

Bureau of Labor Funds 2016 Social Responsibility Report

2014-2015

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Report Summary

The Bureau of Labor Funds (the Bureau) is committed to performing social responsibility in addition to steadily making profits. For years we have continued to care for laborers' rights, fulfill our supervisory duties, and advocate corporate social responsibility. We hope that the publication of the Social Responsibility Report will enhance our communication with the stakeholders and the general public, and that those who are interested in the Bureau can learn about our philosophy and efforts in performing social responsibility, enhancing laborers' welfare and dignity at work. We expect ourselves to play a leading role in driving the social responsibility awareness of Taiwan's companies and organizations.

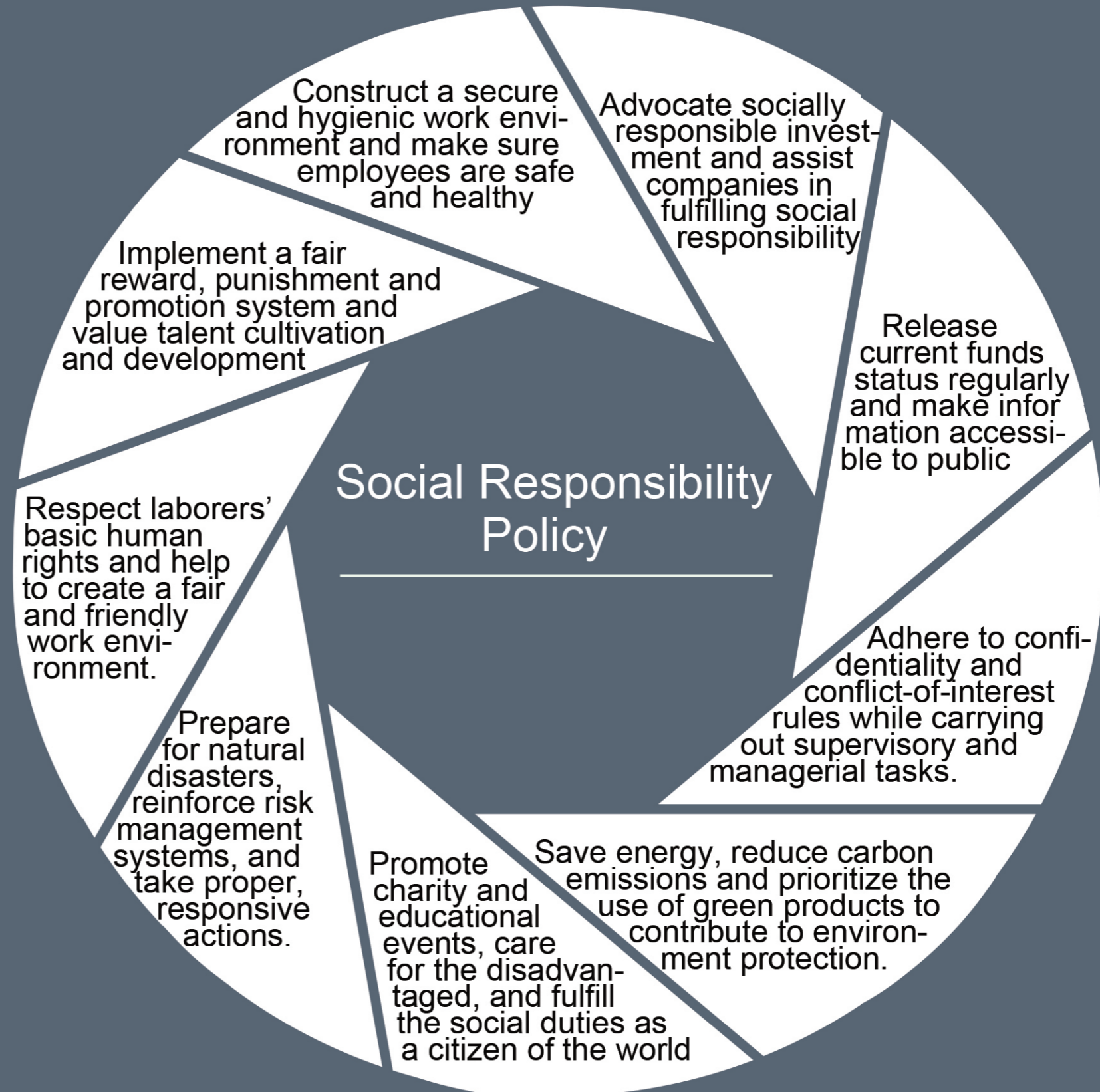
Scope

This report discloses the management philosophy of the Bureau of Labor Funds regarding all aspects, including investment, society, and environment, in 2014 and 2015 (February 17, 2014 ~ December 31, 2015), as well as the execution results in various areas of social responsibility. The Bureau was founded on February 17, 2014, and is entrusted to manage the investment and utilization of all funds under the Ministry of Labor. The information and statistics in the report have all been calculated internally, and all related data are based on these calculations, using NTD as the unit. Utilization status of the funds, overall investment strategy and policy, and budget and financial statements are all presented in the Bureau's annual report, investment policy statement, budget proposals, and financial statements, which are also publicly disclosed on the Bureau's website, and therefore are not included in the scope of this report.

Report Composition

The composition and structure of this report adhere to Version G4 of Global Reporting Initiatives (GRI) and G4 Financial Services Sector Supplement, following the core options as disclosure standards, and includes the GR Guidelines Core Options List. This report is the first of its kind released by the Bureau. The report is disclosed in its entirety on the Bureau's website for the general public to download.

Social Responsibility Policy



Director General's Preface

This is the first time the Bureau publishes Social Responsibility Report, which has profound significance. It has been two years since the founding of the Bureau on February 17, 2014. During this time, we have seen events like Greece's debt crisis, conflict between Russia and Ukraine, anticipation of increase in U.S. interest rates, global economic recession, sharp drop in prices of raw materials and goods, and frequent fluctuations in stock and bond markets; in addition to generating long-term steady returns for the funds through diversified asset allocation, the Bureau also has proactively performed its social responsibilities and fulfilled its commitments to labors, environment, society, and stakeholders.

The Bureau has also adhered to the principles of "Safety, Transparency, Efficiency, and Steadiness" and diversified the utilization of the funds, actively integrating and utilizing the funds to enhance investment strategy. When the predecessor of the Bureau, "Labor Pension Fund Supervisory Committee," was founded in July 2007, regulations stipulated that the Committee perform corporate social responsibility by exerting its influences on the capital market, while also ensuring profitability of the funds. After the Bureau was established, the scope and policy of socially responsible investment were expanded to include all Labor Funds and National Pension Insurance Fund. In recent years, the Bureau has actively adopted corporate social responsibility indices, and taken salary raise and the allocation of preparatory fund of the old pension system into investment considerations. The Bureau also practices shareholder activism, asking corporations to meet the quota of employing people with disabilities. The Bureau hopes to facilitate proper treatment of employees and sharing of profits with employees, and enhance the long-term.

As the Bureau generates long-term returns for the funds, it

has also been recognized for its efforts in enhancing professional capability, improving organization efficiency, and innovation. The Bureau's excellence was recognized by AsianInvestor magazine on October 30, 2015, with the Institutional Excellence Award, which highlighted that the Bureau had performed exceedingly well in the integration of Labor Funds, diversification of investments, and increased use of alternative investments, and that the Bureau's advances in index investing made it a pioneer in the Asia-Pacific region. The Bureau also proactively manages and controls risks and implements risk-based internal control system, and has been recognized by the Executive Yuan as a Grade A public agency with excellent overall performance.

Looking ahead, the Bureau will strive for greater achievements, improve labor benefits, focus on employee rights and development, realize environmental protection, and pursue sustainable development; the Bureau will cooperate with all colleagues to jointly promote ideal social environment and facilitate friendly workplace, making the world a better place.



