

Corporate Governance Q & A—Remuneration Committee

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***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 establish a remuneration committee?

A: Pursuant to Paragraph 1, Article 14-6 of the Securities and Exchange Act, a company whose stock is listed on the stock exchange or traded over-the-counter shall establish a remuneration committee. Accordingly, all TSEC/GTSM companies and emerging companies are required to establish a remuneration committee.

2. Are companies of which the shares are newly listed on the stock exchange or OTC exchange and companies of which the shares are traded in the emerging market required to establish a remuneration committee before filing the application?

A: Pursuant to the “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings”, “GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM” and “GreTai Securities Market Rules Governing the Review of Emerging Stocks for Trading on the GTSM”, TSEC/GTSM and emerging companies shall establish a remuneration committee in accordance with Article 14-6 of the Securities and Exchange Act and its related regulations. As such, any company applying to list its shares on the stock exchange or OTC exchange or register as an emerging company shall, before filing its application establish a remuneration committee in accordance with the Securities and Exchange Act.

3. Are there any guidelines or regulations for a company to follow regarding the official powers of a remuneration committee and qualification requirements of its members?

A: The FSC specifically put in place the “Regulations Governing

the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter” (referred to as the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” hereinafter) in accordance with paragraph 1, Article 14-6 of the Securities and Exchange Act to provide any company seeking to list its shares on the stock exchange or OTC exchange or as emerging stocks points of reference and compliance. The Regulations include qualification required of a remuneration committee member, the exercise of powers by committee members and other relevant compliance matters. The Regulations came into effect on March 18, 2011.

4. What matters shall be set out the remuneration committee charter? Is there an example for reference?

A:

1. In accordance with Article 3 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee, a TSEC/GTSM listed company or emerging company required to establish a remuneration committee in accordance with the Securities and Exchange Act shall in place the Remuneration Committee Charter, of which shall include at least the following: (1) The composition of the remuneration committee members and their number and term of office; (2) Official powers of the remuneration committee; (3) Rules of procedure for meetings of the remuneration committee; (4) Resources to be provided by the company when the remuneration committee exercises its official powers.
2. The Taiwan Stock Exchange Corporation (TSEC) and the Gre Tai

Securities Market (GTSM) have put together the “Sample Template for XXX Co., Ltd. Remuneration Committee Charter” and made it available for TSEC/GTSM listed companies and emerging companies to use as a point of reference and for compliance purposes. Companies can find a copy of the example remuneration committee charter on the official website of the TSEC and GTSM. Alternatively, companies may also find a copy of the example charter on the FSC website under “Laws and Regulations- Stock Exchange and Futures Trading Laws”.

5. Is a company required to approve the list of candidates for election of committee members at the time when its board of directors adopt the remuneration committee charter?

A: Article 3 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee stipulates that a company shall put in place the remuneration committee charter for adoption by the board of directors. Article 4 of the Regulations stipulate that The remuneration committee members shall be appointed by resolution of the board of directors. The Regulations do not prescribe that both motions being the committee charter and the candidate lists be approved at the same meeting. The company has the discretion to decide when members are to be elected.

6. Shall a company provide for establishment of a remuneration committee in its articles of incorporation prior to setting it up?

A: “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” did not enforce a company to provide for establishment of its remuneration committee in its articles of incorporation. However, a company

shall specifically provide for the establishment of a remuneration committee in its articles of incorporation to for compliance purposes.

7. At the time when directors' term of office ends, shall a company convene a board of directors meeting at the date of re-election of directors at a shareholders' meeting on grounds of an emergency to elect remuneration committee members?

A:

1. Pursuant to paragraph 2, Article 4 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, the term of the remuneration committee members shall end at the same time as that of the board of directors that appointed the members. The aforesaid provisions are designed to ensure that remuneration to the current term of directors is determined by remuneration committee members whom the same directors have appointed. As such, remuneration committee members shall be re-elected when directors are reelected. The law does not prescribe for members of the remuneration committee to be (appointed) elected on same date when the board of directors are re-elected. A company shall, after re-election of its directors, convene a board of directors meeting in accordance with statutory requirement to appoint new members of the remuneration committee in a timely manner.
2. Jin-Shan-Tze Interpretive Order No. 09502145290 published on October 12, 2006 by the Ministry of Economic Affairs refers to the term “in case of emergency” as sudden and unexpected events requiring immediate resolution by the board of directors. A company wishing to convene a board of directors meeting on the date of the shareholders' meeting on grounds of an emergency

to elect members of the remuneration committee, shall comply with the provisions set out on the aforesaid Interpretive Order.

