

**Important Milestones of Corporate Governance in Taiwan**  
**January to March 2022**

Date	Important matters	Corporate Governance 3.0 -Sustainable Development Roadmap Action Plans
2022/1/4	<p>The FSC announced the shareholders' meetings of emerging stock companies must allow electronic voting starting in 2023, details are as follows:</p> <ol style="list-style-type: none"> <li>1. The FSC expanded the scope of companies required to use electronic voting in accordance with Article 177-1, Paragraph 1 of the Company Act, expanding companies required to use electronic voting as a method for exercising voting rights from TWSE/TPEX-listed companies to emerging stock companies, effective from 2023.</li> <li>2. Companies that do not use electronic voting according to regulations will be disclosed in the Corporate Governance Section of the Market Observation Post System, and their applications to offer and issue securities will be rejected according to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. Shareholders of such companies may also petition the court to void resolutions of the shareholders' meeting according to Article 189 of the Company Act.</li> </ol>	Strengthening stakeholder communication to create good channels for interaction
2022/1/4	<p>The FSC announced the "Principles for the Preparation of Transparency Reports by Accounting Firms," which will serve as the basis for accounting firms to prepare transparency reports in the future, details are as follows:</p> <ol style="list-style-type: none"> <li>1. Contents of transparency reports mainly include: <ol style="list-style-type: none"> <li>(1) Overview and legal framework of the accounting firm</li> <li>(2) Information on the governance framework and management</li> </ol> </li> </ol>	Increasing information transparency to drive sustainable development

Date	Important matters	Corporate Governance 3.0 -Sustainable Development Roadmap Action Plans
	<p>(3) Information on risk management and quality control systems</p> <p>(4) Indicators related to audit quality</p> <p>(5) Financial and business information</p> <p>If the accounting firm is a member of the League of Nations, it shall additionally disclose:</p> <p>(1) The risk management and internal control system management measures and support of the League of Nations for members</p> <p>(2) Information on affiliated businesses (including subsidiaries and affiliated enterprises), such as the name, business overview, and percentage of revenue accounted for by non-audit services of affiliated businesses.</p> <p>2. Public companies can refer to the transparency report voluntarily announced on the website of accounting firms starting in 2023.</p> <p>3. The FSC will use a two stage process to encourage accounting firms to announce transparency reports based on international implementation experience:</p> <p>(1) Stage 1: The four major accounting firms will announce transparency reports on their website within four months after the end of each fiscal year according to the preparation principles announced by the FSC. The four major accounting firms will announce the first transparency report in 2023.</p> <p>(2) Stage 2: After 2023, the FSC will evaluate the feasibility of medium and small accounting firms announcing transparency reports based on the</p>	

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	situation and results of transparency reports announced by the four major accounting firms.	
2022/1/12	<p>The FSC announced the "Review and Supervision Principles for Information Disclosures by ESG-related Offshore Funds," key points are as follows:</p> <ol style="list-style-type: none"> <li>1. The investor brochure shall specify the following matters: <ol style="list-style-type: none"> <li>(1) Investment goal and measurement standards;</li> <li>(2) Investment strategies and methods;</li> <li>(3) Investment allocation;</li> <li>(4) Reference performance indicators;</li> <li>(5) Exclusion policy;</li> <li>(6) Risk warning;</li> <li>(7) Stewardship.</li> </ol> </li> <li>2. The master agent shall disclose periodic evaluation information on ESG-related offshore funds on its website two months after the end of each fiscal year.</li> <li>3. Offshore funds approved by the FSC as compliant with the review and supervision principles may be listed in the ESG fund section of Fundclear.</li> <li>4. If an ESG topic is in the name of an approved offshore fund, contents of the investor brochure shall be revised and reported to the FSC for approval within 6 months after the Review and Supervision Principles are announced. If the contents disclosed do not comply with the principles or the investor brochure was not revised, the warning "This fund is not an ESG-related fund" must be added behind the name of the offshore fund. If the words ESG or sustainability are in the fund's name, the fund's Chinese name shall be</li> </ol>	Increasing information transparency to drive sustainable development

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	<p>adjusted to avoid misunderstanding among investors.</p> <p>5. If the approved fund name is not related to ESG, but the master agent intends to apply for an ESG-related offshore fund, the master agent shall disclose related contents in the investor brochure according to the Review and Supervision Principles and submit an application to the FSC for approval.</p> <p>6. If an offshore fund does not comply with the Review and Supervision Principles, the master agent and fund distributor may not market the fund as being related to sustainable development or ESG.</p>	
2022/1/28	<p>The FSC amended the Criteria for Handling Acquisition and Disposal of Assets by Public Companies, key points of the amendment are as follows:</p> <p>1. Strengthening management of related party transactions: Expressly stated that when public companies or subsidiaries that are not public companies in Taiwan acquire or dispose of assets reaching 10% and above of the public company's total assets to a related party, the public company must first submit related data to the shareholders' meeting for approval, in order to protect shareholders' rights and interests. However, transactions between public companies and their parent company, subsidiary, or between subsidiaries are not required to be submitted to the shareholders' meeting for a resolution.</p> <p>2. Improving the quality of opinion letters issued by external experts:</p> <p>(1) Expressly stated that when professional appraisers and their appraisal personnel,</p>	Enhancing board functions and increasing corporate sustainability value

