

Bureau of Labor Funds, Ministry of Labor

Investment Policy Statement of Labor Funds

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CONTENTS

PREFACE	1
I. PURPOSE.....	1
II. ANNUAL REVIEW	2
INVESTMENT GUIDELINES.....	3
I. PURPOSE AND OBJECTIVE	3
II. BELIEFS.....	3
(I) Long-term Investment	3
(II) Manage and assume reasonable risk.....	3
(III) Effective monitoring and management	4
(IV) Clear investment objectives and target returns	4
(V) Asset allocation is a decisive factor for risk and return	4
(VI) Reasonable management and operation cost.....	4
III. INVESTMENT DECISION PROCEDURE.....	5
(I) Establish investment policies and regulations	5
(II) Draft annual investment plan.....	5
(III) Compose investment plans	5
IV. ASSET ALLOCATION POLICIES.....	5
(I) Set up target proportions and ranges	5
(II) Assess multi-faceted factors.....	6
(III) Implement asset allocation policies and plans.....	6
(IV) Risk tolerance levels of the Funds	6
V. RISK MANAGEMENT.....	7
(I) Risk management is not risk elimination.....	7
(II) Establish management mechanisms and procedures by risk sources.....	7
(III) Set up risk limits and budgets.....	8
(IV) Stress tests.....	8
(V) Establish procedures for ultra vires transactions	8
(VI) Establish regulations for derivatives.....	8
(VII) Establish comprehensive risk awareness and control	9
VI. INVESTMENT EXECUTION POLICIES	9
(I) Counterparties and intermediaries selection policies required.....	9
(II) Sustainable development be considered.....	9
(III) Best execution as trading principle	9

(IV) Assessable and reasonable benchmark	10
(V) Independent institution for investment and custodian service	10
(VI) Regulations for security lending to deliver certain income.....	10
(VII) Regulations for management of investment managers and custodians.....	10
(VIII) Regulations and criteria for external consultants selection and evaluation ..	10
(IX) Regulations to process ultra vires transactions.....	11
(X) Regulations for portfolio accounting and assets appraisal to be followed	11
VII.SUSTAINABLE INVESTMENT POLICIES	11
VIII.INFORMATION DISCLOSURE	13
IX. ETHICS	13
(I) Code of ethics for internal staff	13
(II) Code of ethics for investment managers and their staff	13
X. ASSETS AND BENCHMARK	13
(I) Domestic deposit.....	14
(II) Domestic debt security	14
(III) Domestic equity security.....	15
(IV) Domestic alternative investment	15
(V) Overseas debt security.....	16
(VI) Overseas equity security	16
(VII) Overseas alternative investment	16
INVESTMENT POLICIES	18
I. LABOR PENSION FUND	18
(I) Introduction	18
(II) Mission and objectives	18
(III) Mid- and long-term return target.....	19
(IV) Strategies	19
II. LABOR RETIREMENT FUND	19
(I) Introduction	19
(II) Mission and objectives	20
(III) Mid- and long-term return target.....	20
(IV) Strategies	20
III. LABOR INSURANCE FUND	21
(I) Introduction	21
(II) Mission and objectives	22
(III) Mid- and long-term return target.....	22
(IV) Strategies	22

IV. ARREAR WAGE PAYMENT FUND 23
 (I) Introduction 23
 (II) Mission and objectives 24
 (III) Mid- and long-term return target..... 24
 (IV) Strategies 24

V. EMPLOYMENT INSURANCE FUND..... 25
 (I) Introduction 25
 (II) Mission and objectives 25
 (III) Mid- and long-term return target..... 25
 (IV) Strategies 26

VI. LABOR OCCUPATIONAL ACCIDENT INSURANCE FUND..... 26
 (I) Introduction 26
 (II) Mission and objectives 27
 (III) Mid- and long-term return target..... 27
 (IV) Strategies 27

PREFACE

The Labor Funds, consisting of the Labor Pension Fund, the Labor Retirement Fund, the Labor Insurance Fund, the Employment Insurance Fund, the Arrear Wage Payment Fund, and the Labor Occupational Accident Insurance Fund, are superintended by the Ministry of Labor (MOL). To achieve synergy and investment efficiency, the MOL restructures and authorizes the Bureau of Labor Funds (BLF) to manage various affairs, including the Funds' investment policies, asset allocation, annual asset utilization plan, investment execution, mandate management, risk management, audit, and control. BLF will also draft regulations related to these matters, while Labor Retirement Fund has commissioned Bank of Taiwan to handle its in-house investment.

