T N SOONG Foundation

Parallel Report of the ROC's Third Report under the United Nations Convention against Corruption

April 2026

Foreword: The Foundation's Position, Methodology, and Reporting Framework

I. The Foundation's Position

The T N SOONG Foundation is a non-governmental professional foundation dedicated to promoting the development of accounting and auditing professions and financial integrity in Taiwan. It is named in honor of Mr. T N Soong, a pioneer of the modern accounting system in Taiwan. This report provides parallel analysis of the ROC's Third Report under the United Nations Convention against Corruption (UNCAC) from the perspective of a professional observer of accounting, auditing, and financial integrity.

II. Methodology of this Report

This report adopts a three-phase approach. First, it examines compliance with requirements set forth in each article of the UNCAC based on the legal framework, practical measures, and statistics contained in the national report. Second, it introduces representative comparative laws in each topic to help position Taiwan's current system relative to the spectrum of international laws. Third, it provides opinions and analysis on the data contained in the national report.

III. Soft Laws vs. Hard Laws: Structural Observations Throughout the Report

Anti-corruption governance in the private sector in Taiwan largely relies on soft law tools, such as "codes," "guidelines," and "reference examples," and not on hard law tools such as mandatory laws and regulations. This governance approach is not entirely without its advantages: soft law is flexible and allows companies to adjust their compliance measures according to their own size and industry characteristics. Soft law can also encourage companies to exceed the minimum legal standards and pursue best practices. For industries that primarily consist of small and medium enterprises (SMEs), soft law can reduce compliance costs.

However, a governance model mainly based on soft law would face challenges in terms of enforcement, accountability, and international ratings. Observations from a comparative perspective show that most major jurisdictions adopt a model with both "hard law and soft law to regulate different levels," in which hard law stipulates obligations while soft law provides flexibility in enforcement. The analysis of each topic in this report not only determines whether it is at the soft law or hard law level, but also makes recommendations within the feasible scope.

IV. Structure of this Report

This report is divided into six topics, each topic corresponds to a specific provision in the UNCAC, and is further divided into "current law" and "institutional recommendations." The topics include: Overall Assessment of Measures to Prevent Corruption in the Private Sector (Article 12), Internal Controls and Inspection of Unusual Transactions in the Private Sector (Article 12, Paragraph 2, Subparagraph f), Whistleblower Protection Systems (Article 33), Transparency of Beneficial Owners (Article 12, Paragraph 2, Subparagraph c), Anti-Corruption Commitment Verification Mechanism under ESG (Article 12, Paragraph 1), and Accounting Governance and Forensic Accounting for Non-Listed Companies (Article 12, Paragraph 2, Subparagraph f and Article 21).

Topic 1: Overall Assessment of Measures to Prevent Corruption in the Private Sector

Article 12, Paragraphs 1 and 2 of the UNCAC Private Sector

1.1 Current Status as Described in the National Report

The national report details a number of measures that Taiwan has taken to combat corruption in the private sector, including the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies jointly issued by the Taiwan Stock Exchange and the Taipei Exchange in 2010 according to the instructions of the Financial Supervisory Commission (FSC); the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies issued in 2002; the Corporate Governance Evaluation conducted since 2015 (which will be transformed into the ESG Evaluation in 2026); and numerous guidelines compiled by the Ministry of Economic Affairs, such as the Handbook of Business Principles of Integrity for Small and Medium Enterprise as well as The Course on Ethical Corporate Management.

According to the results of the 11th (2024) Corporate Governance Evaluation described in the national report, among the 1,749 listed companies, 1,042 have established dedicated (concurrent) ethical corporate management units, which report to the board of directors at least once a year; 1,245 have disclosed ethical corporate management policies approved by the board of directors and clearly defined specific practices and unethical conduct prevention plans; and 1,457 have disclosed the reporting system for illegal (including corruption) and unethical conduct by internal and external personnel on their company website. In addition, the Malpractices Investigation Division of the Investigation Bureau has held 1,371 corporate corruption investigation experience sharing sessions between 2020 and the end of 2025, with a total of 7,490 participating companies and 97,923 participants. The Agency Against Corruption (AAC) held a total of 312 major seminars and enterprise integrity forums (including foreign companies) on Debunking the Myth of Favoritism and Convenience between 2020 and 2024.

1.2 Dialogue with the National Report

The figure that "1,457 companies disclosed their whistleblower systems on their websites" in the national report is impressive, but this figure only reflects "the existence of the disclosure system," not "the actual operation of the whistleblower system." The national report does not examine in detail the actual number of complaints received each year, the handling results, and distribution of complaint types among these 1,457 companies. Therefore, the Foundation recommends that the government add the requirement to disclose data on "the operation of the whistleblower system" in the next evaluation, taking a step further from "whether the system is disclosed" to "whether operational data is disclosed."

1.3 The Foundation's Analysis: Limitations of a Soft Law-Dominated Architecture

From the perspective of the Foundation, among the many measures described above, core regulations such as the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Corporate Management Best Practice Principles are all soft laws at the "codes" level. Their legal nature is to "encourage companies to adopt them voluntarily" rather than to "make them mandatory according to law." Even if a company completely disregards relevant best practice principles, there are no direct legal consequences, and pressure can only be exerted indirectly through the Corporate Governance Evaluation. This governance model is significantly different from that of major jurisdictions. The following

section uses Section 7 of the UK's Bribery Act 2010 as an example to illustrate typical legislation on anti-corruption in the private sector around the world.

1.4 Observations from a Comparative Perspective: Section 7 of the UK Bribery Act 2010 Makes Failure of Commercial Organizations to Prevent Bribery an Offense

The UK enacted the Bribery Act in 2010, in which Section 7 makes the "failure of commercial organisations to prevent bribery" an offense. The section stipulates: A relevant commercial organisation is guilty of an offence under this section if an associated person bribes another person intending to obtain or retain business, and there is no limit on the amount of the fine. The term "relevant commercial organisation" means any commercial organization which is incorporated under the law of any part of the United Kingdom and which carries on a business (whether there or elsewhere). Section 7, Paragraph 2 provides the "adequate procedures defense": An organisation can be exempted from liability if it can prove, with a "balance of probabilities," that it has established "adequate procedures" to prevent bribery by associated persons - this reverses the burden of proof, placing it on the accused organisation.

However, Paragraph 2 of the section provides an "adequate procedures defense": Companies can be exempted from liability if they can prove that they have established "adequate procedures" to prevent bribery by associated persons. What are "adequate procedures?" In 2011, the UK Ministry of Justice published the Guidance with six principles: Proportionate Procedures, Top-Level Commitment, Risk Assessment, Due Diligence, Communication (including training), and Monitoring and Review. Companies should design compliance procedures that conform to these six principles based on their size and risks.

The key idea behind this legislative example is that hard law mandates that all commercial organizations bear the legal responsibility of preventing bribery at the "obligation level," while soft law (guidance) provides flexible guidance in terms of "enforcement methods." Based on the enforcement record of the Serious Fraud Office (SFO), Section 7 achieved significant results in making UK companies restructure their compliance systems on a large scale. The Glencore case (2022) was an important law enforcement case in recent years. Glencore Energy (UK) Ltd. was convicted under Section 7 and imposed a massive fine due to its associated persons engaging in bribery in several African countries. Observing Taiwan's legislation, "whether or not internal controls against corruption should be established" is encouraged at the soft law level. This framework means that even if companies do not establish any anti-corruption mechanisms, there are no direct legal consequences, which is structurally different from international trends.

