Corporate Governance Q & A—Independent Directors

***In case of any discrepancy between the Chinese version and the English one, the Chinese version shall prevail.**

1. Which companies are required under the Securities and Exchange Act to appoint independent directors?

A: 1. Article 14-2 of the Securities and Exchange Act specifically provides that a company that has issued stock in accordance with the Act may appoint independent directors in accordance with its articles of incorporation. The Competent Authority, however, shall as necessary in view of the company's scale, shareholder structure, type of operations, and other essential factors, require it to appoint independent directors.

2. The FSC applies a gradual approach towards implementing the aforesaid regulations under which qualifying companies are required to appoint independent directors. Financial holding companies, banks, bills finance companies, insurance companies, securities investment trust enterprises, integrated securities firms, TWSE/GTSM listed futures dealers and non-financial TWSE/GTSM listed companies with paid-up capital in excess of NT$10 billion that have issued shares in accordance with the Securities and Exchange Act are required to appoint independent directors.

2. At which point in time shall companies required to appoint independent directors under the qualifying clause of paragraph 1, Article 14-2 of the Securities and Exchange Act appoint independent directors, if all directors and supervisors were re-elected prior to the expiry of current

directors and supervisors' term of office?

A: 1. As set out in Article 14-2 of the Securities and Exchange Act and Jin-Kuan-Zheng Tze Order No 1000010723 published by the FSC on March 22, 2011, financial holding companies, banks, bills finance companies, insurance companies, securities investment trust enterprises, integrated securities firms, TWSE/GTSM listed futures dealers and non-financial TWSE/GTSM listed companies with paid-up capital in excess of NT$ 10 billion that have issued shares in accordance with the Securities and Exchange Act shall provide for appointment of independent directors not less than two in number and not less than one-fifth of the total number of directors in the articles of incorporation. Article 181-2 of the Securities and Exchange Act and the aforesaid FSC Order also provide that the requirement by the Competent Authority for the appointment of independent directors may be applied from the time of expiry of the term currently being served by the directors or supervisors. However, a securities investment trust enterprise, an integrated securities firm of which shares is not listed on the TWSE or GTSM or is not the subsidiary of a financial holding company, a TWSE/GTSM listed securities dealer and a non-financial TSWE/GTSM listed company with more than NT$10 billion but less than $NT 50 billion paid-in capital, that has issued shares in accordance with the Securities and Exchange Act shall begin applying the requirement for the appointment of

independent directors upon expiry of the term of office of current directors and supervisors, for instance from 2011, if the term of office of current directors and supervisors expires in 2011.

2. As set out in paragraph 1, Article 199-1 of the Company Act, “where re-election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiry of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance”. As such, shall any company required to appoint independent directors as described in the preceding paragraph re-elects all existing directors and supervisors prior to the expiry of their term of office, all existing directors shall be deemed discharged in advance unless it has been resolved that existing directors will not be discharged until the expiry of their present term of office. As such, the company shall, at the time when all its directors and supervisors are re-elected, appoint independent directors in accordance with the aforesaid provision of the Securities and Exchange Act and the FSC Order.

3. Where a company is required by law to appoint independent directors and the term of office of current directors is due to expire in 2013 or 2014, when shall

independent directors be elected?

A: 1. As set out in Article 181-2 of the Securities and Exchange Act and Jin-Kuan-Zheng Tze Order No 1000010723 published by the FSC on March 22, 2011, companies required by the Competent Authority to appoint independent directors may do so from the time of expiry of the term currently being served by the directors or supervisors.

2. Independent directors shall be elected under a candidate nomination system and the adoption of such a system shall be specified in the articles of incorporation. To ensure validity of the process in the nomination of independent directors, a company of which the existing directors and supervisors' term of office is due to expire in 2013, shall convene a special shareholders' meeting prior to the 2012 shareholders' meeting or the 2013 general shareholders' meeting to amend its articles of incorporation; and the qualification of and method of nomination for independent directors shall satisfy the provisions of the Securities and Exchange Act.

