

Performance Appraisal and Ranking Policy

2014/06/11
Revised 2022/02/01

1. Objective:

To enhance individual performance, motivate employees for continuous improvement and create high-performance organizations. The performance results are used as the basis for talent cultivation, rotation, promotion, compensation adjustment and career planning.

2. Eligibility: All Advantech's employees and affiliate company's employees.

3. Types of Performance:

(1) New employee probationary appraisal: completed within three months after on-board.

(2) General employee appraisal: twice a year (completed in June and November).

4. Appraisal items and Approval Authority:

(1) Appraisal items: In addition to evaluating job competence also focus on ESG, risk management and code of business conduct.

(2) Approval process: the direct manager is in charge of the initial review, and then the upper-level manager reviews and finalizes the result.

(3) During the employee's tenure, if the employee is transferred or dispatched to another department, the evaluation will be reviewed by the new department manager, and the manager is required to discuss with the previous manager.

5. New Employee Probationary Appraisal:

(1) Purpose: To evaluate the performance of new employee during the probation period as a basis for formal appointment, probation extension or dismissal.

(2) Appraisal content: refer to the new employee self-review appraisal form and employee work report (for indirect employees only).

(3) Other regulations: If the manager finds the employee who is incompetent for the job during the probationary period, manager can request for termination at any time.

6. General Employee Appraisal:

- (1) Both the manager and the subordinates should fully communicate and discuss work goals.
- (2) The manager should conduct the performance appraisal of subordinates every six months.
- (3) Start time of performance appraisal: June and November each year.
- (4) Considering the objectiveness and fairness, the ranking is determined by dividing into three groups:
 - Group 1: A, B band
 - Group 2: C, D band
 - Group 3: E band or above
- (5) The manager will decide the ranking grades based on ranking distribution rule, which the first ranking is the best. Ranking distribution:
 - A+: 5% A: 15% M+: 20% M: 45% M-: 10% B: 5%
 - B grade employees must discuss the improvement plan with the manager, and set the time for the next review. At the same time fill in the "Performance Correction Form" and review it by the department top manager and HR manager.
- (6) Each business group and manufacturing units need to set up their own performance evaluation committees to discuss and determine the ranking grades across departments.

7. Implementation and Modification

The Policy will take effect after being approved by the General Manager, and the same for revisions.