CTCI Corporation

Regulations Governing the board Performance Evaluation

Adopted on December 13, 2016
1st Amended on November 2, 2018
2nd Amended on March 8, 2019
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Article 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, this template is established pursuant to Article 37 of the Corporate Governance Best-Practice Principles for TWSE/GTSM 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 of shall be subject to this template.

Article 3 The Company's board of directors shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indexes in Articles 6 and 8.

The Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.

Internal and external board 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 evaluation of the board, self-evaluation by individual board members, 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 and functional committees shall have an adequate understanding of the operation of the unit subject to evaluation and shall play a fair, impartial and independent role.

Article 6 The procedures for the Company's board performance evaluation are as follows:

1. Determine the units to be subject to evaluation, the period and the scope of evaluation in the current year, e.g. the board of directors as a whole, individual board members, each functional committee, etc.
2. Determine the method of evaluation, e.g. internal evaluation of the board, self-evaluation by the board members of themselves, and evaluation by an appointed external professional institution and experts, etc.
3. Select the units appropriate 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 such as the Questionnaire of Self-Evaluation of Performance of the Board in Annex 1, the Questionnaire of Self-Evaluation of Performance of Board Members in Annex 2, and the Questionnaire of Self-Evaluation of Performance of the Functional Committee in Annex 3 to be completed. The unit performing evaluations will then collect all information, give scores 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 7 When appointing an external evaluation institution or panel of external experts and scholars to conduct evaluations of board performance, the Company shall comply with the following guidelines:

1. The external evaluation institution or panel of external experts and scholars shall be professional and independent.
2. The external evaluation institution shall be an institution or management consulting firm mainly engaging in the provision of services for educational and training programs for board of directors and improvement of corporate governance of enterprises.
3. The panel of external experts and scholars shall appoint at least three experts or scholars specialized in the fields of board of directors or corporate governance to conduct evaluations of board performance of the company and prepare external evaluation analysis reports.

Article 8 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 the following 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;
5. Internal control; and
6. Others.

The criteria for evaluating the performance of the board members should cover the following 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;
6. Internal control; and
7. Others.

The criteria for evaluating the performance of functional committees should cover 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. Makeup of the functional committee and election of its members;

5. Internal control; and

6. Others.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company.

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

Article 9 When nominating members of the board of directors, the Company shall base its election on the evaluation results of his or her performance.

Article 10 It is advisable that the Company disclose in its annual report whether regulations governing the board performance evaluation have been established as well as how the board performance evaluation has been conducted each year, with a description of the evaluation method provided.

In cases where an external institution or experts are appointed to conduct evaluations of board performance, the Company shall, in the annual report, disclose the names of the external evaluation institution, names of the experts, and specialties of the experts, and indicate if the external institution and experts have business dealings with the Company and if they are independent.

Article 11 The performance evaluation regulations established by the Company shall be fully disclosed on the Market Observation Post System (MOPS) and the Company's website at all times, to be made available for consultation.

Article 12 The Company’s regulations shall take effect after having been discussed and approved by the board of directors. Subsequent amendments thereto shall be effected in the same manner.