Organizational Governance

LET'S
**SAVE THE
WORLD**
TOGETHER

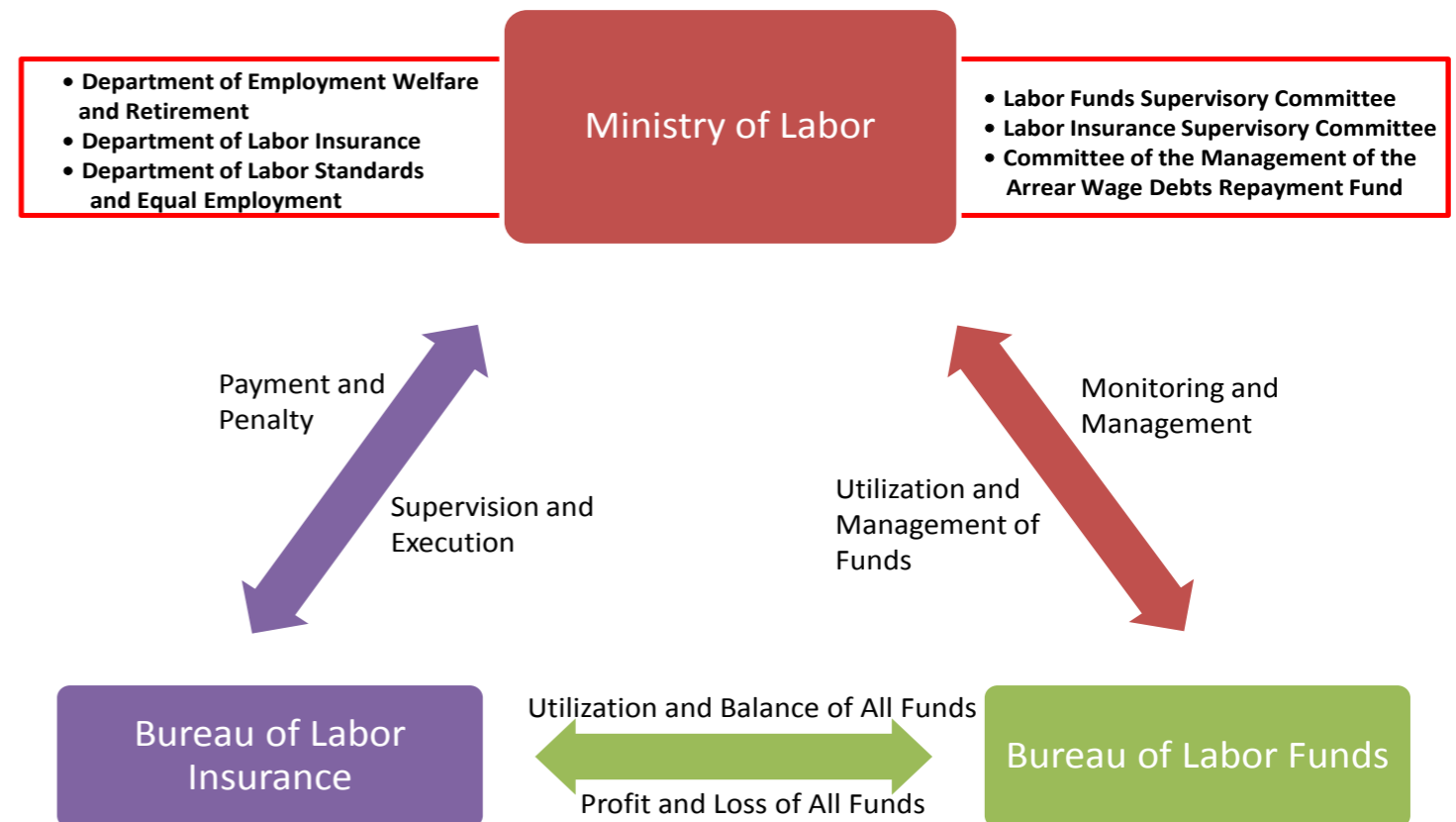


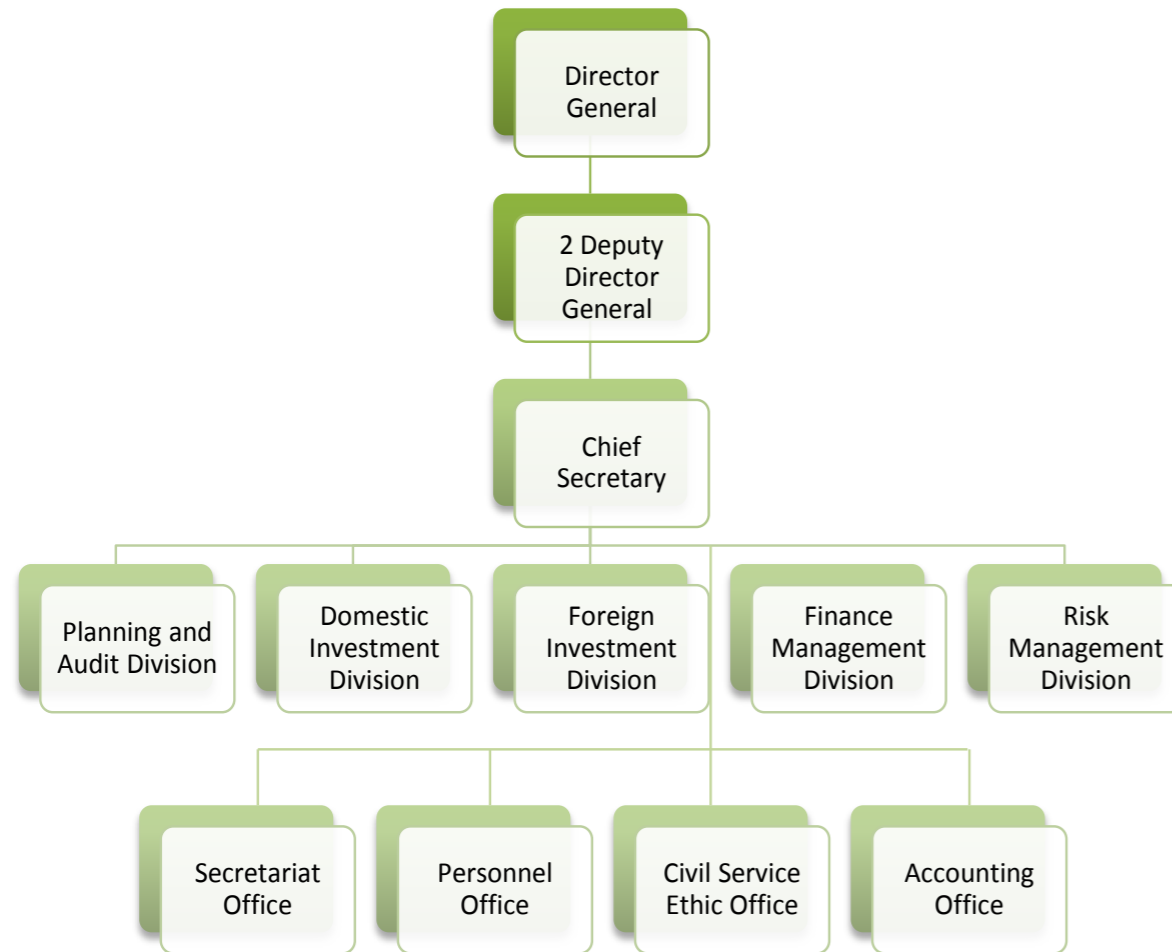
Organization Profile

Under the Ministry of Labor, the Labor Funds comprise of the Labor Pension Fund (new and old schemes), the Labor Insurance Fund (LIF), the Employment Insurance Fund (EIF), the Arrear Wage Payment Fund (AWPF), and the Occupation Incidents Protection Fund (OIPF). In view of recent fluctuations in the international financial market and introduction of new investment products, a dedicated agency was set up in accordance to the government's restructuring to ensure the funds are managed professionally and to clarify responsibilities. The Labor Pension Fund Supervisory Committee has been restructured into the Bureau of

Labor Funds, absorbing the original staff of investment and utilization of funds under the Bureau of Labor Insurance to oversee the management of various Labor Funds. The management of one of the funds, the "old scheme" Labor Pension Fund, was passed on to the Bank of Taiwan. The Bureau of Labor Funds has also been commissioned by the Ministry of Health and Welfare to manage the National Pension Insurance Fund.

The Bureau devises investment plans for each fund according to its properties, regulations, and size, and has established the organization and operation mechanism





to manage the funds with security, transparency, efficiency, and steadiness. By pushing for the diversification of investments and professional management, the Bureau hopes to secure long-term steady returns that will benefit the labor force both before and after retirement.

Labor Pension Fund Supervisory Committee supervised and managed labor pension fund investment and utilization. Later, in accordance to restructuring of the Executive Yuan, supervision and management of the labor funds were separated, and issues relating to the funds were reviewed and audited by the various

supervisory committees under the Ministry of Labor. The Bureau is entrusted to oversee the investment and operation of the funds, whereas the Bureau of Labor Insurance and the Bank of Taiwan are responsible for the operation and management of new scheme and old scheme Labor Pension Funds.

The head of the Bureau is the Director General, with two Deputy Director Generals and one Chief Secretary. The Bureau is comprised of five divisions and four offices in charge of professional investment, risk management and control, and bookkeeping, as well as internal and external auditing. The division of work and duty ensures

2015 Personnel

Type	Gender		Age		
	Male	Female	<30	30~50	>50
Current Staff	44	96	5	121	14
New Employees	2	6	1	7	0
Departed	1	4	0	5	0

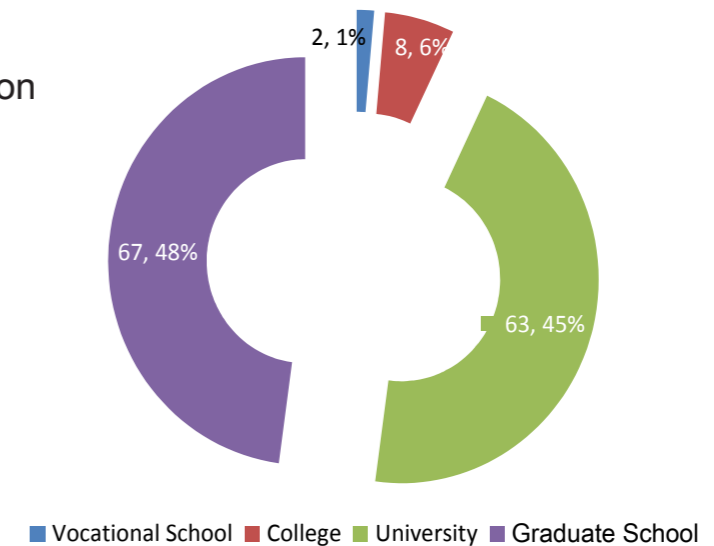
professional operation of the Bureau.

Personnel Profile

As part of the organizational restructuring of the Executive Yuan, the Labor Pension Fund Supervisory Committee was restructured into the Bureau of Labor Funds on February 17, 2014. The staff consists of employees of the former Labor Pension Fund Supervisory Committee, personnel transferred from Bureau of Labor

Insurance, and personnel added through outside recruiting for the operation and management of National Pension Insurance Fund. By the end of 2015, the Bureau has 140 certified full-time employees, and 9 atypical employees (recruit/contract). There are 96 females and 44 males. Out of the 9 atypical employees, 6 are female and 3 are male. Full-time employees hold the Bureau's main positions, whereas atypical employees are responsible for general affairs and non-public authority activities.

Education



As for the Bureau's personnel composition, out of the 140 employees, 5 females are under 30, 85 females are between 30 and 50, and 6 females are over 50; 36 males are between 30 and 50, and 8 over 50. In 2015, five people were transferred (4 females and one male, all between 30 and 50), and there were 8 new employees (6 females and 2 males; one female is under 30, five females between 30 and 50, and two males between 30 and 50). There are 31 executives, who live in northern Taiwan, at the grade of section chief or higher.

Missions and Functions

The Bureau oversees investment and utilization of labor funds, and the top objective is to enhance investment returns of the funds. To perfect short, mid, and long-term investment planning, the Bureau devises Labor Funds Investment Policy and formulates asset allocation and annual utilization plan as the basis for investment, mandate management, risk management, audit and review, and amendment of laws and regulations.

- Investment utilization of the Funds
- Research and analysis of fund investment in domestic and foreign financial market
- Planning and execution of investment policy, asset allocation and annual utilization plans for the Funds.
- Establishment of risk budgets, execution of risk management for the Funds and analysis and compilation of regular risk reporting for the Funds
- Planning and execution of the mandated investment plan, selection, supervision and evaluation of mandated asset management institutions
- Capital allocation, accounting treatment and custody related affairs of fund investment utilization
- Planning of fund information system, computer programming, data processing, and other information management related affairs
- Annual budgets and final accounts of the Funds
- Planning and execution of fund annual audit plan.
- Planning, execution and appraisal of consolidated fund operations
- Planning and implementation of fund utilization regulations
- Other affairs related to fund management

In addition to operating in accordance to related laws and regulations, as well as of work of various divisions and offices, the Bureau holds regular executive meetings, and has established the Investment Strategy Panel and Risk Management Panel, which regularly gather internal divisions to discuss investment strategies and manage and control operational risks. The Bureau also regularly reports monthly funds utilization status and major events to the Ministry of Labor and regulatory agencies under the Ministry of Health and Welfare.



Ministry of Labor Internal Affairs Meeting and Executive Meeting

The Bureau attends Ministry of Labor Internal Affairs Meeting held twice monthly, and regularly reports on operation. Holds executive meeting weekly, presided by Director General, attended by Deputy Director Generals, Chief Secretary, and division heads, to discuss major weekly matters, review the operation of each division and office, future focus, and other motions.



Reporting at Supervisory Committee Meetings

In addition to reporting on the utilizations of the funds, the Bureau also attends Labor Funds Supervisory Committee meeting and National Pension Insurance Fund Supervisory Committee meeting every month, reporting on the utilization of the funds and important matters; the Bureau also delegates a representative to attend Labor Insurance Fund Supervisory meeting and Committee of the Management of the Arrear Wage Debts Repayment Fund meeting to take suggestions and opinions of political and labor relations experts as references for fund management.



Investment Strategy Panel Meeting

To establish decision-making mechanism for major investments and related matters for the management of the funds, the Bureau has formed the “Investment Strategy Panel.” The panel consists of 9 members, and is chaired by the Director General. At least two meetings are held monthly, and additional meetings will be organized when it is deemed necessary. The panel mainly discusses and reviews annual asset allocation planning, equity securities, debt securities, investment planning and review of alternative products, planning and review of mandate management, and other related matters.



Risk Management Panel Meeting

To effectively control operational risks of the funds, the Bureau has established the Risk Management Panel, which consists of 9 members, and is chaired by Deputy Director General. The panel meeting is held regularly once every four months, and irregularly whenever it is deemed necessary. The panel is in charge of screening major risks for control and management, establishing risk control mechanism, reviewing standard procedures of various processing mechanisms and solutions, regularly conducting effectiveness assessment of the solutions, and irregularly carrying out audit for risk control

Internal Control Mechanism

To ensure safety of funds management, the Bureau has established procedure guidelines and investment target management mechanism. The Bureau implements a two-track fund utilization control mechanism of internal control and risk control, and ensures personal information protection to enhance the protection of office confidentiality and security, ensuring safety of funds management.

Risk Control and Audit System

To strengthen risk control of funds management, the Bureau has established comprehensive risk control mechanism, including identification, assessment, control, and reporting of risks, for each fund, and formulated risk control of operation procedures to ensure safety of funds.

