

Advantech Co., Ltd.
2020 Board Performance Evaluation

The Company's 2020 board performance evaluation covers the self-assessment of the Board as a whole, functional committees, and individual directors. A report of the evaluation results is presented below.

1. Evaluation period: January 1, 2020 to December 31, 2020.
2. Criteria for evaluating the performance of the Board of Directors:
 - a. Participation in the operation of the company;
 - b. Improvement of the quality of the Board of Directors' decision-making;
 - c. Composition, structure, and support of the Board of Directors;
 - d. Election of Directors, board supervision and risk management, self-discipline of the Board of Directors, and assistance with the ongoing education of Directors;
 - e. Effectiveness of the company's internal control mechanisms; and
 - f. Corporate sustainable operations.
3. Evaluation results: At a board meeting in March 2021, the Company presented a report on the discussions and recommended improvements regarding the operations of the Board as a whole, functional committees, and individual directors in the previous year. Board members reported a satisfaction rate of 95% and above (Figures 1 and 2), and the evaluation results were rated as "excellent." In future, the Company will continue to enhance the operational efficiency of the Board of Directors and encourage Directors to participate in and communicate the Company's operations.

Figure 1. Self-assessment of the Board of Directors

Figure translation:

- Participation in the operation of the company (10 items)
- Improvement of the quality of the Board of Directors' decision-making (8 items)
- Composition and structure of the Board of Directors (5 items)
- Election and continuing education of Directors (4 items)
- Effectiveness of the company's internal control mechanisms (5 items)

Figure 2. Self-assessment by individual Directors

Figure translation:

- Understanding of the company's goals and missions (3 items)
- Awareness of the duties of a Director and duty performance (4 items)
- Internal communication (4 items)
- The Director's professionalism, self-discipline, and ongoing education (4 items)
- Internal control mechanisms (2 items)

4. From September through to November 2020, the Company commissioned the “Taiwan Corporate Governance Association” (TCGA) to conduct a board performance evaluation for the period from September 1, 2019 to August 31, 2020. The TCGA and its experts are independent of and have no business dealings with the Company. Board performance was evaluated using questionnaires and onsite interviews. The evaluation covered the following eight aspects: board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the Board, and others (board meetings, support systems, etc.). The Company presented the evaluation results and improvement plans in a board meeting on March 5, 2021.

General evaluation by TCGA:

- (1) The Company’s Board of Directors encourages an open atmosphere for discussion during meetings. The Chairman fully respects the opinions of members of the Board. At any meetings or occasions, Directors can actively participate in setting the company’s visions and long-term strategic goals, contribute their professionalism, express opinions, and fulfill the guiding and supervisory roles of a Director.
- (2) The Company’s Board of Directors performs its duties to oversee the Company’s strategic development and operational performance. The Board leverages the diverse expertise and corporate management experience of its members, and invites them to participate in and provide guidance on training programs for senior managers. This is aimed at strengthening the depth and breadth of successor training and generating momentum for the sustainable development of the Company.
- (3) Every September, meetings for the following year are scheduled by the agenda working group of the Company’s Board of Directors. Based on management by objectives, quarterly issues that are crucial to the Board of Directors and functional committees are prepared to facilitate the progression of board meetings and improvement of the quality of decisions made.

Evaluation recommendations and improvement status:

- (1) The Company’s current Board of Directors is large enough to ensure efficient decision-making. However, to effectively identify challenges and opportunities for future development, achieve strategic goals related to sustainable development, and implement business succession plans, the TCGA recommends assessing the possibility of increasing the number of seats of Directors and independent Directors currently specified in the Company’s Articles of Incorporation (7 to 9 members). The TCGA also recommends setting up a functional committee in charge of governance affairs (e.g., a sustainability, nominating, or risk management committee) that aligns with the Company’s development strategy goals and corporate governance trends. The purpose of these additions is to assist the Board of Directors in overseeing the operation of various affairs and co-create value for shareholders and all stakeholders, thereby facilitating the sustainable operation of the Company.
—The Company has made plans to increase the number of director seats and set up other functional committees.

(2) The Company's "progressive" Board of Directors has operated effectively and actively communicated with international institutional investors in recent years. The TCGA recommends the implementation status of the Company's corporate governance be adequately disclosed to stakeholders to increase investors' understanding of the Company, improve the Company's performance both at home (corporate governance evaluation) and abroad (international DJSI), facilitate communication between the Company and its investors, and fortify the trust that stakeholders have in the Company.

—In 2020, the Company reviewed its business resources and the direction of future development efforts. Using the environmental, social, and governance (ESG) framework as the general basis of its practices, the Company has transformed its operations by establishing an ESG Corporate Sustainable Development Committee and setting up related offices. Physical indicators are used more effectively to promote the development of the Company in the aspects of environmental sustainability, social responsibility and engagement, and corporate governance.

(3) The Company's management team has conducted risk identification, assessment, and control, the findings of which are disclosed in the Corporate Social Responsibility Report and on the Company's website. The TCGA recommends the Company to use the Corporate Governance 3.0: Sustainable Development Roadmap as a reference, strengthen the role of the Board of Directors in risk management, and review risk management mechanisms periodically to prepare for complex changes in the business environment. In accordance with items the committee is authorized to perform as specified in the Company's Functional Committee Charter, the Audit Committee is recommended to assist the Board of Directors in supervising the implementation of risk management.

—The Company's internal audit unit regularly briefs the Audit Committee on the Company's operational risks. In 2021, the Company has established a Risk Management Team, currently led by the President and relevant executives. The team identifies risk coefficients from a macroscopic framework, and reports regularly to the Audit Committee and/or Board of Directors when cases are material to the company. A final report is presented to the Board of Directors at the end of each year.