



ESG VIEWPOINT

Taiwan's hybrid AGMs open up to foreign investors but concerns about shareholder rights remain



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At a glance

- Taiwan – like many other markets – introduced virtual and hybrid annual general meetings during the COVID-19 pandemic.
- We're concerned that virtual events have become normalised and believe that it's hard to achieve the interaction, engagement and transparency of physical events.
- Foreign investors have faced particular issues and whilst some challenges have been addressed more needs to be done to facilitate access.
- We've attended many virtual meetings and offer our perspective on the experience. Meetings can be open to confusion and language can be an issue.



Introduction

Like many markets in the world, Taiwan introduced virtual-only and hybrid (physical and virtual video conferencing) annual general meetings (AGMs) at the height of the COVID-19 pandemic.

Taiwan even went so far as to **postpone** all physical AGMs due to be held for one month in mid-2021 while local cases were surging. Taiwan then quickly codified emergency virtual option into **law** in December 2021. While having the virtual option

certainly increases attendance accessibility for shareholders at AGMs, the fairness and impact on shareholder rights have been called into question.

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Virtual AGMs – the new norm?



Access denied – challenges for foreign investors



Shareholder concerns still outstanding



What's attending a virtual AGM like?



Virtual AGMs – the new norm?

Our first concern is that **virtual-only meetings in Taiwan are no longer a thing of the pandemic past**. As announced by the Ministry of Economic Affairs,¹ companies may host virtual-only meetings if an unforeseen, or a force majeure, event occurs.

The new **measures** also normalise virtual-only meetings, as long as the agenda does not include a director election, director dismissal or mergers and acquisition activity. Virtual-only AGMs were a temporary measure during the pandemic in many markets, but we encourage a return to physical annual meetings that are supplemented with a robust and accessible virtual option. Taiwanese issuers only re-elect the whole board once every three years, which means the directors only need to have a face-to-face meeting with shareholders once every three years. We are concerned that virtual-only meetings do not mirror the interaction, engagement and transparency of a physical setting. The limitation of technology infrastructure, such as the lack of two-way communications and no real-time voting, hinders the effectiveness of shareholder engagement and erodes shareholder rights.

At the moment, the market is still being cautious about adoption, with only one issuer holding a virtual-only meeting since the amendment to the law in December 2021. Yet, Taiwan Stock Exchange (TWSE) also encourages issuers to choose hybrid meetings over virtual-only meetings by giving them a higher score in the TWSE annual corporate governance assessment. However, we are concerned that virtual-only meetings will soon become the norm as the law allows issuers to hold virtual-only meetings under a broad set of circumstances.

¹ [Third Reading of the Draft Amendments on Video Conference Provisions in the Company Act – Ministry of Economic Affairs, R.O.C.](#)



Access denied – challenges for foreign investors

Our second concern is that foreign investors weren't initially allowed to attend virtual meetings.

We had the opportunity to meet with a group of delegates from the Financial Supervisory Commission (FSC), TWSE and Taiwan Depository & Clearing Corporation (TDCC) in November 2022 to discuss the implementation of virtual AGMs and share our concerns about certain rules. Given our active engagement in the region, we were one of the first asset managers to highlight the issue that foreign investors were unable to sign up to the virtual AGM platform developed by TDCC, as the system required investors to sign in with digital certificates only available for entities or shareholders registered in Taiwan. We appreciated the regulator taking our feedback seriously, and it developed [a new process \(in Chinese\)](#) in less than four months, which allows the TDCC to issue digital control numbers (CN) directly

to foreign shareholders as of March 2023. However, there are still many obstacles to foreign investor attendance that still need to be addressed.

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Shareholder concerns still outstanding

Our third concern is that the recent amendment of the “Regulations Governing the Administration of Shareholder Services of Public Companies” in March 2023 still failed to address some of our key concerns.

Asian Corporate Governance Association (ACGA)'s submission to the public consultation regarding this amendment is broadly in line with our view. The Securities and Futures Bureau and the FSC also responded (in Chinese) to the ACGA's submission publicly. Some of the ACGA's key asks, which we support, remain unaddressed and include:

- **Lack of counterbalance to limit virtual-only meetings at the board level.** After amending the articles of association, companies can still easily hold a virtual-only meeting if the majority of the board supports it in a meeting attended by at least two-thirds of the directors. In Taiwan, the minimum requirement of independence ratio at the board is only 20%,² which falls below the one-third independence requirement used in nearby markets. Such a resolution can easily pass with or without independent directors' support.
- **The platform does not offer real-time voting for all shareholders.** Due to the limitations of the current infrastructure, some foreign investors whose accounts are linked to an omnibus sub-custodian account cannot exercise real-time voting (voting during the meeting). In Taiwan, one Foreign Institutional Investor (FINI) holding account can only correspond to one vote instruction for real-time voting. These foreign investors are not allowed to propose amendments or exercise any voting rights during the meeting, including voting on amendments to original proposals or any extemporaneous proposals.