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	<p>accountants, lawyers, or securities underwriters issue an appraisal report or opinion letter, they not only need to handle related matters for taking on and carrying out cases, but also comply with the self-regulatory rules of their respective industry associations.</p> <p>(2) Where a construction company fails to immediately obtain an appraisal report due to a justifiable reason, if the company obtains an appraisal report within two weeks after the date of occurrence, and the difference between the appraisal result and transaction price reaches a certain percentage and above, it must obtain an opinion letter from an accountant. With consideration to the needs of actual operations, the time limit for construction companies to obtain an opinion letter from an accountant was relaxed to within two weeks after obtaining the appraisal report.</p> <p>3. Relaxing provisions on information disclosures for certain transactions:</p> <p>(1) Considering that public companies are already exempted from announcing and reporting domestic government bond transactions, transactions of foreign government bonds with a credit rating not lower than Taiwan's sovereign rating were also exempted from announcement.</p> <p>(2) Foreign government bonds are simple and usually have a better credit rating than foreign corporate bonds, and ETN and ETF products are similar in nature. Hence, professional investors were exempted from announcing subscriptions to foreign</p>	

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	government bonds and subscriptions and redemption of ETNs in the primary market.	
2022/2/22	<p>The TWSE offered the "2022 Corporate Governance Evaluation Online Course" between March 2 and 16, 2022. The course included four major topics, including:</p> <ol style="list-style-type: none"> <li>1. Introduction and scoring guidelines of the corporate governance evaluation and description of examples</li> <li>2. Amendments to corporate governance regulations and the Sample Annual Report</li> <li>3. Introduction to ESG information disclosures and measures recently implemented</li> <li>4. Introduction to the shareholders' meeting video conferencing platform</li> </ol> <p>The 9th Corporate Governance Evaluation added 5 new indicators, deleted 6 indicators, revised 17 indicators, and adjusted items of 6 indicators after referencing domestic and overseas corporate governance development trends, regulations, policies, and feedback from various sectors.</p>	Embedding corporate sustainability and governance into the corporate culture and providing diverse products
2022/3/3	<p>The FSC formally launched the "Sustainable Development Roadmap of TWSE/TPEX-listed Companies" and required all TWSE/TPEX-listed companies to complete their GHG inventory before 2027 and complete the verification of their GHG inventory before 2029, in order to respond to the impact of climate change, international concern about sustainability issues, and assist domestic enterprises in setting carbon reduction goals as soon as possible. The FSC will subsequently announce related guidelines or Q&amp;A for companies to comply with.</p>	Increasing information transparency to drive sustainable development

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2022/3/4	<p>The FSC amended the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies" in coordination with the Ministry of Economic Affairs amending Article 172-2 of the Company Act, which allows public companies to convene shareholders meetings via video conferencing, key points of the amendment are as follows:</p> <ol style="list-style-type: none"> <li>1. Considering that shareholders' meetings may be convened in person with video conferencing or convened via video conferencing, the meeting handbook is required to specify the method for convening the shareholders' meeting, so that shareholders will be notified in advance of how the company will convene the shareholders' meeting and decide how they attend the meeting.</li> <li>2. To inform shareholders of the meeting location so that they can attend, the location is required to be specified for shareholders' meetings that are held in person with video conferencing. Considering that shareholders should be informed of the video conferencing platform that will be used to convene shareholders' meeting, so that they can become accustomed to the platform and understand how to exercise their rights on the platform, companies are required to specify the video conferencing platform that will be used for the shareholders' meeting in the meeting handbook.</li> <li>3. Considering that shareholders should be able to view the meeting handbook and supplemental data on the day of the shareholders' meeting when attending via video conferencing, companies are required to upload electronic</li> </ol>	Strengthening stakeholder communication to create good channels for interaction

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	files of the meeting handbook and supplemental data to the video conferencing platform on the day of the shareholders' meeting.	
2022/3/4	<p>The FSC amended the "Criteria Governing Handling of Stock Affairs by Public Stock Companies" in coordination with the Company Act allowing public companies to convene shareholders meetings via video conferencing, key points of the amendment are as follows:</p> <ol style="list-style-type: none"> <li>1. Specified the types of shareholders' meetings convened via video conferencing, conditions that must be met by the company, method for establishing articles of incorporation, exceptions due to natural disasters, incidents, and other force majeure events, resolution procedures for shareholders' meetings convened via video conferencing, shareholders attending via video conferencing are deemed to have attended the shareholders' meeting in person, and the applicability of Chapter 2-2 to other conveners of shareholders' meetings mutatis mutandis.</li> <li>2. Established the qualifications of parties appointed to handle matters of video conferencing, reporting procedures, and audit results of compliance with information security certifications that must be reported each year.</li> <li>3. Specified operating procedures for shareholders, solicitors, or appointed agents who have registered to attend a shareholders' meeting via video conferencing but plan to attend the shareholders' meeting in person, and when shareholders intend to attend a shareholders' meeting via video conferencing after they have already exercised their voting</li> </ol>	Strengthening stakeholder communication to create good channels for interaction