As for in-house management, mandated investments, and custodian institutions, the Bureau adopts appropriate control measures in accordance to related laws and regulations or adheres to contract terms to lower the likelihood and impact of risks, ensuring effective utilization and safety of the funds. Risk control items include market risk, credit risk, liquidity

risk, operational risk, and legal risk, which are controlled at different regular intervals: daily, weekly, monthly, and quarterly. Through all information system, the Bureau monitors and controls changes of various risks, effectively monitoring the asset status, investment details, performance review, and account articulation of the investments.

The Bureau has established risk control system to calculate daily values at risk, and monitors the change in values at risk of investment portfolio of each fund. The Bureau also watches the trend of financial market at all times. When major financial event occurs, the Bureau will convene ad hoc meeting of Risk Management Panel if necessary.

Also, when mandated institutions or custodian institutions face events such as tunneling, bankruptcy, large redemptions, bank run, request to terminate contract, or other major crisis, the Bureau has formulated the “Measures of Emergent Responses for Risk Management” to timely address the issues, and minimize loss and impact of the event.

The Bureau has set up the Audit Division to monitor the implementation of internal control. The division also formulates

Personal Information Security

1. Personal Information Protection

To promote personal information protection and management, the Bureau has formulated the “Guidelines for Personal Information Protection and Management, BLF, MOL,” and set up the personal information protection and management executive task force to be in charge of reviewing personal information protection policy, and implementing personal information management system.

Furthermore, annual inventory check is done on keeping and managing personal information, and the check results are published on the Bureau’s website. Risk assessment is carried out on every personal information file, where solutions will be proposed to ensure accuracy and safety of personal information.

2. Information Security

To protect sensitive information and

provide a safe information operation platform, the Bureau has launched the following security mechanisms:

(1) Software and Hardware of Information Security System

Information security software and hardware, such as firewall, intrusion-prevention systems, junk mail screening system and anti-virus software, have been put in place to defend hacker attacks and ensure information security.

(2) Annual Drills on Continuous Operations

Disaster recovery drills are carried out twice a year to ensure continuous and proper operations of core businesses.

(3) Security Inspection

The Bureau conducts annual security inspection, including weakness scan and penetration test on external service system, to timely discover system weakness and immediately make improvement to ensure system security.

(4) (Enhance Staffs’ Knowledge of

Information Security

Social engineering drill and related information security education and training are held twice a year to enhance the staff’s knowledge and awareness of information security in order to prevent incidences of information security.

(5) Continued Improvement

The Bureau has introduced the Information Security Management System (ISMS), and obtained ISO 27001:2005 Certification. In response to amendments of “Implementation Plans for Clarifying the Information Security Responsibilities for Government Agencies (Institutions),” and update of information security management system international standards (updated to ISO 27001:2013), the Bureau plans to reformulate ISMS in 2016 to obtain ISO 27001:2013 Certification.

Security of the Bureau

In addition to enhancing the Bureau’s information security and preventing hacker attacks, Information Division will carry out regular and irregular information security audits; Information Division also uses the Bureau’s environmental conditions and quality as references to assess the Bureau’s security status and improve preventive measures for protection weaknesses, such as entry access control and surveillance system. The division also promotes protective actions to enhance the awareness of the staff members, ensuring

confidentiality of the Bureau’s operational affairs and workplace safety.

Integrity and Ethics

To ensure abidance to anti-corruption related laws and regulations, the Bureau requires all employees directly involved in the investments to sign a self-regulation agreement. Also, through timely education and promotion, the Bureau asks staff members and suppliers to obey anti-corruption related regulations to ensure safety of fund utilization and safeguard the Bureau’s integrity.

Conflict of Interest Avoidance

The Bureau is entrusted of fund investments, and it is of uttermost importance to ensure abidance to anti-corruption code of ethics. All employees shall not take advantage of their positions and seek unlawful profits for themselves, spouse, underage children or any other people. In response to conflict of interest avoidance and confidentiality requirements of fund investment management, the Bureau has formulated “Rules Governing Conflict of Interest and Confidentiality,” which requires all employees to sign a self-regulation agreement on the day they report to duty, committing themselves to respect confidentiality and avoid conflicts of interest.



The self-regulation agreement was originally signed by members of the Bureau's Investment Strategy Panel and employees of Domestic Investment Division. Since 2014, all employees are required to sign the agreement. Employees directly involved in fund investments, and their spouses and underage children, are banned from equity trading. The agreement also indicates that the signatory agrees that the Bureau may request access to information of the signatory, spouse and underage children, from Taiwan Depository & Clearance Corporation for auditing purpose. Following the precedent set by due diligence of property declaration by public servants, the Bureau selects employees in an open random draw to carry out due diligence check annually.

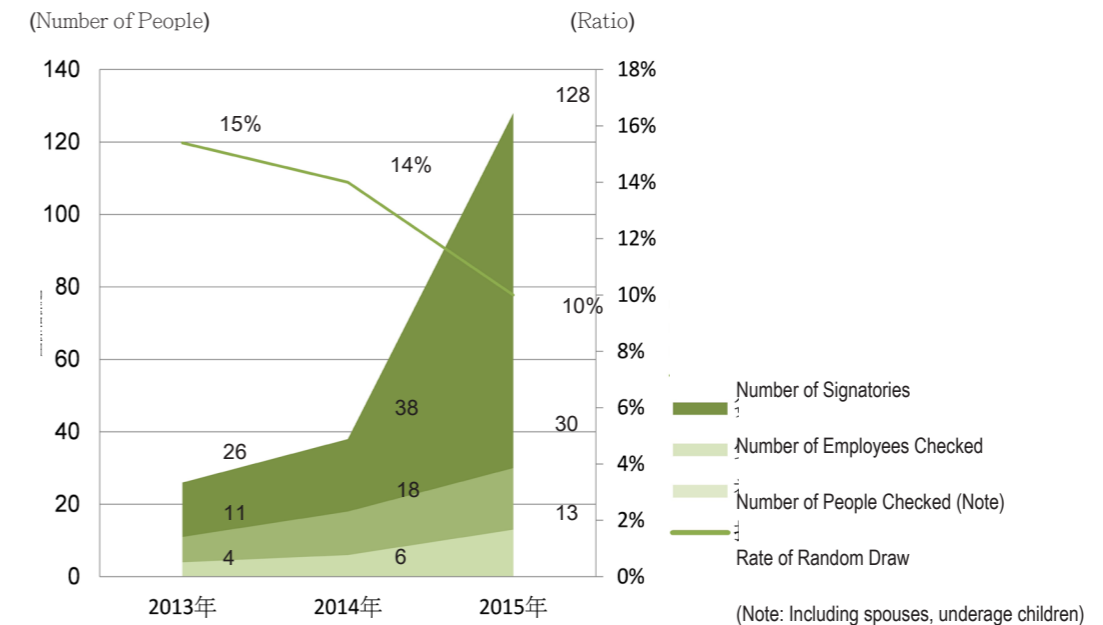
Moreover, 17 employees of the Bureau submitted property declaration by public servants in 2014, and 20 in 2015.

All public servants of the Bureau have signed the "Civil Servant (including Political Appointee) Declaration" when they first resumed public posts, declaring that, other than being a citizen of Republic of China, they do not hold citizenship of another country at the same time.

According to Article 14-1 of the Civil Servant Work Act, former employees of the Bureau shall not become director, supervisor, manager, or executive shareholder and advisor of profit-seeking enterprises directly related to their posts five years before their departure within three years.

To strengthen civil service ethics assessment mechanism, the Bureau combines the concepts of institutional risk management to facilitate reports, petitions, procurement supervision, public opinion surveys, and government employee ethics investigations to strengthen the efforts of evidence gathering and analytical evaluation of risk related data. The Bureau's operational risk assessments is comprised of mandates, in-house investment, bonds, deposits, and audits, as the Bureau conducts corresponding risk measurements according to the risk scenarios and possible operational and ethical risks to investigate unlawful acts of collusion, demanding unlawful monetary compensation or attending social engagement, or breach of trust. Through the procurement countersigning mechanism, the Bureau can implement strict auditing to prevent misbehaviors and give full effect to beneficial functions.

Number of Employees of the Bureau that Have Signed the Direct Investment Self-Regulation Agreement



Integrity Education

To fully implement integrity governance policy, the Bureau promotes through internal channels integrity governance code of ethics on major holidays, banning all social engagements with and gifts from counterparties, and facilitates notification and registration procedures. Furthermore, the Bureau combines code of ethics and case analysis of Act on Recusal of Public Servants Due to Conflict of Interest to convey core values and policy related information of integrity governance through important meetings, internal webpages, and e-mails for timely promotion, ensuring abidance to regulation and enhancing integrity governance and ethics related knowledge.

Moreover, the Bureau invited investment trust funds that have business relationship with the Bureau to jointly host the "Corporate Integrity and Social Responsibility" seminar in 2015 to strengthen and facilitate integrity in corporate management, stressing the importance of anti-corruption and corporate social responsibility, and facilitating public-private partnership in the fight against corruption in order to achieve the goal of "clean government and honest society."

Public Opinions, Feedbacks, and Suggestions

The Bureau has devised related rules for all operations for the employees to abide to, and demands that all employees comply with the highest standards of professional ethics,

uphold integrity, and protect the reputation of the Bureau when conducting business. In addition to internal anti-corruption related regulations, there are also external supervisions, providing channels such as hotlines, mailbox, and fax, for the general public to report on unlawful acts, preserving the integrity of the Bureau.

Citizens may submit written or verbal suggestions or petitions to the Secretariat Office, which, upon receiving such messages, will send to responsible units and follow-up on consequent development. After petitions are dealt with, the person in charge will fill in a report for future follow-

up and statistic analysis. When Secretariat Office answers to the petitioner, it will also conduct satisfaction survey. At yearend, Secretariat Office will analyze the data and provide to concerned units for review and improvement.

Honors and Recognitions

Excellent In Public Pension Fund in Asia-Pacific Region

AsianInvestor recognized the Bureau for excellence in the public pension fund category in Asia-Pacific region with the Institutional Excellence Awards. The Bureau received recognition for demonstrating excellence in the “effective integration of Labor Funds, diversification of portfolios, increase of alternative investments and enhanced index,” and was hailed as a pioneer in the Asia-Pacific region in 2015.

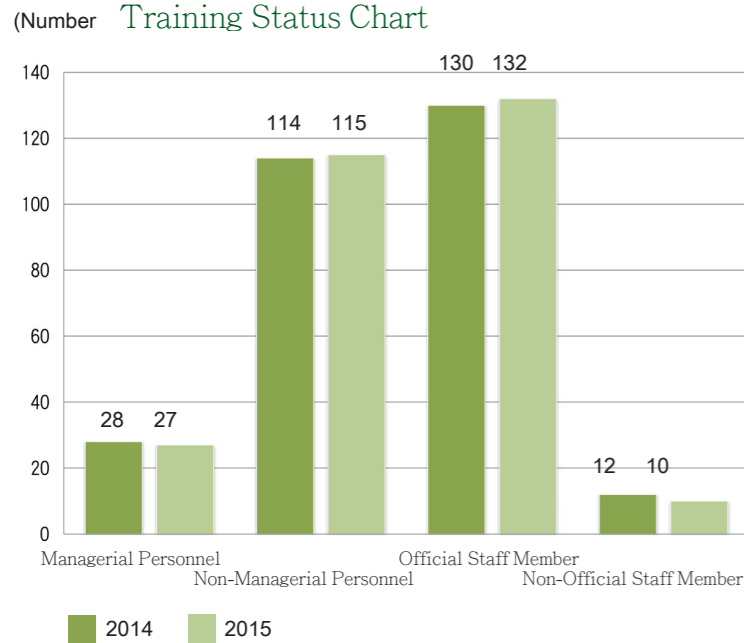


The Executive Yuan’s Internal Control Evaluation Awards A Rating

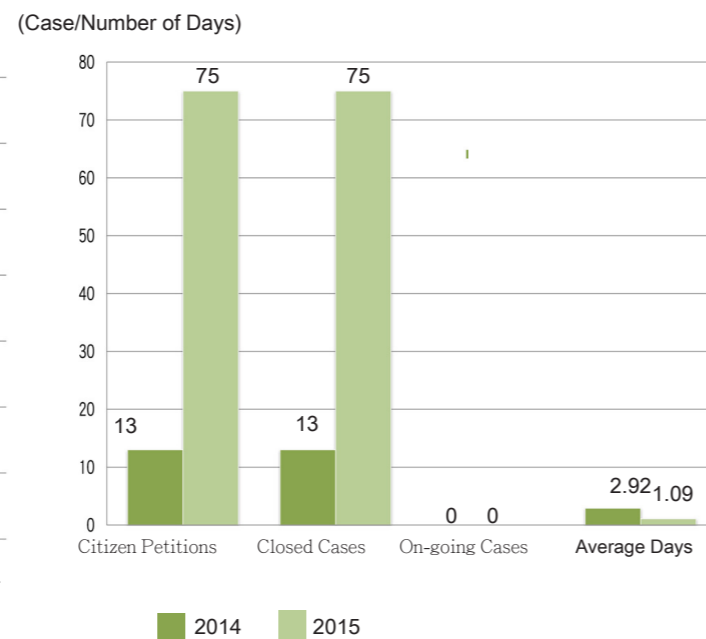
The Bureau was recognized for its risk-based internal control system, rolling risk-evaluation program, internal control and fund audits. The Bureau received an “A” rating in the Executive Yuan’s internal control evaluation for its overall outstanding performance in 2014.



