Taiwan Stock Exchange has now launched the consultation on the draft of “Revision of Stewardship Principles for Institutional Investors”, the changes from the current Stewardship Principle are marked in red.

Comments should be sent to 1248@twse.com.tw, and please being sure to include name and the company/organization name. The draft of revision is open for comment due March 31, 2020.

And if you want know further details of Taiwan’s Stewardship Principles for Institutional Investors, please visit the TWSE corporate governance center [website](#).
<Revision of Stewardship Principles for Institutional Investors>

Principle 1 Establish and disclose stewardship policies

Principle 2 Establish and disclose policies on managing conflicts of interest

Principle 3 Regularly monitor investee companies

Principle 4 Maintain an appropriate dialogue and interaction with investee companies

Principle 5 Establish clear voting policies and disclose voting results

Principle 6 Periodically disclose to clients or beneficiaries about the status of fulfilment of stewardship responsibilities
Principle 1 Establish and disclose stewardship policies

Guideline 1-1 When establishing stewardship policies, an institutional investor is advised to contemplate its role in an investment chain, its nature of business and how to protect rights and benefits of its clients and beneficiaries.

Guideline 1-2 Institutional investors should integrate environmental, social, and corporate governance (ESG) factors into the investment evaluation process to fulfill their stewardship responsibility and create long-term investment value.

Guideline 1-3 Disclosure of stewardship policies is advised to at least include the following:
1. A brief introduction of business;
2. Duties to clients or beneficiaries;
3. Stewardship activities, e.g. frequency and methods of monitoring investee companies, interaction with management, participation in shareholders’ meetings and voting;
4. Status and management measures of outsourcing stewardship activities;
5. Manner and frequency of status disclosure of stewardship fulfilment.
Principle 2 Establish and disclose policies on managing conflicts of interest

Guideline 2-1 A policy on managing conflicts of interest aims to ensure that an institutional investor operates in the interests of its clients or beneficiaries.

Guideline 2-2 A policy on managing conflicts of interest is advised to at least include the following:
1. Possible situations of conflicts of interest;
2. How conflicts of interest in each situation are managed.

Guideline 2-3 Situations of conflicts of interest may include the following:
1. Where an institutional investor, for its own benefits, makes a decision or carries out an activity to the disadvantage of clients or beneficiaries.
2. Where an institutional investor, for benefits of certain clients or beneficiaries, makes a decision or carries out an activity to the disadvantage of other clients, beneficiaries or stakeholders.

Guideline 2-4 Measures of managing conflicts of interest may include training, delegation of duties, information security, firewalls, control mechanisms regarding detection and monitoring, reasonable remuneration policies, and remedial measures.

Guideline 2-5 An institutional investor is advised to consolidate and explain to clients or beneficiaries, either regularly or when considered necessary, about causes and handling measures for major incidents of conflicts of interest which have taken place.
Principle 3 Regularly monitor investee companies

Guideline 3-1 The purpose of monitoring investee companies is such that impacts of relevant information on long-term values of investee companies, clients or beneficiaries may be assessed, so that an institutional investor’s manner and time of further dialogue and interaction with the investee companies can be determined. It may also form a reference for future investment decisions.

Guideline 3-2 In determining the content, extent and frequency of monitoring investee companies, an institutional investor is advised to consider its purposes of investment, cost and benefits. Information such as industry profile, opportunities and risks, shareholding structure, operational strategies, business profile, financial position, results of operation, cash flow, stock price, environmental impacts, social issues and corporate governance may be monitored.

Guideline 3-3
An institutional investor is advised to use environmental, social, and corporate governance (ESG) factors to monitor, analyze, and evaluate the related risks and opportunities of the investee company. An institutional investor is advised to understand the sustainable development strategy of the investee company.
Principle 4 Maintain an appropriate dialogue and interaction with investee companies

Guideline 4-1 The purpose of an institutional investor’s dialogue and interaction with investee companies is such that it may better understand the views of management of the investee companies regarding material issues and obtain mutual feedback, so as to strengthen corporate governance.

Guideline 4-2 An institutional investor is advised to determine the manner and time of dialogue and interaction with investee companies by taking its purpose, cost and benefits of the investment and significance of particular issues of concern to it into account. The manners of dialogue and interaction between an institutional investor and its investee company may include the following:
1. Written or verbal communications with management;
2. Public statements on specific issues;
3. Expression of opinions at shareholders’ meetings;
4. Submitting motions at shareholders’ meetings;
5. Casting votes at shareholders’ meetings.