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	<p>right in writing or electronically or after their proxy statement has been delivered to the company.</p> <p>4. Companies or shareholders service agents are required to compile statistics on the number of shares solicited by solicitors, the number of shares represented by appointed agents, and number of shares in attendance via writing or electronically, and must disclose the statistics on the video conferencing platform before the shareholders' meeting.</p> <p>5. Specified operating procedures for shareholders to sign in, view the live stream, ask questions, vote, count votes, propose extempore motions, or revise agenda items when attending shareholders meetings via video conferencing. Where a shareholder has exercised voting rights in writing or electronically, the shareholder may still register to attend the shareholders' meeting and disclosure of agenda item or election results via video conferencing.</p> <p>6. Specified the time limit for postponing or continuing a shareholders' meeting, conditions for attending shareholders, calculation of the number of shares in attendance, voting rights and election rights, and principles for determining whether to postpone or continue the meeting when a shareholders' meeting could not be convened or had to be suspended due to a natural disaster, incident, or other force majeure event causing the video conferencing platform to malfunction.</p> <p>7. Specified that the contents of meeting notices must include the method for shareholders to attend via conferencing and exercise related</p>	

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	<p>rights, how to handle the situation when a natural disaster, incident, or force majeure incident causes the video conferencing platform to malfunction, and suitable alternative measures provided to shareholders who have difficulty attending shareholders meeting held via video conferencing.</p> <p>8. Specified the retention period for data, such as the shareholders register, registration, sign-in, questions, voting, and vote counting results, and audio and video recordings of the meeting process by the company and party appointed to handle matters of video conferencing, in order to help clarify matters when a dispute occurs during a shareholders' meeting.</p>	
2022/3/8	<p>FSC announced the Strategy for Sustainable Development of Securities and Futures Enterprises, and will jointly implement related measures with the TWSE, TPEX, Taiwan Futures Exchange, TDCC, and the three securities and futures associations over a 3-year period to achieve the goal for industries to transition towards sustainable development. Key points of the strategy are as follows:</p> <ol style="list-style-type: none"> <li>1. Developing a sound sustainable development governance framework for securities and futures enterprises: Includes establishing sustainable development values and valuing the culture of ESG, attaching importance to the establishment of information security mechanisms, implementing the board of directors and management accountability system, and utilizing functional committees to assist the board of directors in performing its duties.</li> <li>2. Serving the function of an intermediary to assist the sustainable development of</li> </ol>	<p>Enhancing board functions and increasing corporate sustainability value; Increasing information transparency and driving sustainable development; Strengthening stakeholder communication and creating good channels for interaction; Becoming aligned with international standards and guiding stewardship; Embedding corporate sustainability and governance into the corporate culture and providing diverse products</p>

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	<p>companies: Includes underwriting and financial consulting services - guidance for TWSE, TPEX, and Emerging Stock Board (ESB) listed companies in implementing sustainable development and ESG action plans. Inter-dealer, investment, fund, and discretionary investment services - Establishing self-discipline, increasing incentives, and strengthening supervision mechanisms. Brokerage, wealth management, and fund sales services - Implementing treating customers fairly and strengthening investor protection for specific groups, such as the elderly and persons with disabilities.</p> <p>3. Improving the disclosure of information on the sustainable development of securities and futures enterprises: Includes strengthening the ability of securities and futures enterprises to respond to climate change risks, improving the disclosures of information on sustainable development of securities and futures enterprises, and improving information disclosure channels and external communication of securities and futures enterprises.</p>	
2022/3/22	<p>The FSC announced regulations stipulating the SITEs and SICEs may not become involved in disputes over management right, key points are as follows:</p> <p>1. Stipulated that when SITEs and SICEs offer securities investment trust services or discretionary investment services, their investments using assets of the securities investment trust fund or discretionary investment may not interfere in disputes over management right of the investee and</p>	Becoming aligned with international standards and guiding stewardship

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	<p>companies that the investee directly or indirectly invests in, or assist others in obtaining or securing management right.</p> <ol style="list-style-type: none"> <li>2. To implement the compliance and internal control systems, companies shall carry out analysis, decision-making, execution, and review of investments according to the internal control system for the investment process, and shall carefully invest assets under management based on the principle of professionalism and good faith.</li> <li>3. Before an enterprise uses fund or discretionary investment assets for investment, it must analyze if the investee or the companies that the investee directly or indirectly invested in are involved in a dispute over management right. After making investments, the enterprise must periodically review, evaluate, and manage investments to avoid becoming involved in a dispute over management right or assisting others in obtaining or securing management right.</li> </ol>	
2022/3/30	<p>In response to the "2050 Net-Zero Emission Path" announced by the National Development Council, the FSC issued a press release on efforts to promote sustainable finance in coordination with the path, key points are as follows:</p> <ol style="list-style-type: none"> <li>1. Utilizing the influence of funds managed and utilized by financial institutions through green finance, guiding funds into companies or projects that are aligned with sustainability so that companies will attach importance to sustainability issues. Implementing the Sustainable Development Roadmap of TWSE/TPEX-listed Companies in stages, first requiring TWSE/TPEX-listed companies to</li> </ol>	Increasing information transparency to drive sustainable development