The specific impact of the soft law framework in Taiwan can be observed from three empirical aspects. First, the lack of mandatory enforcement means that companies' anti-corruption commitments often remain at the level of "formal compliance"—for example, disclosing ethical corporate management policies in their annual reports, but not actually establishing effective internal audit mechanisms. The figure specified in the national report that 1,245 companies have disclosed their ethical corporate management policy may reflect this situation. Second, the current legal system lacks a direct and effective penalty mechanism for companies that violate codes. The decisions made by companies are only indirectly influenced by their ranking in the evaluations, which is in stark contrast to the UK's fines with no limit. Third, non-listed companies are almost entirely exempt from the aforementioned guidelines, creating a governance blind spot. This issue will be discussed further in Topic 7 of this report.

1.5 Transparency of Digital Governance and Anti-Corruption Aspect of the ESG Evaluation

The national report mentions that the Corporate Governance Evaluation will be transformed into the ESG Evaluation in 2026, and will be adjusted to three aspects: environmental (E), social (S), and governance (G). Indicators 4.2, 4.15, and 4.16 related to ethical corporate management were retained, and the items were changed to S-7, S-8, and S-9 in the ESG Evaluation. The Foundation believes that this transformation provides an important opportunity to incorporate the "verification of practices under anti-corruption commitments" into the evaluation framework. However, a careful examination of the current indicators reveals that they are still mainly formal indicators, such as "whether a dedicated unit for ethical corporate management has been established," "whether an ethical corporate management policy was established," and "whether a whistleblowing system was established," and have not yet entered the level of verifying "whether it has been effectively implemented."

In particular, in terms of digital governance, the extent to which companies fulfill their anti-corruption commitments, such as whether they have established digital whistleblowing channels, whether their internal audit processes are transparent and traceable, and whether they have adopted artificial intelligence (AI) or digital auditing tools, should be included as key evaluation items for the anti-corruption aspect of the ESG Evaluation. The 31st meeting of the Central Integrity Committee for the national report expressed its expectations for AI technology and digital auditing tools to be adopted in the future, in order to improve auditing efficiency and early warning capabilities. This policy direction deserves to be implemented in the ESG Evaluation.

1.6 The Foundation's Recommendations

The Foundation believes that the transformation to the ESG Evaluation is an important opportunity to strengthen anti-corruption governance in the private sector, and should not be merely changes to the item numbers of indicators. Instead, this should be an opportunity to deepen the evaluation of the anti-corruption aspect. Specifically, the FSC should add the qualitative indicator "actual implementation results of anti-corruption commitments" to the anti-corruption aspect of the ESG Evaluation. Current indicators are mostly static indicators, such as "whether an ethical corporate management unit was established" and "whether the ethical corporate management policy was disclosed." It is recommended to add dynamic and substantive indicators to the evaluation: Does the company submit its anti-corruption commitments in its ESG report to an anti-corruption committee or an equivalent institution for independent review? Does the company regularly hire external lawyers or accountants to review the extent to which they fulfill their anti-corruption commitments, including checking the reasonableness of invoice amounts and whether there are any abnormal changes in the terms of supplier contracts? This approach corresponds to the "Anti-Corruption Committee Review Mechanism" detailed in Topic 6 of this report.

Regarding the transparency of digital governance, it is recommended to include "the adoption of digital anti-corruption tools by companies" as an indicator in the ESG Evaluation. This indicator should cover whether the company has established a digital internal control and audit process, whether it uses AI or digital audit tools to improve audit efficiency and early warning capabilities, and the establishment and operation of digital whistleblowing channels. Taiwan has a solid foundation in fintech and digital governance. Incorporating digital governance transparency into anti-corruption evaluations not only aligns with international trends, but also leverages Taiwan's technological advantages to create an anti-corruption governance model with regional characteristics.

An even more fundamental issue is the core requirements of anti-corruption governance. The FSC should refer to the legislative experience of Section 7 of the UK's Bribery Act 2010

and explore different paths to hard law. However, the Foundation does not advocate a comprehensive transition to hard law all at once. The structure of Taiwan's industries primarily consists of SMEs, so this approach would put an excessively heavy burden of compliance and also does not conform to the principle of proportionality where soft law is applicable. A more feasible approach would be to implement it in stages: The first stage involves transforming the core anti-corruption obligations of "listed companies and financial institutions" from soft law to hard law, and establishing corresponding penalty mechanisms for violations. The second stage involves expanding the hard law to "government chartered businesses and non-listed companies reaching a certain size." The third stage involves the assessment of whether to expand to all commercial organizations. This gradual approach not only responds to international trends, but also takes into account the characteristics of local industries.

Finally, regarding the design of the "adequate procedures defense," even if new legislation is not possible in the short term, the FSC can clearly announce the "minimum standards for adequate anti-corruption procedures" through administrative guidance, providing a reference framework for listed companies to establish anti-corruption internal controls. This approach allows for the gradual introduction of the spirit of hard law into the existing framework of soft law.

Topic 2: Internal Controls, Audit Quality, and Inspection of Unusual Transactions in the Private Sector

Article 12, Paragraph 2, Subparagraph f of the UNCAC Ensuring that Private Enterprises have Sufficient Internal Auditing Controls to Assist in Preventing and Detecting Acts of Corruption

2.1 Current System

The national report details the legal framework for internal control in Taiwan's private sector, including Article 14-1 of the Securities and Exchange Act, which requires listed companies to establish internal control systems for finance and business, as well as supporting regulations, such as the Regulations Governing Establishment of Internal Control Systems by Public Companies. For violations of internal controls from 2020 to the end of September 2025, the FSC has imposed 47 fines on banks with a total amount of NT$396.01 million; 154 fines on securities firms with a total amount of NT$76.02 million; and 98 fines on insurance companies with a total amount of NT$182.6 million. The number of criminal cases each year involving false financial statements transferred by the Investigation Bureau from 2022 to 2025 were 3, 4, 4, and 2, respectively, involving a total of 98 suspects and total criminal proceeds of NT$3.77242 billion.

2.2 Dialogue with the National Report

The number of cases of false financial statements is only 3 to 4 per year according to the national report. At first glance, this seems to indicate that the quality of financial statements is good in Taiwan. However, this figure needs to be understood in conjunction with "investigative capabilities" and "case visibility." According to the 2024 Report to the Nations issued by the Association of Certified Fraud Examiners (ACFE), among the 1,921 fraud cases investigated, it took an average of 12 months to discover fraud, and only about 3% of the cases were first discovered by external auditors. In other words, the "hidden figures" of false financial statements may be far higher than the number of cases that have already been prosecuted.

2.3 The Foundation's Analysis: Internal Review Mechanism for Unusual Changes in Contract Terms

Observing practical cases, many major corporate corruption cases in Taiwan involve "unusual changes in contract terms." In the national report, the case of the SMT Technical Committee director of Hung-○ Company receiving kickbacks involved soliciting kickbacks from suppliers through middlemen, and then instructing subordinates to place orders with specific vendors. The case of Tai-○ Company's procurement personnel receiving kickbacks involved deliberately shortening the price quotation period, which caused certain vendors to raise their prices and the price difference was used as a kickback. The case of the head of the business department of Chung-○ Optoelectronics accepting kickbacks involved approving panel prices for Top Tronic Technology Co., Ltd. that were significantly lower than those for other customers at the time, in order to extract high kickbacks. These cases share the following characteristics: The contract amount, payment terms, or prices were significantly different from past transactions, but existing internal control mechanisms failed to effectively identify the abnormalities.