- **There is no two-way communication between virtual attendees and the companies.** We believe that regulators should ensure shareholders joining virtually are provided the same treatment and transparency as those attending in-person. However, the current platform only allows online attendees to ask questions by sending text with 200-character limits, while in-person attendees can interact with management and the board verbally. The current platform gives the issuers complete control to filter shareholder questions asked online and virtual attendees do not have the visibility of questions asked by other shareholders. We believe this mechanism needs to be revised to allow for greater fairness and transparency.
- **Hybrid meetings can continue without virtual attendees if there is an internet disruption.** The meeting will continue in session if the in-person attendees and pre-submitted votes meet the quorum, and virtual attendees (both domestic and foreign investors) will not have the opportunity to vote on subsequent proposals or any amendments.

Before the pandemic, Taiwan hesitated to give listed companies the green light to host virtual AGMs due to concerns surrounding shareholder authentication, video conferencing disruptions and vote counting. However, many of these issues remain unresolved today despite the swift shift in government policy to allow virtual AGMs.

² [Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies – Article Content – Laws & Regulations Database of The Republic of China \(Taiwan\) \(moj.gov.tw\)](https://www.moj.gov.tw/en/LawsRegulations/RegulationsGoverningAppointmentofIndependentDirectorsandComplianceMattersforPublicCompanies-ArticleContent)



Our experience as a virtual attendee in 2023

As this is the first year that Taiwan allowed foreign investors to attend AGMs virtually, Columbia Threadneedle Investments signed up to attend two hybrid AGMs held by **CTBC Financial Holding Co Ltd** and **Fubon Financial Holding Co Ltd**, with the specific intention to trial the process and share our feedback with the regulator.

- 1. The new process for foreign investors to attend virtually is somewhat confusing and there are still many technical details to be ironed out.** For example, there was no English guidance initially, and we asked the TDCC to produce this for international stakeholders who are part of the proxy chain. During the registration process, we were asked to provide an FINI or IDs of beneficiary owners several times, but it turns out only local custodians have this information. The temporary password also expired in a few days without any warning. To reset the password, we needed to have another two sets of numbers (Security Account Number and Business Administration Number) that, again, only local custodians have. Eventually, we sought help directly from the TDCC to register to attend the meetings before the deadline.
- 2. The platform and the meetings are not inclusive of non-Chinese speakers.** Although the platform has an English option, most of the interface is in Chinese. There is also a 200-character limit for asking a question. We struggled to keep our questions under the character limit and have concerns that this will limit engagement with management at AGMs. While the board chairs who also chaired the AGMs at Fubon and CTBC can read questions in English, they still answered the questions in Mandarin, and there are no translation services available on the platform or offered by the company.
- 3. The hybrid meeting adoption rate is only 4%³ among listed companies.** Despite our concerns regarding how companies conduct hybrid meetings, we believe they can offer a good alternative for foreign shareholders to participate in AGMs in different markets during peak global proxy seasons. However, the adoption rate is still low among Taiwanese issuers – for example, key issuers such as **TSMC** and **Hon Hai** still chose to host physical meetings but broadcasted their AGMs online.

Overall, although there remain many areas in which we expect to see improvement, it was a positive experience and we found the regulator and issuers responsive. Having the option to join AGMs virtually can be an enhancement to management accessibility and engagement. We expect this could be an opportunity to improve shareholder engagement in the Taiwan market instead of a step backward to avoid in-person interaction with shareholders. Foreign investors hold more than 40%⁴ of listed shares in Taiwan, and we believe the TDCC can further improve its infrastructure and make it more accessible and fairer for foreign investors. Ultimately, we expect the regulator to further amend the current rules related to the above concerns, such as ensuring fair treatment in hybrid meeting settings and enhancing independence requirement at the board. We will keep communicating with the regulator and raise awareness of the concerns of foreign investors in Taiwan.

Columbia Threadneedle Investments has become a **signatory** of the TWSE's Stewardship Principles as of 30 June 2023. In addition to promoting good environmental, social and governance (ESG) standards with investee companies while supporting long-term investment returns, we also view ensuring sufficient shareholder protection as part of our stewardship responsibility. We will continue to exercise our stewardship duties and engage with the regulator on the enhancement of shareholder protection to create a more inclusive environment for foreign investors.

There remain many areas in which we expect to see improvement

³ Market Observation Post System (MOPS) in Chinese [公開資訊觀測站](#).

⁴ 2022 Investment Climate Statements: Taiwan Taiwan – [United States Department of State](#).

Get to know the authors



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Yu-Ting Fu joined the Responsible Investment team as an APAC Corporate Governance Analyst in 2022 from EOS at Federated Hermes. Yu-Ting used to be a social worker in Taiwan, working with indigenous people and vulnerable children in high-risk situations. She enjoys cooking without measuring tools and cycling in the beautiful countryside.



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George is a Portfolio Manager in the Asia & Emerging Markets Equity team. He has over 25 years' experience, joining Columbia Threadneedle in 2010 from Insight Investment. He enjoys running, reading Hilary Mantel, and collecting vintage guitars.

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