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	<p>complete information disclosures on their GHG inventory, setting an example for smaller companies to follow; the goal is for all TWSE/TPEX-listed companies to complete their GHG inventory before 2027 and complete the verification of their GHG inventory before 2029.</p> <p>2. Continuing to implement the "Green Finance Action Plan" in the following four aspects:</p> <p>(1) Utilizing funds and investment/lending decisions to guide companies towards sustainable development.</p> <p>(2) Strengthening information disclosures for investors and stakeholders to understand how companies identify and respond to risks.</p> <p>(3) Strengthening climate resilience and increasing incentives for financial institutions to actively respond to and monitor ESG and climate-related risks and business opportunities.</p> <p>(4) Assisting financial institutions in supporting industries, effectively facilitating carbon reduction transition, driving companies to attach importance and implement ESG, and further creating a complete sustainable finance ecosystem.</p> <p>3. Key points of future implementation include: Planning sustainable finance evaluations. Improving sustainability categories (such as expanding industrial and economic activity categories, and rolling review of technology screening standards). Further improving information transparency and making rolling revisions to the Green Finance Action Plan.</p>	

## Important Milestones of Corporate Governance in Taiwan

### April to June 2022

Date	Important matters	Corporate Governance 3.0 - Sustainable Development Roadmap Action Plans
2022/4/19	<p>The Financial Supervisory Commission (FSC) announced the "Strategy for Sustainable Development of Securities and Futures Enterprises" on March 8, 2022 to drive the sustainable development of securities and futures enterprises and the healthy development of the domestic securities and futures market. Securities and futures related organizations were asked to handle the following matters to aid the smooth transition of securities and futures enterprises:</p> <ol style="list-style-type: none"> <li>1. Seminars for senior managers of securities and futures enterprises: Contents of the topics include concrete measures for implementing the strategy, international development trends and important supervision standards, corporate governance, sustainable development, and information security.</li> <li>2. Focused seminars: Seminars were planned between June and October this year to explain the contents of the strategy to the industry.</li> <li>3. Establishing an advisory unit: The TWSE, TPEX, Taiwan Futures Exchange, and the three securities and futures associations were instructed to establish their own advisory unit to provide enterprises with the latest information and necessary assistance.</li> </ol>	Increasing information transparency to drive sustainable development

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2022/4/28	<p>The FSC has disclosed cross-financial institution data sharing mechanisms in response to the development of FinTech to provide consumers with greater convenience, strengthen financial institution risk management, and facilitate cross-financial institution cooperation. The mechanisms facilitate the lawful and reasonable use of customer data based on the principle of information security, key points include:</p> <ol style="list-style-type: none"> <li>1. Considering that regulations governing securities and futures enterprises require that confidentiality of customer data be maintained and prohibit customer data from being leaked, the FSC expressly stated that securities and futures enterprises may share data and set forth management regulations and application procedures in coordination with the abovementioned policy. This allows securities and futures enterprises to reasonably use customer data and protect investors' rights and interests.</li> <li>2. When securities and futures enterprises share data between financial institutions, they shall establish internal controls that are approved by their board of directors. With regard to the scope and procedures for data sharing, unless the data may be shared according to other laws and regulations, customers' approval must be obtained in advance and the privacy policy must be disclosed on the company website. Data sharing must be handled</li> </ol>	Strengthening stakeholder communication to create good channels for interaction

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	<p>according to the Personal Data Protection Act and Guidelines for Data Sharing Between Financial Institutions.</p> <p>3. When securities and futures enterprises share data with other financial institutions not in the same group, an application must be submitted to the SFI for approval for the first case. After the first case is approved, only a report needs to be submitted to the SFI for data sharing not exceeding data sharing models previously approved by the FSC.</p>	
2022/4/28	<p>Taiwan Stock Exchange Corporation announced the results of the 8th (2021) Corporate Governance Evaluation, key points include:</p> <ol style="list-style-type: none"> <li>1. Evaluation work for the 8th (2021) Corporate Governance Evaluation was completed, a total of 1,639 companies were evaluated, including 913 TWSE-listed companies and 726 TPEX-listed companies.</li> <li>2. Based on Corporate Governance 3.0 - Sustainable Development Roadmap (2021-2023), the evaluation divides companies into four categories "finance and insurance (43 companies)," "electronics companies with a market cap of NT\$10 billion and above (248 companies)," "non-financial electronics companies with a market cap of NT\$10 billion and above (246 companies)," and "companies with a market cap between NT\$5 billion and NT\$10 billion (277</li> </ol>	Embedding corporate sustainability and governance into the corporate culture and providing diverse products



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	<p>companies)" for the public to understand a company's performance in its industry and among companies with a similar market cap.</p> <p>3. The indicators each year and implementation of related regulations have gradually guided companies to adopt good corporate governance measures. Public companies made improvements in numerous statistics in 2021, and the TWSE and TPEX commended those in the top 5% of TWSE-listed companies, TPEX-listed companies, and "companies with a market cap between NT\$5 billion and NT\$10 billion." Evaluation results are announced on the website of the Corporate Governance Center and SFI.</p>	
2022/05/12	<p>TPEX established a dedicated section on May 12 to guide the board of directors of TPEX-listed companies to fulfill their responsibility to sustainable development and develop GHG inventory and management abilities. Information provided in the section includes the timetable of stages for TPEX-listed companies to compile their inventory and carry out verification, description of implementation plans, FAQ, and resource sharing information.</p>	<p>Increasing information transparency to drive sustainable development</p>
2022/05/24	<p>The Legislative Yuan passed the third reading of the draft amendment to articles of the Business Mergers and Acquisitions Act from the Executive Yuan on May 24. In light of the recommendations from various sectors</p>	<p>Enhancing board functions and increasing corporate sustainability value</p>