Using a common pattern in practice as an example, when the amount of a contract with a supplier suddenly increases from NT$1 million to NT$11 million, the extra NT$10 million may be used by the supplier as bribes for civil servants or internal company personnel, or may even lead to false financial statements. Establishing an inspection mechanism for the "reasonableness of invoice amounts" is crucial to preventing corporate corruption. However,

the design of current internal control systems mainly focuses on the compliance with processes, and the mechanisms for analyzing the reasonableness of transaction amounts and detecting abnormalities are still inadequate.

2.4 Observations from a Comparative Perspective: The Anti-Fraud Risk Assessment Component of the 2013 Framework of the US COSO

The Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the United States in 2013 has been widely adopted around the world, and serves as an important reference for the FSC in Taiwan when establishing regulations on internal controls. The framework is divided into 5 components with a total of 17 principles. Principle 8 of the Risk Assessment component explicitly requires organizations to "consider the potential for fraud in assessing risks to the achievement of objectives."

The COSO framework particular emphasizes that "fraud risk assessment" should be a core component of the internal control system. The organization shall: I. Identify potential types of fraud (including corruption, misuse of assets, and financial statement fraud). II. Assess the likelihood and impact of fraud. III. Analyze the opportunities, pressures, and rationalizations for fraud - the well-known "fraud triangle." IV. Design and implement control activities to address the risk of fraud.

In terms of actual implementation, anti-fraud control activities recommended by COSO include segregation of duties, authorization levels for transaction amounts, proactive detection of unusual transactions (such as data analysis techniques), mandatory disclosure of related-party transactions, and independent internal channels for reporting fraud. It is worth noting that the COSO framework explicitly requires organizations to address the particular risk of "management override of controls," because most major corporate fraud cases involve senior managers using their authority to override normal internal control procedures. While Taiwan's Regulations Governing Establishment of Internal Control Systems by Public Companies references the COSO framework, its specific requirements and methodology for "fraud risk assessment" still have room for improvement compared to US practices. In particular, most of the corruption cases of Taiwanese companies listed in the national report involved purchasing managers abusing their authority, which is exactly the risk of "management override of controls" that the COSO warned of.

2.5 Gap in Regulations on Gift-Giving and Hospitality in the Private Sector

Regarding gifts and hospitality given by the private sector, the public sector already has the Integrity and Ethics Directions for Civil Servants, which sets clear standards for public officials to accept gifts. For example, the "standard limit on normal courtesy gratuities" is that the market value is less than NT$3,000 and the total amount from a single source in a single year does not exceed NT$10,000. However, the private sector clearly has inadequate regulation in this regard. Although the national report mentions that the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies prohibits unreasonable gifts and hospitality (Article 10), this is at the soft law level, specifics limit on the amount, approval procedures, or record retention requirements have not been defined.

The importance of regulating gifts and hospitality in the private sector lies in the fact that it is often a precursor to commercial bribery. After receiving unusually high amounts of hospitality, it becomes a "personal favor" that is difficult to refuse, which then evolves into the transfer of benefits or preference during procurements. Without clear standards, employees will find it difficult to determine what constitutes "normal business dealings" and what constitutes

"precursors of bribery." Companies will also find it difficult to take punitive measures against employees who violate regulations.

2.6 The Foundation's Recommendations

The Foundation believes that the FSC should include the "internal review mechanism for unusual changes in the amount and terms of contracts with a supplier" as an audit item for financial examination. Current financial examinations of internal control systems mainly focus on whether the system exists and whether processes are comprehensive, but the system still has inadequate functionality for detecting unusual transactions. It is recommended that the FSC increase random checks during financial examinations to determine the trend of changes in corporate procurement contracts. Specific indicators include: The number of cases where the annual rate of change in the contract amount of a single supplier exceeds a certain threshold (e.g., 50%), the frequency of changes in payment terms (e.g., higher percentage of advanced payments and relaxed acceptance conditions), analysis of the reasonableness of related party transaction amounts, and whether sufficient price comparison procedures were completed for large procurement contracts exceeding a certain threshold (e.g., NT$100 million). The increase in such audit items will help companies establish more effective abnormality detection mechanisms and enable financial examinations to evolve from "audits of compliance with processes" to "audits of effectiveness."

Regarding the regulation of gifts and hospitality in the private sector, it is recommended that the FSC guide the Taiwan Stock Exchange and the Taipei Exchange to revise Article 10 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and require listed companies to establish clear standards for gifts and hospitality in the private sector. The standard should cover at least the following elements: The upper limit of the amount of gifts (which can be divided into two thresholds: "one-time" and "annual cumulative"), the level of authority required for approval when the threshold is exceeded (such as requiring approval from the chairman or Audit Committee when it exceeds a certain amount), different regulations for specific subjects (such as civil servants, customers' procurement personnel, suppliers' sales personnel, foreign public officials), record retention requirements (such as being recorded in the gift and hospitality register and retained for at least 5 years), and the internal penalty mechanism for violations.

Furthermore, the Foundation recommends incorporating internal anti-corruption audit mechanisms of companies into the review framework of the Anti-Corruption Committee in ESG reports. The specific design of this mechanism will be detailed in Topic 6 of this report. The FSC should also consider including this mechanism in the scope of financial examinations to ensure that it is implemented by companies. This three-level framework of "corporate self-discipline, external verification, and supervision by the competent authority" is necessary to advance internal controls from formal compliance to substantive effectiveness.

Finally, regarding the risk of "management override of controls" in the COSO framework, it is recommended to include the requirement to address this risk in the next amendment to the Regulations Governing Establishment of Internal Control Systems by Public Companies, and require listed companies to specify the control measures for such risks in their Statement of Internal Control. This revision will bring Taiwan's internal control standards closer to international best practices, and also responds to the actual patterns of corporate corruption cases described in the national report.

Topic 3: Analysis of Whistleblower Protection Systems

Article 33 of the UNCAC *Protection of Reporting Persons*

3.1 Current Legal Framework and its Implementation Process

The Public Interest Whistleblower Protection Act was passed by the Legislative Yuan on December 27th, 2024, and promulgated by the President on January 22nd, 2025, with all 21 articles taking effect on July 22nd, 2025. This law applies to whistleblowers across the public sector and provides the following protective measures: Protection at work (Article 8), reversal of the burden of proof (Article 8, Paragraphs 5 and 6 and Article 10, Paragraph 5), priority investigation for whistleblower defenses (Article 9, Paragraph 2 and Article 10, Paragraph 4), personal safety protection (Article 14), and confidentiality of identity (Article 15). Furthermore, Article 18 stipulates: "If an unlawful act is discovered as a result of a whistleblower's report, a reward shall be granted" and "the reward shall not be less than 10% of the total sum of fines, penalties, confiscated assets or property interests, levied payments, or property compensation imposed on the violator as a result of the whistleblower's report."

