

出國報告（其他：出國受獎）

參加東南亞機構投資論壇及亞洲投資人雜誌頒授亞太地區最佳退休基金管理機構、台灣最佳投資機構
(Institutional Excellence Awards for Pension Fund、Taiwan)

服務機關：勞動部勞動基金運用局

姓名職稱：劉副局長麗茹

派赴國家：新加坡

出國期間：106 年 12 月 5 日至 12 月 7 日

報告日期：107 年 1 月 15 日

摘要

亞洲投資人雜誌於 106 年 12 月 6 日假新加坡舉行第 4 屆亞太地區最佳機構投資人頒獎典禮（AsianInvestor Institutional Excellence Awards 2017），該雜誌同時於 12 月 6 日至 12 月 7 日舉行東南亞機構投資論壇。亞洲投資人雜誌針對亞洲各投資機構進行評選，依機構型態、國家、專業領域及投資資產四大類別，分別選出表現優於同儕的專業投資機構或其在該資產及專業領域的投資領先其他機構，106 年亞洲投資人雜誌共頒發 26 個獎項，其中勞動基金運用局(以下簡稱運用局)囊括了 2 項大獎，除連續 3 年獲得最佳退休基金管理機構，更榮獲台灣最佳投資機構獎項。

亞洲投資人雜誌舉辦之「東南亞機構投資論壇」，針對近來機構投資人關心之主要議題進行深入之探討，本次「環境、社會與公司治理」獎項之得獎機構為日本政府退休基金(Japan' s Government Pension Investment Fund;簡稱 GPIF)，GPIF 另於論壇中分享其在 ESG 及盡職治理之實際行動，可作為運用局未來在社會責任投資與策略之參考。

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壹、前言說明

亞洲投資人雜誌於 106 年 12 月 6 日假新加坡舉行第 4 屆亞太地區最佳機構投資人頒獎典禮(AsianInvestor Institutional Excellence Awards 2017)，該雜誌同時於 12 月 6 日至 12 月 7 日舉行東南亞機構投資論壇。亞洲投資人雜誌針對亞洲各投資機構進行評選，依機構型態、國家、專業領域及投資資產四大類別，分別選出表現優於同儕的專業投資機構或其在該資產及專業領域的投資領先其他機構，106 年亞洲投資人雜誌共頒發 26 個獎項，其中運用局囊括了 2 項大獎，除連續 3 年獲得最佳退休基金管理機構，更榮獲台灣最佳投資機構獎項。

106 年亞洲投資人雜誌經過一連串的審查，肯定勞動基金運用局持續地創新作為，包括推動多元投資、增加新型委任型態、開發新投資領域及機會、致力於提升基金運用局之公司治理，同時持續戮力將環境、社會及公司治理的理念納入投資考量中，評選勞動基金運用局為亞太地區退休基金管理及台灣地區最佳之投資機構，投資專業再次受到國際肯定。

本次頒獎典禮邀請了亞洲許多大型退休基金與投資機構包括澳洲的未來基金(Future Fund)、紐西蘭養老基金(NZ Super)、日本政府年金投資基金(Government Pension Investment Fund)、澳洲退休基金 Sunsuper、馬來西亞僱員公積金局(Employees Provident Fund)及友邦保險(AIA)等。運用局藉由本次與國際大型投資機構之交流，深入瞭解目前國際退休基金制度及退休金投資平台之發展，同時就大型投資機構目前之投資趨勢及相關金融與經濟議題進行意見交流。

此外，亞洲投資人雜誌同步於 12 月 6 日及 12 月 7 日舉辦「東南亞機構投資

論壇」，該論壇針對近來機構投資人關心之主要議題進行深入之探討，本次「環境、社會與公司治理」獎項的得獎機構為日本政府退休基金(Japan's Government Pension Investment Fund;簡稱 GPIF)，GPIF 另於論壇中分享其在 ESG 及盡職治理方面之實際行動，可作為運用局未來在社會責任投資與策略之參考。





貳、勞動基金運用局獲獎說明

一、 第 4 屆亞太地區最佳管理機構獎問卷

本次遴選過程勞動基金運用局已針對該雜誌之遴選問卷提供說明資料。(附件 1)

二、 亞洲投資人雜誌對勞動基金運用局之評論

(一)最佳退休基金管理機構

勞動基金運用局一個如此大型並且在政治上相當重要的機構，其營運的靈活度卻令人印象深刻，尤其是在委外經理人的選擇上具有相當高的水準，當投資團隊確認新型態投資策略之優勢時，相對於其他機構會有較迅速之投資行動，有益於其拓展投資廣度。而這樣的自信主要來自於其人員的穩定度，投資團隊的平均年資達 8 年以上，而科室主管平均年資超過 12 年，投資團隊多具金融與經濟背景，運用局同時鼓勵其投資團隊參加券商及資產管理業者舉辦之研討會及論壇，以持續精進其專業知識。

勞動基金運用局雇用投資顧問公司以協助其投資組合之管理及委外業者之查核，俾使運用局能更深入了解委外業者。運用局委外業者之選任流程透明，並成立評審小組以進行投標業者之審查，流程兼具了品質與成本效益。運用局同時致力於提升其基金治理，除在網頁上公開 14 項之主要項目，包含資產規模、資產配置、每月績效表現

及國內外委任等，並在 106 年 8 月升級其網頁，使網頁更為簡單也更友善。

(二)台灣最佳投資機構

勞動基金運用局為台灣最主要的政府退休基金，隨著其資產規模由 103 年的 830 億美元，成長至 106 年的 1,140 億美元，其投資之複雜度亦隨之提升。伴隨著 1,140 億美元的資產規模是可預期之未來每年仍將有 70 億美元的資金流入，運用局的投資團隊需要持續尋求投資機會，在 106 年 1 月退休的黃前局長肇熙及現任之蔡局長豐清皆致力於尋求新的投資機會。