Date	Important matters	Corporate Governance 3.0 - Sustainable Development Roadmap Action Plans
	<p>in recent years to increase the flexibility of mergers and acquisitions and protect shareholders' rights and interests, key points of the amendment are as follows:</p> <ol style="list-style-type: none"> <li>1. Requires companies to describe any interests directors have in the merger or acquisition in the cause for convening the shareholders' meeting, and the reason for approving or opposing the merger or acquisition, in order to strengthen protection of shareholders' rights and interests. Expanded the scope of opposing shareholders' right to request that their shares be purchased to shareholders who did not abandon their voting right and voted against the merger or acquisition during the shareholders' meeting, ensuring a mechanism for their exit.</li> <li>2. Relaxing the application of short-form merger to "Where the consideration payable by the acquirer is no more than 20% of its outstanding shares" or "Where the total consideration including shares, cash, and other assets payable by the acquirer is no more than 20% of the acquirer's net worth," so mergers and acquisition can be carried out after being approved by the board of directors, and no longer needs to be approved by the shareholders' meeting.</li> </ol>	

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	<p>3. Expressly states that individual shareholders of startups that are acquired may choose to defer payment of all taxes on the shares they obtain. Expressly provides categories of identifiable intangible assets, and relaxes the standard for amortization of intangible assets generated by merger and acquisition over a statutory period or 10 years, making it easier to estimate the cost of taxes.</p>	
2022/06/07	<p>The TWSE is promoting company ESG information disclosure and reporting, and added a sustainable development section in the Corporate Governance Center, key points include:</p> <ol style="list-style-type: none"> <li>1. Strengthening the ESG information disclosure of TWSE listed companies, initial disclosure items include 29 indicators under seven topics, namely GHG emissions, energy management, water resources management, waste management, human resources development, board of directors, and investor communication.</li> <li>2. Public companies must report related information on the Market Observation Post System or describe the current status of information disclosures within six months after the end of each fiscal year.</li> <li>3. The reporting system and inquiry page was launched on May 31, 2022. After companies complete reporting at the end</li> </ol>	Increasing information transparency to drive sustainable development

Date	Important matters	Corporate Governance 3.0 - Sustainable Development Roadmap Action Plans
	<p>of June, investors can inquire information on individual companies or industries at the Market Observation Post System\Corporate Governance\Company ESG Information\Company ESG Information Disclosures.</p>	
2022/6/9	<p>Taiwan Depository &amp; Clearing Corporation provides fund beneficiaries with different channels for participating in beneficiary meetings. The FSC has included the establishment and optimization of a beneficiaries meeting electronic voting platform as a work plan under Capital Market Blueprint Strategy 4 "Enhancing the Market Functions and Competitiveness of Financial Intermediaries," key points include:</p> <ol style="list-style-type: none"> <li>1. Establishing a securities investment trust fund beneficiaries meeting electronic voting platform, which can be used for beneficiaries meetings of ETF or unquoted funds.</li> <li>2. Beneficiaries may exercise their voting rights by personally attending meetings, in writing, or electronically. During fund beneficiaries meetings convened by securities investment trust enterprises (SITEs), the electronic voting platform can be provided for investors to exercise voting rights electronically during beneficiaries meetings, providing greater convenience by eliminating constraints of the time and place of beneficiaries meetings.</li> </ol>	<p>Strengthening stakeholder communication to create good channels for interaction</p>

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	<p>3. The Securities Investment Trust &amp; Consulting Association of the R.O.C. is asked to raise awareness of investors' rights and interests, and call on SITEs to list electronic voting as a channel for exercising voting rights during beneficiaries meetings, encouraging investors to exercise their voting rights electronically, which prevents the spread of COVID-19 and protects investors' right to participate in meetings.</p>	

## Important Milestones of Corporate Governance in Taiwan

**July to September 2022**

Date	Important Matters	Corporate Governance 3.0 - Sustainable Development Roadmap Action Plans
<b>2022/7/7</b>	<p>Transparent and reliable financial information is the foundation for healthy capital markets. Hence, the audit quality of financial statements is extremely important. In addition to the self-discipline of accountants and supervision by the competent authority, the accounting firm also plays an important role in improving audit quality. To help the Audit Committee of public companies use their authority decide on the appointment of accountants, we plan to first encourage the four major accounting firms to actively provide AQI information when they are engaged by public companies to audit financial statements in 2023, and this will be referenced by the Audit Committee of public companies when evaluating the appointment (extension) of accountants.</p>	Increasing information transparency to drive sustainable development
<b>2022/8/1</b>	<p>To drive public companies to continue enhancing their corporate governance and attach greater importance to sustainable development, the Corporate Governance Roadmap, corporate governance evaluation indicators, and promotional events of the competent authority in recent years have guided companies to establish related systems, and statistics show progress in quantitative data of corporate governance quality.</p> <p>The TWSE stressed that good corporate governance is the most important foundation for healthy capital markets, and also the key to attracting long-term investments from investors. The TWSE will continue to implement corporate governance related</p>	Increasing information transparency to drive sustainable development

