International Good Practice - Chinese Taipei’s Experience

Submitted by: Chinese Taipei
International Good Practice
-Chinese Taipei Experience

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Introduction

In order to develop a sound capital market and assist listed companies to establish a good corporate governance system, in October 2002, the FSC have required Taiwan Stock Exchange to formulate “Corporate Governance Best-Practice Principles for Listed Companies”.

The content of the Best-Practice Principles focus on the corporate governance based on the OECD principles.

The Content of Corporate Governance
Best-Practice Principles Listed Companies

Article 2 of the Best-Practice Principles--- A listed company shall set up the corporate governance system and follow the following principles:

- establish an effective corporate governance framework
- protect shareholders' rights and interests
- strengthen the powers of the board of directors
- fulfill the function of supervisors
- respect stakeholders' rights and interests
- enhance information transparency
Other main chapters

- Protection of Shareholders’ Rights and Interests
  - Encourage shareholders to participate in corporate governance.
  - Business transactions between a listed company and its affiliated enterprises shall be made in accordance with the principle of fair dealing and reasonableness. Both parties shall desist from any transactions that are other than at arm's length.

- Enhancing the Function of Board of Directors
  - A listed company may appoint independent directors, audit committee and other functional committees.
  - A listed company shall formulate rules for the conduct of directors meetings.
  - Members of the board shall faithfully conduct corporate affairs and discharge this duty of care as a good administrator.
The Content of Corporate Governance
Best-Practice Principles for Listed Companies

- Empowering the Supervisors -- A supervisor shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers.
- Respecting Stakeholders' Rights -- A listed company shall have high regard for the social responsibility of the company.
- Improving Information Transparency
  - A listed company shall properly and timely disclose information about policies that might affect the decisions of shareholders and stakeholders.
  - A listed company shall disclose the actual performance of the corporate governance system.

Corporate Governance
Framework Assessment System

- The system reflects the degree of corporate governance participating.
- The evaluation criteria of the system refer to Securities and Exchange Act and related rules, and international corporate governance criteria used by S&P, and Credit Lyons Securities Asia.
- The system is conducted by CGA (Corporate Governance Association).
- Listed companies apply for evaluation from July 1st every year (Non-Mandatory)
- Validation: 1 year
- CGA has completed the 3rd CG Assessment
- Companies with passing grade will be rewarded with the certification from CGA.
Corporate Governance Framework Assessment System

- Six evaluation criteria of corporate governance framework assessment system
  - Insuring shareholdings’ right
  - Enhancing information transparency
  - Strengthening functions of board of directors
  - Utilizing supervisors’ power
  - Enhancing disciplines and communication within management team
  - Respecting right of shareholders and taking social responsibilities

Information Disclosure and Transparency Ranking System (IDTRS)

- The Securities and Futures Institute (SFI) launched IDTRS to evaluate the level of transparency for all listed companies in Chinese Taipei since 2003.
- All listed-companies are covered by the system.
- Frequency: once a year
- SFI has completed the 5th Information disclosure and transparency rankings.
- Based on companies’ original ranking scores, companies are ranked level A+, A, B, C or C-.
Information Disclosure and Transparency Ranking System (IDTRS)

Evaluated Information:
- Information disclosure through Market Observation Post System
- Information disclosure provided in annual reports
- Information disclosure provided in company web sites

Ranking results will be released publicly in June each year.

Future Development

Chinese Taipei is planning to establish the corporate governance index which consists of companies passing the evaluation of corporate governance rating system and to set up CG ETF.
Thank you!