Integrity Governance Promotion and Training Status Chart



Citizen Petitions Processing Status





Ministry of Labor Proposal for Operation Innovation and Improvement Award

Dual-Track Approach for Time Deposits with and without Certificate

The Bureau implements “dual-track approach for time deposits with and without certificate” to reduce the number of certificates, simplify the delivery and safekeeping of certificates, and minimize the number of required stamps for accounting and by authorized personnel, achieving the goals of simplicity, thrifty, and environmental-friendly.

Establish Risk-Based Auditing Mechanism

The Bureau has established “risk-based auditing mechanism” for investment procedures of domestic mandated institutions, risk control mechanism and audit quality to devise differentiated management and effectively utilize audit resources on results of audits, risk classification, and impact assessment.

Global High Dividend Stocks as Investment Targets for Steady Returns

The Bureau adopts the “global high dividend strategy for steady returns. Not only does it obtain better risk-adjusted returns for portfolios, but it also provides downside protection when the market experiences drastic volatility or drop.



Ministry of Labor Proposal for Operation Innovation and Improvement Award

Automatic Delivery Mechanism of Warning E-Mail for Domestic Monitoring System

With the addition of “automatic delivery mechanism of warning e-mail” to the domestic monitoring system, the computer system automatically sends e-mails at regular interval to remind mandated institutions to pay constant attention to the investment operations in order to enhance efficiency of control.

Strategy Indices for Domestic Mandates for the First Time

The Bureau adopts “strategy indices for domestic mandates,” using RAFI Taiwan Fundamental Low-Volatility 50 Index as tracking index. The index is designed to screen constituent stocks and calculate weights based on financial fundamentals and volatility. This reflects each individual stock’s long-term investment value, and has low volatility, which facilitates long-term steady returns of the funds.

Replace Singular Manger Mode with Teamwork in Domestic Mandate

The Bureau replaces “singular manager mode with teamwork in domestic mandates” to effectively integrate investment research resources and energy, which enhances performance of funds investments, and avoids ethical risks and lowers the possibility of corruption of a single manager. Labor Pension Fund was the first to switch domestic mandate to teamwork management, and is recognized by Executive Yuan’s ad hoc group for enhancement of the effectiveness of government funds.

Stakeholder Communication and External Engagement



Stakeholder Identification

Through convening meetings, the Bureau collects opinions from internal units for the identification of important stakeholders, which can be categorized into five groups: fund beneficiaries, competent authorities, employees, mandated institutions, and suppliers. After numerous meetings and analysis, the Bureau considered factors including impact to the operation, level of external concern, everyday scope of work, and experience with related parties, and derived material issues and aspects stakeholders have long been concerned with as references for the compilation of CSR report.

Also, the Bureau analyzes, explores and communicates thoughts and demands of the stakeholders, and further reflects the issues in its organizational operation, and combines each unit's scope of the work as basis of future strategy planning and operation, improving the Bureau's mode of operation. Furthermore, through mutually beneficial cooperation with stakeholders, the Bureau hopes to jointly contribute to the society and environment. In addition to minimizing impact on social environment, the Bureau should also proactively adopt eco-friendly mode of operation to perform its social responsibilities, fulfilling its social responsibilities and commitments to labors,



Analysis of Concern Issue of Stakeholders

Stakeholders' Level of Concern	High Level of Concern	Human Rights and Equality Performance Management Information Disclosure	Performance and Return Law Abidance Ethical Management Compliance Management
	Medium Level of Concern	Communication Channel Compensation and Benefits Training and Development Safety and Health	Selection and Appointment Risk Management Procurement
	Low Level of Concern	Energy Conservation and Carbon Reduction Environmental Protection Promotion	
		Low Impact	Medium Impact
			High Impact

Impact level

environment, society, and stakeholders.

Identification and Response of Material Issues

For the identification of material issues, the Bureau not only collects internal units' opinions, but also collects and analyzes news and public opinions, and uses Ministry of Labor official Facebook page, feedbacks on social media, such as Google+, international sustainable development

trends, and GRI G4 material aspects as references to identify 16 concerned issues. The Bureau convened meetings to assess and grade the materiality of each issue based on stakeholders' level of concern and level of impact; ten issues are determined to be of high level of concern, four medium level of concern, and two low level of concern.

Stakeholder Engagement

Stakeholder	Concern Issue	Actions
Funds Beneficiaries	Performance and Return	<ul style="list-style-type: none"> The Bureau publishes funds utilization status on the website under Financial Information, and emails the information to labor unions and industrial organizations above municipal level for the general public to fully understand the information of the funds. The Bureau holds two meetings of Investment Strategy Panel monthly to review and discuss major events, such as annual asset allocation, investment plan, performance review, and advance withdrawal, to fulfill its duty of managing the funds. The Bureau holds mandated utilization review meeting quarterly to examine performance and status.
	Ethical Management	<ul style="list-style-type: none"> To ensure abidance to ethics and integrity related laws, all our employees are required to sign a self-regulation agreement, committing themselves to respect confidentiality and avoid conflicts of interest; Employees directly involved in fund investments are banned from equity trading, as are the spouses and underage children of such employees. The Bureau implements audits on employees who have signed direct investment self-regulation agreement. The Bureau also visited major mandated institutions to investigate whether the bureau had in any way interfered with fund investments, and to determine how others rated us in terms of integrity. All respondents recognized our staff's high ethical standards. Moreover, to ensure that all staff members fully understand and follow all ethics and integrity standards and regulations, the Bureau has stepped up its awareness campaigns about the Act on Recusal of Public Servants Due to Conflict of Interest, the Ethics Guidelines for Public Servants, and the Guidelines on Requesting an Intercession for Executive Yuan and Subordinates.
	Risk Management	<ul style="list-style-type: none"> Utilize risk control system to learn the changes in daily values at risk of the funds and each asset category, weighing on the status of each asset to formulate the most appropriate allocation, achieving the goal of mid to long-term steady returns. The Bureau has established comprehensive risk control mechanism, including identification, assessment, monitor, and reporting of risks, for each fund, and formulated risk control operation procedures to ensure safe utilization of funds.

Stakeholder	Concern Issue	Actions
Funds Beneficiaries	Law Abidance	<ul style="list-style-type: none"> Comply with related laws and regulations of competent authorities, provide timely and appropriate suggestions for amendment, and carry out internal audits on labor funds utilization to ensure proper operation of the funds and law abidance. All rules and guidelines of the Bureau are in compliance with related mother laws; the Bureau will review and amend the rules and guidelines, and notify related agencies, ensuring employee compliance for all operations. The Bureau implements risk-based differentiated management to execute audits and due diligence of domestic mandated institutions and custodian banks, pushing the mandated institutions to enhance internal auditing and control mechanisms.
	Information Disclosure	<ul style="list-style-type: none"> The Bureau's chinese website features twelve main pages: About Us, Policies, News, Labor Funds, Financial Information, Statistics, Socially Responsible Investment, Investment Policy Statement, Ethics & Integrity, Online Services, Gender Mainstreaming Policy, and Employment Information. With the introduction of Web 2.0, the Bureau has also expanded its online presence to include Flickr, YouTube, and Google+; the Bureau posts photos of bureau activities to its Flickr album and uploads video news releases to its YouTube channel, while also providing regular domestic and international macroeconomic updates, as a way of enriching the official website, allowing the public to search and access the information.
Competent Authorities	Compliance Management	<ul style="list-style-type: none"> Submit annual implementation plan for competent authorities to review. Regularly submit and report all information on utilization of each fund. Attend monthly meetings of Labor Funds Supervisory Committee and National Pension Insurance Funds Supervisory Committee, report on funds utilization status and major issues; delegate representatives to be present at Labor Insurance Fund Supervisory Committee meeting and Committee of the Management of the Arrear Wage Debts Repayment Fund meeting. Establish information sharing platform with FSC to ensure full effect of joint supervision.

Stakeholder	Concern Issue	Actions
Employees	Compensation and Benefits	<ul style="list-style-type: none"> Employees are entitled to compensation in accordance to Civil Service Pay Act. Employees are entitled to living subsidy in accordance to Civil Servants, Military Personnel, and Teachers on Compensation Plan. Implement retirement plan in accordance to Civil Servant Retirement Act; makes contribution to pension funds to ensure employees' well-being after retirement. Organize various cultural and recreational activities to bring employees closer together and enhance cohesion.
	Training and Development	<ul style="list-style-type: none"> Formulate annual employees training plan, where trainings are categorized into professional training, general management training, new employees training, and other related training, to encourage lifelong learning and pursuit of excellence.
	Performance Management	<ul style="list-style-type: none"> In accordance to Article 2 of Civil Servant Performance Evaluation Act, the evaluation shall be based on the objective appraisal of overall merits and shortcomings, with commensurate rewards and punishments. Faithfully record in details daily performance evaluation as references for performance and year-end performance review in accordance to "Regulations for Civil Servants Performance Evaluation of Executive Yuan and Subordinated Agencies."
	Human Rights and Equality	<ul style="list-style-type: none"> Employees shall not be treated differently or subjected to any kind of discrimination due to gender, age, religious belief, race, or political affiliation. Leaves shall be granted in accordance to Civil Service Leave Regulations and Act of Gender Equality in Employment. Establish "Sexual Harassment Arbitration Committee."
	Communication Channel	<ul style="list-style-type: none"> Every executive has a public mailbox, where employees can submit questions regarding related rights and benefits to competent executives. Specially designated personnel will handle and quickly respond to the employees' opinions and suggestions, establishing a sound communication and feedback mechanism. Organize "Appointment with Officials," "New Employees Seminar," and "Service by Walking Around" annually to maintain sound communication channels.