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	measures, enhance the competitiveness of public companies in sustainable development, and improve the overall quality of capital markets.	
2022/8/4	<p>The FSC is urging public companies to set carbon reduction goals to achieve net zero emissions by 2050, and compiling a GHG inventory has thus become the primary task of companies.</p> <p>In light of the growing attention to climate change information, the FSC requires companies that meet certain criteria to disclose climate-related information, and plans to amend the "Regulations Governing Information to be Published in Annual Reports of Public Companies" and "Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses." Key points of the amendments are as follows:</p> <p>Amended articles and added an attachment: Amended Article 10, Paragraph 1, Subparagraph 4, Item 5 of the Regulations Governing Information to be Published in Annual Reports of Public Companies and Article 32, Paragraph 1, Subparagraph 5 of the Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses, requiring companies that meet certain criteria to disclose climate-related information. Added Attachment 2-2-3 to annual reports and Attachment 63-1 "Public Company Climate-related Information" to prospectuses for companies to disclose climate-related information.</p>	Embedding corporate sustainability and governance into the corporate culture and providing diverse products

**Important Milestones of Corporate Governance in Taiwan**  
**October to December 2022**

<b>Date</b>	<b>Important matters</b>	<b>Corporate Governance 3.0 - Sustainable Development Roadmap Action Plans</b>
2022/10/24	Added Articles 12 and 13 of the "Taipei Exchange Guidelines for Information to be Published in Assessments of Recommending Dealers Applying for TPEX Listing" for recommending securities firms (RSFs) to serve the function of guiding companies to achieve sustainable development. The articles expressly state that RSFs must evaluate whether applicants adequately expressed their implementation of sustainable development in the prospectus (i.e., "Implementation of Corporate Governance by the Issuer" in the Special Notes) in accordance with the "Rules Governing Information to be Published in Prospectus for Applications for Trading of Securities on the TPEX," in order to serve the function of guiding companies' transition towards sustainability.	Increasing information transparency to drive sustainable development
2022/10/24	TWSE added Paragraph 1 to "Taiwan Stock Exchange Corporation Directions Governing the Particulars to be Recorded in the Securities Underwriter's Assessment Report," expressly stating that underwriters must evaluate whether domestic issuers applying for stock listing and foreign issuers applying for primary listing adequately expressed their implementation of sustainable development in the prospectus (i.e., "Implementation of Corporate Governance by the Issuer" in the Special Notes) in accordance with the "Taiwan Stock Exchange Corporation Rules	Increasing information transparency to drive sustainable development



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	Governing the Particulars to be Recorded in Prospectuses for Initial Securities Listing Applications," in order to serve the function of guiding issuers' transition towards sustainability.	
<b>2022/10/25</b>	The TWSE amended the Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds according to plans of the Corporate Governance 3.0 - Sustainable Development Roadmap, in order to improve disclosures of corporate governance information on company websites. The rules require company websites to have a dedicated section to disclose information on corporate governance for reference by shareholders and stakeholders.	Enhancing board functions and increasing corporate sustainability value
<b>2022/11/25</b>	The TWSE stated that public companies must establish a special committee (carried out by the Audit Committee if it was established) before the board of directors convenes a meeting for a merger or acquisition, and the committee shall review the fairness and reasonableness of the merger or acquisition plan. With consideration to the management of conflict of interest, any concerns about conflict of interest should be eliminated as soon as possible, and members of the Audit Committee that review the merger or acquisition must be truly independent. It is necessary for the board of directors and Audit Committee to understand directors with a conflict of interest,	Enhancing board functions, increasing corporate sustainability value, becoming aligned with international standards, and guiding stewardship

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	<p>important contents of the conflict of interest, and reason for recusing or not recusing themselves, in order to meet the intent of Judicial Yuan Interpretation No. 770 for timely and adequate disclosure of information on mergers and acquisitions. Hence, when a director has a conflict of interest with a merger or acquisition, the director shall explain the conflict when the board of directors and Audit Committee is reviewing the merger or acquisition for the first time. The conflict of interest must be specified in the cause for convening the meeting to make the resolution more credible and meet requirements on the immediacy of information. Article 11 of the XXX Co., Ltd. Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Template Version was thus amended.</p>	
2022/11/25	<p>The FSC amended Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies to strengthen information disclosures related to climate change. Companies that meet certain criteria are required to disclose climate-related information, and attachments that were added give consideration to the disclosure of climate-related information. Public companies were given a one-year grace period to collect related information and develop their GHG inventory abilities; the abovementioned attachments will become effective on January 1, 2024.</p>	<p>Increasing information transparency to drive sustainable development</p>

