

ITEQ CORPORATION

Procedures Governing the Board Performance Evaluation

Article 1

To implement corporate governance and enhance the Corporation's Board functions, and to set forth performance objectives to improve the operation efficiency of the Board of Directors, the Procedures are 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 Corporation's regulations governing the board performance evaluation shall be subject to the Procedures.

Charters of each board committee shall incorporate a provision that performance evaluation for the committee shall be conducted at least once a year.

Article 3

The Corporation shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indexes in Articles 6 and 8.

The Corporation'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 Corporation'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 Corporation's Board of Directors shall have an adequate understanding of the operation of the unit subject to evaluation and shall play a fair, impartial and independent role.

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. In cases where the Corporation 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

The procedures for the Corporation'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 or peers, 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-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 unit responsible for evaluation or the secretariat of the Board 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 Corporation 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 Corporation and prepare external evaluation analysis reports.

Article 8

The Corporation 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 Corporation;
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, should cover, at a minimum, the following six aspects:

1. Alignment of the goals and missions of the Corporation;
2. Awareness of the duties of a director;
3. Participation in the operation of the Corporation;
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 Corporation;
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 and
5. Internal control.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Corporation and suitable and appropriate for evaluations by the Corporation, subject to regular reviews and constructive comments of the compensation committee.

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

Article 9

When electing or nominating members of the Board of Directors, the Corporation shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual director's compensation on the evaluation results of his or her performance.

Article 10

The Corporation shall disclose in its annual report how the board performance evaluation has been conducted each year, including information covering at least evaluation cycle, 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 of board performance, the Corporation shall, in the annual report, disclose the external evaluation institution, the experts and their team members, and their expertise, and 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

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

Article 12

These Procedures and any amendments thereof shall become effective after approval by the Board of Directors.

These Procedures were promulgated on October 29, 2019.

The 1st amendment on March 23, 2021.

The 2nd amendment on October 31, 2023.