

# TSC Auto ID Technology Co., Ltd.

## Rules for Performance Evaluation of Board of Directors

### Article 1. (Purpose and Basis)

To implement corporate governance and enhance the functions of the Company's Board of Directors, and to set forth performance objectives to improve the operational efficiency of the Board of Directors, the Rules are established pursuant to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

### Article 2. (Compliance)

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 be subject to the Rules.

The charters of various functional committees shall be subject to review at least once a year as part of the Company's regulations governing performance evaluation for internal committees.

The Company's functional committees include the Audit Committee and Remuneration Committee.

### Article 3. (Evaluation cycles)

The Company's Board of Directors shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indicators in Articles 6 and 8 herein.

The Board of Directors' performance evaluation of the Company shall be conducted by an external independent institution or by 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. (Scope and method of evaluation)

The Board of Directors' evaluation covers the Board of Directors as a whole, as well as individual directors and functional committees.

Methods of evaluation include internal evaluation of the Board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external institutions, experts, or other appropriate methods.

## Article 5. (Execution Unit)

The unit conducting internal evaluations of the Company's Board of Directors shall have an adequate understanding of how the Board operates and shall be fair, impartial and independent.

Adjustments may be made to assign different units to perform evaluations of the functional committees in view of the slight difference in their operations, depending on the organizational structure of each company. The unit conducting evaluations shall be fair and impartial, and no individual or unit conducting evaluations shall have any direct interest in the operation of the units subject to evaluation. Where the Company has a corporate governance committee or nomination committee made up of independent directors, it is advisable for these committees to serve as the unit performing the evaluations.

## Article 6. (Evaluation procedures)

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

- I. 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.).
- II. Determine the method of evaluation, (e.g. internal evaluation of the board, self-evaluation by the board members of themselves or peers, peer evaluation, and evaluation by an appointed external professional institution and experts, etc.).
- III. Select appropriate units to conduct evaluations.
- IV. 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-Performance Evaluation of the Board” in Annex 1, the “Questionnaire of Self-Performance Evaluation of Board Members” in Annex 2, and the “Questionnaire of Self-Performance Evaluation of the Functional Committee” in Annex 3 to be completed. The main implementation unit will then collect all information, give scores based on the evaluation indicators in Article 8, record the evaluation results in a report, and submit the report to the Board of Directors for discussion.

## Article 7. (External professional institutions/experts)

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:

- I. The external evaluation institution or panel of external experts and scholars shall be professional and independent.

- II. 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 Boards of Directors and the improvement of corporate governance of enterprises.
- III. The panel of external experts and scholars shall appoint at least three experts or scholars specialized in corporate governance to conduct the evaluations and prepare external evaluation analysis reports.

#### Article 8. (Evaluation indicators and scoring criteria)

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:

- I. Participation in the Company's operations.
- II. Improvement of the board's decision quality.
- III. Composition of the board of directors.
- IV. Election and continuing education of directors.
- V. Internal control.

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

- I. Comprehension of the Company's targets and missions.
- II. Awareness of the director's duties.
- III. Participation in the Company's operations.
- IV. Management and communication of internal relations.
- V. Professionalism and ongoing education of directors.
- VI. Internal control.

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

- I. Participation in the Company's operations.
- II. Awareness towards the duties of the functional committee.
- III. Improvements to the quality of decisions made by the functional committee.
- IV. Composition of the functional committee and selection of committee members.
- V. Internal control.

The indicators of the Board performance evaluation shall be determined based on the operation and needs of the Company subject to regular reviews and constructive comments of the Remuneration Committee.

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

#### Article 9. (Application of evaluation results)

When electing or nominating members of the Board of Directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual director's remuneration on the results of their performance evaluation.

#### Article 10. (Information disclosure in annual report)

The Company shall disclose in its annual report how the performance evaluation has been conducted each year, including information covering the evaluation period, scope of evaluation, evaluation method, and what is to be evaluated.

In cases where an external institution or experts are appointed to conduct evaluations, the Company shall, in the annual report, disclose the external evaluation institution, the experts and their team members, and their expertise; the statement of independence by the external evaluation institution or experts; and describe the evaluation method, standards and suggestions on improvement to be made.

#### Article 11. (Disclosure method)

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. (Implementation)

These Rules shall be enforced upon approval of the Board of Directors. The same shall apply where these Rules are amended.