

Proxy Voting in Taiwan

1. Annual General Shareholders Meeting (AGM) and Extraordinary General Shareholders Meeting (EGM)

According to the Company Act, AGM shall be held at least once a year and held within 6 months after the fiscal year-end. EGM can be held when necessary. As most companies choose calendar year as fiscal year, the second quarter, especially the month of June, becomes the peak season for shareholders meetings.

A shareholder's entitlements are determined based on the holdings as of the record date, which is one day prior to the book-closing period. The book-closing period for AGMs and EGMs are 60 days and 30 days prior to the meeting date respectively. Shares are not blocked for sale during the said book-closing period.

For shareholders meetings, companies are required to make the announcement at least 12 days before the book-closing period. It means that the meeting announcement will be available at least 72 days for AGMs and 42 days for EGMs respectively.

After the meeting, meeting minutes, which are in Chinese, will be mailed to shareholders in 20 days according to regulations.

2. Shareholders' Voting Rights

In Taiwan, one share has one voting right.

For each meeting proposal, a shareholder generally can make only one decision, i.e. vote for, against or abstain. Once the decision is made, the entire holdings of the shareholder will be casted as per the decision the shareholder has made. Partial voting is not allowed, and under normal circumstances, a shareholder's voting rights cannot be split by different proposals. However, a shareholder holding shares on behalf of two or more beneficial owners and meeting certain criteria may register with issuing companies for a qualification to exercise split voting.

For elections of Directors and/or Supervisors, the calculation of votes is different. A shareholder's holdings will be multiplied by the number of Directors or Supervisors to be elected. The votes can be split among different candidates and partially exercised.

An investor may have multiple fund managers that have different voting instructions. Since voting is exercised at the shareholder's ID level, conflicting instructions or instructions not covering full amount of entitled holdings will cause the voting rights not exercisable. However, such kind of situation can be avoided if the investor has registered for split voting with issuing companies.

3. Foreign Investors' Exercising Voting Rights

According to Article 16 of the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals", foreign institutional investors (FINIs) and foreign individual investors (FIDIs) shall appoint a local agent or representative to exercise the shareholder's rights.

In addition, if a FINI intends to exercise voting rights, the voting rights shall be exercised by its appointed local agent or representative. In general practice, the custodian bank, as the local agent of FINIs, will appoint the company's management as its representative to attend the meeting. While appointing a representative to attend the meeting on its behalf, the custodian bank will issue a Letter of Appointment clearly indicating instructions for various proposals for the representative's execution.

As foreign investors' holdings may account for a significant portion of a company's total issued shares, in order to ensure the quorum for holding a shareholders meeting can be reached, the authority has set a threshold, currently 300,000 shares, to make it mandatory for FINIs to attend meetings and exercise voting rights. In other words, if a FINI has holdings of 300,000 shares or more, meeting attendance becomes compulsory.

4. Meeting Attendance and Vote Casting

Issuing companies send attendance cards together with meeting agenda to shareholders by mail. The votes are distributed at the meeting venue. In

order to attend a shareholders meeting and obtain the votes on behalf of the FINI clients, the representative of the FINI's local agent, generally the custodian bank, needs to present the meeting attendance cards, duly authorized Representative Appointment Letter and personal ID at the entrance of the meeting venue.

For general meeting proposals, normally the proposal is passed by attendees' clapping hands. A shareholder may disagree to a proposal by delivering a speech. However, the said shareholder must fill in a Speech Delivery Slip and obtain the approval of the meeting Chairperson in advance. If the meeting Chairperson decides to put the proposal to the vote, the shareholders may cast their votes and the votes will be counted at the meeting.

For elections of Directors/Supervisors, a complete and unbiased candidates list generally is not available in the market. A candidates list is obtainable only when the issuing company adopts a candidate-nomination system.

Each shareholder may cast the votes to their preferred candidates or hold the votes as abstain. As it may not be clear about which candidates represent the company's management, except for elections under a candidate-nomination system, foreign investors must precisely indicate the name and ID or shareholder's number of the shareholder to be elected on their instructions. Without such information, the custodian bank is not in a position to make the judgment and cast the votes.

There is an e-voting platform established and introduced by Taiwan Depository and Clearing Corporation in 2009. E-voting lodging deadline is 2 days prior to the meeting date.

At present, companies in certain scale specified by the authority are required to provide e-voting as an alternative means for shareholders to exercising their voting rights. Therefore, e-voting will gradually become a more popular way.

5. Development of the Proxy Voting Guidelines

Under current regulations, a FINI's/FIDI's local agent is not restricted to the custodian bank, but it's the market practice that custodian banks are acting as the local agents for FINIs/FIDIs. Based on clients' authorization, custodian

banks exercise voting rights on behalf of the client under the client's instructions.

To avoid disputes and confusion caused by meeting related issues, such as lack of a complete Director/Supervisor candidates list, shareholders' speech-delivery requirements, etc., custodian banks, which are also members of the Trust Association of ROC, have developed a set of Proxy Voting Guidelines for all members to follow. In order to have the said guidelines broadly applied among all members, i.e. the entire trust enterprises, the Proxy Voting Guidelines use "trust enterprise" instead of "custodian bank" as the party required to abide by the guidelines.

Attached please find the Proxy Voting Guidelines for your reference.

