



Introduction

Corporate governance refers to methods for corporate management and supervision. In the wake of the 1997 Asian financial crisis, "strengthening corporate governance" was considered to be a solution for companies during times of crisis. The financial crisis ignited by the Enron scandal in the United States in 2001 compelled the U.S. government to take active measures to tackle corporate management issues, and led to the promulgation of the Sarbanes-Oxley Act. Multiple tunneling and fraud cases were exposed in Taiwan in 1998. Therefore, in that same year, the competent authority began advocating the importance of corporate governance to domestic public companies. Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), Securities & Futures Institute (SFI), and Taiwan Corporate Governance Association began concerted efforts on advancing a system with independent directors and audit committees, as well as the establishment of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", which meet national conditions in order to help domestic companies strengthen corporate governance and improve international competitiveness.



The amendment of the Company Act, Securities and Exchange Act, and their related regulations in 2006 institutionalized the principles of corporate governance and made them legally binding. In the wake of the financial crisis in 2008, the competent authority, the Financial Supervisory Commission (FSC), proposed plans for strengthening corporate governance and business ethics and protecting investors as well as multiple measures to ensure that companies and financial institutions strengthen legal compliance and build a new financial order. The Company Act and Securities and Exchange Act would later be amended to require the compulsory adoption of a cumulative voting system for the election of directors and supervisors, introduce restricted stocks, divide the exercise of voting rights, require the compulsory establishment of audit committees and remuneration committees, and allow the competent authority of securities to enforce mandatory adoption of e-voting among public companies.

According to the Corporate Governance (CG) Watch survey, based on 11 Asian markets and published by the Asian Corporate Governance Association (AGGA) and CLSA in September 2016, Taiwan advanced to the fourth place from sixth place in 2014, and was only preceded by Singapore, Hong Kong and Japan. Taiwan's total score rose from 56 to 60, exhibiting a larger increment in scores than any other country within the survey. Moreover, Taiwan also showed improvement within five categories, including corporate governance rules and practices,

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enforcement, political and regulatory environment, IGAAP (or "accounting and auditing"), and corporate governance culture.

To fully strengthen corporate governance policies in Taiwan, the FSC published the "Corporate Governance Roadmap 2013" in December 2013 and adopted amendments on a rolling basis. Related measures were completed in 2017 in accordance with the plan. To conjoin the development of corporate governance in Taiwan, and connect local policies with international practices, the FSC officially launched the new three-year Corporate Governance Roadmap (2018-2020) in April 2018 as the basis for related entities to continue enhancing corporate governance in Taiwan and thereby improve the international competitiveness of the Taiwanese capital market. Related milestones are detailed in Appendix 1 (source: "TWSE Corporate Governance Center website").