BLF institutes 5 Divisions and 4 administrative offices for operations, and an Investment Strategy Task Force, in charge of significant investment matters to collect different opinions for best solution; and a Risk Management Task Force to identify solutions for major risk control items and assessing effectiveness of each solution at all times.

I.PURPOSE

This Investment Policy Statement (IPS) is drafted to define the mission, asset allocation, investment guideline, investment objective, and risk management. The IPS serves as guideline for investment process and all related matters, including regulations, rules, notices, and internal policies, aiming to announce the Funds' investment philosophy, to establish performance assessment and risk management. The core belief is that Funds with different investments and risk tolerance should set up guidelines and restrictions to fine-tune the process. This would provide reasonable, consistent, and comprehensive investment process and guideline that can be

implemented with sustainability.

Investment practices shall follow basic principles described in the IPS and relevant regulations. It is expected that the investment can achieve the goals by affirming purposes and beliefs, instituting basic policies, establishing regulatory principles, external regulations, and internal rules.

II.ANNUAL REVIEW

The IPS covers basic investment principles and shall be reviewed annually. Should modification required due to adjustment of the investment purpose and beliefs, market fluctuation over a mid-to-long-term time horizon, significant variation to cash flow pattern, it shall submit written proposal to MOL for approval.

INVESTMENT GUILDLINES

I.PURPOSE AND OBJECTIVE

To protect beneficiaries' interests, achieve sustainable operations, and adhere to relevant regulations through short- and mid-to-long-term planning.

II.BELIEFS

To achieve investment objectives and goals, BLF shall prudently invest with following beliefs when the market is full of uncertainties:

(I)Long-term Investment

- 1.Effects on far-future-generation beneficiaries' interests shall be considered.
- 2.Maintaining the soundness and sustainability of the Funds is an objective.
- 3.Reducing impacts from short-term fluctuations through diversifying investment.
- 4.Integrating Sustainable Investment (SI) in fund utilization.

(II)Manage and assume reasonable risk

- 1.Consider multi-faceted risks and institute relevant policies, regulations, management, and control rules to manage risks.
- 2.Establish applicable restrictions or regulations for assets of different risks and Funds of different risk-tolerant levels.
- 3.Utilize strategies, techniques, and proper collaboration of both active and passive investment to enhance long-term value of the Funds.
- 4.Political-economic situation, and demand-supply uncertainties of natural resources shall be considered so the shift of the market trends will not lead to excessive impact on portfolio return in the long-term.

(III) Effective monitoring and management

1. Implementing effective monitoring and management to secure the long-term rights and interests of BLF, fund beneficiaries, invested entities, investment managers, and custodians.
2. Adopting sustainable and effective performance measurement and risk control.
3. Setting up protocols to conduct due diligence, risk management and staff management of investment managers, plus keeping the protocols consistent.

(IV) Clear investment objectives and target returns

1. Setting up mid-to-long-term performance reference targets annually.
2. Considering equilibrium between returns and risks.
3. Adopting clear reference benchmarks to measure investment managers' performance for Funds' long-term interests.

(V) Asset allocation is a decisive factor for risk and return

1. Relations between risk factors and returns shall be considered. Investment shall be diversified.
2. Attributes, cash flow patterns, and capital scales of the Funds shall be considered to enhance returns.
3. Long-term allocations shall be reassessed when significant investment factor affecting portfolio risk and return occurs.

(VI) Reasonable management and operation cost

1. Relations between risk premiums and operation costs shall be considered.
2. Appropriate incentives to encourage investment managers shall be provided to enhance long-term performance of the Funds.
3. Scale of investment shall be appropriately leveraged to increase return,

reduce cost, and simplify operations.

III.INVESTMENT DECISION PROCEDURE

(I)Establish investment policies and regulations

Investment policies and regulations shall be enacted and modified when there are significant changes to investment strategies, beliefs, and organization.

(II)Draft annual investment plan

Annual asset allocation and investment plans of the Funds shall be drafted and modified accordingly and timely prior to the beginning of each year. The plans shall be discussed in the Investment Strategy Task Force and submitted to the Labor Funds Committee for ratification.