8. Shall the remuneration committee be composed of members who are independent directors of the company?

A: Pursuant to Article 4 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, the committee shall not be fewer than three members and members shall satisfy the qualification criteria required of members set out in Articles 5 and 6 of the Regulations. For a company that has not appointed independent directors in accordance with the Securities and Exchange Act, the law does not currently enforce its remuneration committee to be composed of independent directors. However, for a company that has appointed independent directors in accordance with the Securities and Exchange Act, paragraph 3, Article 8 of the Regulations stipulate the committee must be composed of a least one independent director of the company, with the independent director being the convenor and meeting chair.

9. Shall members of a remuneration committee be composed of natural-person members only?

A: Articles 5 and 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” set out the professional qualifications and independence required of remuneration committee members. A remuneration committee shall be composed of natural-person members only.

10. When a member of the remuneration committee is dismissed for any reason, resulting in there being less than 3 members,

shall the company convene a board of directors meeting within 3 months of the date on which the event occurred to appoint a replacement member?

A: Paragraph 3, Article 4 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that when a member of the remuneration committee is dismissed for any reason, resulting in there being less than 3 members, a board of directors meeting shall be held within 3 months counting from the date of occurrence of the event to appoint a replacement. Accordingly, if the remuneration committee of a company is composed of more than three members, it is thus not bound by the aforesaid regulation if the dismissal of any member of the remuneration committee does not result in there being less than 3 members.

11. Can an independently functioning supervisor be a member of the remuneration committee?

A: An independently functioning supervisor is a supervisor. Pursuant to subparagraph 2, paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that during the 2 years before being appointed or during the term of office, a remuneration committee member shall not have been or be a director or supervisor of the company or any of its affiliates. Thus, an independently functioning supervisor cannot be a member of the remuneration committee.

12. As set out in subparagraph 1, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee, does the term “an

employee” of the company or any of its affiliates include a member of the remuneration committee?

A: In consideration that members of a remuneration committee are appointed by the board of directors at a board meeting and shall exercise his or her powers in accordance with Article 7 of the Regulations. A committee member’s relationship with the company is not the general employer-employee relationship. As such, a remuneration committee member shall not be an employee of the company.

13. How are the terms “affiliates” and “a natural-person shareholder who holds shares ranking in the top 10 in shareholding” used in subparagraphs 2 and 3, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee defined?

A:

1. Pursuant to subparagraph 3, paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, during the 2 years before being appointed or during the term of office, a remuneration committee member shall not have been or be “a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding”. The term “a natural-person shareholder... ranking in the top 10 in shareholding” refers to ranking among all natural-person shareholders of the company only; to ensure that members of the

remuneration committee are able to exercise their powers independently and to prevent shareholders with significant influence from attempting to avoid the preceding regulations by controlling the company's shares through dummy accounts. As such, to determine whether a remuneration committee member has been or is a natural person who holds 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding during the 2 years before being appointed or during the term of office, the number of shares held shall include those held by the person, the person's spouse, minor children, or held by the person under any other's name.

2. The term "affiliates" referred to in paragraph 1, Article 6 of the Regulations shall be determined in accordance with Articles 369-1, 369-2 and 369-3 of the Company Act.

14. Shall an independent director that was appointed by the board of directors as a member of the remuneration committee, enter recusal during recommendations for remuneration to independent directors of the company at a board meeting?

A:

1. Paragraph 1, Article 16 of the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" stipulate that "If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise

voting rights on that matter”.

2. An independent director shall enter recusal during discussions of directors’ remuneration at a board meeting if the content is related to his or her personal matters.

15. How is the remuneration of members of the remuneration committee determined?

A: Remuneration of a member of the remuneration committee who is a non-director is governed by companies’ practices, and shall be specified in their engagement agreement. Remuneration to a member who is an independent director shall be assessed on personal performance as a director and a functional committee member in accordance with the relevant provisions of the Company Act.

16. When a company recruits a new managerial officer, shall the remuneration committee propose the new officer’s remuneration prior to he or she commencing employment with the company?

