Corporate Governance Department  
Taiwan Stock Exchange Corporation  
9F, No.7, Sec.5, Xinyi Rd.  
Taipei City 11049, Taiwan (R.O.C.)

Submitted via email to: 1248@twse.com.tw

RE: Consultation Paper on the Revision of Stewardship Principles for Institutional Investors

Dear Sir/Madam,

BlackRock\(^1\) welcomes the opportunity to respond to the “Consultation Paper on the Revision of Stewardship Principles for Institutional Investors” ("Consultation Paper"), issued by the Taiwan Stock Exchange Corporation ("Exchange") on 2 March 2020.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs. We appreciate this opportunity to comment on the issues raised by this Consultation Paper, and we will continue to contribute in the discussion on the issues that may assist in the final outcome.

**Executive summary**

We welcome the Exchange’s efforts to raise the standards of stewardship activities for institutional investors investing in Taiwan. BlackRock supports the revision to the Principles to make explicit the importance of considering sustainability issues material to the long-term growth of and mid- to long-term value creation by companies, and for this to be integrated into investment management strategies.

BlackRock believes that enhanced stewardship practices, leveraging on each asset manager’s unique strengths and expertise, are a key component of companies’ ability to generate long-term shareholder returns. While we are supportive of the proposals generally, we would like to put forward two items to note in relation to the Stewardship Principles being proposed in this Consultation by the Exchange:

1. **Guideline 4-3 regarding collaborative engagement**

We agree that, under certain circumstances, it may be beneficial for shareholders to act collectively with other institutional investors or relevant advocacy organizations on material ESG considerations relevant to a company’s business to encourage change in practices at the investee company. BlackRock is a member of many organizations globally and participates in numerous public events, including some convened by the Exchange, to advocate a focus on long-term value by companies and investors.

\(^{1}\) BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.
However, we would like to highlight some potential regulatory implications of “acting in concert” regarding collective engagement in different jurisdictions. While engagements and voting decisions do not constitute “acting in concert” under Taiwan regulations, Taiwan companies that have listings abroad are subject to the relevant foreign market regulations. Thus, it is essential for institutional investors to be cognisant of, and adhere to, the regulatory requirements globally when collaborating with other investors.

2. Guidelines 4-4 and 4-5 regarding engagement strategy and outcome

These two new guidelines state that institutional investors should focus on having a positive impact through engagement and use engagement results to inform any subsequent course of action. While Guideline 4-4 appears to be directed primarily at active investors, Guideline 4-5 is directed explicitly to investors using index, or passive, strategies.

We recommend not to differentiate the Stewardship responsibilities of investors pursuing active and index or passive strategies. Engaging on governance issues that have a material impact on sustainable long-term financial performance is the fiduciary duty of all institutional investors regardless of investment strategy. It is equally important for active investors to carry out their fiduciary duty to vote and engage, as engagement outcomes may inform their future investment decisions. It is worth noting that index investors generally take a multi-year engagement approach, using voting together with engagements to prompt potential change at an investee company. It will often take some time for the outcomes of the engagement strategy to materialize. Irrespective of the investment time horizon, the Stewardship responsibilities of all institutional investors in a company are similar, which is to engage with the company to ensure it understands investors’ views on its practices and performance and exercise their voting rights responsibly.

Thank you once again for the opportunity to provide our views. We welcome further discussion on any of the points raised.

Yours faithfully,

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意見徵詢 Consultation

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意見係針對守則的哪個部分提出

Guideline 4-3

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Guideline 4-4

Guideline 4-5

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