Stakeholder	Concern Issue	Actions
	Safety and Health	<ul style="list-style-type: none"> To enhance employee well-being and health, the Bureau promotes daily calisthenics and organizes free health examination.
Mandated Institutions	Selection and Appointment	<ul style="list-style-type: none"> The Bureau shall select asset management institution mandated by the funds for domestic or overseas investment management, and executes the selection process in an open and fair manner in accordance to Mandated Management Guidelines for the Labor Funds and Regulations for Mandated Management of National Pension Insurance Fund. To raise social responsibility awareness of domestic and foreign mandated institutions, the Bureau requires tendering institutions to incorporate related “governance” principles and “SRI” principles in the investment procedure as reference for selection. To ensure that domestic mandated institutions implement socially responsible investment, the Bureau regularly requires mandated institutions to present the status of SRI in quarterly reports. In the case of controversial events, such as labor rights, labor relation, and environmental protection, the Bureau will immediately investigate the status of shares, and ask the mandated institution to explain its investment principles.
Suppliers	Procurement	<ul style="list-style-type: none"> The Bureau executes procurement in accordance to “Government Procurement Act” to ensure just, fair, and open procurement procedures. To facilitate sustainable utilization of resources, the Bureau gives priority considerations to green products from tendering suppliers providing environmental-friendly products, and incorporates supplier CSR selection index.
Community	Environmental Protection Promotion and Energy Conservation and Carbon Reduction	<ul style="list-style-type: none"> To enhance quality of environment and build sustainable and healthy environment, the Bureau executes “Clean Neighborhood Mobilization” to clean the environment, and the four-saving project to promote energy conservation and carbon reduction. The Bureau also joins forces with Dharma Drum Mountain Humanities and Social Improvement Foundation for recycling.

Issues and Handling

To diversify the utilization of labor funds, the Bureau carefully selects domestic mandated institutions through fair and just selection process. These mandated institutions are renowned local investment trust corporations. Early on, financial and judicial authorities have strengthened the investigation of financial criminals, discovering numerous criminal incidences by stock operators and mandated managers. The criminal acts were very much related to the rights and benefits of the funds managed by the Bureau’s predecessor, the Labor Pension Fund Supervisory Committee, and at the time the Committee made its attitude clear and launched compensation mechanism, demanding domestic mandated institutions to compensate the losses in full amount.

As for the criminal acts performed by the mandated managers, the Bureau has demanded mandated institutions to compensate the losses for the Ablerex Electronics Company and Gia Tzoong Enterprise cases, and have received compensation in full amount. Some other cases are still in the litigation process, and the Bureau has appointed lawyers to take legal actions and demand compensations.

In addition to enhancing monitoring of investment trust corporations through strict auditing mechanism and government funds information communication and exchange platform, the Bureau also stipulates in domestic and foreign mandate contracts that the mandated institution shall be held jointly liable for losses of the funds caused by intentional actions or errors made by related personnel when carrying out the contract, so that labor rights and benefits will not be affected.



International Exchange and External Engagement

To have comprehensive understanding of development trends of global financial market and trends of global pension funds management, the Bureau actively dialogues and exchanges opinions with visiting leaders of overseas investment management institutions on market development and investment trends for the reference of future funds utilization.

From 2009 to 2014, the Bureau delegated representatives to attend Asian Pension Fund Roundtable every year; in 2013, the Bureau was also represented at the Asia and Middle East Government Funds Roundtable. In 2015, the Bureau

sent delegation to Multinational Pension Forum to interact and exchange with staffs of pension funds, sovereign wealth funds, and related institutions, and discuss global economic prospects, financial market pulses, and investment strategies; countries also shared on respective pension funds management experience and development trends. The Bureau hoped to strengthen fund management and enhance performance through attending the forum. The delegation also visited Federal Reserve Bank of Boston, Massachusetts Pension Reserves Investment Management (PRIM), and The State-Boston Retirement System (SBRS), further establishing international ties. Furthermore, the Bureau also actively participates in organizations and institutions related

to its operation, and has been invited to attend pension fund themed speeches. The Bureau is also a standing director of “Pension Fund Association, R.O.C.,” and through the association, academia, industry, and government work collectively to raise people’s awareness of economic security for themselves and elders around them, jointly constructing a sound pension funds system.

Information Distribution and Communication

Through diverse communication channels, the public can gain better understanding of the status of public funds utilization. Also, electronic information allows people to gain access to the information with greater convenience, making the government’s information more transparent and public, and easier for the public to access and utilize.

Channels for Information Disclosure are as followed:

1. The Bureau’s chinese website features twelve main pages: About Us, Policies, News, Labor Funds, Financial Information, Statistics, Socially Responsible Investment, Investment Policy Statement, Ethics & Integrity, Online Services, Gender Mainstreaming Policy, and

Employment Information. The Financial Information page discloses regularly information on all 32 funds utilizations in 14 major categories, including total fund balances, assets under management, guaranteed rates of return, asset allocations, and performance statistics for foreign and domestic mandates.

2. The Bureau has also set up an English website for people overseas to learn the related information of labor funds, disclosing labor funds related regulations, status of utilization, and mandate contracts for references.
3. With the introduction of Web 2.0, the Bureau has also expanded its online presence to include Flickr, YouTube, and Google+; the Bureau posts photos of bureau activities to its Flickr album and uploads video news releases to its YouTube channel, while also providing regular domestic and international macroeconomic updates, as a way of enriching the official website, allowing the public to search and access the information, and making the government’s information more transparent and public, and easier for the public to access and utilize.
4. The Bureau hosts press conferences at regular intervals; through press

releases, press conferences, and exclusive interviews, the Bureau discloses the latest status of funds utilization to laborers and the general public.

5. The Bureau establishes connections with major international media to arrange interviews irregularly and participate in major international forums, actively communicating and interacting with global institutional investors at international meetings in order to keep pace with the global trends and enhance global exposure.



2014-2015 Social Responsibility Report

Diversification of Deployment and Socially Responsible Investment



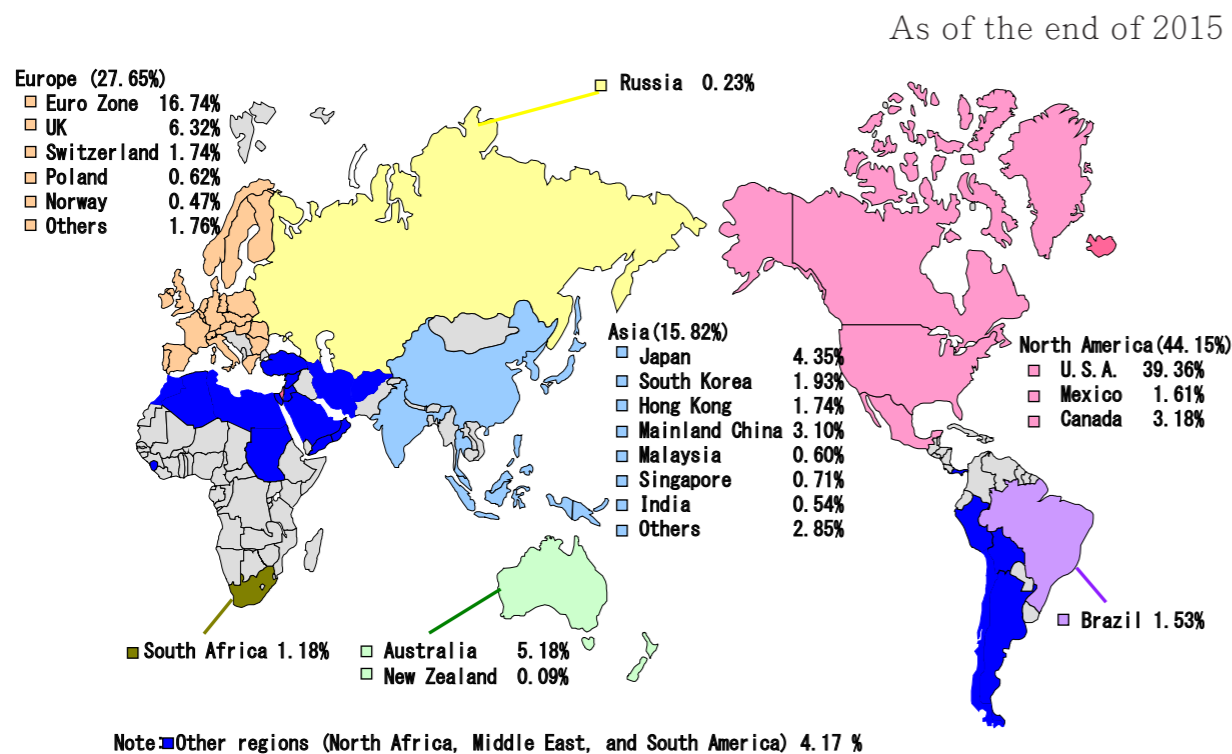
2014-2015 Social Responsibility Report

Diversification of Deployment

Facing the growingly complex economic situation, the Bureau upholds the principle of deliberate operation, considers each fund's different properties and regulatory limitations, evaluates macro economy and financial market trends, optimizes asset allocation, and develops annual asset allocation and investment utilization plan, in order to achieve effective utilization of the funds; the Bureau also introduces risk budgeting to calculate risk budget and allocation of overall fund and individual assets, thereby to strengthen the planning for asset allocation of funds.

of funds and diversify investment risks, the asset allocation is geared towards globalization and diversification by gradually increasing alternative investment, and prudently constructing portfolio with core-satellite allocation, and rebalancing portfolio across different asset classes in dynamic approach with flexibility which is correspondent to market trends and changes in economic and financial situations, as well as pursuing expected investment objectives by taking consideration of both funds' safety and income.

To achieve stable long-term returns



As of the end of 2015, total assets under management in the Labor Funds amount to NT\$2.9634 trillion, including the Labor Pension Fund old and new schemes (NT\$1.5213 trillion and NT\$659.5 billion, respectively), Labor Insurance Fund (NT\$657.4 billion), Employment Insurance Fund (NT\$103.4 billion), Arrear Wage Payment Fund (NT\$11.1 billion), and Occupation Incidents Protection Fund (NT\$10.7 billion). Refer to the Bureau's annual Report of 2014 and 2015 of the Bureau for performances of labor funds utilization in 2014 and 2015.

Socially Responsible Investment

Socially Responsible Investment (SRI) is an investment discipline that considers environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact.

Labor funds are contributed by the society, and the returns are directly connected to labor rights and benefits. Therefore, putting priority on returns, the Bureau gradually adopts related socially responsible investment strategies to not only improve labor rights and benefits, but to also push

corporates to perform social responsibilities, benefiting the entire society and creating a win-win situation.

When the Bureau's predecessor, Labor Pension Funds Supervisory Committee, was first founded in July 2007, it already stipulated in regulations of utilization of the funds that, while maintaining profitability, corporate social responsibility would be included investment considerations. In 2008, the Committee formulated socially responsible investment strategy, and later incorporated it into investment policy statement.

When the Bureau was founded in 2014, it further expanded the scope of socially responsible investment regulations to cover all Labor Funds and National Pension Insurance Fund. The Bureau has stipulated in Utilization Directions for the Labor Funds and Management and Utilization Directions for the National Pension Insurance Fund that, while maintaining profitability of the funds, corporate social responsibility and ethics shall be included as criteria for selection of investment target, and socially responsible investment policy was formulated and incorporated into the investment policy statement.

Promotion of Socially Responsible Investment

1. Promotion of the Compilation of CSR Indices

After TWSE and TPEX formulated "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" in February 2010, Labor Pension Funds Supervisory Committee, the predecessor of the Bureau, sent a written quest asking TWSE and TPEX to launch comprehensive corporate social responsibility evaluation, and compile related CSR indices. Since 2010, TWSE has launched "TWSE RA Taiwan Employment Creation 99 Index", "TWSE Corporate Governance 100 index," and "Taiwan High Compensation 100 index", and TPEX has launched "TPEX Compensation Index," "TPEX Labor Employment 88 Index," and "TPEX Corporate Governance Index." Based on practical domestic and overseas investment experience, the Bureau also provided suggestions for the compilation of the indices to further promote the development of CSR indices.

2. Ratio of Socially Responsible Investment

At the end of 2015, funds managed by the Bureau have been invested in the stocks of 386 companies that have been evaluated as outstanding CSR companies with a total amount of NT\$ 492.1 billion,

which accounted for 97% of domestic stock investment.