3. Where a company's existing directors and supervisors will complete their term of office in 2014, the company must shall convene a special shareholders' meeting prior to the 2013 shareholders' meeting or the 2014 general shareholders' meeting to amend its articles of incorporation; and the qualification of and method of nomination for independent directors shall satisfy the

provisions of the Securities and Exchange Act.

4. May independent directors appointed before a company's shares were publicly traded be re-appointed as independent directors after the company became a public company?

A: A public company shall appoint independent directors in accordance with Article 14-2 of the Securities and Exchange Act and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Its articles of incorporation shall state the number of independent directors to be appointed and that a candidate nomination system is adopted for the election of independent directors. The appointment of independent directors is governed by the Securities and Exchange Act, which apply only to a public company. A company of which the shares are not publicly traded, may amend its articles of incorporation to provide that the establishment of independent directors and the related election processes will only take place "after the company becomes a public company", provided that the amendments to the articles of incorporation are filed with the Competent Authority within 15 days of the shareholders' resolution. The company may then appoint independent directors after it becomes a public company.

5. Shall a company voluntarily appointing independent directors do so in accordance with the qualifying clause of paragraph 1, Article 14-2 of the Securities and Exchange

Act, (not less than two in number and not less than one-fifth of the total number of directors)?

A: Paragraph1, Article 14-2 of the Securities and Exchange Act provides that “a company that has issued stock in accordance with this Act may appoint independent directors in accordance with its articles of incorporation. The Competent Authority, however, shall as necessary in view of the company's scale, shareholder structure, type of operations, and other essential factors, require it to appoint independent directors, not less than two in number and not less than one-fifth of the total number of directors”. As such, where a company’s articles of incorporation provide for voluntary appointment of independent directors, the company may not be subject to the statutory requirement prescribing a minimum required number of independent directors and independent directors-to-directors ratio. The company has the discretion to specify the number of independent directors to be appointed or the independent directors-to-directors ratio in its articles of incorporation.

6. Shall a public company voluntarily appointing independent directors be bound by the provisions of the Securities and Exchange Act and the related laws and regulations governing independent directors?

A: A company voluntarily appointing independent directors in accordance with the Securities and Exchange Act and its articles of incorporation shall still be subject to the provisions of the Securities and Exchange Act and the related laws and

regulations governing independent directors except by paragraph 1, Article 14-2 of the Securities and Exchange Act that stipulates a public company shall appoint independent directors not less than two in number and not less than one-fifth of the total number of directors.

7. Shall companies appointing independent directors in accordance with Article 14-2 of the Securities and Exchange Act specifically state the quota for independent directors in their articles of incorporation?

A: The qualifying clause of paragraph 1, Article 14-2 of the Securities and Exchange Act stipulates that a company shall specify in its articles of incorporation any of the following ways for appointment of independent directors: (1) independent directors shall not be less than two in number or not less than one-fifth of the total number of directors;(2) X number of independent directors; (3) X to X number of independent directors. Where the quota of independent directors to be elected was announced in a public notice under the candidate nomination system stipulated by paragraph 2, Article 14-2 of the Securities and Exchange Act, the quota shall be confirmed and may not be publicly announced in the form of either (1) or (3) above as stated in the articles of incorporation.

8. Shall companies voluntarily appointing independent directors be exempt from applying the provisions of

paragraph 5, Article 14-2 of the Securities and Exchange Act stipulating a by-election of independent directors in the event when all independent directors have resigned?

A: Where an independent director voluntarily appointed by a public in accordance with Article 14-2 of the Securities and Exchange Act was dismissed for a reason, the company shall proceed with by-election of an independent director in accordance with paragraph 5, Article 14-2 of the Securities and Exchange Act.

