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### Content

Title: Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies Ch

Date: 2008.05.20

- Legislative: 6. Amended and promulgated by the Securities and Exchange Commission on 10 January 1989 per order Ref. No. (78) Taiwan-Finance-Securities (II) 00053 7. Articles 2, 6, and 8 amended and promulgated by the Securities and Exchange Commission on 25 April 1989 per order Ref. No. (78) Taiwan-Finance-Securities (II) 00870
  - 8. Articles 3 and 8 amended and promulgated by the Securities and Exchange Commission on 28 December 1994 per order Ref. No. (83) Taiwan-Finance-Securities (III) 02536
  - 9. Article 8 amended and promulgated by the Securities and Exchange Commission on 29 April 1996 per order Ref. No. (85) Taiwan-Finance-Securities (III) 01261
  - 10. Article 8 amended and promulgated by the Securities and Futures Commission on 13 May 1997 per order Ref. No. (86) Taiwan-Finance-Securities (III) 02921
  - 11. Articles 2 to 5 and Article 8 amended and promulgated by the Securities and Futures Commission on 15 November 2002 per order Ref. No. Taiwan-Finance-Securities (III) 005773
  - 12. Full text of 8 articles amended and issued per 14 April 2006 Order No. Financial-Supervisory-Securities-III-0950001844 of the Financial Supervisory Commission, Executive Yuan; for implementation from the day of
  - 13. Article 2 amended and issued per 16 October 2007 Order No. Financial-Supervisory-Securities-III-0960055613 of the Financial Supervisory Commission, Executive Yuan
  - 14. Full text of 7 articles amended and issued per 20 May 2008 Order No. Financial-Supervisory-Securities-III-0970022995 of the Financial Supervisory Commission, Executive Yuan

# Content: Article 1

These Regulations are prescribed in accordance with paragraph 2 of Article 26 of the Securities and Exchange Act ("the Act").

Public companies are classified into the brackets listed below according to their paid-in capital, and the total registered shares owned by the directors and supervisors of a public company shall not be less than the percentage of total issued shares specified below, provided that if the total shareholding of all directors and supervisors calculated under any of subparagraphs 2 to 8 is less than the maximum shareholding under the subparagraph immediately preceding the given subparagraph, the maximum shareholding under that preceding subparagraph shall be applicable: 1. Where the paid-in capital of the company is NT\$300 million or less, the total registered shares owned by all directors shall not be less than fifteen percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 1.5 percent of the total issued shares.

2. Where the paid-in capital of the company is more than NT\$300 million but NT\$1 billion or less, the total registered shares owned by all directors shall not be less than ten percent of the total issued shares; the total

registered shares owned by all supervisors shall not be less than one percent of the total issued shares.

- 3.Where the paid-in capital of the company is more than NT\$1 billion but NT\$2 billion or less, the total registered shares owned by all directors shall not be less than 7.5 percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.75 percent of the total issued shares.
- 4. Where the paid-in capital of the company is more than NT\$2 billion but NT\$4 billion or less, the total registered shares owned by all directors shall not be less than five percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.5 percent of the total issued shares.
- 5. Where the paid-in capital of the company is more than NT\$4 billion but NT\$10 billion or less, the total registered shares owned by all directors shall not be less than four percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.4 percent of the total issued shares.
- 6. Where the paid-in capital of the company is more than NT\$10 billion but NT\$50 billion or less, the total registered shares owned by all directors shall not be less than three percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.3 percent of the total issued shares.
- 7. Where the paid-in capital of the company is more than NT\$50 billion but NT\$100 billion or less, the total registered shares owned by all directors shall not be less than two percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.2 percent of the total issued shares.
- 8. Where the paid-in capital of the company is more than NT\$100 billion, the total registered shares owned by all directors shall not be less than one percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.1 percent of the total issued shares.

The shareholdings of independent directors elected by a public company shall not be counted in the total referred to in the preceding paragraph; 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 and shall be decreased by 20 percent.

If a public company has set up an audit committee in accordance with the Act, the provisions on the minimum percentage requirements for the shareholding of supervisors in the preceding two paragraphs shall not apply.

If the independent directors of a public company other than a financial holding company, a bank regulated under the Banking Act, and an insurance company regulated under the Insurance Act exceed one-half of the total director seats, and an audit committee has been established in accordance with the Act, the provisions on the minimum percentage requirements for the shareholding respectively of all directors and supervisors in paragraphs 1 and 2 shall not apply.

Article 3

The determination of the total registered shares owned by the directors and supervisors of a public company shall be made based on the entries inscribed on the shareholders list or on the proof of shares deposited with a centralized securities depositary. However, shares which have been transferred but the transferee has not completed transfer procedures shall be deducted from the calculation.

Where the government or a juristic person is a shareholder, and the shareholder or its representative is elected as a director or supervisor, their total shareholding shall be counted as registered shares held by the government or the juristic person. However, registered shares of the public company owned by the designated representative him/herself and placed in centralized custody in the form of a segregated account with a centralized securities depositary may be counted in the total share ownership referred to in the preceding article.

## Article 4

Upon their election in the shareholders meeting, if the total number of shares owned by the directors and supervisors of a public company is less than the percentage prescribed in Article 2, the whole of the directors and supervisors other than independent directors shall rectify the situation. Article 5

If during their term of office, any directors or supervisors of a public company transfer their shares or leave their office, such that the total shareholding by all the directors and supervisors as a whole is less than the percentage prescribed in Article 2, the whole of the directors and supervisors other than independent directors shall rectify the situation. Where in accordance with the provisions of paragraph 2 of Article 25 of the Act, the report on the changes in the shareholdings of directors, supervisors, managers, and shareholders holding ten percent or more outstanding shares to be input by the company into the information reporting website designated by the competent authority by the fifteenth day of each month shows that the directors or supervisors as a whole hold less than the percentage prescribed in Article 2, the company shall by the sixteenth day of each month notify the whole of the directors or supervisors other than independent directors to rectify the situation, and also notify the competent authority.

## Article 6

The competent authority may from time to time send its personnel to examine and audit the records on the change in shareholdings of the directors or supervisors of public companies, and also examine the relevant records and accounts.

Upon instituting the examination and audit referred to in the preceding paragraph, the company shall, in accordance with the notification of the competent authority, notify its directors and supervisors to make available for examination the registered shares in his possession at the official premises of the company or at other locations designated by it; the directors or supervisors may not refuse.

## Article 7

These Regulations shall come into effect on the date of issuance.