3. Urge Mandated Institutions to Perform Socially Responsible Investment

To ensure domestic mandated institutions implement socially responsible investment, the Bureau regularly requires mandated institutions to present status of SRI in quarterly reports. In the case of controversial events, such as labor rights, labor relation, and environmental protection, the Bureau will immediately investigate the status of shares, and ask the mandated institution to explain its investment principles.

4. Assisting the Formulation and Signing of Stewardship Code

To ensure that institutional investors fulfill responsibilities as equity owners, and help the investee companies to strengthen corporate governance, the Bureau assisted TWSE in the formulation of Stewardship Code in order to urge institutional investors to formulate and disclose stewardship policy and conflict of interest management policy, and continue to pay attention to the investee companies by dialogues and interaction. In the future, the Bureau will take the lead and sign the Stewardship Code, and urge mandated investment trust corporations to also sign the code in order to enhance long-term welfare of laborers.

5. Socially Responsible Investment Page

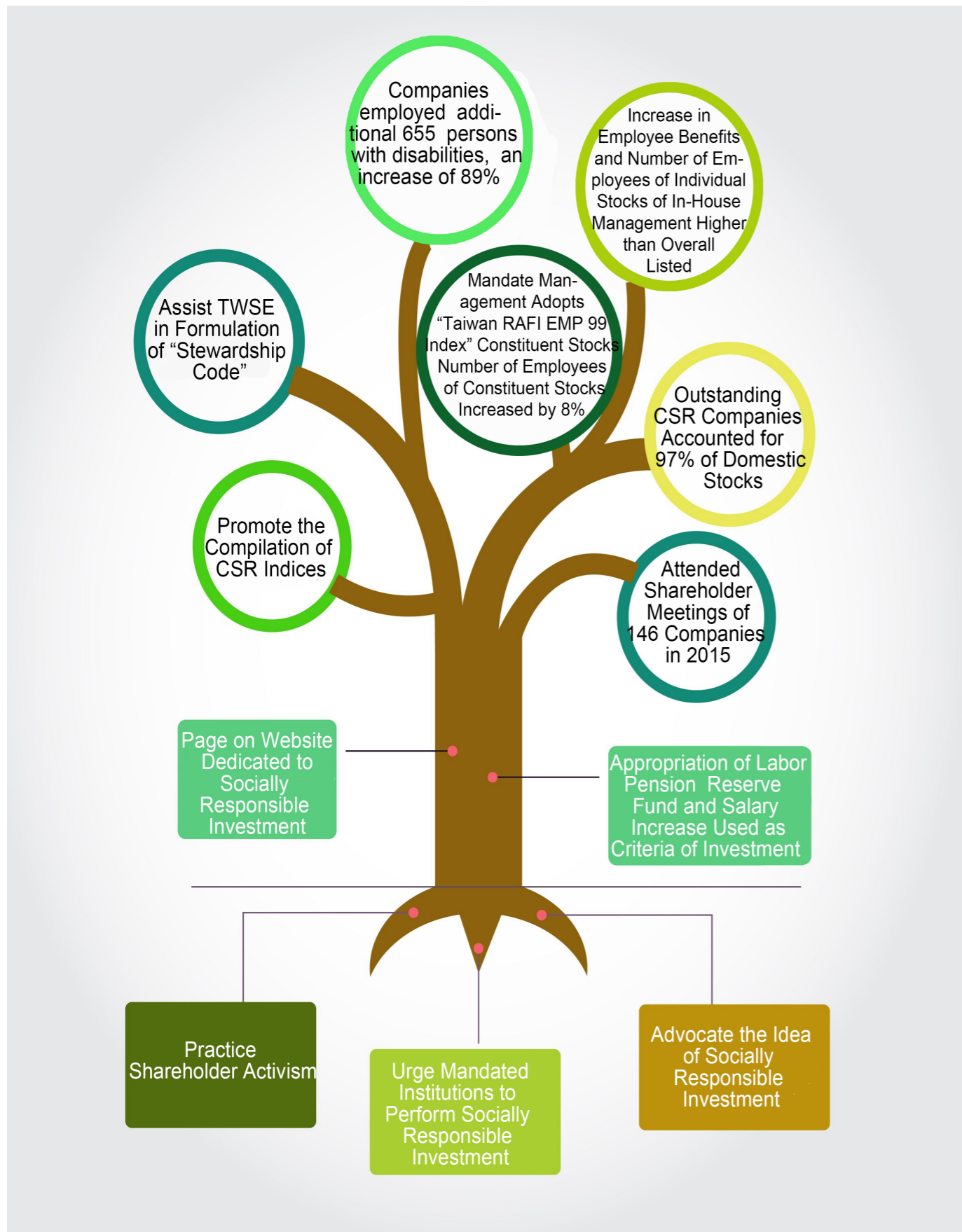
To educate the general public on the

concept of socially responsible investment, as well as to disclose the Bureau's related SRI operations, the Bureau has set up a "Socially Responsible Investment" page on the website. The page not only introduces the Bureau's socially responsible investment policy, promotion achievements, and percentage of socially responsible investment of related funds, it also features relative websites about domestic and overseas events and activities, so that visitors can learn the development trends of socially responsible investment.

6. Advocate the Idea of Socially Responsible Investment

To advocate the idea and drive the development of socially responsible investment in domestic market, General Director Huang has participated in numerous seminars and served as panelist, including the "SRI's current state and future development in Taiwan" seminar jointly hosted by TWSE, PwC Taiwan, and PwC Sustainable Development Services on July 27, 2015, and the "Corporate Social Responsibility" corporate governance seminar jointly organized by TWSE and United Daily News on November 9, 2015

Achievements



Strives for Improvement of Labor Rights

(1) Salary Increase and Appropriation of Labor Pension Reserve Fund as Criteria for Investment

Sufficiency of appropriation of labor pension reserve fund and salary increase often triggered the attention and concerns of the society. Thus the Bureau aims to urge companies to pay more attention to the aforementioned issues, and incorporates salary increase and appropriation of labor pension reserve fund as criteria of in-house investment to demonstrate the Bureau's attitude towards labor rights

(2) Practice Shareholder Activism

With considerations of employees' long-term working rights and benefits and companies' operational stability, the Bureau actively partake in shareholder meetings and exercise shareholder's rights. In 2015, the Bureau attended shareholder meetings of 146 companies, and analyzed each and every case.

(3) Facilitate Employment of Persons with Disabilities

To ensure appropriate employments for persons with disabilities, the Bureau has sent written letters to top 10 companies that had yet to meet the employment quotas to increase employment of disabled persons since 2011. To date, the companies have employed 655 more persons with disabilities, an increase of



89%.

(4) Encourage Companies to Increase Salary

Total amount of employee benefit expenses, total number of employees, and average benefit expenses per employee of individual stocks of in-house investment had annual growth rates of 12.4%, 6.2%, and 5.8% respectively in 2014, which were higher than all listed companies' 8.6%, 2.7%, and 5.7% published by TWSE.

(5) Facilitate Labor Employment

Since adopting "Taiwan RAFI EMP 99 Index" for mandated investments with a total amount of NT\$ 36 billion in 2011, index constituent stocks' total number of employees had grown from 591 thousand at the end of 2010 to 638 thousand by the end of 2014, a growth of 8%.

Driving Domestic Financial Market Development

Recently, FSC has encouraged domestic asset management companies to issue ETF. Since ETF tracks specific indices, and has the effects of quickly adjusting position and diversifying the risk of individual stocks, the Bureau aims to amend related regulations to raise the investment cap in a single ETF from 10% to 20%, and allow domestic mandated institutions to invest in ETF in order to take advantage of such investment tool and facilitate the development of domestic ETF.

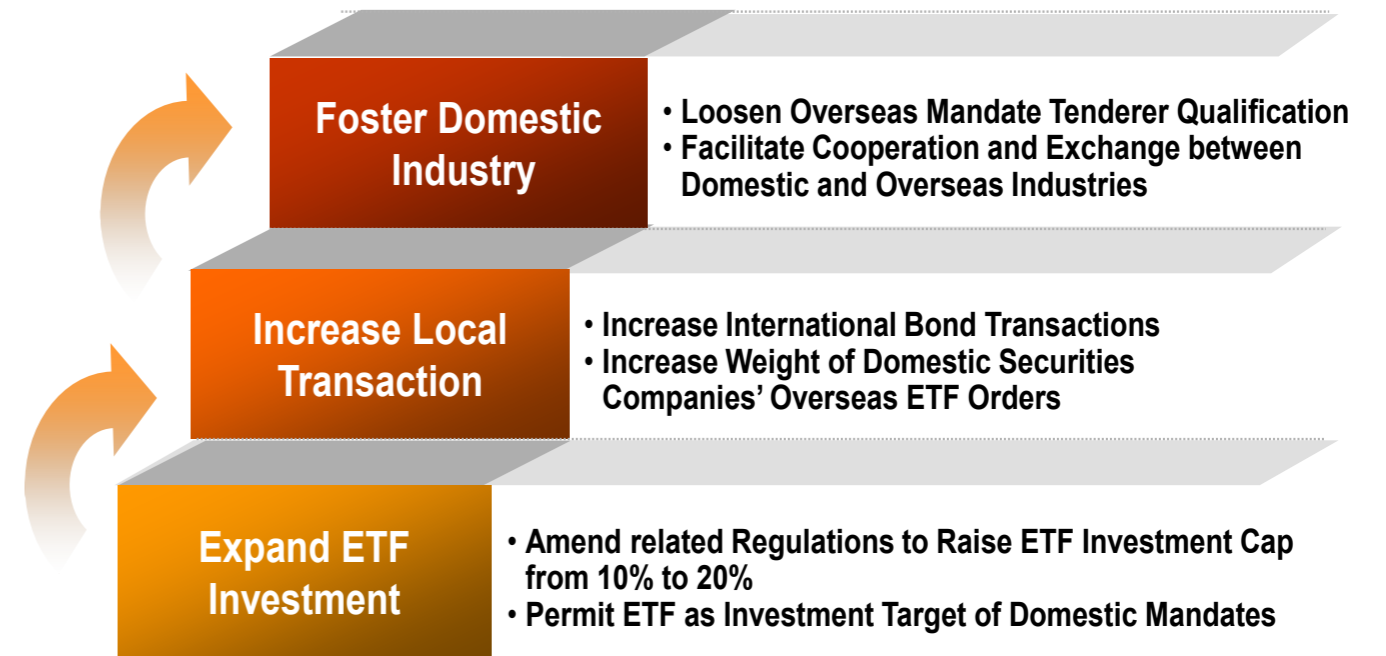
For investments in overseas bonds, the Bureau comprehensively considers the target's safety, profitability, and liquidity, as well as the properties of the funds and capital flows, targeting long-term and short-term debt securities above investment grade. By the end of 2015, the funds managed by the Bureau totaled US\$ 644 million in international board bond transactions, accounting for approximately 58.3%. These transactions have been done by domestic underwriters.

Domestic securities companies makes up over 70% of counterparties of overseas in-house ETF management. By

the end of 2015, the funds managed by the Bureau reached US\$ 2.064 billion in ETF transaction, which is in domestic securities companies accounted for approximately 85.4%, as the Bureau sold and purchased through domestic securities brokers.

Labor Pension Fund lowered the overseas investment tenderer qualification from US\$ 25 billion to US5 billion in March 2010. In 2014, tenderer qualification was further loosened up as "institutional assets" was changed to "total assets" to allow domestic investment trust corporations to enter the bids as early as possible. Overseas mandated management of labor funds requires mandated institutions to have branch institution, operation center, or

service team in Taiwan, and the depth and breadth of their cooperation with domestic industries are also considered as grading criteria. This facilitates technical cooperation and experience exchange between overseas industries and domestic investment trust industry, and ultimately stimulating the development of domestic employment opportunity.