勞動基金運用局在許多資產類別皆是這一個區域的領先者，它任用了大約 10 個經理人來管理國外股票型委任，該局自 100 年開始投資在策略性指數投資，並應用在股票及固定收益資產，是市場上非常早運用策略性指數之機構投資人。該機構近來採用結合了數個因子的混合指數，更是複雜度較高之投資方式。此外，在經過長時間之評估後，勞動基金運用局已開始投資在私募股權基金及私募債權基金。再者，由於債券市場評價已位於相對高點，該局於 105 年 12 月公布辦理絕對報酬債券型委任，以因應市場未來可能面臨之修正及升息之市場環境。而勞動基金運用局在 106 年年底公布總委任金額 28 億美元之絕對報酬股票型委任，同樣也是為了因應未來之潛在波動。

勞動基金運用局在台灣同樣是社會責任投資的領先者，其 105 年底公布辦理全球 ESG 委任，總委任金額超過 20 億美元；在國內委任的部分，已經有數個委任採用社會責任投資相關之指標，未來並將辦理以 ESG 為指標的國內委任。

勞動基金運用局在公司治理的方面同樣豎立良好之典範，該局於 105 年 8 月簽署台灣證券交易所發布之「機構投資人盡職治理守則」，為台灣最早簽署的機構投資人之一。此外，該局並發布社會責任報告書，其內容包含了投資、社會及環境的管理思維，以及社會責任的履行成果。

三、 本次領獎紀實

本次運用局由劉副局長麗茹親自前往新加坡受獎。



參、日本政府退休基金得獎紀實與其實際作為

本次環境、社會與公司治理的得獎機構為日本政府退休基金(Japan's Government Pension Investment Fund;簡稱GPIF)，亞洲投資雜誌報導針對其獲獎原因於雜誌報導中有詳盡之說明，且GPIF 於東南亞機構投資論壇中針對其近來在環境、社會與公司治理之行動同時有詳盡之敘述，茲說明如下：

一、 得獎說明

GPIF 是日本最大之退休基金，同時是精進公司治理與投資習慣的主要倡導者，並已經有相當傑出之表現，過去 1 年 GPIF 將重心移轉至 ESG 投資。該退休基金在 106 年 7 月公布選出三個 ESG 相關之指標，並以被動型之投資方式投資 1 兆日圓(約 90 億美元)；此外，該基金另於 106 年 11 月尋求基金經理人提議相關的 ESG 指數，以協助管理其海外被動股票型的投資，上述兩事件已經展現了 GPIF 在日本致力於將 ESG 的概念融入其投資的決心。因為該退休基金相信 ESG 的概念可以協助他們管理風險，因此投入大量的金額在 ESG 投資。GPIF 觀察到 ESG 的概念在全球已受到廣泛之注意，但是日本的公司卻仍未符合 ESG 的標準，這主要是因為多數公司缺乏相關資訊的取得，而有部分公司不是這麼嚴肅地看待環境或社會這些議題。

GPIF 致力於改善上述這些問題，該退休基金請其資產管理經理人簽署聯合國責任投資原則(The Principles for Responsible Investment，簡稱 PRI) 並要求所有與其合作的日本的資產管理經理人成立第三方委員會監管其營運，以管理潛在之利益衝突；再者，GPIF 同時要求 ESG 評級提供者，提供評估日本公司的詳細方式，這些公司就會知道外界需要什麼樣的資訊，也有利公司的遵循。

GPIF 希望日本的資產管理業者皆能將融入 ESG 的概念，也希望日本的企業有較佳之公司治理，如 GPIF 近來使用之 MSCI Japan Empowering Women Index(MSCI 婦權強化指數)，即希望有越來越多的女性在職場上可以擔任高級職位。再者，GPIF 同樣希望將 ESG 投資擴充到更廣泛的領域如固定收益投資、主動型權益投資及另類投資等；GPIF 與世界銀行共同合作研究如何達到最佳之社會責任投資，該研究預計將在 107 年 3 月完成。

二、 GPIF 永續投資相關作為

(一) 永續投資相關背景

「社會責任投資(Sustainable & Responsible Investment 或 Socially Responsible Investment)」又可稱「永續投資(Sustainable investment)」，藉由投資過程中對於社會及環境的考量，選擇具有永續發展前景的企業，不僅個人可因投資報酬受惠，亦使得社會、環境與經濟領域皆可受益。主要的投資範疇則涵蓋環境、社會及公司治理（ESG）等因素。近年來企業社會責任投資在全球大幅成長，尤其是歐洲及美國已有相當之企業社會責任投資，而亞洲區的企業投資總金額則大幅落後，近年來日本的企業社會責任投資總金額大幅成長，其投資總金額並已大幅超越亞洲(日本除外)等國。以下以日本 GPIF 為例，觀察其近年來在企業社會責任之投資狀況與努力，可以作為未來勞動基金運用局之參考。

全球永續投資資產投資金額

單位：10 億美元

年 區域	2014	2016	成長比率
歐洲	10,775	12,040	11.7%
美國	6,572	8,723	32.7%
加拿大	729	1,086	49%
澳洲/紐西蘭	148	516	247.5%
亞洲(不含日本)	45	52	15.7%
日本	7	474	6689.6%
合計	18,276	22,890	25.2%