As of the end of 2025, a total of 57 competent authorities had organized a total of 3,493 awareness campaigns with 199,578 participants. In terms of implementation, the Ministry of Justice organized a total of 4 seed instructor training workshops (172 participants) for government employee ethics units in May and June 2025, and also organized 4 briefing sessions (963 participants) on the new law for regions nationwide in June and July 2025. This legislation is an important result of the response to Recommendation 21 of the Concluding Observations and Recommendations for the Second Report in 2022, which called for prioritizing legislation to protect public and private sector whistleblowers.

3.2 Empirical Support for the Value of ACFE Data in Whistleblower Protection

Regarding the importance of empirical data on whistleblower protection, the Foundation cites research data from the 2024 Report to the Nations published by the Association of Certified Fraud Examiners (ACFE). Based on an investigation of 1,921 cases of professional fraud, the study concluded that 43% of fraud cases are first discovered through "tips," which is more than three times the rate of the second-highest channel (internal audits, 14%). Only 3% of fraud cases are first detected by external auditors. More importantly, 52% of the tips were from employees, followed by customers (21%) and suppliers (11%).

In addition, the ACFE survey also showed that of the 1,921 fraud cases covered in the 2024 report, 71% of the victimized organizations had anonymous fraud reporting hotlines. The main sources of tips were e-mail (37%), online forms (40%), and telephone (30%), with online forms becoming the primary reporting channel for the first time in 2024. The ACFE further found that organizations that have established appropriate anti-fraud control mechanisms (including anonymous whistleblower hotlines, anti-fraud training, and external audits) on average suffered 50% lower fraud losses than organizations that have not established such mechanisms. The existence of such mechanisms correlating with this level of difference in the scale of losses shows that whistleblower protection is not only a matter of protecting individual rights, but also an important aspect of corporate governance and the effectiveness of national anti-corruption efforts.

Observing the current situation in Taiwan, insider whistleblowing is often the only channel for discovering corporate corruption crimes due to their covert and closed nature. If Taiwan continues to limit whistleblower protection to the public sector, more than 40% of private sector fraud cases may go undetected. This poses a serious challenge to the protection

of investors' rights, the soundness of the capital market, and the effectiveness of national anti-corruption efforts.

3.3 The Foundation's Analysis: Structural Problems of the Gap in Protection in the Private Sector

The Public Interest Whistleblower Protection Act is currently only applicable to the public sector (including government agencies, state-owned enterprises, government-funded foundations, and government-controlled organizations or institutions), and is not yet applicable to the private sector. The national report mentions that it will adhere to the legislative strategy of "separating public and private sectors, and parallel implementation of executive and legislative processes," and will provide administrative guidance to the private sector to independently establish internal whistleblowing protection systems. As of July 21st, 2025, this has been achieved by a considerable proportion of the total of 591 foundations (83.1% achieved), 16 state-owned enterprises (100% achieved), and 10 administrative legal entities (90.9% achieved) reaching the size specified in the law.

3.4 Observations from a Comparative Perspective: The Path to Private Sector Obligations in the 2022 Amendment to Japan's Whistleblower Protection Act

Japan's Whistleblower Protection Act was enacted in 2004. It originally focused on protecting whistleblowers after the fact and did not make it an obligation for companies to actively establish whistleblower channels. However, after years of implementation, a survey by the Consumer Affairs Agency showed that an insufficient number of companies had established internal whistleblowing systems, and the whistleblowing systems of some companies were ineffective. As a result, a major amendment was passed by the National Diet in June 2020 and took effect on June 1st, 2022.

The core of the 2022 amendment was: Companies with 301 or more employees are "obligated to establish a public interest reporting system" (Article 11, Paragraphs 1 and 2), including: I. Designating the person responsible for deployment of the contact channel for accepting internal public interest reports. II. Ensuring the independence of investigating and handling cases involving the head of an organization or other executives. III. Educating and informing workers and former employees. For companies that fail to fulfill their obligations, the Prime Minister may solicit, advise, guide, and warn companies that their name may be announced if they fail to comply, and impose a fine of no more than ¥200,000 for false reports.

It is worth noting that Japan announced a further amendment on June 11th, 2025 (expected to take effect in December 2026), and added criminal penalties for business owners who dismiss or punish whistleblowers, showing that Japan has continued to strengthen the legal protection for private sector whistleblowers. The path of legislation in stages from protection after the fact (2004), to the private sector's obligation to establish a system (2022), and further to increasing criminal penalties (2025) has provided an important reference for Taiwan. Key characteristics of the Japanese model include the fact that it does not include all private sector entities at once, but rather focuses on medium and large enterprises, setting a threshold of "301 employees or more," and that it forms a framework in which hard law and soft law coexist with "the obligation to establish a system" as the core (hard law) and guidance provided by the government (soft law).

3.5 Analysis of Whistleblower Reward Mechanisms

Article 18 of the Public Interest Whistleblower Protection Act stipulates that the reward shall not be less than 10% of the total sum of fines, penalties, confiscated assets or property

interests, levied payments, or property compensation imposed on the violator as a result of the whistleblower's report. The design of this mechanism referenced the whistleblower reward system (10%-30%) of the US's Dodd-Frank Act. The Foundation believes that this mechanism will incentivize whistleblowing in theory, but there are several points worth observing in practice.

First, is the 10% minimum sufficient? Since the US SEC's whistleblower reward program was implemented in 2011, more than US$2.2 billion in rewards has been distributed to 444 whistleblowers as of FY2024. The highest reward in a single case was US$279 million in May 2023, which is the highest record in the program's history. In FY2024, the SEC distributed over US$255 million in rewards to 47 individual whistleblowers and received a record 24,980 whistleblower reports. The experience of the US shows that the rewarded amounts required to truly motivate insiders to become whistleblowers often need to reach a considerable amount of money, because whistleblowers are risking their career and will need to bear litigation costs and psychological pressure. If the fine amount for the case itself is not high, the 10% reward might not be able to cover the costs of the risk being taken by the whistleblower. Second, there is the issue of when and if they are certain the reward will be paid. It often takes several years from the time of whistleblowing to the time the penalty is finalized, which is a challenge to the whistleblower's livelihood. The US system has an interim assistance mechanism, while Taiwan does not. Third, the scope of the reward mechanism is currently only applicable to whistleblowing in the public sector. If the scope is to be expanded to include whistleblowing in the private sector, the reward mechanism will also need to be expanded accordingly, and the difference in the amount of fines imposed in private sector cases and public sector cases will also need to be taken into consideration.

3.6 The Foundation's Recommendations

The Foundation recommends that the government should specify the timeline for expanding the applicability of the Public Interest Whistleblower Protection Act to include whistleblowers in the private sector. Given that the legislative process takes time, and considering Japan's experience with the amendment in 2022, it is recommended to implement the change in stages. In the first stage, priority should be given to the inclusion of listed companies, financial institutions, and government chartered businesses. These companies are involved in public interests, have the most urgent need for whistleblower protection, and also have the resources to fulfill their obligations to establish a system. It is recommended to use the threshold of "a certain number of employees" (such as referencing Japan's standard of 301 employees, or adjusting it to a level suitable for the size of companies in Taiwan) when requiring such companies to establish internal whistleblowing channels, designate responsible personnel, and conduct employee training.

The second stage involves establishing an administrative oversight and public disclosure mechanism for companies that violate their obligation to establish a system. Drawing on Japan's experience, the competent authority may solicit, guide, and advise on reports, and may publish the names of companies that fail to comply with the advice. The key to this mechanism lies in the "reputational penalty," which puts pressure on companies through market mechanisms using public information, rather than relying solely on administrative fines. The third stage involves assessing whether to further strengthen the measures (such as adding criminal penalties for employers who retaliate against whistleblowers) and expanding the scope to a wider range of businesses depending on the implementation status. Implementing changes in stages responds to the spirit of the convention while avoiding an excessive impact on SMEs.