(III)Compose investment plans

Besides liquid asset and special purpose loans, investment plans of every asset should be reviewed individually based on their characteristics and submit to Investment Strategy Task Force for approval. For fully fiduciary discretionary investments, managers shall invest according to their proposal and research. Investment managers shall also follow their investment process in place.

IV.ASSET ALLOCATION POLICIES

(I)Set up target proportions and ranges

- 1.Target proportions and ranges of assets shall be determined based on characteristics, positions, attributes, and regulations of the Funds.
- 2.Restrictions based on risk tolerance of assets bearing higher market risk shall be established.

(II) Assess multi-faceted factors

1. Outlooks and forecast of long-term capital markets, equity market, fixed income markets, and macroeconomic situations shall be considered during asset allocation process.
2. Costs, expected returns, volatilities, and correlations shall be considered.
3. The Funds' attributes, net cash flow statuses, and risk tolerance levels shall be considered.

(III) Implement asset allocation policies and plans

1. Market conditions of various investments shall be considered to avoid positions exceeding the ranges set up in standing allocation policies and plans. When unusual market condition occurs, the Fund should consider transaction cost and liquidity before timely reverting to allocation ranges.
2. Central and ranges of Funds' allocations of assets shall be treated as foundations and buffers. Rebalance strategies shall also be considered.

(IV) Risk tolerance levels of the Funds

Risk tolerance levels of the Funds, which are determined based on cash flow statuses and attributes, shall be considered. Risk budgets shall be set up and controlled.

1. Net cash flow of a certain time frame should be considered. The net cash flow over net Fund assets ratio can define the development stage of the Fund. If the ratio is far greater than zero, then the fund is at growing stage. If close to zero, then the fund is at mature stage. If far less than zero, then the fund is at declining stage. During the growing stage, the Fund may assume higher market and liquidity risks. During

mature stage, the Fund may assume medium risk; while declining stage, the lower risk.

2. Funds' attributes shall be considered when determining risk tolerance levels. When establishing annual plans, relative risk cap should be proposed to provide the Funds sufficient allowance to achieve target returns while not over-assuming risks.

V. RISK MANAGEMENT

The Risk Management Division of BLF is designed to monitor risks effectively and to establish control mechanisms. Risk Management Task Force was set up to propose solutions for major risk control items and monitor the effectiveness of these solutions. The main objective of fund level risk management is to reach a consensus among divisions in BLF. By establishing risk management mechanisms, investments into innovative tools can be fostered while sustainable growth of the Funds can be achieved. All divisions can make decisions based on proper risk management information to strike a balance between risks and returns. Risk management policies of BLF are deployed with following principles or methodologies while incorporating information systems into the process. Relevant internal rules and regulations shall be updated to ensure smooth operation of risk management systems. Fundamental policies are as follows:

(I) Risk management is not risk elimination

Return is the outcome of assuming risk. Instead of eliminating risks, the purpose of risk management is to seek equilibrium between risks and returns, and to ensure that extra risks assumed can translate into commensurate extra returns.

(II) Establish management mechanisms and procedures by risk sources

Risks of pricing, interest rate, exchange rate, credit, liquidity,

counterparty, concentration, operation, legal, and climate change aspects shall be considered. Limitations and documentations shall be established based on relevant regulations. Information systems shall be utilized to generate VaR reports regularly and to adopt appropriate risk control and establish risk management mechanism.

(III) Set up risk limits and budgets

The Funds shall have sufficient flexibility to achieve target returns without over-assuming risks. Designated indexes and analyses of economy and financial markets can be utilized to estimate returns and future trends. Through computation and simulation capacities of informational systems, optimal asset allocations and risk budgets can be determined. Risk exposure statuses shall be reported periodically in the meetings.

(IV) Stress tests

Risk Management Division shall conduct stress tests based on major economic or financial events periodically to assess the Funds' current exposure and risk tolerance in extreme market condition as reference for asset utilization and investment management.

(V) Establish procedures for ultra vires transactions

When ultra vires transaction occurs, subsequent actions shall be adopted in accordance with relevant regulations and investment management guideline, including issuing notice, confirming ultra vires transaction, processing the incident, and reporting the case.