資料來源:Global Sustainable Investment Alliance

(二) GPIF 永續投資背景介紹

GPIF，由政府成立的行政法人機關管理，是全球最大的退休基金，總資產規模達 156.8 兆日圓，主要管理厚生年金及國民年金，GPIF 是一個規模龐大、投資組合分散且超長期投資人，基金設計為 100 年永續退休基金計畫，如何降低公司活動所帶來的負面外部性影響 (包含環境與社會等議題等) 及促進資本市場穩健及永續成長，是非常重要的部分。GPIF 持續加強在對其投資企業的監理深度，建立專屬標竿，GPIF 強調透過完整基金監理規範，例如代理投票以及創造與企業互動對話機制，使企業得以朝向正直負責任的營運循環中。

(三) GPIF 永續投資實際作為

1. 盡職治理相關作為

(1) 上市公司盡職治理調查

GPIF 依其法規無法直接投資公司，需要透過外部之資產管理公司進行投資，因此 GPIF 的盡職治理需要透過資產管理業者來進行。GPIF 鼓勵外部資產管理經理人善盡監管之責，以避免利益衝突。GPIF 於 105 年 4 月中 GPIF 完成首次調查日經指數 400 家上市企業，檢視上述企業與持有該公司股票之外部資產管理經理人的往來關係，並在 106 年 5 月完成第 2 次調查，以評估機構投資人在盡責管理行動之進展，並確認上述企業與機構投資人之對話。GPIF 認為在投資產業鏈上建立雙贏的往來關係，在中長期不僅可以增加被投資公司之價值，引領日本整體經濟之成長，進而創造基金之長期收益。

(2) 委外機構盡職治理原則之遵守

GPIF 要求其國內和國外權益證券委外受託機構，遵守以下盡職治理原則。如果經理人決定不遵守下列原則，需要解釋違反的理由。為了履行自己的管理職責，GPIF 不斷監督管理委外經理人盡職治理的活動，包括行使投票權，積極進行對話（股東行動主義）。

I. 委外受託機構的公司治理結構

- ✓ 應採用日本的盡職治理守則。

- ✓ 應該有強健的公司治理結構。應通過聘任外部董事等措施制定監督制度，以提高其獨立性和透明度。
- ✓ 應該提供足夠的內部資源以有效地履行其盡職治理責任。
- ✓ 應該解釋他們的高階主管及員工之薪酬和獎勵制度，並須與 GPIF 的利益一致。

II. 委外經理人的利益衝突管理

- ✓ 為了將受益人之利益置於第一順位，委外經理人進行相關活動時，應適當管理利益衝突（如果經理人隸屬於某個集團，經理人及企業集團內部皆須遵守）。
- ✓ 委外經理人將利益衝突分類為財務/資本關係和與業務有關的利益衝突關係，並應該制定且公開揭露利益衝突之管理政策。
- ✓ 委外經理人應通過措施來管理利益衝突，如設立第三方具高獨立性的委員會。經理人在選擇委員會成員時，應考慮到候選人的獨立性和經驗等因素。
- ✓ 為自己的機構或其利害關係人如母公司或集團公司使投票權時，資產管理者應該制定程序，以防止武斷的決定通過，如讓第三方委員會做出投票決定或審查的措施，或者是遵循代理投票顧問的建議。

III. 盡職治理活動的政策（包括股東行動主義）

- ✓ 經理人應制定並公開披露其盡職治理活動的政策包括股東行動主義。
- ✓ 經理人應確認其盡職治理政策和股東行動主義對股東中長期的價值有所貢獻，而不是短期之利益。
另外，為了讓盡職治理活動更有效率，經理人應考慮制定中長期股東行動計畫。
- ✓ 經理人在介入被投資公司時，應考慮非財務資訊，非財務資訊應包括（但不限於）公司治理報告和綜合報告。
- ✓ 如果公司決定不遵守任何原則並決定採取解釋，包括個別國家的公司治理守則或等同之公司治理守則，經理人須提供充分之解釋。
- ✓ 由於被動式投資為 GPIF 股票投資組合中相當重要的一部分，GPIF 的表現取決於資本市場中長期之持續增長。被動投資經理人應該制定和實施一個適合的股東行動主義策略。
- ✓ 在使用代理機構時，經理人應在選任前進行適當的查核工作，選任後亦須持續監測代理機構。

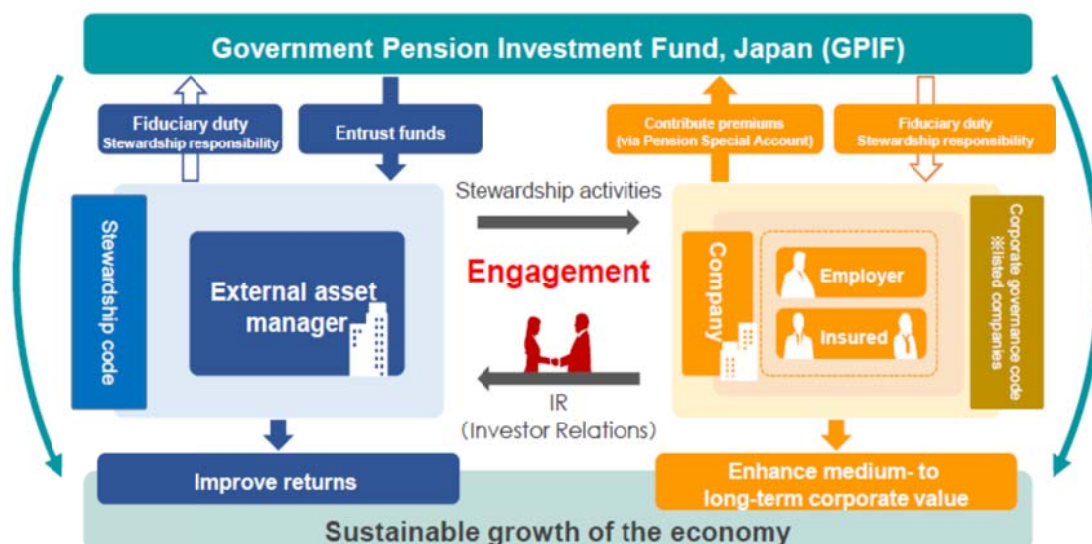
IV. 將 ESG 融入投資流程

- ✓ 為增進公司價值的永續增長與獲得更佳的中長期風險調整後報酬，GPIF 認為將 ESG 因素整合到投資流程中相當重要，經理人應考量個別被投資公司有關 ESG 的重大議題，並處理這些問題。
- ✓ 經理人應主動介入被投資公司有關 ESG 的重要議題。
- ✓ 經理人應成為負責任投資原則（PRI）的簽署者。

