

National Taiwan Normal University

投資管理要點

Investment Management Directives

Last Amended on April 30, 2020

- Article 1. National Taiwan Normal University (hereinafter referred to as “the University”) has formulated the *Investment Management Directives* (hereinafter referred to as “the *Directives*”) in accordance with Article 10 of the *National University Endowment Fund Establishment Act* (hereinafter referred to as “the *Act*”), Articles 13 to 15 of the *Regulations Governing the Management and Monitoring of National University Endowment Funds*, and the *NTNU Regulations Governing Income and Expenditure Management for the Self-Generated Income of the University Endowment Fund*.
- Article 2. In addition to short-term expenditure needs, funds may be invested, of which the methods, targets, and limits shall be as follows:
1. Article 10, Paragraph 1, Subparagraphs 1 and 2 of the *Act* stipulate that investments shall be limited to deposits in public and private financial institutions, government bonds (including conditional sales), treasury bills, or other short-term bills (including negotiable certificate of deposit, all-savers certificates, banker’s acceptances, and commercial paper).
 2. Investments in the following may be made if the amount is within limit and balanced between safety and profitability:
 - (1) Stocks on domestic or foreign exchanges or OTC markets
 - (2) Underwritten IPOs on domestic or foreign exchanges or OTC markets
 - (3) Corporate bonds on domestic or foreign exchanges or OTC markets
 - (4) Beneficiary certificates issued domestically or internationally in compliance with local regulations
 - (5) For futures, options, securities, and other financial derivatives on domestic or foreign exchanges, the limit in Paragraph 1, Subparagraph 2 shall be capped at NT\$500 million or 30% of the final net amount of cash, term deposits, and accounts receivable after current liabilities are deducted as listed in the financial statement for the most recent year. Upon completion of annual financial statement, the limit shall be recalculated and raised up to 40% (within NT\$500 million) based on the allocation status and with the approval of the University Endowment Fund Committee (hereinafter referred to as “the Committee”).
- Article 3. The following restrictions shall apply to investments as per Article 2, Paragraph 1, Subparagraph 2:
1. Stocks, corporate bonds, and convertible bonds on exchanges or OTC

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markets must be below 10% of the limit in Article 2, Paragraph 1.

2. Stocks, corporate bonds, and convertible bonds on exchanges or OTC markets are limited to 3% of average net income after taxes within the previous 3 years without any negatives.
3. Stocks on exchanges or OTC markets must be below 10% of outstanding shares (excluding treasury stocks).
4. Corporate and convertible bonds must be backed by guarantors with the minimum required credit ratings of the most recent year from agencies recognized by the Financial Supervisory Commission (hereinafter referred to as "FSC").
5. Beneficiary certificates issued by any securities investment trust enterprise must be below 10% of the limit in Article 2, Paragraph 1. The fund size must surpass NT\$500 million.
6. Futures, options, securities, or other financial derivatives must be below 10% of the limit in Article 2, Paragraph 1. Securities must be approved for public issuance, and the trustees and credit ratings must meet the minimum requirements of agencies recognized by the FSC.

Article 4. Minimum required credit ratings of agencies recognized by the FSC are as follows:

1. S&P Global Ratings—short-term 'A-3' or long-term 'BBB'
2. Moody's Investors Service—short-term 'P-3' or long-term 'Baa2'
3. Fitch Ratings—short-term 'F3' or long-term 'BBB'
4. Taiwan Ratings—short-term 'twA-3' or long-term 'twA-'
5. Fitch Ratings Taiwan—short-term 'F3 (tw)' or long-term 'A- (tw)'
6. Moody's Taiwan Corporation—short-term 'TW-3' or long-term 'A3.tw'

Article 5. Apart from specific purposes (from tuition and miscellaneous fees), the University may invest self-generated income in companies and enterprises involved in institutional affairs and research, which shall be subject to the limits in Article 2 and processed as per the preceding Article. Pursuant to Article 14 of the *Regulations Governing the Management and Monitoring of National University Endowment Funds*, the total limit in Article 2 and the preceding Paragraph must be below 50% of available funds and long-term investments.

Article 6. Stocks acquired free of charge through research findings, technology investments, and donations as well as subsequent dividends paid by the original issuers are not subject to the limits in Articles 2 and 3.

Pursuant to Article 267 of the *Company Act*, if issuers seek a cash capital increase, the University shall have preemptive rights to purchase new shares in proportion, with which the following rules shall apply:

1. Only issuers on exchanges or OTC markets may issue new shares through a cash capital increase.
2. The limits in Articles 2 and 3 shall apply to the scale of capital increase. Faculty and staff may not be appointed as chair, CEO, or other full-time managers of any company with the University's technology investments.

Article 7. The Investment Management Division shall be established under the Committee to execute activities in the *Directives*. Professional investment institutions may be authorized to handle affairs on behalf of the University as necessary.

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The head of the Division is responsible for coordinating authorized affairs in between meetings.

Article 8. Losses incurred as per Article 2, Paragraph 1, Subparagraph 2 must be below 10% of investment. If this amount is exceeded, proper measures shall be taken after assessment. Losses shall be offset with self-generated income from sources other than tuition and miscellaneous fees.

Article 9. Income statements as per Article 2, Paragraph 1, Subparagraph 2 shall be included in monthly and annual fiscal reports.

Article 10. Income as per the *Directives* shall be subject to the *Regulations Governing Income and Expenditure Management for the Self-Generated Income of the University Endowment Fund*.

Article 11. The *Directives* and any amendments thereto shall be implemented upon passage by the Committee.