9. How shall a public company that has appointed independent directors in accordance with the provisions of Article 14-2 of the Securities and Exchange Act under a candidate nomination system, or a public company that has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, record the relevant matters in its articles of incorporation？

A: 1. An example where the articles of incorporations specify the appointment of independent directors and adoption of the candidate nomination system:

Article__ Directors and supervisors shall be elected by the shareholders' meeting from among the persons with disposing capacity; the term of office shall be three (3) years; a director or supervisor may be eligible for re-election.

Article X （Existing provision governing the quota for and election of directors）

Article_X_-1 The company shall appoint___ directors, among which ___ shall be independent directors and ____shall be independent directors in accordance with Article 14-2 and Article 183 of the Securities and Exchange Act.

In the process of electing directors, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. Independent and non-independent directors of a public company shall be elected at the same time, but in separately calculated numbers.

This Article supersedes the preceding Article upon implementation. The company shall amend the articles of incorporation to remove the preceding Article.

(Note: In practice, the company shall amend the articles of incorporation and remove the existing provision (Article_X_) regulating the quota for and election of directors upon adoption of Article ____-1 as well as change

the article number from “Article____-1” to “Article___”).

Article__ The company adopts the candidate nomination system for the election of independent directors. A shareholder holding one percent or more of the total number of issued shares may present a slate of independent director candidates in writing to the company. The board of directors shall upon assessment that each independent director nominee meets the qualification criteria, submit the final list to the shareholder’ meeting for election.

The company shall comply with the Company Act and Securities and Exchange Act in relation to the public the nominee acceptance procedures and issuance of a public notice.

Article__ The company shall appoint supervisors. In the process of electing supervisors, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a supervisor elect.

2. An example where the articles of incorporations specify the establishment of the audit committee:

Article__ The company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act whereby the audit committee members are responsible for performing the duties required of supervisors stipulated in the Company Act, Securities and Exchange Act and other laws and regulations.

The audit committee shall be composed of _____ independent directors, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise. A resolution of the audit committee shall have the concurrence of one-half or more of all members.

(Note: This Article supersedes all articles regulating supervisors. The company removed superseded clauses of the articles of incorporation.)

10. Shall the quota for independent directors and the nomination method be specifically set out in the articles of incorporation? Shall both non-independent directors and independent directors be elected under a candidate nomination system? If a company's independent directors are elected through the candidate nomination system, shall the company adopt a nomination method that complies with Article 192-1 of the Company Act or shall the company set out separate standards?

A: Pursuant to the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, a public company shall adopt a candidate nomination system to elect its independent directors and record the quota for the independent directors to be elected in its articles of incorporation as referenced in Ministry of Economic Affairs order No 09502011990 published on February 8, 2006. Independent directors shall be nominated in accordance with the method set out in Article 5 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and Article 192-1 of the Company Act. A company is also encouraged to adopt a candidate nomination system to elect its non-independent directors, although it has the discretion to decide which method to adopt at a shareholders’ meeting when its articles of incorporation are amended.

11. May a company amend the quota for directors originally set out in the articles of incorporation to provide additional seats for independent directors or shall a company amend its articles of incorporation to provide a separate quota for directors and independent directors respectively, and subsequently hold a by-election of independent directors prior to the expiry of the current directors’ term of office, instead of a by-election of all directors and independent directors in order for the company to voluntarily appoint independent directors?

A: Pursuant to Ministry of Economic Affairs order No 09502011990 published on February 8, 2006, should a company choose to amend the quota for directors originally set out in the articles of incorporation to provide additional seats for independent directors or should it choose to amend its articles of incorporation to provide additional a separate quota for its directors and independent directors, respectively, prior to the expiry of the term of office of the current directors, the company shall do so in accordance with the procedures set out in Article 183 of the Securities and Exchange Act. The company may hold a by-election of only the independent directors instead of an election of all directors and independent directors.

12. What are the independence requirements of independent directors as set out in the Securities and Exchange Act? Shall employees or directors and supervisors of an affiliated company in the same enterprise group be appointed as independent directors? Can an alien be appointed as an independent director?