V. 投票權的行使

- ✓ 經理人應為 GPIF 之最佳利益行使投票權。
- ✓ 為了提高被投資公司的企業價值，經理人應依據 GPIF 代理投票原則進行投票。
- ✓ 在使用代理投票顧問時，經理人應在選任前進行適當的查核工作，選任後亦須持續監測該代理機構。

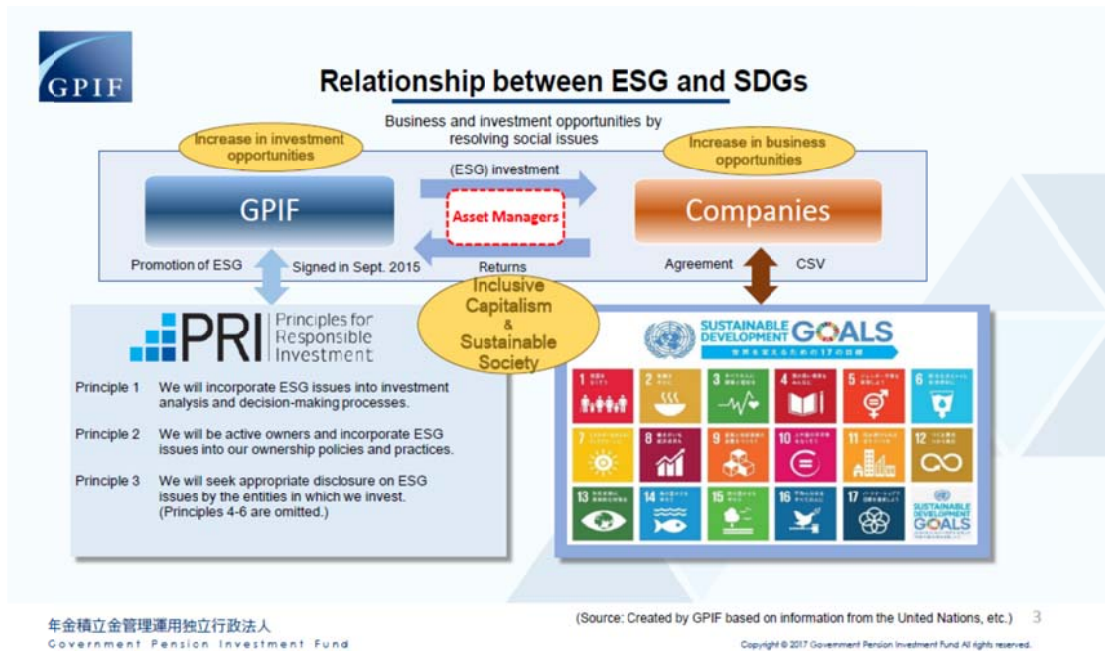
(3) 代理投票之揭露：GPIF 認為，隨著日本“盡職治理守則”於 106 年 5 月 29 日修訂，揭露代理投票記錄的細節，對於機構投資者履行自己的盡職治理責任相當重要，除了可以深化公司治理改革，並將重點從“形式”轉向“實質”。GPIF 將可通過提高公司價值和促進投資公司的持續增長，持續增進中長期投資回報。因此，GPIF 於 106 年 6 月發函要求其委外資產管理經理人揭露其對每一家企業的代理投票。



資料來源:GPIF

(4) 聯合國責任投資原則

GPIF 於 104 年 9 月簽署聯合國責任投資原則（The Principles for Responsible Investment，簡稱 PRI），鼓勵委外經理人將 ESG 納入股東行動。同年 11 月該基金投資長並成為聯合國 PRI 理事會成員之一，GPIF 更進一步於 105 年主辦第一屆經營及資產主研討會以及全球資產主研討會。聯合國在 104 年 9 月發表 17 項永續發展目標（SDGs，Sustainable Development Goals），包含消除貧窮、消除飢餓、健康與福祉、教育品質、性別平等、淨水與衛生、可負擔能源、就業與經濟成長、工業、創新與基礎建設、減少不平等、永續城市、責任消費與生產、氣候行動、海洋生態、陸地生態、和平與正義制度、全球夥伴。GPIF 認為企業透過達成聯合國永續發展目標，解決社會問題，將可增加企業機會與投資機會，增進股票價值。



(5) ESG 之相關投資：

GPIF 於 106 年 7 月公開表示未來將提高 ESG 的投資金額，預計會由 1 兆日圓(約股票投資組合的 3%)增加至未來的 3.5 兆日圓(約 290 億美元)。目前 GPIF 使用的 ESG 投資採用被動型指數投資，其使用的指數如下(1)FTSE Blossom Japan Index Broad index (2)MSCI Japan ESG Select Leaders Index (3) MSCI Japan Empowering Women Index (nickname: WIN)，其中前述 2 個指數都包含了環境、社會及公司治理 3 個主要因子，並投資在 ESG 評級較佳之公司；第 3 個指數則是投資上有較佳性別分散之公司，以鼓勵日本女性參與就業。