Environmental Protection and Change



With rapid industrial and technological development, greenhouse gases have caused global warming and climate change, which comprehensively and universally impact safety of human life, ecological environment, socio-economy, health and epidemic prevention, and food security. World Bank also warns that temperature rise and extreme climate may drive over 100 million people into poverty over the next fifteen years.

Taiwan is surrounded by seas, and the threat and impact brought by the sea are the most direct and severe. To cope with the risks caused by environmental change, and to protect earth's environment, the Bureau has switched all office equipment

and supplies to recyclable, low-pollution, and resources-saving eco-friendly products, and all paperwork and business are done electronically to reduce paper consumption, in order to realize energy conservation and carbon reduction, ensuring national sustainable development.

Supplier Management

1. Supplier Management

(1) The Bureau executes procurement in accordance to "Government Procurement Act" to ensure just, fair, and open procurement procedures. Public Construction Commission, Executive Yuan, has granted the selection process of mandated institutions of the funds



exemption from the “Government Procurement Act.” However, the Bureau still follows all related procedures set forth in the “Government Procurement Act” for open selection of mandated institutions and forms review committee to select the best candidate to enhance performance and quality of mandates.

- (2) To enhance transparency of the selection of procurement review committee members and ensure fairness of procurement procedure, the Bureau adopts higher standards for the formulation of “Guidelines for Selection of Procurement Review Committee Members.”
- (3) Complying with “Government Procurement Act” Article 79, paragraph 2, and Small and Medium Enterprises Development Act, the Bureau’s targeted percentage of procurement outsourced to SMEs contractors and subcontractors in 2014 (Ministry of Labor and subordinated agencies) was 45% (percentage required by law was 40%).
- (4) To facilitate mandated management of funds, the Bureau has established “mandate management task force,” and convened mandate management meetings in 2014 and 2015. The Bureau also conducted comprehensive review on outsourced operations of onsite information facility maintenance staff, security, and caretaking, assessing the feasibility and

economic benefits.

2.Green Procurement

To facilitate sustainable utilization of resources, the Bureau prioritizes the use of green products and eco-friendly products, and implements green procurement. In 2014, the Bureau purchased a total amount of NT\$ 1,597,600 of eco-friendly products approved by Environmental Protection Administration, and green procurement accounted for 96.9% of all procurements.

3.Supplier CSR Index

When procurement requires review process, the tender documents will incorporate supplier CSR index and sub-categories weighing from 5% to 10%. Sixteen procurements from 2014 to 2015 were determined by methods of the “most advantageous tender (MAT),” “MAT shall be applicable mutatis mutandis,” “reference to the spirit of MAT,” and “the lowest qualified tender.” The execution rate was 100% as all sixteen tender documents incorporated supplier CSR index.

4.To facilitate employment of persons with disabilities, the Bureau prioritizes the procurement of products and services provided by welfare organizations at reasonable price or under a specific amount. The amount percentage of such procurements in 2014 and 2015 were both higher than the percentage required by law (5%).

Status of Procurement from Welfare Organizations

	2014 年	2015 年
Percentage of Procured Products and Services from Welfare Organizations for Persons with Disabilities	90.01%	94.29%

Energy Conservation and Carbon Reduction

- 1.The Bureau has formed the Energy Conservation Task Force and formulated the “Promotion Program for Energy Conservation and Carbon Reduction,” implementing energy-saving measures for power, water, fuel, and paper consumptions. In 2014, the Bureau introduced Chunghwa Telecom’s “iEN-ASP Intelligent Energy Network” to improve management procedures of facilities and adjustments. The offsite management and monitoring of the operation of the facilities enable effective utilization of resources, ultimately achieving energy conservation.
- 2.Energy Conservation Plan
To facilitate the “Four Savings (power, fuel, water, and paper) Project,” the Bureau established “Four Savings” Task Force to be responsible for the execution of the project. Measures of energy conservation implemented in 2015 are as followed:

- (1) Power Saving Measures
 - Introduction of Chunghwa Telecom’s iEN platform to control time to turn on or off air conditioning and power for office hours and holidays.
 - Replacement of T5 lights in offices.
 - Replacement of LED lights in aisles.
 - Replacement of LED emergency exit signs.
 - Replacement of LED emergency lighting.
 - Installations of light timer and sensor in tea room
- (2) Water Saving Measures
 - Adjustment of toilet flush.
 - Adjustment of faucet water flow and installations of water-saving gasket and faucet aerator.
- (3) Fuel Saving Measures
 - All official cars on duty must turn off ignition while in idle over 3 minutes.
 - Official cars should undergo inspection and maintenance regularly to ensure fuel-efficiency.
 - Official cars use gasoline and natural gas alternatively.
- (4) Paper Saving Measures

- Official documents, meeting materials and reference materials are all photocopied on both sides of the paper to reduce paper consumption.
- Utilize multimedia equipment in the meeting room for reports and presentations during meetings. Promote online review, use of CD for large data, and uploading data online to avoid printing and photocopying of meeting materials.
- Encourage employees to utilize the Internet or telephone for communication, reducing the amount of official documents.

- Appropriate control of paper consumption by each unit. ◦

3. Achievements

Compared to 2008, power consumption was lowered by 18.66% in 2014, and 20.77% in 2015; fuel consumption went down by 64.4% in 2014, and 65.27% in 2015. Compared to “LPCD for Government Agencies and Schools” of 56.23 liters, the Bureau’s water-saving percentage was 63.92% (source: Government Agencies and Schools Water Conservation Reporting Website); online official document rate was 70%. The measures have effectively reduced carbon emissions.

4. Promotion of Energy Conservation

In addition to energy conservation at workplace, the Bureau also promotes energy conservation on the personal level, such as utilization of public transportation, consumption of local seasonal food, and implementation of waste classification, recycle, and reuse, encouraging employees to save energy in daily life. Director General and department heads were also the first people to co-sign the “Ten Declarations of Energy Conservation and Carbon Reduction.” Also, through the promotion of environmental education courses, the Bureau enhances employees’ environmental protection and energy conservation awareness and knowledge to jointly contribute to our environment. ◦

Natural Disaster Response Mechanism

Fire and earthquake remain frequent events in Taiwan, and in order to minimize losses of life and property resulted from such incidences, and effectively prevent emergencies and resulting losses in human life and properties, the Bureau has formulated “Office Area Unexpected Disaster Emergency Response Plan” in accordance to “Civil Defense Act” and “Fire Services Act.”

Furthermore, in order to gain accurate information of emergent events and appropriately respond and manage such events, the Bureau has formulated “Directions for Emergency Notification,”

Greenhouse Gases Emission Comparison 2008 vs. 2014

Type	Indirect Energy Purchased Power (kWh)		Direct Energy Gasoline (L)	
	2008	2014	2008	2014
Year	2008	2014	2008	2014
Saving Rate	18.66%		64.4%	
Emission Factor	0.5320		2.2631	
Carbon Emission kgco2e	193,815	157,643	4,743	1,688
Difference	-36,172		-3,055	

Greenhouse Gases Emission Comparison 2008 vs. 2015

Type	Indirect Energy Purchased Power (kWh)		Direct Energy Gasoline (L)	
	2008	2015	2008	2015
Year	2008	2015	2008	2015
Saving Rate	20.77%		65.27%	
Emission Factor	0.5320		2.2631	
Carbon Emission kgco2e	193,815	153,555	4,743	1,648
Difference	-40,260		-3,095	

Note 1. Source of emission factor: EPA Greenhouse Emission Factor Chart (v.6.0.1, November 2013)
 Note 2. Labor Pension Fund Supervisory Committee, the predecessor of the Bureau, was founded in 2008



as well as “Internal Control System Risk Registration and Analysis,” to prevent natural disasters and implement preventive or management measures to minimize losses and maintain organizational operation during disasters.

Employee Rights and Human Resource Development



Employee Protection and Rights

During employment and compensation assessment, the Bureau considers men and women as equal, and does not discriminate anyone due to gender, race, physical conditions, religious belief, political affiliation, and marital status. The Bureau does not employ child labor under the age of 16, and strives to eliminate any possibilities of forced labor. Also, the Bureau employs persons with disabilities and creates a friendly working environment. The number of employees of the Bureau with disabilities is above the quota required by law, accounting for 3.47% of all employees.

The current staff consists of employees of the former Labor Pension Fund Supervisory Committee, personnel transferred from Bureau of Labor Insurance, and personnel added through outside recruiting for the operation and management of National Pension Insurance Fund. Insight of this, a just and objective personnel system is essential to the protection of employee rights.

Reward, Punishment, Promotion, and Transfer Review System

1. Implement Regular Review

Each unit carries out regular review twice a year, where head of the unit reviews and evaluates the performance of subordinates in accordance to principles for regular review, which will serve as references for yearend performance appraisal, promotion, and transfer.

2. Performance, Reward, and Punishment

The evaluation shall be based on the objective appraisal of overall merits and shortcomings, with commensurate rewards and punishments. Accurate and objective assessment shall be done comprehensively based on employee performance, ethical conduct, knowledge and skills, and development potential. According to the nature and objective of work, the Bureau shall devise the most appropriate method of appraisal, and encourage the employees through open recognition, merits, and differentiated performance bonus.

3. Fair Promotion System

Personnel promotion assessment is based on Civil Service Promotion Act and Enforcement Rules of Civil Service Promotion Act, Promotion Sequence Table, and Civil Service Promotion Assessment Criteria. Among employees transferred to the Bureau from the Bureau of Labor Insurance, there are some employees

who do not have civil servant qualification (retained employees) due to self recruitment by the Bureau of Labor Insurance. With considerations of the career development and morale of such employees, the Bureau has formulated "Retained Employees Promotion Assessment Supplementary Rules" based on the principles of fairness in order to build a sound promotion system.

In 2015, the Bureau convened 17 selection meetings to review 7 cases of internal promotion and 14 cases of outside recruitment, strictly following "Civil Service Employment Act," "Civil Service Promotion

Act," "Promotion Sequence Table," "Civil Service Promotion Assessment Criteria," and "Comparison Chart of Civil Service Promotion Assessment Criteria and Certifications and Licenses." All procedures were implemented in accordance to the Bureau's standard procedures of internal promotion and outside recruiting.

4. Implementation of Rotation System

In accordance to "Civil Service Promotion Act" and "Ministry of Labor Promotion Rules," the Bureau formulates enforcement rules of promotion, stipulating that employees of the Bureau shall apply



for voluntary transfer after six consecutive years at the same position of the same grade in the same department. Employees of the Bureau shall be transferred after a certain period at the same position of the same grade, below section chief and executive officer, in the same department, to facilitate public service rotation policy.

5. Labor Rights Protection

To protect labor rights, facilitate labor-management cooperation, and enhance efficiency, the Bureau regularly convenes meetings of supervisory committee of labor pension reserve fund. During the meeting, reports will be made on the balance of labor pension reserve fund accounts and adjustment appropriation rate of labor pension reserve fund. The meetings also allow exchange of opinions between labor and management to construct internal labor-management communication mechanism.

Protection of Human Rights and Elimination of Discrimination

At the end of March 2009, R.O.C. officially passed the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights (referred to as Two Covenants), and the promulgation of "Act to Implement the Two Covenant"

further serves as the foundation of human rights protection, elevating Taiwan's human rights protection to meet the international standards. To facilitate human rights protection, the Bureau executes promotion of the Two Covenants at irregular intervals, and organizes "Introduction to Human Rights and the Two Covenants" training, actively promoting human rights. In both 2014 and 2015, 55 employees received related training on human rights policy, accounting for 37% of the total number of the Bureau's employees. Every year, a total of two hours of human rights training was organized.

To further introduce employees to utilization strategy of related tools of gender equality and gender mainstreaming policies, the Bureau not only has established online gender mainstreaming page, but also regularly organized gender equality professional training, convened gender equality task force meeting, and produced promotion materials of gender equality to promote the six major tools of gender mainstreaming in aim to eliminate gender discrimination and achieve the goal of true gender equality.