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	The same adjustments were made to the Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses.	
<b>2022/11/30</b>	<p>The Chinese National Futures Association established the "Chinese National Futures Association Guidelines for Continuing Education of Directors and Supervisors of Futures Enterprises and Continuing Education Roadmap" in coordination with the FSC's Strategy for Sustainable Development of Securities and Futures Enterprises, in order to strengthen the sustainable development of securities and futures enterprises.</p> <p>The Taiwan Securities Association and Securities Investment Trust &amp; Consulting Association of the R.O.C. also established the same guidelines.</p>	Enhancing board functions and increasing corporate sustainability value
<b>2022/12/15</b>	<p>The FSC amended the Regulations Governing Establishment of Internal Control Systems by Public Companies to meet the principles of adequate and timely disclosure of information by public companies. Public companies are required to make an announcement and report changes to their Internal Control System Statement within two days after the amendment is approved by the board of directors.</p> <p>Reviews by accountants for internal control projects are currently carried out according to Generally Accepted Auditing Standards. In coordination with the "Outline of Standards for Accountant Services Announced by the Committee for Standards on Auditing"</p>	Enhancing board functions, increasing corporate sustainability value, becoming aligned with international standards, and guiding stewardship

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	<p>announced by the Accounting Research and Development Foundation, when accountants review the internal control system of a company, it is an assurance case of audits or reviews of non-historical financial information and shall comply with the Standards on Assurance Engagements, which stipulate the types of opinions, formats, and contents of reports. Hence, Articles 25, 30, 31, and 34 were amended to return to the Standards on Assurance Engagements.</p>	
<b>2022/12/21</b>	<p>Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX) jointly established the "TWSE/TPEX-Listed Company Sustainability Report Assurance Institution Management Guidelines" (hereinafter referred to as the "Guidelines") for compliance by assurance institutions and personnel, in order to become aligned with international trends. Furthermore, in response to Article 4, Paragraph 2 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports" and "Taipei Exchange Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports" (hereinafter referred to as the "Regulations"), public companies in the food industry, catering revenue accounted for 50% of revenue in the most recent year, the chemical industry, and the financial and insurance industries (financial industry) are required to disclose their sustainability indicators, and must obtain an opinion letter from an</p>	<p>Increasing information transparency to drive sustainable development, become aligned with international standards, and guide stewardship</p>

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	<p>accountant. The opinions of the account and his/her accounting firm must comply with provisions of the Guidelines. If a public company handles the assurance of Scope 1 and Scope 2 emissions according to Article 4-1, Paragraph 3 of the Regulations, the opinion letter issued by the assurance institution, accountants, and lead inspector must meet the following requirements of the Guidelines:</p> <ol style="list-style-type: none"> <li>1. Legal basis of the Guidelines. (Article 1)</li> <li>2. Qualifications of the accountants and accounting firm engaged for assurance of sustainability indicators. (Article 2)</li> <li>3. Qualifications of the assurance institution, lead inspector and accountants engaged for assurance of GHG emissions. (Article 3)</li> <li>4. The number of continuing education hours required for accountants engaged for assurance of sustainability indicators and GHG emissions each year. (Article 4)</li> <li>5. Application procedures for approval of assurance institution and personnel. (Article 5)</li> <li>6. Application and reporting procedures for personnel changes of approved assurance institutions. (Article 6)</li> <li>7. Opinion letters issued according to the Guidelines shall meet assurance standards. (Article 7)</li> <li>8. Type of opinion letter on GHG emissions issued by the accountants and lead inspector. (Article 8)</li> </ol>	

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	<p>9. Sampling inspection of the quality of the assurance institution's working papers. (Article 9)</p> <p>10. Penal provisions. (Article 10)</p> <p>11. The Guidelines, and any amendments hereto, shall be become effective on January 1, 2023 following approval by the competent authority for future reference. (Article 11)</p>	
2022/12/22	<p>The FSC specified the board of directors' duty to supervise SICEs in implementing manager accountability and establishing related systems, in order to achieve sound management of SICEs and strengthen management of positions concurrently held by responsible persons. The FSC established the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Consulting Enterprises" to achieve healthy development of the financial market, expanding non-compete provisions of SICEs, SITEs, and securities firms to directors, supervisors, and their related parties. With consideration to the needs of SICE personnel to plan investments and wealth management for their underage children, a proviso was added to provide an exception for the restriction on handling securities investment or trading securities related products on behalf of others.</p> <p>Two articles were amended and two articles were added as follows:</p> <p>1. For SICEs to strengthen business management and implement corporate governance, an article was added to specify</p>	Enhancing board functions and increasing corporate sustainability value

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	<p>that the board of directors is responsible for selecting and supervising managers in performing their duties, and is responsible for supervising the company in implementing manager accountability and establishing related systems. (Amended Article 2-1)</p> <p>2. Added an article specifying that a natural person or institutional director (supervisor) or a related party of a SICE is determined to have a conflict of interest if the director (supervisor) or related party concurrently holds the position of director (supervisor) of another SICE, SITE, or securities firm. The provision above is not applicable to the government and its directly or indirectly wholly-owned SITEs. Furthermore, it provides parties found in violation of a conflict of interest with a certain period of time to make adjustments, and the party must be dismissed if the party fails to make adjustments without proper cause. (Amended Article 7-1)</p> <p>3. With consideration to the needs of SICE personnel to plan investments and wealth management for their underage children, added an exception to the restriction on handling securities investment or trading securities related products on behalf of others if the person is the legal representative of the principal. (Amendment to Article 15)</p> <p>The Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises contains the same standards.</p>	