GPIF 認為增加環境、社會及公司治理投資不僅使得基金本身受益，更可以鼓勵被投資公司依據 ESG 的衡量標準改進 ESG 的表現，進而增進企業長期價值。再者，若公司在環境、社會及公司治理等有較佳之表現，亦可望吸引國外資金流入，並增加日本股票市場的期望報酬，日本退休基金也會因此受益。

肆、心得與建議

勞動基金運用局自成立以來，統籌勞動部轄下各勞動基金，並受衛生福利部委託管理國民年金保險基金，截至 106 年 12 月底總管理規模達新台幣 3.9 兆元，資產規模持續成長。為有效管理轄下各基金，運用局持續整併各基金之資訊系統及各項資源，精進內部控制，強化風險控管能力，增加局內之透明度，並致力於提升人員之專業能力。此外，為強化投資組合，增進各基金長期穩健之收益，運用局除推動多元投資、增加新型委任型態、開發新投資領域及機會、致力於提升運用局之公司治理，同時持續戮力將環境、社會及公司治理的理念納入投資考量中，並受到國際資產管理業界的肯定。

此次海外訪察除了參與亞太地區最佳機構投資人頒獎典禮，並參加亞洲投資人雜誌同步於 12 月 6 日及 12 月 7 日之舉辦「東南亞機構投資論壇」，該論壇針對近來機構投資人關心之主要議題進行深入之探討，再者運用局亦利用此次機會與國際大型投資管理公司、機構投資人和退休基金管理機構，就市場關心之議題進行交流。

近年來運用局持續推動企業社會責任，除了簽署台灣證券交易所發布之「機

構投資人盡職治理守則」，發布了運用局之社會責任報告書，積極以運用局股東身分採取股東行動，並建構國內外社會責任投資委任，以實際之行動來鼓勵在社會責任相關有較佳表現之公司，期望帶動企業社會責任之投資，善盡運用局之責任，並對社會、環境及公司治理都能有所貢獻。

本屆「環境、社會與公司治理」獎項之得獎機構-GPIF，除強化公司治理，並在企業社會責任策略上有積極之作為，GPIF 相信推動企業社會責任策略，將有益於增加企業價值，並進而增加基金之收益。該基金於 104 年簽署了聯合國責任投資原則；在盡職治理方面，該機構除了要求其國內外委任的經理人遵守盡職治理原則，為了評估經理人之實際進展，另於近二年對日本上市公司進行盡職治理之調查。在委外經理人盡職治理原則的要求方面，則包含公司治理結構、委外經理人的利益衝突、行使投票權、將 ESG 融入投資流程及股東行動主義。此外，GPIF 除了在 106 年辦理 ESG 國內委任，選用 3 個 ESG 指標，並公開表示將持續增加 ESG 之投資金額至 3.5 兆日圓。

GPIF 在環境、社會與公司治理所施行之策略，尤其是在委外經理人盡職治理活動之要求，尚有運用局值得學習之處，未來運用局仍將依市場脈動健全基金投資業務，並持續不間斷地精進各項專業與實務能力，以利基金管理績效之提昇，俾增益勞工經濟生活之保障。

附件 1 遴選問卷



ASSET OWNER QUESTIONNAIRE

These questions are designed to help *AsianInvestor* compare relative improvement of institutional investors (asset owners) against peers. They are not designed to provide a “report card” in an absolute sense. All responses to the questionnaire will be strictly confidential. This information will not be shared by *AsianInvestor*’s editorial team with any other part of our business, or third parties, except on a blind basis with our judges.

PART 1: Governance (22% OF DECISION WEIGHTING)

Please explain how the following areas *have improved* over the past three years:

- I) Corporate governance (including oversight and accountability, the involvement of the board of directors, selection criteria for board members, clarity of roles between the board/the investment committee/management, signing up to stewardship codes)
 - II) Robustness of process (adherence to investment guidelines and objectives)
 - III) Transparency and communication to stakeholders (use of channels to disseminate information, frequency of sharing details with the public, quality of data made available, investor/stakeholder education)
- I) The Bureau of Labor Funds (BLF), a government agency under the Ministry of Labor, was restructured from the Labor Pension Fund Supervisory Committee (LPSC) and merged the

investment team of the Bureau of Labor Insurance on February 17, 2014. The BLF manages the Labor Funds which include the Labor Pension Fund (LPF), the Labor Retirement Fund (LRF), the Labor Insurance Fund (LIF), the Employment Insurance Fund, the Overdue Wages Payment Fund, and the Occupational Accident Protection Fund. The size of Labor Funds has grown more than 37.47% over the past 3 years: the total asset value keeps escalating from USD 83 billion in mid-2014 to USD 114.1 billion this year. We expect years of steady incoming cash flow – approximately USD 7 billion p.a. – in the foreseeable future.

The BLF is monitored by the Labor Funds Supervisory Committee which is under the Ministry of Labor and constitutes of representatives recommended by related governing entities, the academia, and the associations including both the employer and the employee. We attend the Committee meetings monthly to review annual investment plans, performance, asset allocation, budgets, and financial statements of the funds. We also take suggestions from the Committee members specialize in labor relations and finance for utilization of funds. Besides, for the BLF's external domestic and foreign mandate investment programs, the Bureau applies an open tender process to invite all investment companies to submit their RFPs. We also set up a selection panel for each project which independently review all candidates' RFPs and decide their final ranking fairly and objectively.

In order to ensure the effectiveness of the internal control in every investment process and to protect the security of all funds, the BLF set up a task force to create an internal control system. By means of the two-pronged approach focusing on both internal control and fund audits, the rolling risk-evaluation program, and openness to suggestions, the BLF has strengthened the scheme of internal monitoring and was received an "A" rating in the first internal control evaluation carried out by the Executive Yuan of R.O.C. in 2015.