A: Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee stipulates that the remuneration committee shall prescribe and periodically review the performance and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. At the time of recruiting a new managerial officer, a company has the discretion to decide whether to stipulate the amount of remuneration to the newly recruited officer based on the criteria put in place by the remuneration committee. The amount of remuneration shall then be subject to periodic evaluation by the remuneration committee or be recommended

by the remuneration committee prior to the offer was made.

17. Shall the remuneration committee recommend a lump-sum amount for remuneration to managerial officers? Shall the company put in place a pay bracket for the remuneration to managerial officers in replacement of individual assessments?

A: Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” sets out that when a remuneration committee conducts a performance assessment and assessment of remuneration to directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure to periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers. Accordingly, remuneration committee shall evaluate and stipulate the remuneration to managerial officers based on individual performance. Remuneration to managerial officers shall not be determined in accordance with a pay bracket.

18. Shall the amount of remuneration to directors, supervisors and managerial officers recommended by the remuneration committee be a specific amount?

A: Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” sets out that when a remuneration committee conducts a performance assessment and assessment of remuneration to directors,

supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure to periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers. The remuneration committee shall periodically evaluate the achievement of targets based on the individual performance of directors, supervisors and managerial officers and formulate the details and amount of remuneration for each individual.

19. Can the remuneration committee delegate its authority for approving managerial officers' remuneration to the chief executive officer or chairman?

A: Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that the remuneration committee shall prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. Accordingly, remuneration to managerial offices shall be recommended by the remuneration committee and such responsibility shall not be delegated to the chief executive officer or chairman.

20. Shall the convenor and meeting chair be elected at a committee meeting attended by all members of the remuneration committee?

A: Article 8 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates

that the convenor and the meeting chair of the remuneration committee shall be elected by all members of the committee. The Regulations do not, however, prescribe the election procedures. As such, a company has the discretion to decide how an election shall be carried out.

21. Is a meeting convened for the purpose of allowing all members of the remuneration committee to elect the convenor and meeting chair of the committee regarded as a remuneration committee meeting?

A: Articles 8 and 9 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulate that the remuneration committee meeting agenda shall be drawn up by the convenor and that in calling a meeting of the remuneration committee, a notice shall be given to each member at least 7 days in advance. As such, a convenor and meeting chair shall be elected by all members of the remuneration committee. The convenor shall then formulate the meeting agendas and summon all members to a committee member by sending out a meeting notice.

22. Is there any restriction on the number of concurrent positions held by a remuneration committee member?

A: “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” do not prescribe the number of companies in which a member of the remuneration committee may hold a concurrent position. However, the board of directors shall evaluate the status of concurrent services by a prospective committee member at the time of appointment and

assess the associated impacts of such concurrent positions may have on the functioning of the company's remuneration committee.

23. How shall an external party to take up the role as the company's remuneration committee member be capable of determining appropriate remuneration levels and keeping the company's business information confidential if the party is not involved in the company's operations or is unfamiliar with the attributes of the industry in which the company operates its businesses?

A:

1. Due to the fact that a remuneration committee is responsible for recommending remuneration to directors, managerial officers and supervisors of a company, members of the committee must satisfy the professional and independence requirements. At the time of appointing a member, the board of directors shall assess whether the qualification and experience of the prospective member will ensure that the member makes appropriate recommendations. On the other hand, a company shall establish the relevant mechanism to prevent the company's confidential business information from being unlawfully disclosed to a third party (such as signing a Confidentiality Agreement etc).
2. Article 8 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" provides that the remuneration committee may invite directors, managerial officers of relevant departments and others to attend meetings as non-voting participants and provide relevant necessary. To ensure that the remuneration committee operates with sufficient resources for the exercising of its powers, Article 11 of the

Regulations provides that the remuneration committee may engage professional service to conduct an audit or provide advice with respect to any matter related to the exercise of the committee's powers at the cost of the company.

24. Pursuant to Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee, the term of the remuneration committee members shall end at the same time as that of the board of directors who appointed the members. Shall the term of the office of the current board of directors be extended upon expiry till the next re-election, when shall the remuneration committee members' term of office end?

A: Pursuant to Paragraph 2, Article 4 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, the term of the remuneration committee members shall end at the same time as that of the board of directors that appointed the members. Shall the term of the office of the current board of directors be extended till the next re-election upon its expiry, the term of the remuneration committee members shall also be extended to be aligned with that of the board of directors.