Before the private sector is included in the protection by a special law, it is recommended that the FSC strengthen the substantive requirements set forth in the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies on the whistleblower system. Although Article 23 of the Best Practice Principles stipulates that companies should establish a whistleblowing system, it lacks clear minimum standards for the whistleblowing system, such as whether there is an independent unit for receiving reports, the procedures and standards for protecting the identity of whistleblowers, the independence of the investigation mechanism, and the measures for prohibiting retaliation. It is recommended that the FSC instruct the Taiwan Stock Exchange and the Taipei Exchange to set minimum requirements for the whistleblower system, and require listed companies to disclose statistics on the handling of whistleblower cases in their annual reports (such as the number of cases handled annually, classification of handling results, and the handling process of major whistleblower cases) to facilitate external supervision. In addition, companies should be encouraged to establish whistleblowing channels that are independent from management, such as entrusting independent external institutions to handle whistleblowing cases, in order to enhance the credibility of the whistleblowing system.

Topic 4: Transparency of Beneficial Owners

Article 12, Paragraph 2, Subparagraph c of the UNCAC *Promoting Transparency Among Private Entities*

4.1 Current System

According to the national report, Article 22-1 of the Company Act requires companies in Taiwan to disclose major shareholders holding more than 10% of outstanding shares or total capital, and to report it on the Company Transparency Platform. The platform was established by Taiwan Depository & Clearing Corporation. According to the national report, over 85% of companies nationwide have filed reports on the platform. Furthermore, an amendment to Article 43-1 of the Securities and Exchange Act was promulgated by the President on May 10th, 2023, and will take effect on May 10th, 2024. The amendment lowers the threshold for reporting and announcing large shareholdings from the current 10% to 5%. Any person (including his or her spouse, minor children, and shares held in the name of another person) who acquires more than 5% of the total outstanding shares of any publicly traded company, either individually or jointly with others, shall file a report and make a public announcement of his or her shareholding.

The Anti-Money Laundering Office, Executive Yuan conducted a commissioned research project in 2025 to study the latest amendments to FATF Recommendations 24 and 25 (transparency of legal entities and legal arrangements and beneficial ownership), in order to provide guidelines for subsequent relevant legal amendments and policy implementation. Furthermore, the Ministry of Digital Affairs (MODA) promulgated the amended Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises or Persons Providing Third-Party Payment Services on November 29th, 2024, explicitly requiring third-party payment service providers to identify and verify the identity of beneficial owners during the Customer Due Diligence (CDD) process.

4.2 The Foundation's Analysis

The current threshold for reporting in Taiwan is 10% under Article 22-1 of the Company Act, higher than the requirement for identifying beneficial owners in the latest FATF recommendations. In addition, the current system mainly covers "shareholders" and not "beneficial owners," and there may be discrepancies between the two in complex equity structures, such as through multi-layered equity structures, nominee shareholding arrangements, or offshore trust arrangements, the individual who actually controls the company might not directly hold more than 10% of the shares. Such structures are particularly common in international anti-corruption practices.

4.3 Observations from a Comparative Perspective: Centralized Registration System for Beneficial Owners Under the EU's 5th Anti-Money Laundering Directive (AMLD5)

In 2018, the European Union passed the 5th Anti-Money Laundering Directive (Directive (EU) 2018/843, AMLD5), requiring all member states to establish a centralized registration system for beneficial ownership by January 2020. This directive, building upon the 4th Anti-Money Laundering Directive (AMLD4), further requires: I. Member states to establish and maintain a central register of beneficial ownership for companies and other legal entities established within its territory. II. The information registered should at least include the name, month and year of birth, nationality, country of residence, and the nature and scope of the interests held or controlled by the beneficial owner. III. The competent authorities and financial

intelligence units (FIUs) should have unrestricted access to such information. Obliged entities should have access to such information to the extent necessary to fulfill their customer due diligence (CDD) obligations. IV. For companies and other legal entities, AMLD5 expands access to beneficial ownership information to any member of the general public, and no longer requires proof of a "legitimate interest." However, the provision for "providing the general public with full access" was subsequently declared invalid by the Court of Justice of the European Union (CJEU) on November 22nd, 2022.

An important innovation in AMLD5 is that it no longer limits the definition of "beneficial ownership" to "direct shareholding," and extends to the concept of "ultimate control." Specifically, any natural person who directly or indirectly holds more than 25% of the shares or voting rights, or who exercises ultimate control through other means, is a beneficial owner. If the ultimate controller cannot be identified, senior managers shall be registered as the actual beneficial owners. The ability to investigate money laundering crimes within the EU was significantly improved after the implementation of AMLD5. According to the 2024 report of the EU Anti-Money Laundering Authority (AMLA), the beneficial owner registration system enables financial institutions to significantly improve the efficiency of customer due diligence and allows law enforcement agencies to quickly identify proceeds of crime hidden behind complex structures. In contrast, the 10% threshold set forth in Article 22-1 of Taiwan's Company Act only covers "shareholders" and not "beneficial owners," and there is no central register in place, which falls short of the latest FATF and EU standards.

4.4 The Foundation's Recommendations

The Foundation recommends accelerating legislative or administrative measures for a central register system for beneficial ownership. Although the Company Transparency Platform has been established for the reporting of major shareholders in accordance with Article 22-1 of the Company Act, its scope only covers shareholders holding more than 10% of shares, and has limited ability to identify beneficial owners concealed through multi-layered structures or nominee shareholding arrangements. Drawing on the experience of the EU's AMLD5, it is recommended that future legislation or system adjustments at least cover the following elements.

First, lower the reporting threshold. It is recommended that the threshold for identifying beneficial owners be lowered to the same level as FATF recommendations and the EU's AMLD5 (25%), and that stricter thresholds (such as 10%) be adopted for high-risk industries (such as trust and corporate services, virtual assets). The approaches adopted by Singapore and Hong Kong can be referenced, and the thresholds could be designed based on the different levels of risk in each industry.

Second, establish a clear legal definition of "beneficiary owner." According to the current design of Article 22-1 of the Company Act, the reporting targets are "shareholders who hold more than 10% of the total number of outstanding shares or total capital," which is based on the shareholders on the register. For institutional shareholders, it does not require companies to trace back to the ultimate natural person beneficiary. Furthermore, this article does not include any provision for "nominee shareholding." This legislative history has resulted in a significant gap between Taiwan's corporate transparency system and the requirement of FATF Recommendation 24 to "trace back to the natural person who ultimately benefits from or controls the company." It is recommended that the next phase of amendments refer to FATF and EU standards to clearly define the beneficial owner as "a natural person who ultimately directly or indirectly owns or otherwise ultimately controls a legal person," and include a

supplementary provision that "if the ultimate controller cannot be identified, senior managers shall be registered as the actual beneficial owners."

Third, establish an effective verification and update mechanism. Even if the reporting rate reaches 85% or higher, the quality of the information on beneficial owners may still be questionable if there is no follow-up verification. The competent authority is recommended to establish a mechanism for "regular sampling inspections of reported information" and "supervision of change reports." For cases reported as abnormal or other non-compliant information (such as tax information or bank customer due diligence information), a substantive verification should be conducted. The design of this mechanism should reference the existing practice of "currently investigating companies with abnormal reports" mentioned in the national report, and should be further expanded in scale and depth.