II) The BLF is devoted to consolidate and enhance all investment policies. We develop investment plans – based on the properties, governing regulations, and scopes of the funds – to process various investment activities while upholding our principles of investment: safety, transparency, efficiency, and stability. Internally, the BLF is committed to establish an organization and an operating mechanism suitable for all funds. Externally, the BLF aims at advertising the Funds' diversified investment allocations, and their pursuance of long-term stable returns.

As a dedicated institution for investment, the principal duty of BLF is to attain steady return by mapping out the most appropriate asset allocation. In recent years, we have been regularly communicating with international asset managers and consultants in order to be well acquainted with the latest trend of asset allocation. On the basis of long-horizon perspective, we have completed separate Investment Policy Statements (IPS) of Labor Funds and National Pension Insurance Fund. Regarding the asset allocation plan, the BLF enhance the forecast model of long-term return rate and consolidate the parameters of asset allocation system in order to optimize the construction of portfolio.

We keep inspecting the investment operations of all funds regularly and make sure that they correspond with their IPS. By means of that the Funds are continually bound for global and diversified investment allocation in attempt to diversify investment risks and steadily augment return.

III) To facilitate searches for information on fund investment, the BLF set up a Chinese–English bilingual website and discloses 14 major items and 32 sub-items about fund utilization on the website, such as reserve amount, assets under management, guaranteed rate of return, asset allocation, and monthly investment performance of domestic and foreign mandate investment. Besides, the BLF introduced the application for Web2.0 by subsequently publishing the activity photo album on Flickr, news on YouTube, and blog on Google+. We upload photos of events involving the Bureau, as well as videos of our press releases to increase the functionality and to enrich the content of the website. Moreover, parts of the major data are visualized by infographic that helps the public to fully understand the content of the funds.

Additionally, we also contribute to the Ministry of Labor’s official Facebook page by posting articles, comics, and animations, depicting the Funds’ investments and financial studio in an easy-to-understand language to attract different internet communities. Here are two of our animations: <https://www.facebook.com/mol.labor/videos/1486424244748192/>
<https://www.facebook.com/mol.labor/videos/1416041058453178/>

In order to achieve greater clarity and provide users with an easier access to information, the website of BLF has been overhauled and upgraded by adopting simpler and more user-friendly design since August 2017. On the strength of that we have improved the overall

quality of the communication with the general public and made our public information become more transparent and accessible. (<http://www.blf.gov.tw/>)

PART 2: Capabilities (22% OF DECISION WEIGHTING)

Please explain how the following areas *have improved* over the past three years:

- I)** Building internal competency in order to rely less on external managers
- II)** Depth of talent
- III)** Continuity of talent (length of tenure for senior positions)
- IV)** Relevancy of talent to meet the investment mandate and goals
- V)** Training of personnel

I) Our in-house team members begin with daily meeting each day and discuss financial news and events happened last day in the world to exchange investment ideas and establish investment and trading strategies. We also have a formal investment strategy committee with our senior managers to oversee and review the performance of portfolios and even specific stock. The committee also exchanges their insights about the market trends and each investment to decide the optimal asset allocation for the portfolios. We encourage our team members to communicate frequently and the communication between members also the key investment process for the BLF. Our team members also have the on-site meetings with companies regularly and they are an important aspect of idea generation.

Our in-house team also proactively communicates with external managers, analyst and brokers regarding ideas, investment strategies, market outlook, market trends etc. Our in-house team regularly meets the external managers. We collect information and investment ideas through the communication with external managers and use them as one of our information sources to compare with our own thoughts. We also keeps improve our capability and competency through the global on-site training and customized training programs. Our foreign in-house team exploits our rich sources to build our internal competency.

For years, the in-house and mandate portfolios of different Funds performed well by functioning complementarily. Additionally, we developed multiple investment strategies for our mandate portfolio, such as referencing to more alternative smart beta indices. Under the aforementioned strategies, we are able to use passive or enhanced approach to lower our management fee expense. Meanwhile, we assembled the Investment Strategy Committee with audit division, investment division, finance division, and risk division to

make investment decisions. Hence, the Committee can operate efficiently and effectively by delegation of authority and duties.

For the past several years, the staff of the investment departments – both domestic and foreign investment departments – across all the Labor Funds stayed stable. By the end of February 2014 when the Bureau was just established, total fund value managed by the in-house team was around USD 46 billion. By the end of July this year, it has increased to USD 63 billion. For domestic investment, we have played the role of encouraging external managers to follow the best market practice as well as set up guidance for them to follow. For the foreign investment positions, we also keep expanding the variety of the portfolio managed by the in-house team. More details will be discussed in part III.

II) The BLF is a government agency; all employees have to pass the civil service examination. The BLF also gives priority to hiring applicants with financial background, holding professional licenses, and possess relative work experience. We value personnel with extensive knowledge in investment. It is one of the necessities to fill the role of making investment decisions. We provide professional courses and training programs offered by asset management companies for our employees to improve their professional knowledge. We also encourage employees to obtain professional licenses – they are not only for proving and improving one's capabilities, but also serve as one of the items when we consider a promotion.

III) The BLF make investment decisions with the Investment Strategy Committee, where principles of team-work apply throughout the whole decision making process. Our employees can exchange their opinions and experience anytime. We also invite experts and asset managers to share their expertise. It's worth mentioning that we have low employee turnover rates. The average seniority of investment division members is 8 years, and 12 years for section chiefs.

IV) As mentioned above, most of our personnel have financial educational background and passed relevant financial examination(s) and owned financial license(s). The senior

management team constitutes of financial and economic specialists with profound experience. Our in-house team often meets with global fund houses, academics, and research institutes to obtain real time information of the markets and industry developments. This kind of on-going communication enables our team members to progress swiftly. For the external managers the Bureau selected, we work with global investment consultants to set up appropriate investment mandates and goals as well as a selection process with on-going monitoring. The evaluation process for manager selection and monitoring always covers quantitative (risk return matrix) and qualitative (business, people, and process) analyses. We believe the selected managers should be the top ones within the asset classes they focus on.