(VI) Establish regulations for derivatives

When investing derivatives, investment divisions should abide to

the principles of safety, liquidity, profitability, and risk management. The total contract value of the derivatives positions for hedging purposes shall not exceed that of underlying assets. For non-hedging purposes, the positions shall not increase the Fund's overall leverage.

(VII) Establish comprehensive risk awareness and control

Risk management is a task for all as every element of investment processes involves risks. The Risk Management Task Force and Risk Management Division shall establish fundamental principles and regulations and help other divisions building risk awareness, establishing investment processes, internal control mechanisms, and relevant risk management regulations to keep the risk management structure intact.

VI. INVESTMENT EXECUTION POLICIES

(I) Counterparties and intermediaries selection policies required

Selection of counterparties of corporations or financial institutions that can directly or indirectly provide financial products; and intermediaries, e.g., brokers and traders, shall follow related policies including criteria like credit ratings and capital adequacy ratios.

(II) Sustainable development be considered

Investment should consider sustainable development. More details will be covered in a later paragraph.

(III) Best execution as trading principle

Fees, taxes, basket/scattered trading cost, and trading efficiency shall be considered to achieve best execution.

(IV) Assessable and reasonable benchmark

All investment should have either market price available in public market, or from third-party appraisal, or from in-house appraisal. Investments with appropriate benchmarks to measure their performances.

(V) Independent institution for investment and custodian service

Custody of assets by in-house investment team or fully fiduciary discretionary investment managers shall be administered by qualified independent institutions.

(VI) Regulations for security lending to deliver certain income

Security lending shall be regulated. For domestic securities, regulations established by TWSE (Taiwan Stock Exchange) and GTSM (GreTai Security Market) shall be followed. For overseas securities, relevant regulations regarding qualifications for intermediary and forms and maintenance ratio of collaterals shall be documented in contracts while intermediaries shall provide reporting regularly on lending revenues, quantities, market values, margin ratios, and expenses.

(VII) Regulations for management of investment managers and custodians

BLF may designate fully fiduciary discretionary investment within the limits set in the annual plans. Selection and evaluation of investment managers or custodians shall be public. Regulations should be established to review their management regularly.

(VIII) Regulations and criteria for external consultants selection and evaluation

Criteria for selection of investment and legal consultants shall be established. Commissioned investment consultant shall provide

recommendation detailing prospect or existing investment managers' staff and their investment processes in accordance with the contract. Commissioned legal consultant shall provide legal recommendations or opinion statements in accordance with the contract.

(IX) Regulations to process ultra vires transactions

In principle, ultra vires transactions caused due to market fluctuations shall be properly mended within a given timeframe. When an extension is warranted or when the situation cannot be mended, a written consent issued by authorized managers is required. In principle, ultra vires transactions caused due to negligence shall be mended immediately. A complete report detailing improvement and prevention measures shall be submitted. When an extension is warranted, a written consent issued by authorized managers is required.

(X) Regulations for portfolio accounting and assets appraisal to be followed

The Funds' assets appraisal shall follow government accounting regulations and Enterprise Accounting Standards, and shall be updated regularly based on the asset types.

VII.SUSTAINABLE INVESTMENT POLICIES

Sustainable Investment (SI) refers to investment that may be beneficial for return as well as the whole society, environment, and economy when aspects of society, labor rights and interests, human rights, and environment are considered within the investment processes. Under the prerequisite of portfolio return, we hereby set up SI policy and started adopting relevant strategies progressively, based on the development of SI. By doing so, labor rights can be promoted while corporations will be encouraged to implement sustainable development, thus attaining a win-win situation.

Domestic investments shall consider sustainable development regarding the environment, society, corporate governance, and information disclosure. Besides, investable and representative indices shall be adopted as benchmarks for fully fiduciary discretionary investments. Also, BLF requires entrusted investment institutions to incorporate sustainable development into their Request Proposal as a selection reference. Without undermining the Fund's rights and interests, BLF will not invest or increase investment in corporations that commit severe violations of sustainable development.

When a domestic investee has major social concerns involving labor rights, environmental protection, corporate governance, etc., BLF will take shareholder actions via dialogue, correspondence/ attendance of shareholder general meetings, or exercise of voting rights to draw the corporate's attention to related issues, track investees' sustainable development strategies. In addition, BLF would initiate communications and engagement with domestic corporates in due course. If a proposal in a shareholders meeting undermines governance, significantly impacts the company's financial stability and business development, or damages interests of shareholders, BLF will not support the proposal after case evaluations. BLF will also disclose relevant information about sustainable investment on the website, while periodically disclosing Stewardship Principles execution status and voting information, as well as investment percentages in companies that meet related sustainable standards.