25. Can a remuneration committee member be elected as a company's independent director immediately upon being elected as a committee member?

A: Subparagraph 7, paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” amended on August 4, 2011, stipulate 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 but this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”. Accordingly, a remuneration committee member who exercises powers pursuant to the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”(excluding a director of the company who assumed the role of a remuneration committee member within 3 (three) years from the date on which the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” came into effect) may be elected as an independent director of the company in accordance with the Regulations.

26. Can a remuneration committee member be re-elected upon expiry of his or her term or office?

A:

1. Pursuant to paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” 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 any of the following:...7. 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. The preceding provisions were put in place in accordance with Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (referred to as “Regulations Governing Independent Directors’ Compliance Matters”) that stipulates the independence requirements of independent directors. The “Regulations Governing Independent Directors’ Compliance Matters” have been amended on August 4, 2011. Specifically, the qualifying clause of subparagraph 7, paragraph 1, Article 7 of the “Regulations Governing Independent Directors’ Compliance Matters” excludes 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. That is, a remuneration committee member may still be an independent director of the company.

2. In consideration that the professional qualification and independence requirement of a member of the remuneration committee shall be in compliance with the regulations governing independent director and that a member of the remuneration committee must, during his or her entire term of office, comply with the requirements set out in the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, as such, 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” shall not be regarded as violating subparagraph 7, paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of

Powers by the Remuneration Committee”. Upon expiry of the committee members’ term of office, the company’s board of directors may re-appoint these members under the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”.

27. How is term “remuneration” defined?

A: Pursuant to paragraph 3, Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, "remuneration" includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with that of remuneration for directors, supervisors, and managerial officers as set out in the “Regulations Governing Information to be Published in Annual Reports of Public Companies”.

28. Can the remuneration committee charter be drawn up to grant the remuneration committee the power for assessing remuneration to employees of an investee company of the company, but not just employees of the company?

A: Paragraph 7, Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that if decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the parent company, the parent company's remuneration committee shall be asked to make recommendations before the matter is submitted to the board of directors for deliberation. As such, if the investee

company of the company meets the aforesaid criteria, the remuneration of the personnel appointed to serve in the investee company shall be handled in accordance with the aforesaid provision; a company has the discretion to decide whether to add a clause in its remuneration committee charter to govern remuneration to any individuals appointed by the company to serve in an investee company who are not within the scope of application of the aforesaid regulations.

29. What is the scope of “managerial officer” as described in Article 14-6 of the Securities and Exchange Act?

A: Pursuant to FSC order No. 0920001301 published on March 27, 2003 and Articles 22-2, 25, 28-2, 157 and 157-1 of the Securities and Exchange Act, a “managerial officer” whose remuneration shall be recommended by the remuneration committee managerial officer shall include the following individuals: (1) the President or a person of the equivalent level; (2) Vice president or a person of the equivalent level; (3) senior manager or a person of the equivalent level; (4) managerial officers of the finance department; (5) managerial officers of the accounting department; (6) other persons who are authorized signatures of the company or are in a management position.

30. Can a company continue to use the existing employee performance review and remuneration policy put in place prior to the establishment of the remuneration committee?

A: Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that the remuneration committee shall prescribe and periodically review the performance review and remuneration policy, system,

standards, and structure for directors, supervisors and managerial officers. Accordingly, the company's existing performance review and remuneration policy shall be re-examined by the remuneration committee to determine if the existing policy is to be used without amendments.

31. Shall a company incorporate its major remuneration policy, such as the employee pay rise policy as part of the remuneration committee charter by proposing it first to the remuneration committee and then to the board of directors for a resolution?

A: Remuneration committee's responsibility is to recommend remuneration to the company's directors, supervisors and managerial officer. Pay rise for general employees shall be determined at the discretion of the company.

32. Shall the committee meeting notice be sent to members by way of electronic transmission?

A: Paragraph 2, Article 8 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" stipulates that in calling a meeting of the remuneration committee, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each member at least 7 days in advance. A company shall refer to paragraph 2, Article 204 of the Company Act to determine whether the notice of a remuneration committee meeting may be sent by way of electronic transmission, which provides that a notice of the remuneration committee meeting may be sent to the notice recipient by way of electronic transmission with the prior

consent of the recipient.

