. The external evaluation institution or panel of external experts and scholars shall possess professionalism and independence.
2. The external evaluation institution shall be an institution or management consulting firm primarily engaged in providing services for educational and training programs for boards of directors and improving corporate governance of enterprises.
3. The panel of external experts and scholars shall include at least four experts or scholars specialized in the fields of board of directors or corporate governance to conduct evaluations of the Company's board performance and prepare external evaluation analysis reports.

Article 7 The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:

1. Participation in the operation of the Company;
2. Improvement of the quality of the board of directors' decision making;
3. Composition and structure of the board of directors;
4. Election and continuing education of the directors; and
5. Internal control.

The criteria for evaluating the performance of the board members (self or peers), should cover, at a minimum, the following six aspects:

1. Alignment of the goals and missions of the Company;
2. Awareness of the duties of a director;
3. Participation in the operation of the Company;
4. Management of internal relationship and communication;
5. The director's professionalism and continuing education; and
6. Internal control.

The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:

1. Participation in the operation of the Company;
2. Awareness of the duties of the functional committee;
3. Improvement of quality of decisions made by the functional committee;
4. Composition of the functional committee and election of its members; and
5. Internal control.

**In order to strengthen the goals and implementation of the Board of Directors' functions, the Company sets an annual attendance rate of 80% for its directors, which serves as the basis for scoring directors' attendance at board meetings.**

The indexes for board performance evaluation shall be determined based on the Company's operation and needs, ensuring they are suitable and appropriate for the Company's performance evaluations. These indexes shall be subject to regular review and constructive comments from the remuneration committee.

Scoring criteria may be modified and adjusted based on the Company's needs, and a weighted scoring method may be adopted based on various evaluation aspects.

The results of the Board's performance evaluations shall serve as a reference for the election or nomination of board members and as a basis for determining individual directors' remuneration.

Article 8      The Company shall disclose in its annual report whether it has established a method for evaluating board performance, detail how the board performance evaluation has been conducted each year, and explain the evaluation method. In cases where an external institution or experts are appointed to conduct evaluations of board performance, the Company shall disclose in the annual report the name and professional description of the external evaluation institution or experts and indicate whether the external institution or experts have business dealings with the Company and whether they maintain independence.

The performance evaluation regulations established by the Company shall be fully disclosed on the Market Observation Post System (MOPS) and the Company's website.

Article 9      The Company's regulations shall take effect after having been discussed and approved by the board of directors. Subsequent amendments thereto shall be effective in the same manner.