Some members of the investment team have worked for financial institutions, and have passed the domestic qualification exams of Securities Investment Analyst, and Futures Trading Analyst, respectively. Consequently, our long-term performance can be enhanced with team members who can understand the companies we invest in and can benefit from advantages of using derivatives.

V) Since the beginning of the foreign mandate investment, the Bureau is keen to leverage the advantages of global asset management companies and learn from those professionals of global fund houses. We ask our mandate managers to provide on-site training programs every year either via participating in their global or customized training programs provided to the Bureau. Every person within the Bureau has opportunities to participate in such training programs. On the other hand, we seize the opportunities to participate in international forums abroad selectively to communicate and interact with global institutional investors. We also keep dialogues with our managers so that they can provide appropriate training programs to all team members. Aside from the training resource from our delegated managers, many globally famous investment fund houses frequently pay visit to the Bureau to understand on our investment requirements. We encourage and welcome them to bring their professionals and experts to share their knowledge and industry experience with us. It's quite helpful for all team members to easily access to the market practice as well as real experience. We also encourage our team members taking part in local training programs or examinations set by local financial educational institutes. All of our employees are keen to get improved and enhanced in all aspects.

The BLF requires domestic brokerage firms to invite sell-side analysts, economists, and research institutes to share market and industry reviews with employees of the BLF. In order to improve expertise, the BLF also encourages staff to attend investment forums and seminars hosted by domestic brokers and asset management firms.

Investment consultant plays an important role for our personnel training. First, we invite consultant to attend our quarterly review meetings with mandate managers. We can have more deeper and different understandings of mandate managers from the conversation between the managers and consultant. Our team members also can find different points of view to monitor and evaluate external managers. Second, we also invite consultant to attend our on-site due diligence for our global mandate managers in recent years. Our on-site due diligence often lasts for one week and we meet the investment team and the middle and back offices of the managers. The investment consultant can provide different angles of due diligence for us. Last, the consultant provide training program for our team members every year. They provide not only their views for global outlook but also quantitative and qualitative skills to measure the performance and capability of external managers.

We also have job rotation policies in place, so that our members can have the opportunity to learn how the things are done in other departments. In 2016, we have relocated 5 senior executive officers and 5 section chiefs to other divisions.

PART 3: Innovation (22% OF DECISION WEIGHTING)

Please explain how the following areas *have improved* over the past three years:

- I)** How your organisation is thinking differently and changing how it invests, in comparison to peers
- II)** Risk management solutions
- III)** Operational efficiency
- IV)** Use of technology
- V)** New asset classes/diversification

I) For many years, we are well aware of the disadvantages of traditional market cap indices and applied more and more alternative indices, also named as the Smart Beta indices since 2011 for both equity and fixed income mandate portfolios. Early this year, we took a further step in alternative indexing investment. In the Asia Pacific Quality Mix Equity mandate we just finished the selection process, we blended several factor-indices including quality, minimum variance, and enhanced value for getting a better and more defensive portfolio allocation. Under this blended approach, we expect to produce a more consistent alpha and reduce the portfolio's volatility.

As we mentioned in part 2, one of the objectives of our in-house investment portfolio is always to construct a well-diversified portfolio and seeking for long term stable and consistent return, especially in overseas alternatives investments including real estate, infrastructure, commodity, and hedge funds. We also start to invest in private equity and private debt funds last year. The Bureau will be actively looking into all kinds of alternative investment opportunities.

On the other hand, for our foreign mandate investment portfolios, we launched Global ESG Quality Mix Equity Indexation and Absolute Return Fixed Income in December 2016. The ESG mandate with an aggregated amount of \$2.4 billion and invests in companies with good Environmental, Socially and Governance (ESG) performance and exclude companies that are involved in specific businesses which have high potential for negative social impact such as alcohol, tobacco, gambling etc. The mandate also use smart beta to enhance the expected return and reduce the risk. We will keep increasing our allocation to Socially Responsible Investment. As for the Absolute Return Fixed Income mandate, the aggregate amount is \$3.6 billion and this mandate is designed to handle with the rising interest rate environment. We

applied a total return investment target and emphasized on getting better downside protection under a dynamic portfolio construction. The selection process has been done, and we are starting to make partial funding to these two mandates. We are planning to launch an Absolute Return Equity mandate which applied a total return investment target and limited risk budget this year. We expect to look for skilled managers that can generate stable returns in all market conditions and provide the downside protection during the bear market.

Regarding the processes of selection and monitoring our external delegated managers, we constantly work with global investment consultants for many years. In terms of their global coverage of the investment managers in their research database and institutional investors' client bases, they could share the information about the managers' research, asset allocation trend, as well as global market practices for our reference. In the past three years, we also invite them joining our periodic on-site due-diligence visits to our delegated managers. From such kind of visiting projects, we could get more understanding on how they study and evaluate good investment managers. This does not only help us understand their research structure and their analysis reports, but also let us integrate their study processes and good advices into our own know-how, especially the process conducted by our in-house team.

