(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
1	Does endorsing the Principles alter a signatory's existing relationship of rights and obligations with its clients, beneficiaries, shareholders or other stakeholders?	An institutional investor becomes a signatory after disclosing a statement of how the Principles has been applied (hereinafter the "statement") on its website and a website designated by the Corporate Governance Center. Endorsement of the Principles is intended to help clients, beneficiaries, shareholders and other stakeholders understand the role of institutional investors in an investment chain, as well as stewardship-related policies and activities. Endorsing the Principles does not add to, alter, restrict or release the institutional investor from its existing relationship of rights and obligations with clients, beneficiaries, shareholders or other stakeholders, nor does it impose restrictions on any of institutional investors' investment strategies (e.g. short-term trading of securities in order to benefit from market spreads or selling stocks of investee companies). Institutional investors are encouraged by the Corporate Governance Center to support and comply with the Principles so as to enhance long-term value for themselves and fund providers

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
		while at the same time improve the quality of corporate governance for the domestic capital market.
2	What are the purposes and effects of the "Comply or Explain" basis?	"Comply or Explain" originated in the UK and has been adopted internationally, especially in Europe, as a means of implementing corporate governance codes. The system of Comply or Explain aims to retain flexibility to the Principles and prevent compliance from becoming a mere formality, thereby inspiring signatories to improve their stewardship practices. The Principles are not legislative regulations, nor do they include articles on punishment. If a signatory is unable to comply with certain principles, it must provide a reasonable explanation in its statement or incorporate such explanation on its website or reports such as business reports or annual reports, provided that relevant disclosures must be made in an ethical and transparent manner.
3	Will a signatory be regulated in its access to and use of investee	The Principles do not state that institutional investors must not obtain internal information of investee companies. If, from their dialogue and

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
	companies' non-public information?	interaction with investee companies, the institutional investors become aware of non-public information which may have a significant impact on the stock price of the investee companies, it must abide by its duty of confidentiality and prevent the occurrence of insider trading in accordance with relevant laws and regulations.
4	Are the extents of stewardship engagements influenced by low shareholding of investee companies?	The mass amount of capital and a great number of companies which an institutional investor may invest are various. It may engage in different extents of monitoring, dialog and interaction with its investee companies by contemplating costs and benefits in order to optimize the efficiency of resources adopted for improving long-term value of assets held or managed by it. Materiality and cost and benefit have been contemplated under Guidelines 2-5, 3-2, 4-1, 4-2, 5-1, 5-3 and 6-3 of the Principles.

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
5	What are potential situations of conflicts of interest, and how can they be managed?	Two common situations of conflicts of interest are listed under Guideline 2-3: 1. Where an institutional investor, for its own benefits, makes a decision or takes an action to the disadvantage of clients or beneficiaries. 2. Where an institutional investor, for the benefits of certain clients or beneficiaries, makes a decision or takes an action to the disadvantage of other clients, beneficiaries or stakeholders. In practice, however, potential conflicts of interest caused by the employees of institutional investors must also be taken into consideration. For example, where an employee of an institutional investor, for his/her own benefits, sacrifices the interests of investee companies, clients or beneficiaries, or incurs unreasonable expenses or costs to the institutional investor. Measures of managing conflicts of interest include training, delegation of duties, information security, monitoring mechanism and reasonable

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
		remuneration policies. To fulfill the management of conflicts of interest, an institutional investor is advised to regularly review the status of policy implementation and make improvements accordingly.
6	Does it go against the requirement of the Principles if a signatory is unable to attend a shareholders' meeting or cast a vote?	The Principles encourage a signatory to properly exercise voting rights of stocks held or entrusted for management by it and respect that different investors may have different views on the same motions. Even more, there may also be different opinions among clients and beneficiaries. The spirit of the Principles is fulfilled where mutual long-term interests among clients, beneficiaries and investee companies have been taken into account by institutional investors before making voting decisions. If, in an institutional investor's judgment, voting will not realize or improve the long-term interests of its clients and beneficiaries (e.g. it has decided to clearly sell its shareholding prior to shareholders' meetings), it may even abstain from voting.