A: For the purpose of effectively facilitating the functions and independence of independent directors, the FSC has stipulated regulations governing the independence of independent directors in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. A director, supervisor, or employee of the affiliated enterprises of the same group shall be disqualified from being appointed as one of the company’s independent

directors, except where the person is an independent director of the company's parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares in accordance with the preceding provision. However, the nationality of an independent director is not used as a criterion to assess a candidate's independence.

13. Does the term "during the two years before being elected" described in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" refer to the date of nomination by the board of directors or the date of election at a shareholders' meeting?

A: Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" stipulates that during the two years before being elected or during the term of office, an independent director of a public company shall not have been in any roles that may impair his or her independence. The date of election at a shareholders' meeting shall be used as the basis of evaluation.

14. During the two years before being elected or during the term of office, an independent director of a public company may not have been or be a director or supervisor of the company or any of its affiliates, except in cases where the person is an independent director of the company, its

parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares. Is the subsidiary required to be a public company?

A: A public company shall appoint its independent directors in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". As such, the articles of incorporation of the company shall state the number of independent directors to be elected and the adoption of a candidate nomination system for the election of independent directors. Independent directors are regulated by the Securities and Exchange Act and shall only apply to public companies. As such, a company may only appoint independent directors in accordance with the stipulation of its articles of incorporation after it becomes a public company. Article 14-2 of the Securities and Exchange Act is not applicable and hence a director of a private company does not qualify as a candidate for the appointment of the independent directors of its parent company.

15. In relation to the restrictions on concurrent positions held by an independent director of a public company in other companies, do "other companies" include offshore companies?

A: In relation to the provision set out in Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" that imposes restrictions on concurrent positions held by an independent

director in other public companies, “other companies” refer to only domestic companies that have publicly issued shares in accordance with the Securities and Exchange Act.

16. May independent directors serve concurrently as a director or supervisor or hold other positions in other companies?

A: 1. In consideration of the fact that independent directors bear more specific responsibilities and authorities in comparison to directors, an independent director shall not serve concurrently as an independent director in an excessive number of companies, an act that may potentially impair the quality of his or her service as an independent director. As such, Article 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” specifically sets out that an independent director shall not concurrently serve as an independent director in three other public companies.

2. In addition, paragraph 3, Article 24 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” stipulates that where a TWSE/GTSM listed company and its affiliated enterprises and another company and its affiliated enterprises have nominated from among each other, a director, supervisor or managerial officer at the respective companies as a candidate for the independent-director positions, the TWSE/GTSM listed company shall disclose the nominee details and explain the

suitability of the candidate at the time of accepting the nomination. Where a nominee has been successfully elected, the company shall disclose the number of votes required for the nominee to be elected. On the other hand, if an independent director serves concurrently as a director, supervisor or other employee of another company, the company shall request the independent director to declare his or her concurrent service at other companies and make a disclosure of such information in the corporate governance section of the Market Observation Post System.

17. Person "A" is an independent director of a financial holding company and serves concurrently as an independent director in three other 100%-owned subsidiary companies (that are all public companies) of the financial holding company. What is the additional number of concurrent positions person "A" may hold in "other" public companies?

A: 1. Pursuant to Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", an independent director of a public company shall not concurrently serve as an independent director of more than three other public companies. Jin-Kuan-Zheng Tze (1) Order No. 0960010070 dated March 19, 2007 provides that the preceding restriction does not apply to a concurrent position held by a financial holding company's independent director in the

same company's 100%-owned subsidiary that is a public company. Under such circumstance, the position held in the subsidiary is treated as held in the same company, and is thus excluded from concurrent positions in "other" public companies as set out in Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Notwithstanding the forgoing, this exemption only applies to the concurrent position in one subsidiary company only and any other positions will continue to be bound by the restriction.

2. For example, if person "A" serves concurrently as the independent director of a financial holding company as well as three 100%-owned subsidiary companies (all public companies) of the financial holding company, any additional concurrent positions (in this case two) other than the one concurrent position that is excluded shall be subject to the concurrent service restriction as stipulated in Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In this case, person "A" is allowed to serve as an independent director in only "one" other company.