The Bureau has actively facilitated gender mainstreaming, promoting gender

equality and creating a working environment with equity of both sexes. The Bureau also promotes female employees to assume middle to high managerial roles and participate in important policy decisions, being granted the sixth and eighth annual Golden Carnation Award for Promoting Female Participation in Decision making by the Executive Yuan.

Regarding sexual harassment claims, the Bureau has formed Sexual Harassment Review Committee (referred to as Review Committee); when an alleged sexual harassment incidence arises, the victim or the victim's advocate not only can seek assistance in accordance to related laws and regulations, they may also present written or verbal appeal to the Review Committee. There has yet to be any incidence of sexual harassment since the inception of the Review Committee.

Healthcare and Employee Assistance

Compensation of employees of different grades is determined in accordance to related laws, such as Civil Service Pay Act, Enforcement Rules of Civil Service Pay Act, and Civil Servants, Military Personnel, and Teachers on Compensation Plan, and Executive Yuan regulations. Employees of both genders are treated equally. In addition to paying the employees lawful compensation on time, the Bureau also integrates private resources to provide employees benefits and build healthy working environment.

1. Healthcare for Employees

The Bureau cooperates with Pan-Chiao Cathay Hospital to provide 86 employees free health examination. The health reports of the employees were explained in order to enhance their healthcare awareness.

2. Balance between Family and Work

According to "Regulations for Retaining Civil Service Position without Pay," both male and female employees have the right to apply for unpaid parental leave, and be reinstated at the end of their leave, with the priority to return to their original position. In 2014 and 2015, one and five people respectively took their unpaid parental leaves. These were all female employees

and the reinstatement rate was 100%.

3. Employee Assistance Program

The Bureau has participated in the Ministry of Labor’s employee assistance program since 2010. In 2015, the program provided service to 147 staff, contract staff, caretakers (technicians and drivers), temporary staff, and their second-degree relatives. The service is outsourced to Hsinchu City Lifeline Association, where professional psychiatrists provide employees psychological consultation and group therapy, while ensuring full confidentiality of the services.

Training Talents and Nurturing Human Resource

The Bureau places great emphasis on career development of its employees with a “people-oriented” principle, focusing on “retaining talents” and “nurturing talents.” The Bureau regards each and every employee as the future leader, and through rotation of high managers, rotation of positions, and comprehensive training and education, the Bureau further enhances its human capital.

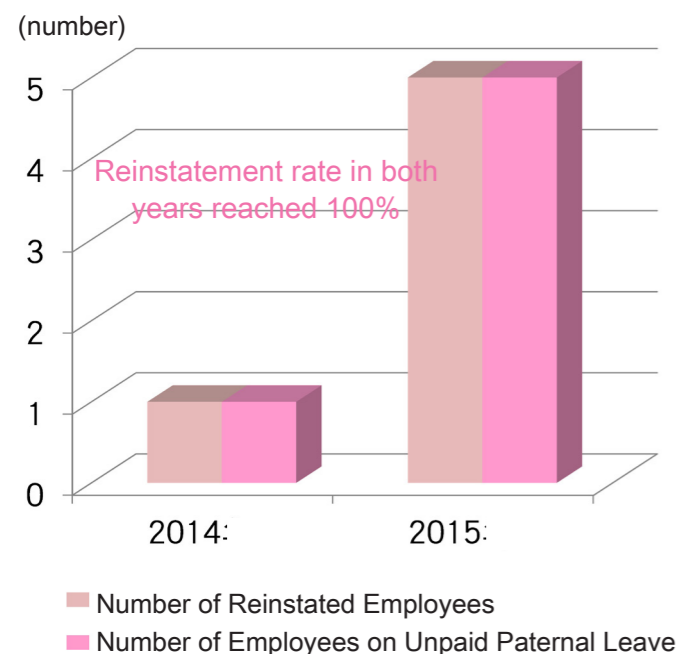
To enhance employees’ professional competencies, the Bureau adopts the rolling-method of annual training planning to go along with major policy promotion in order to enhance employee competencies and encourage lifelong learning. Trainings are categorized into professional training, general management training, new employees training, and other related training; through physical and online classes, the trainings aim to help employees find career aspiration.

Furthermore, the Bureau provides subsidy to encourage employees to pursue higher degrees, be motivated in autonomous learning, and enhance professional knowledge and skills. The Bureau subsidized one employee in each of 2014 and 2015.

Employee Training Status

Training Type	Training Purpose
Professional Training	To enhance employee professional knowledge and skills to improve fund investment performance, the Bureau organized various practical training and classes, such as professional knowledge and concepts, for employees of all levels.
General Management Training	Plan related classes in accordance to annual strategic education and training plan devised by Directorate-General of Personnel Administration.
New Employees Training	Help new employees to quickly learn the Bureau’s organizational structure, scope of work of each office and division, and official document writing.
Language Training	To enhance foreign language ability of employees and encourage autonomous learning, the Bureau began organizing English conversation and writing classes in 2015.
Other Related Training	Each office or division may plan related training in accordance to operational needs, such as Personnel Office’s classes related to employee assistance.

Unpaid Paternal Leave Status



Social Concern



Social Concern and Practice

In addition to pursuing steady returns, the Bureau continues to care for the society and labor rights, adopting “Taiwan Employment Creation 99 Index” and “Taiwan High Compensation 100 Index” for the selection of mandated institutions, and takes salary raise and labor retirement reserve fund contribution status into investment considerations, encouraging enterprises to fulfill corporate social responsibility. The Bureau also practices shareholder activism, asking enterprises to meet the quota of employing people with disabilities, organizing seminars, and pushing mandated institutions to promote the practice of socially responsible investment and the fulfillment of corporate social responsibility. Also, through “Care for Happiness, Go for Love,” the Bureau promotes volunteer services, encourages social engagement through knowledge, labor, and experience, enhances efficiency of public affairs, and facilitates employees’ concerns and care for the environment and society.

Environmental Education and Protection

To enhance quality of environment and build sustainable and healthy environment, the Bureau has participated in EPA’s “Clean Neighborhood Mobilization” since 2008, where employees and local borough chiefs jointly clean the environment.

In addition to raising employees’ environmental protection awareness through digital learning, the Bureau also organized hiking and cleaning activity in Hemei Mountain in Xindian in 2014, promoting the concept of loving mountains and cleaning mountains. In 2015, the environmental education classes had participating employees visit the Diverse Employment Development Project; through explanation by farmers, the employees learned the influences and impact of pesticides on produce. Employees also cleaned the local streets to improve local environment.

Second-Hand Goods Donation

To care for social welfare organizations and practice eco-friendly concept of recycling, the Bureau organized second-hand goods donation in both 2014 and 2015. In 2014, the "Second-Hand Goods Donation" donated brand new or used objects that were still functioning, as well as second-hand goods that had retail values, non-food products, or products that were at least six months to expiry date to Huimin Center for Mentally Retarded Children's second-hand goods store.

The Bureau also organized second-hand goods donation in 2015, collecting unused goods from employees, such as clothing (except underwear and socks), hats, accessories, bag, living goods, used cellphones, small consumer electronics, and small appliances. These brand new or barely used goods were donated to Syinlu Workshop's Nanzi branch.



Appendix : Global Reporting Initiative (GRI) Content Index

General Standard Disclosure

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G4-7	Nature of ownership and legal form	8-10
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G4-9	Scale of organization	10、36-37
G4-10	Total number of employees	10
G4-11	Percentage of employees covered by collective bargaining	None
G4-12	Description of supply chain	45-47
G4-13	Significant changes in organization during reporting period	5-6、8-9、45-47
G4-14	Precautionary approach	13-15、23、50
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G4-22	Effect of restatement of information	None
G4-23	Report significant changes in the Scope and Aspect Boundaries	None
Stakeholder engagement		
G4-24	List of stakeholders engaged	25
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GRI G4 Indicator	Description	Page
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Report profile		
G4-28	Reporting period	3
G4-29	Date of most previous report	None
G4-30	Reporting cycle	Annually
G4-31	Contact point for questions	3
G4-32	In accordance option	3
G4-33	External assurance for report	None
Governance		
G4-34	Governance structure	8-9、11-12
Ethics and integrity		
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Note : This report is not guaranteed by a third party.

Specific standard disclosures

Material Aspects	GRI G4 Indicator	Description	Page
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	G4-EC2	Financial risks due to climate change	45-50
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	G4-EC6	Proportion of senior management hired from local community	10
Indirect Economic Impacts	DMA	Disclosure of Management Approach ("DMA")	37-41、 47-49、 59-60
	G4-EC7	Development and impact of infrastructure investments	59-60
	G4-EC8	Significant indirect economic impacts, including extent	41-43
	G4-EC9	Proportion of spending on local suppliers	45-47
Environmental			
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	G4-EN6	Reduction of energy consumption	48-49
Emissions	DMA	Disclosure of Management Approach ("DMA")	47-49
	G4-EN16	Energy indirect GHG emissions	48
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Products and Services	DMA	Disclosure of Management Approach ("DMA")	32-34、 47-50
	G4-EN27	Mitigation of environmental impacts of products and service	47-50
Overall	DMA	Disclosure of Management Approach ("DMA")	45-47
	G4-EN29	Fines for non-compliance with environmental regulation	None
	G4-EN31	Total environmental protection expenditures and investments by type	46
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts	20(None)

Material Aspects	GRI G4 Indicator	Description	Page
Social -Labor Practices and Decent Work			
Employment	DMA	Disclosure of Management Approach ("DMA")	52-56
	G4-LA1	Employee hires and turn over	10
	G4-LA2	Benefits provided to fulltime employees	52-57
	G4-LA3	Return to work and retention after parental leave	55-56
Labor/ Management Relations	DMA	Disclosure of Management Approach ("DMA")	52-54
	G4-LA6	Type and rates of injury, lost days, work-related fatalities	None
Training and Education	DMA	Disclosure of Management Approach ("DMA")	56-57
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	56-57
Social - Human Rights			
Investment	DMA	Disclosure of Management Approach ("DMA")	54
	G4-HR2	Employee training on human rights	54
Non-discrimination	DMA	Disclosure of Management Approach ("DMA")	54-55
	G4-HR3	Incidents of discrimination and corrective action	54-55
	G4-HR12	Number of grievances about human rights impacts filed	54-55
Social - Society			
Anti-corruption	DMA	Disclosure of Management Approach ("DMA")	17-19
	G4-SO3	Percentage of operations assessed for risks related to corruption	18-19
	G4-SO4	Communications and training of anti-corruption policies	19-20
	G4-SO5	Confirmed incidents of corruption and actions taken	None
Compliance	G4-SO8	Monetary value of significant fines	None
Social-Product Responsibility			
Customer Privacy	DMA	Disclosure of Management Approach ("DMA")	16-17
	G4-PR8	Substantiated complaints regarding breaches of customer privacy	None
Compliance	DMA	Disclosure of Management Approach ("DMA")	17-20
	G4-PR9	Significant fines for noncompliance with provision and use of product	None

Financial services sector disclosures

	GRI Indicator	Page
FS1	Policies with specific environmental and social components applied to business lines	4、37-38
FS2	Procedures for assessing and screening environmental and social risks in business lines.	25-27
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	38-41
FS4	Process for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	38-41、45-50、59-60
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	41-42
FS6	Percentage of the portfolio for business lines by specific region size and by sector.	Please See Annual Report
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	33-43 Please See Annual Report
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	13-15、45-47
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	25-27
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	41-42
FS11	Percentage of assets subject to positive and negative Environmental or social screening	41-42
FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	41-42
FS14	Initiatives to improve access to financial services for Disadvantaged people.	33-34
FS15	Policies for the fair design and sale of financial products and services	33-34
FS16	Initiatives to enhance financial literacy by type of beneficiary	33-34