33. If a member of the remuneration committee is unable to attend a meeting in person, shall he or she appoint a proxy who is a director of the company and a member of the remuneration committee?

A: Article 9 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that remuneration committee members shall attend the committee in person; a member who cannot attend in person may appoint another member to attend as their proxy (limited to one proxy for one committee member); A remuneration committee member appointing another member to attend the committee meeting in his or her place shall in each instance issue a written proxy stating the scope of authorization with respect to the reasons for the meeting. Accordingly, a remuneration committee member may appoint a proxy when required to attend a committee meeting on his or her behalf in accordance with the preceding regulations. A director of the company who serves as a member of the remuneration committee within three years of the date on which the Regulations came into effect as set out in paragraph 5, Article 6 of the Regulations shall not be disallowed to be acting as a proxy of another committee member, however, he or she shall not be the convenor or meeting chair.

34. Shall all resolutions of the remuneration committee be submitted to the board of directors for deliberation?

A: Paragraph 1, Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” stipulates that the remuneration committee shall

exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors. Accordingly, remuneration committee shall submit all resolutions requiring deliberation by the board of directors in accordance with the aforesaid provision. Any other matters may be or not submitted at the discretion of the company.

35. Can the agenda items currently being discussed by the remuneration committee be proposed for a resolution at the next session of the board of directors' meeting?

A: Paragraph 2, Article 4 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee stipulates that the term of the remuneration committee members shall end at the same time as that of the board of directors that appointed the members. Accordingly, when the company's board of directors are re-elected upon expiry of their term of office, members of the remuneration committee shall also be re-appointed by the newly elected board of directors. As such, a company shall schedule a meeting before the company directors' term of office is due to expire to avoid the situation where the proposals of the remuneration committee cannot be submitted to the current session of board of directors for deliberation.

36. Shall the agenda items of the remuneration committee be presented to the chairman for review and then for discussion at a remuneration committee meeting in accordance with the procedures governing agenda items of a board of directors' meeting?

A: Pursuant to paragraph 1, Article 9 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee”, the remuneration committee meeting agenda shall be drawn up by the convenor. Other members also may submit motions for deliberation by the committee. Accordingly, the convenor shall draw up the meeting agenda while other members may submit motions for deliberation by the committee. The meeting agenda shall not be presented to non-members for review.

37. Is there a grace period for companies to establish a remuneration committee?

A: In consideration that the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” are new regulations and that a company may encounter difficulties in recruiting suitable personnel, the FSC allows for gradual adoption of the regulations. Companies experiencing difficulties in setting up a remuneration committee may do so within the grace period. Paragraph 5, Article 6 of the Regulations provides that for within 3 years from the date these Regulations enter into force, less than one-third of the remuneration committee members may be composed of directors of the company provided that the directors may not have been or be any of the following:

1. Con-currently serving as a director or supervisor of the affiliates of the company;
2. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of

the company or ranking in the top 10 in holdings.

3. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the following persons:

(1) An employee of the company or any of its affiliates;

(2) A director or supervisor of the company or any of its affiliates.

(3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

Such a member may not serve as the convenor or as chair of a meeting. Upon expiry of three years from the date on which the Regulations came into effect, all members must meet the qualifications required of members pursuant to “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” and compliance with the regulations is compulsory regardless of whether a member’s term of office has expired or not.

38. The "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” provide that within three years from the date on which the Regulations came into effect, a remuneration committee may be composed of directors of the company provided that the total number of director-members shall be less than one third of the entire number of committee members. Is a director-member of a remuneration committee required to satisfy the professional qualification and independence

requirements as stipulated in Articles 5 and 6 of the Regulations?

A: Paragraph 5, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” provides that for within 3 years counting from the date these Regulations enter into force, the applicability of the provision of paragraph 1, subparagraph 2 herein regarding company directors may be exempted for no more than one-third of the remuneration committee members, and such a director may be exempted from the application of paragraph 1, subparagraphs 1 and 5 to 7. However, such a member may not serve as the convenor or as chair of a meeting. Accordingly, the director shall still be subject to the provisions of Article 5 which govern professional qualification of a committee member and subparagraphs 3 and 4, paragraph 1, Article 6 of the Regulations.