18. Does the "number" of companies in which an independent director of a public company is permitted to serve concurrently as an independent director stipulated in Article 4 of the "Regulations Governing Appointment of

Independent Directors and Compliance Matters for Public Companies" include the concurrent position held by an independent director of a TSWE (or GTSM) listed company in its 100%-owned subsidiary, which is a public company?

A: Where an independent director of a TWSE/GTSM listed company that is not a financial holding company serves concurrently as an independent director of the company's 100%-owned subsidiary that is a public company, the concurrent position is nevertheless counted towards the maximum number of companies in which the independent director may hold a concurrent position as set out in Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

19. Does an employee of a CPA firm that is not engaged by the company for the provision of certification services, who has been involved in the provision of employee training services, qualify as an independent director candidate?

A: 1. Subparagraph 7, paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" prescribes that during the two years before being elected or during the term of office, an independent director of a public company may not have been or be a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that,

provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM".

2. Employee educational training services provided by a CPA firm that is not engaged by the company for the provision of certificate services do not fall into the category of commercial, legal, financial or accounting services, and are thus not subject to subparagraph 7, paragraph 1, Article 3 of the preceding Regulations.

20. May a director of a financial institution that has provided the company with its lending and deposit-taking services serve concurrently as the company's independent director?

A: Regular services or day-to-day transactions or services (such as credit card, banking, brokerage, mortgage and insurance, etc.) provided by a financial institution of which the rates and fees are advertised publicly and where the transaction or service provided was not offered under more special or favorable terms and conditions shall not be subject to subparagraph 7, paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

21. May the chairman of the dissolved company after a consolidation or merger serve as an independent director of the surviving company?

A: 1. Subparagraph 2, paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" prescribes that during the two years before being elected or during the term of office, an independent director of a public company may not have been or be a director or supervisor of the company or any of its affiliates.

2. Rights and obligations of a company ceasing to exist after consolidation or merger shall be assumed by the surviving or new company. Due to the fact that the chairman of the dissolved company was involved with the dissolved company's business operations prior to the merger or consolidation, it is questionable as to whether he or she is able to perform his or her duties independently. Therefore, the chairman of the dissolved company shall not serve as an independent director of the surviving company. Notwithstanding the forgoing, he or she may still be elected as a director of the company in accordance with the relevant laws and regulations.

22. Pursuant to Article 128-1 of the Company Act, independent directors of a 100%-owned subsidiary of a financial holding company and a company limited by shares that is

organized by a single government shareholder or a single institutional shareholder shall be appointed by the single institutional shareholder. Can independent directors be re-appointed at any time?

A: To ensure the effectiveness of the independent director system and to maintain the spirit of independence in performing duties with the optimal goal of enhancing corporate governance practices, an independent director shall be reassured of the stability of his or her term of office. As such, an independent director appointed by a 100%-owned subsidiary of a financial holding company and a company limited by shares that is organized by a single government shareholder or a single institutional shareholder shall not be re-appointed during his or her term of office without valid reasons.

23. Does the timing of "no longer in that position" described in paragraph 2, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" refer to the date on which the candidate is nominated by the board of directors or the date of election at a shareholders' meeting?

A: The timing of "no longer in that position" referred to in paragraph 2, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" refers to the date of election at a shareholders' meeting. However, the board of directors shall, in accordance with Article 5 of the same Regulations, assess if an

independent director nominee satisfies all required qualification criteria. As such, if an independent director nominee has been an independent director of any of the companies described in subparagraphs 2 or 6, paragraph 1, Article 3 of the same Regulations, the nominating shareholder and the board of directors shall enclose the letter of guarantee to resign prior to the date of election at the shareholders' meeting signed by the nominee when presenting the slate of nominees.

24. May an institutional shareholder, which has no involvement in the company's operations but holds five percent or more of the total number of preferred shares of the company or is among the top five institutional shareholders of the company, be elected as an independent director of the company?