Fourth, differentiated access mechanisms. Reference the layered design of the EU's AMLD5, "comprehensive and open" access channels should be provided to competent authorities and financial institutions. An application and access mechanism may be designed for the general public with a "legitimate interest," balancing transparency and privacy protection. Results of the research project commissioned by the Anti-Money Laundering Office in 2025 should be referenced in the implementation process, and the impact on SMEs and supporting measures should be assessed at the same time.

The importance of this reform is not only to respond to the FATF evaluation, but also to build a sound anti-corruption infrastructure. Transparency of beneficial ownership is the intersection of "anti-money laundering" and "anti-corruption." The proceeds of corruption are often concealed through complex corporate structures. If a company has insufficient transparency, it will be hard to effectively engage in international cooperation to recover proceeds of corruption.

Topic 5: Anti-Corruption Commitment Verification Mechanism and Anti-Corruption Committee under ESG

Article 12, Paragraph 1 of the UNCAC Each State Party Shall Take Measures to Prevent Corruption Involving the Private Sector

5.1 Awareness of the Problem: From "Commitment to Disclosure" to "Verification of Practices"

All listed companies in Taiwan are required to prepare sustainability reports (ESG reports) and disclose their anti-corruption policies and commitments in the reports. According to the national report, all listed companies have been preparing sustainability reports since 2023, and the Corporate Governance Evaluation will be transformed into the ESG Evaluation starting in 2026. Under this system, disclosing anti-corruption commitments has become a de facto obligation for listed companies.

However, the current mechanism for verifying these commitments is still inadequate. Companies claim in their sustainability reports that they have "zero tolerance for corruption," "all employees sign the ethical corporate management statement," and they "have established a whistleblowing system," but there is no independent organized process for verifying whether they have actually established effective anti-corruption mechanisms. This "gap between commitment and practice" is a common structural problem under the soft law governance model. The preparation of ESG reports is a requirement for information disclosure, but whether the disclosures are true and effective depends on the self-discipline of companies.

5.2 Observations from a Comparative Perspective: Guidelines for Anti-Corruption Compliance Procedures in the OECD's Guidelines for Multinational Enterprises on Responsible Business Conduct

The Organisation for Economic Co-operation and Development (OECD) updated the Guidelines for Multinational Enterprises on Responsible Business Conduct in June 2023, in which Chapter VII Combating Bribery, Bribe Solicitation and Extortion explicitly requires multinational enterprises to establish effective internal controls, ethical and compliance procedures to prevent and detect bribery.

The guidelines place particular emphasis on three aspects of implementation. First, "commitment at the highest level of governance." The company's board of directors or equivalent body should clearly express its commitment to anti-corruption and regularly monitor the effectiveness of compliance procedures. This is not a formal statement, but a requirement to regularly include anti-corruption issues on the board's agenda. Second, "regular risk assessment." Companies should regularly assess their corruption risks based on the nature of their business, geographical location, and transaction counterparties, and adjust their compliance measures based on the assessment results. Third, "independent compliance oversight." Large multinational corporations should appoint an independent Chief Compliance Officer or equivalent position, who reports directly to the board of directors or audit committee, and is not subordinate to business units.

Another important feature of the OECD guidelines is the introduction of the concept of "due diligence." Companies should also conduct anti-corruption due diligence on their "business relationships," such as supply chains, joint venture partners, and agents. This includes background checks, including anti-corruption clauses in contracts, and continuous monitoring. This concept extends anti-corruption compliance from "within the company" to "the company's ecosystem." Although OECD guidelines are soft law in nature, the National

Contact Points mechanism makes it possible to investigate, mediate, and publicly disclose violations by multinational corporations. This mechanism achieves "hard enforcement of soft law" in that the regulations are soft law, but there are corresponding mechanisms and consequences in their enforcement.

5.3 The Foundation's Recommendations: Establish an Anti-Corruption Committee Review Mechanism

The Foundation recommends that listed companies establish an Anti-Corruption Committee" or set up an "Anti-Corruption Review Task Force under their Audit Committee as an independent verification mechanism for anti-corruption commitments in their ESG reports. This mechanism references the spirit of OECD guidelines, and combines it with the design of Taiwan's current corporate governance framework. It should specifically include the following measures.

First, regarding the review of commitments, the Anti-Corruption Committee should periodically review the anti-corruption commitments in the company's ESG reports (including ethical corporate management policy, whistleblowing system, conflict of interest avoidance, supplier management, and standards for gifts and hospitality), and examine each item to see if the company has indeed fulfilled its commitments. This review should not become an assessment that is merely a formality, and should encompass specific verification procedures, such as sampling and verifying the reasonableness of the invoice amounts for major transactions, checking for any abnormal changes in the terms of contracts with suppliers, verifying if whistleblowing channels are functioning properly, and verifying whether the ethical corporate management statements signed by employees each year have been filed. The review findings should be compiled into a written report and submitted to the board of directors for review, and the review summary should be disclosed in the ESG report.

Second, regarding independent review, the Anti-Corruption Committee should have the right to hire external lawyers and accountants to conduct independent reviews of the company's anti-corruption practices. The involvement of external professionals can compensate for the limitations of internal self-review within a company, and make review results more credible. Specifically, external accountants may verify the reasonableness of the invoice amounts, the flow of funds, and the correctness of the accounting treatment for specific transactions. External lawyers can provide their professional opinion on the design of the company's anti-corruption system, procedures for handling whistleblower cases, and compliance. This external review should be conducted at a certain frequency, and the scope of the review should be determined by the Anti-Corruption Committee based on risk assessment results.

Third, regarding the handling of whistleblower reports, the Anti-Corruption Committee should serve as an independent body for handling internal whistleblower reports within the company, ensuring that whistleblower cases are handled fairly and without undue interference from management. The committee should establish standard procedures for accepting, investigating, handling, and reporting whistleblower cases, and regularly report statistics on the acceptance of whistleblower cases to the board of directors. Independence should be strengthened for whistleblower cases involving senior managers, such as directors and the president. The "Chief Compliance Officer directly reports to the board of directors" model recommended by OECD guidelines can be referenced to prevent senior managers from interfering in investigations involving themselves.

Fourth, regarding standards for gifts and hospitality in the private sector, the Anti-Corruption Committee should also be responsible for establishing and supervising the company's gift and hospitality policy. Companies should establish clear standards for gifts and

hospitality in the private sector, including upper limits on the amount, approval procedures, record retention requirements, and different standards for specific individuals (such as public officials, customers, suppliers, and foreign public officials). Compliance with such standards should be included in the periodic reviews by the Anti-Corruption Committee. A prior approval mechanism should be established for high-risk scenarios (such as gifts involving foreign public officials or hospitality with amounts significantly higher than normal business dealings).

Fifth, regarding supplier due diligence, after referencing the concept of anti-corruption due diligence for "commercial relationships" emphasized in the OECD guidelines, the Anti-Corruption Committee should supervise the company in establishing due diligence mechanisms for preventing corruption involving suppliers. Specifically, it includes background checks on new suppliers before establishing relationships (especially suppliers involved in public sector business), inclusion of anti-corruption and auditing clauses in contracts, regular risk assessments of existing suppliers, and proactive detection of unusual situations.

