

Board Performance Evaluation by External Experts in 2023

To improve the Company's corporate governance practice and the functioning of the Board of Directors (hereinafter referred to as "the Board"), the Company has established the "Regulations of the Board Performance Evaluation" and has committed to subjecting the Board to both internal and external evaluations. Internal reviews on board performance shall be conducted at least once a year and the external reviews—managed by a panel of experts shall be conducted at least once every three years.

The Company has internally evaluated the Board each year since 2016. For the 2018 external appraisal project, the Company enlisted the services of EY Business Advisory Services Inc. (hereinafter referred to as "external expert(s)"), whose board is chaired by Mr. Andrew Fuh. The external expert is independent and is not a related party of the Company. The results of these external performance evaluations are summarized below:

1. Review period: Jan.1, 2023~Dec.31, 2023
2. Review aspects: The evaluation is grouped into three main areas: "Structure," "People," and "Process and Information." Eight key elements were identified to assess the Board and functional committee's effectiveness: board and committee structure and process, board and committee composition, legal person and organizational structure, role and function, culture and behavior, directors' training and development, risk control governance, and reporting/disclosing and performance management.
3. Review methods: document review, a self-assessment questionnaire completed by all directors.
4. Standard Grading levels and their definitions according to the external experts:
 - Basic: the company's practice comply with the basic requirements of government authority and relevant laws and regulations.
 - Advanced: the company's practice comply with the requirements of government authority and relevant laws and regulations, and have established a set of effective practices, or take the initiative to improve the performance of this aspect.
 - Benchmark: the company's practice not only is it exceeding the requirements of government authority and related laws and regulations, but the practice could serve as the role model for other entities.
5. Review results:
 - The "Structure" was judged as "Advanced", with suggestions of enhance concrete management goals for board member diversity strategy, as well as, keep assisting the board to ensure the appropriateness and effectiveness of medium-term/long-term risk management and resource allocation through functional committees.
 - The "People" was met the "Benchmark" level, with suggestion of establish a talent pool.
 - The "Process and Information" was met the "Benchmark" level, with suggestions of keep evaluating the business and financial influence of ESG, as well as, establish an advanced plan for directors' training and development.
6. The evaluation results were submitted to the Board on September 26, 2024.

Executive Summary

Our observation of TFHC's Board of Directors (Board) and Functional Committees (Committees)

As of the issue date of this report, TFHC's board is comprised of 7 members, including 4 corporate representatives (Chia Hao Co., Ltd., TASCOCHEMICAL Co., Ltd., HSIANG-CHAO Co., Ltd., and SANTO ARDEN Co., Ltd.), and 3 independent directors. TFHC has established audit committee, compensation committee and risk management committee, all of which are comprised of all of the independent directors. Other than audit committee, compensation committee and risk management committee, TFHC also established nomination committee, and corporate sustainability committee.

In the latest Corporate Governance Evaluation Results (2022), TFHC was listed in the range 6%-20%. Based on this basis, EY combines domestic and international experience with our unique methodology for board and committees performance evaluation and provides a business-performance-oriented external evaluation approach.

Evaluation Procedures

EY executed TFHC's board and committees performance evaluation process from February 2024 to March 2024. EY identified key elements to evaluate TFHC's board and committees performance through eight evaluation aspects: board and committee structure and process, board and committee composition, legal person and organizational structure, role and function, culture and behavior, directors' training and development, risk control governance, and reporting/disclosing and performance management. Through examining documents, inviting 3 director/committee members (including director, audit committee convener, nomination committee convener and compensation committee convener) to interviews, and 7 questionnaire of self-evaluation of performance of board/8 committee members, EY made a comprehensive evaluation and summarized our observations and suggestions in this evaluation report.