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors

2016.06.30

No.	Question	Answer
7	To what extent and in what manner is dialogue and interaction with investee companies deemed appropriate?	Dialogue and interaction between institutional investors and investee companies vary in manner and extent. The following are manners of dialogue and interaction listed under Guideline 4-2 of the Principles but these are not arranged in order of the extent of dialogue and interaction: 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. Voting at shareholders' meetings. Regardless of any manner used to form a dialogue and interact with investee companies, the goal is to reach consensus with investee companies on the creation of long-term value, so as to enhance value of assets possessed or managed by institutional investors.
8	How does an institutional investor handle situations where clients or	Various stakeholders often have different opinions on the same issue. The Principles aim to enhance long-term value of institutional investors and fund

(**Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.**)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
	beneficiaries have conflicting opinions on the same issue?	providers by monitoring, engaging in dialogue and interaction with investee companies. To this end, institutional investors must understand and respect needs and opinions of clients or beneficiaries, though various decisions (including investment decisions or voting decisions for motions raised at shareholders' meetings) shall still be made in a professional manner by contemplating the enhancement of long-term value of assets under possession or management.
9	Are there regulations concerning records of stewardship activities and the retention thereof?	The Principles are not mandatory regulations. Signatories may determine, in their discretion, items to record and retention schedule. For the purposes of long-term analysis and comparison, it is advisable to retain relevant records for a period of at least three to five years.
10	How will requirements under Principle 6 be fulfilled in situations where clients and beneficiaries are large in number and the agreement does not	To facilitate communications between institutional investors and clients or beneficiaries and fulfill stewardship responsibilities, institutional investors shall regularly disclose the status of fulfilment of stewardship responsibilities in accordance with agreement with or request from its clients or

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
	stipulate that institutional investors shall provide content concerning its status of fulfillment of stewardship responsibilities and the frequency?	beneficiaries. Please refer to Guideline 6-3 for situations where clients and beneficiaries are vast in number or the provision concerning the content and frequency of stewardship duties is not specified in an agreement. In such situation, an institutional investor is advised to disclose its stewardship activities annually on its website or in its reports such as business report and annual reports. Further, to prevent the process from becoming a mere formality and avoid quantitative comparison to an excessive degree, the disclosure of stewardship activities must balance between quality and quantity. For instance, disclosing not only the attendance to and voting status at shareholders' meetings but also ongoing communications with management to reach agreement, cooperative efforts to improve the quality of governance for the company, promotion of sustainable development of investee companies etc.

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
11	Can a financial holding company be a signatory, or should each of its subsidiaries act as a respective signatory?	Investments made by a financial holding company are mainly for controlling purposes or long-term investment. The Principles do not have particular requirements as to whether a financial holding company itself or each of its subsidiaries should endorse the Principles. It must be stressed, however, that relevant stewardship policies of different financial enterprise under the same financial holding group may differ. As the parent company of the business group, the financial holding company sets an example for the development of stewardship culture and emphasis in the focus of long-term risks and performance. Where each subsidiary endorse the Principles and set up relevant policies respectively, the financial holding company is advised to supervise on the stewardship activities conduct by its subsidiaries and disclosure status thereof.
12	How are the "various types of motions" specified under Guideline 5-4 classified?	According to existing laws and regulations, motions submitted at shareholders' meetings can be classified into the following types: 1. Ratification of business report and financial statements;

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
		2. Distribution of compensation to employees or remuneration to directors and supervisors; 3. Distribution of earnings or deficit offsetting; 4. Election or discharge of directors or supervisors; 5. Release of directors from non-competition restrictions; 6. Promulgation and amendments to material rules and Articles; 7. Private placement of securities; 8. Dissolution, merger, acquisition, share exchange or split-up of the company; 9. Others. Institutional investors may, by reference to the above classifications, disclose voting activities in favor, opposition or abstention of each type of motions within a specific period. For example, "In the year of OOOO, with regard to the ratification of business reports and financial statements, total number of votes was OOO, with OO votes in favor (OO%), OO votes in oppositions (OO%), OO votes in abstention (OO%)."

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
		In addition, institutional investors may also disclose voting activities in favor, opposition or abstention of motions submitted to shareholders' meetings of each investee company but to conceal the number of votes to avoid revealing investment portfolio. For example, "Year OOOO OOOO company regular shareholders' meeting, Motion 1____, in favor."
13	Are signatories required to monitor all information aspects listed in Guideline 3-2?	Guideline 3-2 noted that "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." Hence, the focus of investors while monitoring investee companies may be different. Signatories are not required to monitor all aspects listed in Guideline 3-2. Insufficient disclosure of material information of investee companies might also be a factor for investors to evaluate these companies' ability to identify risks and information transparency. Institutional investors may also demand investee companies to improve their transparency and

(Note: This English translation is provided for reference only and might not exactly reflect the full text of the original language.)

Q&A: Stewardship Principles for Institutional Investors 2016.06.30		
No.	**Question**	**Answer**
		disclose relevant information.