For overseas investments, BLF holistically considers strategies and profit prospects as well as sustainable management, while continuing to integrate and deploy theme investments covering environmental protection, social responsibility, corporate governance, etc. For fully fiduciary discretionary investments, BLF forbids investment managers from investing in funds that violate sustainable development. During the process of investment manager selection, BLF reviews and tracks their resource committed to sustainability

and how sustainability is integrated into their investment process.

VIII. INFORMATION DISCLOSURE

Given that utilization of Funds concerns labor rights, relevant information shall be made public. BLF follows Legislative Yuan's resolution of December 14, 2012, which was issued after consultation among political parties during general budget deliberation. The resolution dictates that public pension and insurance funds shall disclose information including sizes, performances, assets associations, and performance tabulations of in-house and fully fiduciary discretionary investments of domestic and overseas markets.

IX. ETHICS

(I) Code of ethics for internal staff

Regulations on conflict of interest regulations shall be established to control investment processes by staff including but not limited to banning insider trading, canvassing or lobbying, hospitality, and entertainment.

(II) Code of ethics for investment managers and their staff

Investment managers and their staff shall observe ethics regulations issued by competent authorities, professional associations, and their own companies. Liabilities shall be assumed by investment managers when violations of codes of ethics result in detriment of the Funds' interests.

X. ASSETS AND BENCHMARK

Assets shall be classified based on sufficient distinctions in aspects including but not limited to return, risk, correlation, size, and liquidity.

Benchmarks shall be determined to serve as long-term objectives of investment, and to help investment professionals generate optimal results for the beneficiaries while following relevant beliefs and policies. Benchmarks shall be investible, measurable, representative, and clear. And evaluation standard shall be calculated based on the average data over number of years. Definitions and reference benchmarks of assets are as follows:

(I) Domestic deposit

1. Definition: New Taiwan Dollar (TWD) deposit savings in local banks.
2. Benchmark: One year large-amount average deposit interest rate from large banks.

(II) Domestic debt security

1. Definition: TWD-denominated debt securities including:
 - (1) Short-term commercial paper.
 - (2) Money market fund.
 - (3) Bond: Including government bonds, financial institution bonds, corporate bonds, other bonds, and their lending transactions and derivatives.
2. Benchmarks:
 - (1) Short-term commercial paper: average interest rate of 30-day domestic commercial paper.
 - (2) Money market fund: average interest rate of 30-day domestic commercial paper.
 - (3) Bond:
 - ① Government bond: Yield of 10-year domestic government bonds.
 - ② Financial institution bond: Yield of 7-year A-credit-rating financial institution bonds.
 - ③ Corporate bond: Yield of 5-year A-credit-rating corporate bonds.
 - ④ Other bond: Appropriate benchmark(s).

(III) Domestic equity security

1. Definition: TWD-denominated securities with traits of directly or indirectly possessing shareholders equity, including their lending transactions and derivatives.
2. Benchmarks: In-house positions adopt capitalization-weighted stock price Index/ total return index compiled by major domestic stock exchanges or other appropriate indices as benchmark(s), while mandated positions take the same index or other appropriate benchmark(s) detailed in the contracts.

(IV) Domestic alternative investment

1. Definition: TWD-denominated investments that are not deposit, debt security, or equity security.
 - (1) Property and land: Including domestic real estate, infrastructure, real estate trust investment, property trust beneficiary certificates, and other securitized products and derivatives.
 - (2) Loan: Including loan for government or government-owned enterprises and loan for the qualified insured.
 - (3) Others: other domestic investments that are not in the aforementioned categories.
2. Benchmarks:
 - (1) Property and land: Reasonable return rate of real estate for insurers regulated by Financial Supervisory Commission or other appropriate benchmark(s).
 - (2) Loan:
 - ① Loan for government or government-owned enterprises: Long-term funding rate determined by National Development Council or other appropriate benchmark(s).

- ② Loan for the qualified insured: Average deposit rate of Labor Insurance Fund plus processing fee of commissioned bank.
- (3) Others: Appropriate benchmark(s) based on actual conditions.

