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6.1.3 Performance Evaluation and Remuneration Policy

To enhance the corporate governance system and create long-term value for shareholders, while ensuring that remuneration is linked to roles and responsibilities, the Bank has established the "Guidelines for Evaluation of Directors' Performance," "Guidelines for Directors' Remuneration," " Policy Governing Performance Management and Development of Senior Management," and "Guidelines for Remuneration of Senior Management." These documents clearly define the various remuneration items and performance evaluation standards for directors and managers. Although the Bank has not established a remuneration committee, it refers each year to market salary reports issued by external consulting firms, including peer surveys and inflation changes, and reviews remuneration policies, standards, and structures in light of overall operating conditions to maintain market competitiveness. During each Board term, revisions to relevant rules and review results are submitted for approval, and the remuneration policies and systems for directors and managers are disclosed in the annual report and sustainability report. Additionally, specific guidelines for the overall operation of the Board of Directors and functional committees have been stated in the "Regulations Governing the Evaluation of the Board and Functional Committee's Performance," which include corporate sustainability indicators. This ensures that the Bank fulfills its responsibilities in corporate governance, business operations, and the practice of corporate sustainability.

◆ Performance Evaluation Aspects:

1. The Bank has established the "Regulations Governing the Evaluation of the Board and Functional Committee's Performance" to assess the overall performance of the board and functional committees. The evaluation encompasses five major aspects, each divided into "qualitative" and "quantitative" measurement indicators: participation in company operations, enhancement of board (and functional committees) decision-making quality, composition and structure of the board (and functional committees), selection and continuing education of directors (and functional committee members), and internal controls. To further enhance the functionality and efficiency of the board, the Bank conducts internal performance evaluations at least once a year, and external effectiveness evaluations by independent external professional organizations or by experts and scholars at least once every three years.
2. The Bank has established the "Guidelines for Evaluation of Directors' Performance," which includes indicators such as understanding company goals and missions, supervising the Bank's financial performance, supervising the Bank's internal audit and control, risk management, compliance with laws and regulations, and other reference items (such as company credit ratings and corporate social responsibility performance, board participation rates, etc.). Additionally, we have the "Policy Governing Performance Management and Development of Senior Management," which includes measurement indicators such as annual strategic goals, other important tasks (e.g., corporate sustainability indicators), and job responsibilities (including "operational management," "effectiveness of internal control execution," "effectiveness of compliance with laws and regulations"). Annual performance evaluations are conducted at the end of each year to ensure that both board members and senior management fulfill their duties.

◆ Remuneration Policy Aspects:

To enhance overall operational efficiency and long-term business performance, the Bank has established the "Guidelines for Directors' Remuneration," which clearly outline the remuneration items and standards for directors, including remuneration, compensation, and transportation expenses. Director remuneration is determined by considering each director's level of participation in company operations, contribution value, and industry norms, and is submitted to the Audit Committee for review and approval by the Board of Directors.

Furthermore, to create long-term shareholder value and ensure remuneration alignment with job position and responsibilities, the Bank has established the "Guidelines for Remuneration of Senior Management." Senior management remuneration consists of fixed salary, year-end bonuses granted following annual performance evaluation, and the long-term incentive plan of Cathay FHC, to attract, motivate, and retain outstanding talent. Fixed salary is determined based on job responsibilities, performance, and capabilities, considering external benchmark market standards. Variable remuneration is based on the "Policy Governing Performance Management and Development of Senior Management," reviewed and assessed annually, and year-end bonuses are granted based on the Bank's net income and overall performance relative to market standards, together with the Group's long-term incentive measures.

Evaluation Results

Internal Evaluations

In 2025, the internal performance evaluation results of the Bank's Board of Directors and all functional committees were all rated "Outstanding."
In 2025, the evaluation results for the Bank's directors were all rated "Qualified."

External Evaluations

In 2023 and 2026, the Bank commissioned the Taiwan Institute of Ethical Business to complete the external Board performance evaluations for 2022 and 2025, and implemented enhancement measures based on the Institute's optimization suggestions.