5.4 Alignment of System in Implementation

To ensure the implementation of the mechanisms above, the FSC should consider incorporating the establishment and operations of the Anti-Corruption Committee into ESG evaluation indicators, and include the effectiveness of the anti-corruption internal control mechanism as an audit item in financial examinations. Specific recommendations include: First, add "the establishment and operations of the anti-corruption committee" to ESG evaluation indicators on the basis of indicators S-7, S-8, and S-9 in the ESG Evaluation, and set different requirements based on company size (such as capital and number of employees); make the establishment of the committee mandatory for large listed companies, and encourage small and medium listed companies to establish the committee, providing extra points if they do. Second, make it a requirement to disclose operations of the Anti-Corruption Committee (such as the number of meetings each year, the frequency of external audits, and the handling of whistleblower reports) in the annual report. Third, the FSC should include the "effectiveness of the anti-corruption internal control mechanism" as a routine inspection item in its financial examinations, and not wait until after a major fraud case has occurred to conduct reviews.

A framework that combines corporate self-governance, external review, and oversight by the competent authority is necessary to transform anti-corruption commitments in ESG reports from "declarations on paper" into "implementation of systems." This design also echoes the spirit of "hard enforcement of soft law" in the OECD guidelines. The requirement to establish an anti-corruption committee may be at the soft law level (evaluation indicator), but once established, its operating procedures and the disclosure of external audit results have substantial binding force.

Topic 6: Accounting Governance and Forensic Accounting of Non-Listed Companies

Article 12, Paragraph 2, Subparagraph f and Article 21 of the UNCAC Private Sector Internal Audit Controls and Private Sector Bribery

6.1 Awareness of the Problem: Structural Gaps in Governance Coverage

The private sector internal control and audit framework described in the national report mainly covers listed companies and financial institutions. However, Taiwan has a large number of non-listed SMEs, but their accounting issues have not received sufficient attention in the current anti-corruption framework. According to Article 20, Paragraph 5 of the Company Act, non-listed companies that meet certain criteria will be imposed a fine if their financial statements are not audited and certified by an accountant in accordance with the law. In addition, the Ministry of Economic Affairs requests a certain number of companies to submit financial statements every year in accordance with Article 20, Paragraph 4 of the Company Act, and imposes fines on companies that fail to submit their financial statements.

6.2 Dialogue with the National Report

The national report only touched briefly on the accounting governance of non-listed companies. Therefore, it is worth exploring the number of non-listed companies in Taiwan and the percentage of all companies they account for, the number and amount of fines imposed on these companies each year for violating Article 20 of the Company Act, the channels that fraud cases of these companies are discovered through, and whether there is any systematic data showing the current status of anti-corruption governance in these companies.

According to statistics from the Ministry of Economic Affairs, there are over 700,000 registered companies in Taiwan, of which approximately 1,700 are listed companies; they represent only a very small percentage of the total number of companies. The vast majority of business activities are conducted by non-listed SMEs, and there are significant gaps in the current framework for the anti-corruption governance of these companies, especially those involved in public sector procurement, government subsidies, and government chartered businesses. From a practical perspective, there are many forms of corruption cases involving non-listed companies: collusion with public officials in bid rigging, falsification of bid documents, fraudulently claiming government subsidies, false tax declarations, bribery of employees of business partners, etc. These cases are often discovered through individual investigations rather than through systemic oversight.

6.3 The Foundation's Analysis: Introduction of CFE Investigation and Forensic Accounting

Traditional auditing methods are often insufficient to detect fraud and corruption from the accounts of non-listed companies. The objective of financial statement audits is to obtain reasonable assurance of the fair presentation of financial statements. Its procedures are not primarily designed to detect fraud. While the International Standard on Auditing 240 (ISA 240) requires accountants to consider the risk of fraud, it also explicitly acknowledges the "inherent limitations" of audits in detecting fraud.

Investigations by Certified Fraud Examiners (CFE) and forensic accounting methods provide more targeted tools. Forensic accounting differs from general auditing in that it utilizes accounting, auditing, legal, and investigative techniques to conduct in-depth investigations into specific suspected fraud. CFE credentials are professional certifications awarded by the ACFE,

and cover four major areas: fraud prevention and detection, financial transactions and fraud schemes, law, and investigative techniques.

6.4 Observations from a Comparative Perspective: The Practical Application of the US CFE System and Forensic Accounting in Private Sector Anti-Corruption Efforts

The CFE system originated in the US. The certification was established by ACFE in 1988. Currently, there are more than 90,000 certified individuals worldwide, distributed across more than 140 countries. In US practices, CFEs play a crucial role in private sector anti-corruption efforts. Their typical work scenarios include: I. Internal investigations: When a company receives a report from an employee or discovers unusual signs, it may commission a CFE to conduct an independent investigation. The report can serve as the basis for subsequent actions by the company (such as dismissal, prosecution, or civil claims). II. Expert witnesses in court: CFEs may appear in court as expert witnesses in civil and criminal cases involving fraud, providing testimony on the findings of their investigation and their professional opinions. III. Cooperation with law enforcement: The findings of investigations by CFEs can serve as important leads and supplementary evidence for law enforcement agencies such as the FBI, SEC, and DOJ when investigating corporate fraud.

The specific methodologies of forensic accounting in combating corruption in the private sector include: Follow the money: reconstructing the flow of illicit funds through bank records, accounting vouchers, and analysis of related-party transactions; Benford's law analysis: examination of whether the distribution of financial data conforms to natural laws to identify possible manipulation; abnormal ratio analysis: comparisons of financial ratios with peers and across periods to identify abnormal changes; and internal control deficiency analysis: systematic examination of the relationship between internal control deficiencies and opportunities for fraud.

In terms of legal status, the role of CFEs in US judicial practices is mainly realized through the "expert witness" system. Courts review the qualifications of experts, methodology, and credibility of evidence in accordance with Rule 702 of the Federal Rules of Evidence and the Daubert standard. Due to their professional training and background, CFEs are usually recognized by the courts as qualified fraud investigation experts. Furthermore, if a company fails to engage a professional to investigate a major fraud incident, it may be deemed to have failed to fulfill its duty of care as a prudent manager in subsequent shareholder derivative suits or investigations into the liability of directors and supervisors. This legal environment makes CFEs more than just a professional occupation, but also an integral part of corporate governance.

Forensic accounting can play a key role in the following scenarios. When verifying the reasonableness of the invoice amounts for specific transactions, forensic accountants can use professional analysis techniques to determine whether the transaction amounts involve inflated costs or a higher margin for kickbacks. For example, potential corruption can be effectively identified by comparing market prices of similar transactions, analyzing trends in historical transactions, and tracking the final destination of funds. When tracking unusual cash flows, especially those involving specific suppliers or related parties, forensic accountants can uncover hidden channels for transferring benefits through cash flow analysis. When examining whether changes to contract terms are reasonable, such as a sudden and significant increase in the contract amount of a supplier or a significant change in payment terms, a CFE's investigation can determine whether such changes are commercially reasonable or may involve illegal purposes. In practice, the results of such investigations can serve as part of the evidence

presented by investigators and prosecutors, and assist judicial authorities in establishing the facts of a crime. In many of the corporate corruption cases described in the national report, if abnormalities were detected in advance through forensic accounting or CFE investigations, there might have been an opportunity to prevent further increase in damages.