(V) Overseas debt security

1. Definition: Non-TWD-denominated securities with traits of debt, foreign currencies deposits, including their lending transactions and derivatives.
2. Benchmarks: Major global bond index or other appropriate indices, such as Bloomberg Global Aggregate Index.

(VI) Overseas equity security

1. Definition: Non-TWD-denominated securities with traits of directly or indirectly possessing shareholders equity, including their lending transactions and derivatives.
2. Benchmarks: Major global index or other appropriate indices, such as MSCI AC World Index.

(VII) Overseas alternative investment

1. Definition: Non-TWD-denominated investments that are not deposit, debt security, or equity security.
 - (1) Property and land: Including overseas real estates, infrastructures, real estate trust investments, property trust beneficiary certificates, and other securitized products and derivatives.
 - (2) Commodity: Including overseas precious metals, energy resources, natural resources, and securitized products and derivatives.
 - (3) Others: other foreign investments that are not in the aforementioned categories.
2. Benchmarks: Major global Index or other appropriate indices, such as

FTSE EPRA/NAREIT Index, Dow Jones Brookfield Global
Infrastructure Index.

INVESTMENT POLICIES

The Labor Funds consist of the Labor Pension Fund, the Labor Retirement Fund, the Labor Insurance Fund, the Arrear Wage Payment Fund, the Employment Insurance Fund, and the Labor Occupational Accident Insurance Fund. Based on a fund's attributes and cash flow pattern, risk tolerance levels can be divided into five segments: high, medium-high, medium, medium-low, and low. Investment targets and strategic limitations are set according to risk tolerance levels and liquidity requirements.

I.LABOR PENSION FUND

(I)Introduction

ROC government enacted Labor Pension Act on July 1, 2005, to protect workers' livelihood after retirement and strengthen the relations between workers and employers. The pension adopts portable pension scheme under definite contribution arrangement. Balances of the insured's pension accounts are pooled into the Labor Pension Fund (new scheme).

The payment of this fund is handled by Bureau of Labor Insurance while BLF handles investment based on Labor Pension Act, Regulations for Labor Pension Act on the Labor Pension Fund Management / Utilization and Profit / Loss Allocation, and Utilization Directions for the Labor Funds.

(II)Mission and objectives

The Fund follows a defined contribution arrangement. Compared with defined benefit funds, it has lighter asset-liability and cash flow matching pressure, has higher risk tolerance, and can withstand lower liquidity. The mission and objectives are:

- 1.Fundamental mission: Perform fiduciary duties with prudence to increase maximal long-term economic benefit for the insured.
- 2.Risk tolerance target: Pursuing maximum return under tolerable medium-high risks.
- 3.Liquidity target: Maintaining sufficient medium-low liquidity for payment needs.

(III)Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year-average real return rate exceeding statutory guaranteed return rate plus annual growth rate of consumer price index of corresponding period.

(IV)Strategies

Following the abovementioned asset allocation and risk management policies, specific investment strategies for the Fund are:

- 1.Asset allocation: Diversification of investments and risks is a principle for asset allocation. The Fund shall construct an efficient portfolio in accordance with factors including but not limited to global economy situation, market outlook, investment target, and cash flow status.
- 2.In-house and fully fiduciary discretionary investments: Investments can be executed by in-house teams and fully fiduciary discretionary investment managers. Domestic and overseas equity investments are mainly conducted by investment managers.
- 3.Active and passive investment: Investments shall partake in both active and passive terms.

II.LABOR RETIREMENT FUND

(I)Introduction

The Labor Standards Act took effect on August 1, 1984, initiated the

Labor Retire System (old scheme), which is designed as a definite benefit pension, mandates employers to appropriate pension reserves on a monthly basis. The Fund was then established by pooling the reserve accounts' balance.

The payment of this fund is handled by Bank of Taiwan while BLF and Bank of Taiwan handle investment based on Labor Standards Act, Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and Utilization Directions for the Labor Funds.

(II) Mission and objectives

The Fund is in mature stage. Insurance premium revenue is expected to dwindle as the insured population shrink. It can tolerate medium-low risk. The mission and objectives are:

1. Fundamental mission: Perform fiduciary duties with prudence to ensure maximal long-term economic benefit for the insured.
2. Risk tolerance target: Pursuing maximum return under tolerable medium-low risks.
3. Liquidity target: Maintaining sufficient medium liquidity for payment needs.