Operating Guidelines for Attendance of Shareholders Meetings by Trust Association of R.O.C. Members Acting as the Local Agent for Foreign Investors

1. These Operating Guidelines are specially promulgated to provide the members of the Trust Association of R.O.C. (hereinafter “the Trust Association”) with standardized rules for attending shareholders meetings as the agent for foreign investors.
 2. The term “Foreign Investor(s)” used in these Operating Guidelines refers to the overseas Chinese and foreign individual or institutional investors stipulated in the “Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals”.
 3. The term “Local Agent” used in these Operating Guidelines refers to the local agent stipulated in Article 16 of the “Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals”.
- 3.1 Unless otherwise provided by laws or regulations, the trust enterprise acting as the Local Agent for Foreign Investors to attend shareholders meetings held by public companies takes actions according to these operating guidelines.
4. The trust enterprise acting as the Local Agent for Foreign Investors shall advise Foreign Investors of the reasons for holding the shareholders meeting and attend the shareholders meeting and exercise voting rights according to the Power of Attorney and voting instructions issued by the Foreign Investor.

The trust enterprise may appoint its Directors, Supervisors, Managers or employees to handle the authorized matters referred to in the preceding paragraph.

When the public company provides electronic transmission as one of the methods for shareholders to exercise voting rights, the trust enterprise may take priority to use such electronic transmission for handling matters referred to in the first paragraph of this Article. However, if the Foreign Investor has different instructions, the trust enterprise shall take actions

accordingly.

5. When acting as the Local Agent for Foreign Investors, if the trust enterprise does not receive precise instructions for various proposals of the shareholders meeting, the trust enterprise may take actions according to the following principles:
 - 1) If the foreign institutional investor's holdings are less than 300,000 shares of the total issued shares of the public company, meeting attendance is not compulsory.
 - 2) If the foreign institutional investor's holdings are 300,000 shares or more of the total issued shares of the public company, the trust enterprise shall appoint a representative to attend the meeting if the meeting attendance is not outsourced to a registrar.

In case the foreign institution investor has registered for split voting with the public company while sending partially precise instructions, though its holdings are less than 300,000 shares, the trust enterprise shall still take actions pursuant to subparagraph 2) of the preceding paragraph.

6. The trust enterprise, when acting as the Local Agent for Foreign Investors, may appoint a third party other than the persons indicated in paragraph 2 of Point 4 to exercise voting rights.

The trust enterprise may sign a mandate contract with the third party appointed according to the preceding paragraph.

7. The trust enterprise, when acting as the Local Agent for Foreign Investors, shall issue a Letter of Appointment clearly indicating instructions for various proposals while appointing a representative or an agent to attend the shareholders meeting on its behalf.

The trust enterprise shall make the instructions referred to in the preceding paragraph according to the following principles:

- 1) The voting rights shall be exercised according to the Foreign Investor's instructions.
- 2) For elections of Directors and/or Supervisors, unless otherwise

provided by laws, regulations or these operating guidelines, if the Foreign Investor does not clearly indicate the name and shareholder's number or ID number of the candidate to be voted for, it will be deemed as not to exercise the voting rights.

For elections under a candidate-nomination system, the trust enterprise shall advise Foreign Investors of the candidates list officially announced by the public company and exercise voting rights according to the Foreign Investor's instructions while subparagraph 2) of the preceding paragraph may not be complied with.

If the public company does not provide an English version of the candidates list, the trust enterprise shall take priority to use the Ministry of Foreign Affairs' Chinese spelling mechanism for translation and advise Foreign Investors in the form of Chinese name, i.e. "last name plus first name".

7.1 For elections of Directors and/or Supervisors, if the Foreign Investor does not clearly instruct how to allocate the voting rights, and the trust enterprise cannot take actions according to the agreement with the Foreign Investor, the trust enterprise may take actions according to the following principles:

1) The total entitled votes (holdings multiplied by the number of Directors/Supervisors to be elected) are equally allocated to the candidates instructed by the Foreign Investor. The indivisible balance is not allocated.

2) If subparagraph 1) is not executable, the number of Directors/Supervisors to be elected is firstly divided by the number of candidates instructed by the Foreign Investor in order to obtain a parameter (rounded down). The votes allocated to each of the instructed candidates are calculated by multiplying the resultant parameter by holdings. The parameter not reaching an integer during the initial calculation is not allocated.

8. When the trust enterprise, by acting as the Local Agent for Foreign Investors, appoints a representative or an agent to attend a shareholders meeting, the appointed representative or agent shall exercise rights

according to “Rules Governing the Conduct of Shareholders Meetings by Public Companies”.

The representative or agent referred to in the preceding paragraph shall fill in a Speech Delivery Slip and obtain the approval of the meeting Chairperson before delivering a speech on behalf of a Foreign Investor under the Foreign Investor’s instructions.

If a Foreign Investor clearly instructs its Local Agent to vote against a certain proposal but does not provide authorized speech contents, the representative or agent referred to in paragraph 1 is not required to deliver the speech.

The voting rights shall be exercised according to the Foreign Investor’s instructions when a proposal is put to the vote by the meeting Chairperson.

9. These Operating Guidelines, and any amendments thereto, shall enter into force after the approval of the Board of Governors of the Trust Association.