6.5 The Foundation's Recommendations

The Foundation recommends institutionalizing forensic accounting and CFE investigation mechanisms from three aspects.

Regarding the governance of SMEs, it is recommended that the Ministry of Economic Affairs include the guidelines for establishing a "basic internal audit mechanism" in the Handbook of Business Principles of Integrity for Small and Medium Enterprise for promotion, so as to guide SMEs to establish a system for regularly auditing the invoices and contract terms of major transactions. Even smaller companies should have the basic abilities to detect abnormalities. For example, by establishing a "pre-approval mechanism for major transactions" (such as requiring a specific level of authority to approve single transactions exceeding 1% of the company's capital), a "supplier rotation mechanism" (to prevent a single supplier from monopolizing a specific business for a long period of time), and "principles for division of duties" (procurement personnel, acceptance personnel, and payment personnel may not be the same person). These mechanisms do not require a high level of expertise to establish and are feasible for SMEs. For non-listed companies that have reached a certain size (such as having more than 100 employees or an annual revenue reaching a certain amount), it is recommended that the Ministry of Economic Affairs encourage the companies to establish a more complete anti-corruption internal control system based on the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Regarding the cultivation of professional talent, it is recommended that the FSC look into incorporating relevant guidelines on forensic accounting and CFE investigations into the continuing education system for accountants or internal auditors. Current continuing education for accountants and internal auditors primarily focuses on updates to auditing and accounting standards, while training on fraud investigation techniques is relatively insufficient. Incorporating forensic accounting methodologies and practical skills into continuing education courses will help enhance the ability of professionals to recognize signs of corruption during audits. The curriculum for CFE certification of the ACFE in the US may be referenced to provide a direction for designing advanced training courses aligned with Taiwan's legal environment. CPA Associations and the Institute of Internal Auditors should be encouraged to implement professional certifications. Talent cultivation should be regarded as the foundation for Taiwan to establish mature forensic accounting practices.

Regarding cooperation with the judiciary, the Foundation recommends encouraging companies to commission professionals with CFE qualifications or forensic accountants to conduct investigations when they discover potential corruption. The results of these investigations can serve as supporting evidence for reporting to prosecutors. This mechanism can strengthen cooperation between the private sector and the judiciary, making the detection and prosecution of corruption more efficient. At the institutional level, it is recommended that the Judicial Yuan and the Ministry of Justice determine the "status of forensic accounting reports in the law of evidence": What type of evidence (documentary evidence, expert opinion, or supporting materials) can such reports serve as in criminal proceedings? Under what conditions are they allowed to be used? Clarifying these procedural issues will make the application of forensic accounting in Taiwan's judicial practice more stable. Drawing on the experience of the US from developing the CFE system, the transformation of forensic

accounting from an "internal investigation tool in the private sector" to "evidence considered in the judicial process" requires long-term interaction among legal professionals, accounting professionals, and judicial practitioners.

Conclusions and Policy Path

I. Overall Analysis

From the perspective of the T N SOONG Foundation as a professional observer, this report provides analysis and recommendations for anti-corruption in the private sector, whistleblower protection, transparency of beneficial ownership, ESG anti-corruption verification, and accounting governance of non-listed companies in Taiwan's Third Report under the UNCAC.

Overall, Taiwan has established a fairly complete legal framework for combating corruption in the private sector, an achievement that cannot be denied. Since the Act to Implement United Nations Convention against Corruption was promulgated in 2015, Taiwan has made concrete progress in preventive measures (such as the Corporate Governance Evaluation and enterprise integrity awareness campaigns) and whistleblower protection (such as the enactment of the Public Interest Whistleblower Protection Act in July 2025). The inclusion of "anti-corruption" in bilateral trade negotiations for the first batch of agreements under the Taiwan-U.S. Initiative on 21st-Century Trade also shows that Taiwan's efforts in combating corruption have been recognized by the international community. However, from the perspective of full compliance with the UNCAC, the following structural challenges still remain.

II. Structural Challenges

First, there is an imbalance between soft law and hard law. The core regulations governing anti-corruption in Taiwan's private sector are mostly in the form of best practice principles, such as the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies as well as the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and companies that fail to comply do not face direct legal consequences. This stands in stark contrast to the legislation of Section 7 of the UK's Bribery Act 2010, and also causes Taiwan's anti-corruption governance in the private sector to be questioned during international evaluations.

Second, there is a gap between formal compliance and substantive implementation. There lacks an independent verification mechanism for the anti-corruption commitments in ESG reports. The further disclosures are needed for actual operations of figures provided in the national report, such as "1,457 companies disclosed their whistleblower system." The gap between commitment and practice needs to be narrowed.

Third, there are structural gaps in governance coverage. Stronger protections are needed for whistleblowers in non-listed companies (which account for the vast majority of companies in Taiwan) and the private sector. The legal framework for transparency of beneficial ownership falls short of FATF and EU standards in terms of reporting thresholds, definitions of concepts, and central register.

III. Policy Path Recommendations

Based on the analysis above, the Foundation recommends that the International Review Committee consider the following policy path recommendations.

Matters that can be implemented in the short term: (A) Amend the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies to strengthen substantive requirements on the whistleblower system and to establish clear standards for gifts

and hospitality in the private sector. (B) Add "actual implementation results of anti-corruption commitments" as a qualitative indicator in the ESG Evaluation.

Matters that can be implemented in the medium term: (A) Expand the applicability of the Public Interest Whistleblower Protection Act to listed companies and financial institutions in stages (referencing Japan's amendment in 2022). (B) Carry out legislation for a central register of beneficial owners, and lower the reporting threshold to be consistent with FATF and EU standards. (C) Assess the feasibility of transitioning from soft law to hard law for the core anti-corruption obligations of listed companies and financial institutions (referencing the model of Section 7 of the UK's Bribery Act 2010). (D) Establish an institutional framework for forensic accounting and CFE investigations, and incorporate relevant content into the continuing education system for accountants and internal auditors.

In terms of long-term structural reforms: (A) Establish a comprehensive anti-corruption committee review mechanism and incorporate it as a necessary component of the governance of listed companies. (B) Assess the expansion of anti-corruption compliance obligations to non-listed companies reaching a certain size. (C) Conduct legislative research based on the role of forensic accounting reports in the law of evidence, and strengthen the cooperation framework between the private sector and the judiciary.

IV. Conclusion

The Foundation looks forward to the recommendations made by the international review committee for the issues above to help Taiwan further strengthen anti-corruption governance in the private sector. Taiwan has already achieved considerable success in combating corruption in the public sector. If it can also make improvements in the governance of the private sector, especially in the transition from soft law to hard law in stages, the ESG anti-corruption verification mechanism, the extension of whistleblower protection to the private sector, and increasing the transparency of beneficial ownership, then Taiwan will be able to more fully respond to the requirements of the UNCAC, and can better safeguard the international competitiveness of Taiwanese enterprises and the integrity of the investment environment.

The objective of the UNCAC is not limited to formal compliance, but also to substantively build a clean governance environment. This objective is at the core of all the recommendations in this report, whether they involve drawing on comparative law, engaging in dialogue with figures in the national report, or proposing institutional recommendations. The purpose of this report is for Taiwan to seize the opportunity of this international review and transform the observations and recommendations of the international community into concrete policy actions, so as to bring Taiwan's anti-corruption governance to a new stage.