(III) Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year-average real return rate exceeding statutory guaranteed return rate plus annual growth rate of consumer price index of corresponding period. The Fund's size shall also be considered.

(IV) Strategies

Following the abovementioned asset allocation and risk management policies, specific investment strategies for the Fund are:

- 1.Asset allocation: Balancing cash flows and diversification of investments and risks is a principle for asset allocation. The Fund shall construct an efficient portfolio in accordance with factors including but not limited to global economy situation, market outlook, investment target, and cash flow status.
- 2.In-house and fully fiduciary discretionary investments: Investments can be executed by in-house teams and fully fiduciary discretionary investment managers. Overseas equity investments are mainly conducted by investment managers.
- 3.Active and passive investment: Investments shall partake in both active and passive terms.

III.LABOR INSURANCE FUND

(I)Introduction

Labor Insurance was introduced in 1950 as the first social insurance institution of ROC. The Insurance has been providing benefits for including maternity, injury or sickness, disability, old-age, and death. The old-age benefit was designed following a definite benefit arrangement. To complete Labor Insurance's coverage, the government introduced annuity scheme on January 1, 2009, providing monthly payment for old-age, disability, and death benefits, effectively shifting the payment approach from lump-sum only to allow option of lump-sum or annuity payments. The change significantly affects cash flow pattern and investment policies.

The payment of this fund is handled by Bureau of Labor Insurance while BLF handles investment based on Labor Insurance Act, Regulations Governing the Management and Utilization of the Labor Insurance Fund, and Utilization Directions for the Labor Funds.

(II) Mission and objectives

The Fund was previously in mature stage. As eligible people for old-age payments increased, the Fund's size was expected to dwindle. As annuity scheme took effect, cash outflow started to slow down, caused the Fund to go back to growth stage for a short period of time. Yet as more people reached retirement, balance of the Fund started to decrease, driving risk tolerance level down. Given the government assumes final responsibilities of payment and has provided a continuing appropriation, the Fund shall still assume medium level of risks to maintain its long-term sustainability. The mission and objectives are:

1. Fundamental mission: Perform fiduciary duties with prudence to ensure maximal long-term economic benefit for the insured and mitigate the pressure of increasing insurance premium, safeguard current and retirement income of the insured.
2. Risk tolerance target: Pursuing maximum return under tolerable medium risks.
3. Liquidity target: Maintaining sufficient medium liquidity for payment needs.

(III) Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year-average real return rate exceeding Bank of Taiwan's 2-year deposit rate plus annual growth rate of consumer price index of corresponding period. The Fund's size and average return assumption of actuarial reports shall also be considered.

(IV) Strategies

Following the abovementioned asset allocation and risk management policies, specific investment strategies for the Fund are:

1. Asset allocation: Diversification of investments and risks is a principle for

asset allocation. The Fund shall construct an efficient portfolio in accordance with factors including but not limited to global economy situation, market outlook, investment target, cash flow status, the Fund's investment objectives and cash flow status, and financial wellbeing of the beneficiaries.

2. In-house and fully fiduciary discretionary investments: Investments can be executed by in-house teams and fully fiduciary discretionary investment managers. Domestic equity investments are mainly conducted by investment managers.

3. Active and passive investment: Investments shall partake in both active and passive terms to meet mid- and long-term investment goal.

IV. ARREAR WAGE PAYMENT FUND

(I) Introduction

Arrear wage payment scheme is stipulated in Article 28 of the Labor Standards Act. Employers are required to pay a calculated amount to the Arrear Wage Payment Fund monthly in accordance with the total wages insured and the statutory rate. When an employer has suspended or liquidated its business or has declared bankruptcy, or has accumulated unsettled wages for over 6 months, according to Article 28 paragraph 2 of the Labor Standards Act, wages, pensions, and severance pays owed by employers and remained unsettled after concerned workers have filed their requests shall be paid first from the Arrear Wage Payment Fund.

The payment of this fund is handled by Bureau of Labor Insurance while BLF handles investment based on Regulations for the Management, Repayment, Collection and Allocation of the Arrear Wage Debts and Utilization Directions for the Labor Funds.