A: 1. Subparagraph 5, paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" stipulates that during the two years before being elected or during the term of office, an independent director of a public company may not have been or be a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or that is among the top five institutional shareholders of the company.

2. The aforesaid provision does not exclude preferred shareholders. Hence, for an institutional shareholder that

holds 5% or more of the company's preferred shares or is among the top five shareholders of the company, any individual who has served in the capacity as a director, supervisor or employee of the shareholder does not qualify to an independent director of the company.

25. When shall an independent director who becomes disqualified to hold his or her position for specific reasons be ipso facto dismissed? What is the effectiveness of the resolutions for which the disqualified independent director cast his or her vote after the occurrence of the event? Can the dismissed independent director be substituted by another qualified person?

A: 1. An independent shall become disqualified to hold his or her position at the time when a disqualifying event occurs. As such, any resolution in which the independent director participated in after the occurrence of the event shall still be valid provided that the number of votes left after deducting the votes cast by the independent director concerned was sufficient for a resolution.

2. In the absence of relevant provisions in the Securities and Exchange Act and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" to give companies a guideline as to how an independent director may be substituted in the event of a dismissal, a company shall refer to the relevant provisions in the Company Act. Ministry of Economic Affairs order No

09602083170 published on July 13, 2007 with reference to paragraph 3, Article 197 of the Company Act, whereby the election of the independent director concerned is invalid, and hence the position becomes vacant. There is currently no provision to provide for substitution by a replacement independent director.

3. Any dispute in relation to the determination of a disqualifying event and the validity of a resolution after the occurrence of a disqualifying event shall be subject to legal procedures.

26. What are the steps required to be taken by a company that was unable to successfully elect its independent directors by way of mail-in ballots?

A: 1. Where a company's shareholders' meeting is convened by way of shareholders exercising their voting power in writing or via electronic transmission in accordance with Article 177-1 of the Company Act, a shareholder who exercises his/her/its voting power at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person. Therefore, the method by which the voting power is exercised is irrelevant to whether a company's independent directors may be successfully elected.

2. In accordance with Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", an election of independent directors shall be conducted by way of a candidate nomination system in accordance with Article 192-1 of the

Company Act. Independent and non-independent directors of a public company shall be elected at the same time, but in separately calculated numbers. A company shall be able to successfully elect its independent directors.

27. Where the number of nominees presented by the board of directors of a public company exceeds the number of independent directors to be elected, shall the slate of independent director nominees become void in part or in full?

A: Paragraph 3, Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" provides that where the number of nominees presented by the board of directors of a public company exceeds the number of independent directors to be elected, the full slate of independent director nominees presented by the board becomes void.

28. Shall all qualified nominees be included in the slate of independent directors nominees except where the nomination was not submitted within the published period for receiving nominations, the nominating shareholder owns less than one percent of the company's issued shares, the number of nominees exceeds the number of independent directors to be elected and the relevant documentary proof required was not enclosed with the nomination?

A: Articles 2 and 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” set out the qualification requirements of independent directors of a public company. The board of directors shall, in accordance with paragraphs 3 & 5, Article 5 of the Regulations, examine whether the nomination was submitted within the published period for acceptance of nominations, that the nominating shareholder holds 1% or more the company’s issued shares, that the number of nominees exceeds the number seats to be elected, and that documentation attached includes each nominee's name, educational background, work experience and a written undertaking indicating the nominee's consent to serve as an independent director if elected as such, a written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof as well as conduct a formal examination of all documents attached thereto. All qualified nominees shall be included in the slate of independent director candidates upon satisfactory examination of the required documentation submitted in accordance with paragraph 4, Article 5 of the Regulations by the board of directors.

29. What is the definition of the term “a material asset or derivatives transaction” and the term “a material monetary loan, endorsement, or provision of guarantee” used in and subparagraphs 4 and 5, paragraph 1, Article 14-3 and subparagraphs 5 and 6, paragraph 1, Article 14-5 of the

Securities and Exchange Act?