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2022/12/23	<p>Based on the opinions of various sectors, the TWSE included compliance items in the qualifications of independent directors (including independent director candidates and current independent directors) into the duties of the corporate governance officer in accordance with Corporate Governance 3.0 - Sustainable Development Roadmap. Article 3-1, Subparagraphs 6 and 7 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies were added to include director changes (including but not limited to matters to be handled by the corporate governance officer when notified that a director has resigned or was reassigned according to Article 27, Paragraph 3 of the Company Act) in the duties of corporate governance officers.</p> <p>Article 17, Paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies was added to regulate the financial and business transactions between public companies and related parties and shareholders. The contents of regulations are required to include management procedures for related transactions, major transactions are required to be approved by the board of directors and submitted to the shareholders' meeting for approval or reported to the shareholders' meeting.</p> <p>Article 29, Paragraph 5 of the same principles was amended to increase the transparency of</p>	<p>Enhancing board functions, increasing corporate sustainability value, increasing information transparency, driving sustainable development, becoming aligned with international standards, and guiding stewardship</p>



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	audit quality, and encourages the Audit Committee of public companies to reference the AQI information provided by accounting firms when evaluating the replacement of accounting firms.	
2022/12/23	<p>The TWSE added Article 14, Paragraph 2 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" to enhance corporate governance. If the director of a public company resigns or is reassigned in accordance with Article 27 of the Company Act, the director and institutional shareholder shall immediately notify the company and corporate governance officer.</p> <p>Furthermore, considering that the competencies of directors are the key to company operations and governance, directors are required to receive 3 hours of continuing education in the year they are appointed according to the Corporate Governance 3.0 - Sustainable Development Roadmap. With consideration to the grace period required for public companies and directors, if the term of the current directors of a public company does not expire in 2023, the requirement may be applied from the next term, and Paragraph 3 was thus added to the same article. The scope of the paragraph not only includes each term of directors that are elected, but also directors elected to the current term through a by-election, newly-designated representatives of institutional directors, or new directors</p>	Enhancing board functions and increasing corporate sustainability value

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	<p>designated by institutional shareholders. The representatives are all required to receive 3 hours of continuing education in the year they are appointed.</p> <p>Based on the opinions of various sectors, the TWSE included compliance items in the qualifications of independent directors (including independent director candidates and current independent directors) into the duties of the corporate governance officer in accordance with Corporate Governance 3.0 - Sustainable Development Roadmap. Article 21, Subparagraphs 6 and 7 were added to include director changes (including but not limited to matters to be handled by the corporate governance officer when notified that a director has resigned or was reassigned according to Article 27, Paragraph 3 of the Company Act) in the duties of corporate governance officers.</p> <p>TPEX also made the same amendments to its regulations.</p>	
2022/12/23	<p>The FSC amended Articles 6 and 13-1 of the "Regulations Governing Information to be Published in Prospectuses by Securities Investment Trust Enterprises Offering Securities Investment Trust Funds" to provide SITEs with a consistent format for disclosing information on ESG-related funds, and improve the completeness of ESG investment policy disclosures in the prospectuses for such funds. The amendment adds items to be disclosed in prospectuses to improve information disclosures on ESG-related</p>	<p>Embedding corporate sustainability and governance into the corporate culture and providing diverse products</p>

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	<p>securities investment trust funds, and requires the URL where periodic evaluation information is announced to be disclosed for investors rapidly access the information.</p> <p>It further specifies that ESG-related funds shall specify the following matters:</p> <ol style="list-style-type: none"> <li>1. Investment goal and measurement standards: Key points and goals of the fund's sustainability investments, and the association between ESG standards or principles with key points of investments. The fund must set one or more sustainability investment goals, and describe assessment indicators for the achievement of sustainable investment goals.</li> <li>2. Investment strategies and methods: The type of investment strategy used by the management company to achieve sustainable investment goals, concrete methods for incorporating ESG factors into the investment process, the ESG factor consideration process, and the assessment method for such factors.</li> <li>3. Investment allocation: Minimum percentage of the fund's net asset value accounted for by investments in ESG-related targets, and describe how the fund's overall asset will not cause severe damage to sustainable investment goals.</li> <li>4. Reference performance indicators: If the fund set ESG performance indicators, it must describe characteristics of the indicators and whether they are aligned with key points of the fund's ESG investments.</li> </ol>	

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	<p>5. Exclusion policy: Whether the fund's investments have an exclusion policy and excluded categories.</p> <p>6. Risk warning: Description of risks related to the fund's ESG investments.</p> <p>7. Stewardship: The stewardship policy and implementation method applicable to the fund, and methods or channels for accessing the management company's stewardship report.</p> <p>8. Periodic disclosure: After the management company issues the fund, it shall disclose the following periodic evaluation information to investors on the company website within two months after the end of each year, and shall disclose the URL for accessing the fund's periodic evaluation information, as well as the URL for stewardship reports disclosed by the management company:</p> <p>(1) The fund's asset portfolio is consistent with the ESG investment strategy and actual investment percentage of the selection standards.</p> <p>(2) If there are reference performance indicators, the difference between ESG selection standards and the stock selection standards of the performance indicators must be compared.</p> <p>(3) The fund shall take stewardship actions to achieve the key points and goals of sustainable investments.</p>	