39. The "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" provide that within three years from the date on which the Regulations came into effect, a remuneration committee may be composed of directors of the company provided that the total number of director-members shall be less than one third of the entire number of committee members. Can the chairman of the company serve as a remuneration committee member during the aforesaid grace period?

A: Paragraph 5, Article 6 of the Regulations provides that for within 3 years from the date these Regulations enter into force, less than one-third of the remuneration committee members may be composed of directors of the company. If a chairman serves concurrently as a director of the company, if he or she meets the

requirement of Article 5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” and that has not been or be any of the following during the two years before being elected or during the term of office, he or she may be appointed as a remuneration committee for within 3 years from the date these Regulations enter into force:

- (1) Con-currently serving as a director or supervisor of the affiliates of the company;
- (2) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings;
- (3) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the following persons:
 1. An employee of the company or any of its affiliates;
 2. A director or supervisor of the company or any of its affiliates;
 3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

40. The "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” provide that within three years from the date on which the Regulations

came into effect, a remuneration committee may be composed of directors of the company provided that the total number of director-members shall be less than one third of the entire number of committee members. Can the natural-person representative of a government director or institutional director serve as a remuneration committee member during the aforesaid grace period?

A: Paragraph 5, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” provides that for within 3 years counting from the date these Regulations enter into force, the applicability of the provision of paragraph 1, subparagraph 2 herein regarding company directors may be exempted for no more than one-third of the remuneration committee members, and such a director may be exempted from the application of paragraph 1, subparagraphs 1 and 5 to 7. However, such a member may not serve as the convenor or as chair of a meeting. The aforesaid “company director” shall include government agency or a juristic person acting as a shareholder of a company or their authorized representatives as set out in paragraphs 1 & 2 Article 27 of the Company Act.

41. The "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" provide that within three years from the date on which the Regulations came into effect, a remuneration committee may be composed of directors of the company provided that the total number of director-members shall be less than one third of the entire number of committee members. Can the representative of a government shareholder or institutional

shareholder that is elected as the director serve as a member of the company's remuneration committee during the aforesaid grace period? If the government shareholder or institutional shareholder re-appoints a representative in accordance with paragraph 3, Article 27 of the Company Act, can the re-appointed representative continue the role as a remuneration committee member?

A:

1. An authorized representative appointed by a government agency or a juristic person acting as a shareholder of a company in accordance with paragraph 2, Article 27 of the Company Act who meets the conditions as set out in the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee, may serve as a member of the remuneration committee within three years from the date on which the aforesaid Regulations came into effect.
 2. An authorized representative re-appointed by a government agency or a juristic person acting as a shareholder of a company in accordance with paragraph 3, Article 27 of the Company Act to replace the existing representative, shall still be subject to qualification assessment in accordance with Articles 5 and 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee and such a person shall be appointed by the board of directors in accordance with the relevant laws and regulations.
- 42. The "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee" provide that within three years from the date on which the Regulations came into effect, a remuneration committee may be**

composed of directors of the company provided that the total number of director-members shall be less than one third of the entire number of committee members. As such, when does the grace period during which a director may serve as a committee member end and what steps does a company need to take upon expiration of the three years period after the date of promulgation?

A:

1. Article 13 of the “Central Regulation Standard Act” stipulates that while a regulation shall be enforced from the date of enactment or publication, it shall become effective since the third date of the enactment or publication date. “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” was enacted on March 18, 2011 and came into effect on March 20, 2011. In addition, pursuant to Article 48 of the Administrative Procedure Act, “within 3 years from the date on which these Regulations came into force” referred to in paragraph 4, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” shall start on March 20, 2011 and ends on March 19, 2014.
2. Assume that a company established a remuneration committee on 31 December 2011 and re-elected its directors and supervisors in 2012 upon expiry of their term of office. The newly formed remuneration committee is composed of three members, among whom two are independent directors and one the company’s director. The term of office of the new members shall start on June 15, 2012 and end on June 14, 2015. As all members shall satisfy the criteria stipulated in the aforesaid Regulations from March 20, 2014, as such, the director shall be disqualified to

serve as a remuneration committee member. Paragraph 3, Article 4 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee” also prescribes that when a member of the remuneration committee is dismissed for any reason, resulting in there being less than 3 members, a board of directors meeting shall be held within 3 months counting from the date of occurrence of the event to appoint a replacement.