Guideline 4-3 For the sustainable development of investee companies, under circumstances where an institutional investor judges it necessary to take action, it may act collectively with other institutional investors, so as to protect the rights and interests of clients or beneficiaries. It may also participate in relevant advocacy organizations for specific environmental, social, and corporate governance (ESG) issues, jointly expand and leverage its influence as an institutional investor.

Guideline 4-4
An institutional investor should pay attention to the engagement, the positive impact brought to the investee company after negotiation, the formulation plan and concerns for future negotiation, so as to determine subsequent investment decisions.

Guideline 4-5
An asset manager of passive funds should be committed to enhancing the long-term value of the investee company due to the restrictions on selling shares, actively engage in dialogue and interaction with the investee company, and participate in voting at shareholders’ meetings.
Principle 5 Establish clear voting policies and disclose voting results

Guideline 5-1 The purpose that an institutional investor exercises its voting right is to express opinion on each motion at a shareholder’s meeting of investee companies. Specifically, the institutional investor is advised to carefully exercise voting rights of stocks it holds or manages in relation to motions which have significant impacts on rights and benefits of its clients and beneficiaries.

Guideline 5-2 Voting rights shall be exercised based on information obtained from investee companies by taking long-term joint interests of clients, beneficiaries and investee companies into account. An institutional investor shall not always vote in favor of, against or abstain from motions, but shall judge each motion individually. Voting rights shall be exercised objectively even in the case where a voting recommendation report has been obtained from a proxy advisory firm.

Guideline 5-3 A voting policy may include the following:
1. Threshold for exercising voting rights as determined in contemplation of cost and benefit. For instance, voting rights will only be exercised if shareholding reaches a certain percentage or amount;
2. To the best of an institutional investors’ ability, prudently evaluate each motion of a shareholders' meeting before casting votes and communicate in advance with the management of an investee company when necessary;
3. Define types of motions which an institutional investor may support, oppose to or may only deliver its abstention from in principle;
4. A statement that an institutional investor does not necessarily support motions proposed by management;
5. Extent to which an institutional investor obtains and adopts voting recommendation reports made by proxy advisory firms;

Guideline 5-4 An institutional investor is advised to carefully record and analyze voting rights exercised in accordance with relevant policies, so as to facilitate disclosure of the voting activities, which may be disclosed in aggregate. For instance, votes cast in favor, against or abstaining from various types of motions made by investee companies. An institutional investor should also explain the type and reason for opposing the motion.
Principle 6 Periodically disclose to clients or beneficiaries about the status of fulfilment of stewardship responsibilities

Guideline 6-1 An institutional investor is advised to carefully record its stewardship activities to form a basis of assessment and improvement for its stewardship policy, action and disclosure.

Guideline 6-2 When regularly disclosing to its clients or beneficiaries a status of its fulfilment of stewardship duty according to agreement with or request of its clients or beneficiaries, an institutional investor may disclose relevant information may be made in written, electronic or any other form which can be easily accessible and readable.

Guideline 6-3 Under a situation where clients and beneficiaries are vast in number or the provision of status of fulfilment of stewardship duty is not specified in an agreement, an institutional investor is advised to publish a stewardship report disclose its stewardship activities annually on its website or disclose its stewardship activities in its reports such as business report and annual report. The content is advised to include:

1. A statement on "Stewardship Principles for Institutional Investors" and explanations for non-compliance with certain principles;
2. Information of the company's internal resources and organizational structure to implement stewardship;
3. Statistics of the engagement activities, such as records of E-mail, telephone, and actual visits with the investee companies;
4. Case description of the dialogue and interaction with the investee company, the results of the agreement and the follow-up situation;
5. Cases of cooperation with other institutional investors;
6. Attendance in person or by proxy at shareholders' meetings of an investee company;
7. Voting activities (as specified under Guideline 5-4);
8. Contact channel for stakeholders such as clients, beneficiaries, investee companies or other institutional investors to reach a signatory;
9. Other material events (e.g. major incidents of conflicts of interest which have taken place in the last year dialogue and interaction with an investee company or relevant opinions and actions on special events).

Guideline 6-4 If investment or stewardship activities are not directly performed by a
signatory, for instance where management of a fund is fully entrusted to an asset manager by an asset owner, measures taken to ensure the trustee's compliance with a stewardship policy is advised to be explained when disclosing the stewardship activities to the clients or beneficiaries.