A: 1. “A material asset or derivatives transaction” refers to an asset or derivative transaction undertaken by a public company approved by the board of directors in accordance with the procedures stipulated by the company or other laws and regulations.

2. “A material monetary loan, endorsement, or provision of guarantee” refers to loans to others or endorsements or guarantees provided to others by a public company with the approval of its board of directors in accordance with the procedures stipulated by the company or other laws and regulations.

3. A public company shall carefully stipulate reasonable decision-making levels and operational procedures in its “Procedures for Acquisition or Disposal of Assets” and “Procedures for Loan to Others or Endorsements or Guarantees” with sufficient consideration of comments and suggestions put forward by independent directors and submit the procedures for consent of shareholders at a shareholders’ meeting.

4. The aforesaid handling or operational procedures and any amendment thereafter shall be proposed for adoption at a shareholders’ meeting, upon which the handling or operational procedures together with the minutes of shareholders’ meetings shall be uploaded to the information disclosure website prescribed by the FSC for investors to refer to.

30. May an independent director submit matters required to be submitted to the board of directors for resolution and adoption pursuant to Article 14-3 of the Securities and Exchange Act by way of appointing another independent director as his or her proxy?

A: According to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", each independent director shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Act, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall issue a written opinion in advance, which shall be recorded in the meeting minutes.

31. May an independent director residing overseas appoint a non-independent director as his or her proxy to attend board meetings? Are there any related laws and regulations that govern the appointment of a proxy?

A: According to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", each independent director shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Act, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to

or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes. As such, an independent director intending to express objection or reservations but unable to attend the meeting in person shall issue a written opinion in advance.

32. Does the concession on share ownership of directors and supervisors of a public company apply if the company has appointed independent directors?

A: Article 2 of the "Rules and Review for Director and Supervisor Share Ownership Ratios at Public Companies" provides that if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors shall be decreased by 20 percent.

33. Does the share ownership restriction imposed upon directors and supervisors of a public company apply to a company that has established an audit committee, thus is not required by law to appoint independent directors?

A: The concession clause is not applicable to a public company that has established an audit committee, due to the fact that members of the audit committee shall be made up of all

independent directors of the company. The only regulatory requirement is to ensure that the total registered shares owned by all directors of the company satisfy the regulatory requirement under different circumstances.

34. If an independent director owns minority shares of the company (but in compliance with the independence requirement under which an independent director's shareholdings in the company are restricted) upon taking office, shall the transfer of the independent director's shareholdings be exempt from the provisions of Article 197 of the Company Act prescribing that an independent director shall, ipso facto, be dismissed from the office if more than half of his or her shareholdings have been transferred during the term of office?

A: Paragraph 4, Article 14-2 of the Securities and Exchange Act excludes the application of Article 197 of the Company Act to avoid the situation where the transfer(s) of independent shareholders' minority shareholdings result(s) in an ipso facto dismissal of the independent director in accordance with Article 197 of the Company Act.

35. May the status of an independent director elected at a shareholders' meeting be changed to a non-independent director status during the term of office or vice versa?

A: Article 6 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public

Companies" stipulates that should an independent director be required to be dismissed during the term of office due to violation of his or her independence, it is prohibited under law to change the status of the person from independent director to non-independent director. A non-independent director likewise may not be arbitrarily changed from a non-independent director to an independent director during the term of office.

36. May a company separately calculate the remuneration to its independent directors to facilitate smooth recruitment of independent directors?

A: Remuneration to independent directors appointed by a public company in accordance with the Securities and Exchange Act shall be governed by Article 196 of the Company Act as independent directors so elected are also governed by the Company Act. As such, the company shall specify remuneration to independent directors in its articles of incorporation or determine the amount in accordance with shareholder resolution. As such, a company may stipulate different but reasonable remuneration packages to independent directors and non-independent directors, respectively.