Abstract of Evaluation Results¹

¹ Evaluation results are categorized as: Basic (the practice matches basic requirements of the

Per our comprehensive evaluation, the comprehensive performance grade for TFHC’s board and committees’s Structure, People, and Process and Information are advanced, excellence, and excellence, respectively. Related observations and suggestions are as follows:

Three dimensions	Observation Summary	Suggestions
Structure	<ul style="list-style-type: none"> ▶ Established adequate functional committees. (5 committees, including audit committee, compensation committee, nomination committee, risk management committee, corporate sustainability committee) ▶ Independent directors to total seats ratio is 3/7, which is better than the “more than 2 independent directors and comprised of 1/3 of the director seats” standard encouraged by the competent authorities. ▶ TFHC has diversified board members who have required professional knowledge, experiences and background. Including risk management, financial services and information technology ...etc. The directors can supervise the 	<ul style="list-style-type: none"> ▶ The competent authorities proactively promote gender equality program and encourage the companies to increase the percentage of female directors. It is also an international trend to pay more attention on percentage of female directors. We suggest TFHC to enhance concrete management goals for board member diversity strategy, such as increase seats of independent directors and female directors to seats more than the regulations’ requirement. ▶ We suggest the company to keep assisting the board to respond to the company’s development goals, external legal tendency and other novel risks through functional committees so that TFHC can ensure the appropriateness and effectiveness of medium-term/long-term risk

competent authorities and the related regulations), Advanced (the practice matches requirements of the competent authorities and the related regulations. In addition, the board has established a set of effective practice methodology or the board proactively enhances the performance of that aspect.), and excellence (the practice is not only better than the requirements of the competent authorities and the related regulations, but also deemed as excellence model.)

Three dimensions	Observation Summary	Suggestions
	<p>management team and provide practical guidance to them.</p> <ul style="list-style-type: none"> ▶ The board's agenda working group and the management team have regulations for the contents of the meetings, report of proposals and structure of proposals. The directors have sufficient time to understand the meeting contents and read the meeting materials to make the board operates effectively. 	<p>management and resource allocation.</p>
<p>People</p>	<ul style="list-style-type: none"> ▶ TFHC has established corporate governance regulations, such as Principles for the Performance Evaluation of the Board of Directors and Corporate Governance Best-Practice Principles. ▶ The interviewees have financial industry or finance/accounting experience. They are familiar with TFHC's main business, competitive advantages, and potential risks and provide specific insights into TFHC's operation strategies and risks. ▶ Board members are diversified and participate 	<ul style="list-style-type: none"> ▶ TFHC has established nomination committee and candidates nomination system is adopted for election of the directors. We suggest TFHC to keep the excellence practice, search, review, and nominate candidates according to diversified background such as professional knowledge, skills, experiences, and gender required for directors and independent standards through nomination committee. We suggest TFHC to gradually establish a talent pool for directors through various channels in order to

Three dimensions	Observation Summary	Suggestions
	<p>the meetings proactively. The discussions are objective, impartial, and selfless. The members performed their duty and obligation by utilizing their expertises, professions, and diversified perspectives to provide suggestions to management team.</p>	<p>continuously form a board and a board agenda group with professions and experiences that match the company's development strategy goal during different phases in the future, to reinforce the nomination and succession plan, and to ensure sustainable development.</p>
<p>Process and Information</p>	<ul style="list-style-type: none"> ▶ The audit committee performs its duty of supervision by periodically discuss material topics with the chief internal auditor and CPAs. ▶ Independent directors exclusively communicate with CPAs to learn new IESBA regulations before audit committee meetings and board meetings and to ensure CPAs' objectivity and independence. 	<ul style="list-style-type: none"> ▶ We suggest TFHC to keep evaluating the business and financial influence of ESG (Environment, Social, and Governance), such as promoting green finance that response to policies to persuit sustainable development goal. ▶ We suggest TFHC to establish an advanced plan for directors' training and development. Through recording directors' training hours and continuous professional development schedule, providing learning contents and training hours more than the hours required by competent authorities, and arranging lessons for directors in different field or profession according to his/her need, TFHC can not only enhance the directors' profession, but also strengthen other

Three dimensions	Observation Summary	Suggestions
		professional knowledge that the directors need to perform their duty.

How to maintain the board and committees' performance, ensure the board and committees comprised of good members and professions, keep transparent, and keep accountability works effectively so that board and committees' performance can improve from A to A+ are key issues to the operation of board and committees. Consequently, EY propose suggestions above for your company to assess and consider. For more details of the evaluation results, conclusion, and suggestions, please refer to all of the contents and attachments of the report.

Notice to Readers

The reader is advised that the performance evaluation report has been prepared originally in Chinese. In the event of a conflict between the performance evaluation report and the original Chinese version or difference in interpretation between the two versions, the Chinese language performance evaluation report shall prevail.