(II) Mission and objectives

The Fund is supplementary in nature. To sufficiently prepare for potential payments, the Fund can only tolerate medium-low risk albeit being in growth stage. The mission and objectives are:

1. Fundamental mission: Perform fiduciary duties with prudence to ensure maximal long-term economic benefit for sufficient preparation.
2. Risk tolerance target: Pursuing maximum return under tolerable medium-low risks.
3. Liquidity target: Maintaining sufficient medium-high liquidity for payment needs.

(III) Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year-average real return rate exceeding corresponding average return rate of annual investment plans.

(IV) Strategies

Following the abovementioned asset allocation and risk management policies, specific investment strategies for the Fund are:

1. Asset allocation: Principle of asset allocation is engaging in domestic investment.
2. In-house and fully fiduciary discretionary investments: Investments shall be executed by in-house teams.
3. Active and passive investment: Mid- and long-term investments shall be actively managed.

V.EMPLOYMENT INSURANCE FUND

(I)Introduction

According to Employment Insurance Act implemented on January 1, 2003, benefits include unemployment benefits, early reemployment incentives, vocational training living allowance, National Health Insurance premium subsidies, parental leave allowance, etc.

The payment of this fund is handled by Bureau of Labor Insurance while BLF handles investment based on Employment Insurance Act and Utilization Directions for the Labor Funds.

(II)Mission and objectives

To sufficiently prepare for payments needed during surges of unemployment due to abrupt economy crisis or recession, the Fund can only tolerate low risk. The mission and objectives are:

- 1.Fundamental mission: Perform fiduciary duties with prudence to ensure maximal long-term economic benefit for potential needs of the unemployed.
- 2.Risk tolerance target: Pursuing maximum return under tolerable low risks.
- 3.Liquidity target: Maintaining sufficient medium-high liquidity for payment needs.

(III)Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year-average real return rate exceeding corresponding average return rate of annual investment plans. Concurrent comparable average investment returns and average return rate assumption of actuarial reports shall serve as the lower bound of planned return.

(IV) Strategies

Following the abovementioned asset allocation and risk management policies, specific investment strategies for the Fund are:

1. Asset allocation: Asset allocation will be primarily placed in deposits and debt securities.
2. In-house and fully fiduciary discretionary investments: Investments shall be executed by in-house teams to maintain medium- to high-liquidity.
3. Active and passive investment: Mid- and Long-term investments shall be actively managed.

VI. LABOR OCCUPATIONAL ACCIDENT INSURANCE FUND

(I) Introduction

To enhance the protection the workers suffering from occupational accidents and their families, the Labor Occupational Accident Insurance and Protection Act came into effect on May 1, 2022. The Act is a special law enacted to integrate occupational accident insurance under the Labor Insurance Act with the relevant regulations in the Act for Protecting Workers of Occupational Accidents. The Act expands the scope of enrollment by requiring all employees be enrolled. The government assumes responsibility of payment of benefits once occupational accidents occur. In addition to enhance the protection of the lives of the insured who suffer from occupational accidents and their families by significantly raising insurance benefits, the institution enables employers to effectively share the responsibilities of compensation for occupational accidents by shedding minute income.

The payment of this fund is handled by Bureau of Labor Insurance while BLF handles investment based on Labor Occupational Accident Insurance Act and Utilization Directions for the Labor Funds.

(II) Mission and objectives

The Fund is established to protect the lives of the insured that suffer from occupational accidents and their families, strengthen the prevention of occupational accidents and rehabilitation of workers following occupational accidents and promote social security. The Fund's mission and objectives are:

1. Fundamental mission: sufficiently prepare for the needs and rights of the insured who suffer from occupational accidents and their families by exercising the due care of good administrators, upholding prudential principles, and raising long-term performance of the Fund by focusing on a mid-to-long-term time horizon.
2. Risk tolerance target: Pursuing maximum return under endurable low risk.
3. Liquidity target: Maintaining sufficient medium-high liquidity for the payments of respective years.

(III) Mid- and long-term return target

The mid- and long-term return target of the Fund is set at 5-year moving average return exceeding those of the corresponding average-return-rate of annual investment plans.

(IV) Strategies

Following the abovementioned guiding policies of asset allocation and risk management, specific investment strategies for the Fund are as follows:

1. Asset allocation: Focus on domestic investment of deposits and debt securities as a principle.
2. In-house and fully fiduciary discretionary investments: Investments are executed by in-house teams.
3. Active and passive investment: Investments shall be actively managed.