II) In the inception of BLF, we had established comprehensive risk management mechanism of Funds. The risks are divided into several categories including market, credit, liquidity, operation and law risk. We manage them by different frequencies such as daily, weekly, monthly and quarterly. Furthermore, we effectively control the assets, detailed items and risk of each portfolio through heeding the variation of risk readings by information system, computing VaR daily and paying attention to risk exposure at any time. Besides, due to the difference of risk management system for each Fund, the BLF has been integrating and enhancing the function of the systems gradually. We set up risk management system for labor pension Fund in 2015, as well as labor and employment fund in 2016. Additionally, the BLF sets up Risk Control and Management Team in charge of significant issues about risk management regularly or irregularly. Besides, we pay full attention to the fluctuation of economy and financial market. When facing significant financial events, Risk Control and Management Team will convene meeting occasionally depending on the situation in order to

bring up corresponding measures. For instance, owing to Trump's election to the US president on Nov. 8, 2016, the global stock and foreign exchange market fluctuated dramatically. Risk Control and Management Team convened meeting in order to protect Funds investment and achieve target return.

III) Apart from in-house investment of Labor Funds in the domestic stock market, the Bureau also commissioned external asset management companies for investment advisory services in order to develop different investment styles. We continue to improve our mandate strategies, which has led to significantly increased investment performance. In addition, as continuation of the 2014 integration of domestic mandate monitoring systems, in 2015 we carried out a comprehensive integration and overhaul of mandate investment management agreements in order to enhance investment efficiency. We also begin to integrate our foreign mandate monitoring systems this year and the integration will be finished by the end of this year. All the Labor Funds' foreign mandates will be integrated into one system and that will increase the efficiency of daily monitor. We strive to encourage the best performing investment managers to apply and submit their RFPs to us by issuing a cross-fund joint invitation to tender for both domestic and foreign mandate portfolios. For our foreign mandate portfolio, we also hire aforementioned investment consultants to provide monitoring services. They provide both qualitative and quantitative analysis to all managers. We refer to their independent opinion to do an overall comprehensive evaluation on our managers' performances. Finally, regarding our in-house portfolios, counterparties management and other operational process has been centralized and standardized across different funds in the Bureau. All funds under the Bureau's management could benefit from the lower transaction cost and higher operational efficiency.

IV) After the establishment of BLF, we integrated the teams of Labor Pension fund and Labor Insurance Fund to consolidate the management of Labor Pension Fund, Labor Retirement Fund and Labor Insurance Fund.

Due to the difference of operation process and regulation for each Fund, as well as the variation of the background, framework and function for systems development, we use original systems in the beginning of organization merging to avoid the complexity and

benefit the operation. The BLF has been transforming and integrating systems after each department drawing up standard operation process and then coordinate the need and regulation for each system.

To effectively solve the problem of systems integration, we drew up “Systems integration plan of Labor Funds” and then to benefit the continuing operations for Funds’ investment and management. The BLF drew up a scheme to integrate each fund’s information system from 2016 to 2019. In 2016, we carried out the integration of domestic mandate system. In 2017, we plan to integrate overseas mandate and domestic investment accounting system in order to construct more efficient information application platform.

V) As the leading pension fund in Taiwan, the LPF started to invest in alternative investments since 2011. Considering the characteristics of alternative investment as an asset class with low correlation to traditional equity and fixed income products, the funds would benefit from the portfolio diversification. At the beginning, the LPF outsourced its first global Reits mandate. It was considered as a good investment target capable of combining all the advantages of liquidity, return, and transparency at the time. The mandate has been funded for USD 2.34 billion since the 1st quarter in 2012. Following the global Reits mandate, the LRF also announced the global listed Infrastructure mandate in 2014. This asset class was thought of as income-oriented investment within the industries which used to have an entry barrier and long term operational characteristics. Both Reits and listed infrastructure mandates are probably the first mandate program of its kind issued by Taiwanese institutional investors. In 2015, we also extended both mandate strategies to other funds under the Bureau’s management. Under such joint mandate approach, we not only experienced synergy in the tender process and improved the portfolio management efficiency but also further enhanced the level of diversification across different Labor Funds.

On the other hand, the Labor Funds has invested in other alternative investment targets, such as commodity fund, energy fund, direct real estate fund, direct infrastructure fund as well as fund of hedge funds, etc. Last year, we added private equity funds and private debt funds into the portfolio. Currently, we focus on secondary market for private equity funds investment because it could shorten the life cycle of our initial investment and we can withdraw quickly if needed. We also keep studying absolute return strategy for our in-house

alternative investment to diversify portfolio risk and to serve as a shield providing down-side protections.

We also strive to diversify our alpha sources within asset class. First, we adopted various Smart Beta (factor) indices as our mandate Benchmarks. We look for Smart Beta indices that their risk and return characteristics fit our target and the combination of smart beta indices can also reduce the risk and enhance our return. We gradually allocate our portfolios to different factor strategies to diversify our asset allocation and our allocation to factor investments including value, minimum volatility, quality and multi factors etc. Second, we outsource our mandates to managers with different investment styles. We still believe that outstanding active managers can add value for our funds; however, each manager may underperform under different cycles. Diversifying investment styles will reduce the volatility of excess return. Our portfolios are more balanced between active and passive investments now. It helps us to lower the expenses and have better control of alpha sources.

The global multi-asset mandate and the Absolute Return Fixed Income mandate we announced respectively in 2015 and 2016 both adopt the total return and unconstrained concepts. These two mandates help us to diversify our portfolios and reduce the risk. For further diversifying our equity portfolios, we will adopt the same concepts for the Absolute Return Equity mandate. We will remove constraints of benchmark from the Absolute Return Equity Mandate and managers can invest in stocks, countries, styles and regions where they can find investment opportunities and deliver absolute return.

Aside from building a diversified portfolio and seeking for better risk-adjusted return to all funds under the Bureau's management, we are also keen to take more social responsibility in both local and global markets. In order to implement social responsibility investments (SRI), we have adopted several SRI indices in domestic mandate programs, which were the pioneers of local institutional investors. Our Global ESG Quality Mix Equity Indexation mandate applies ESG selection criteria and smart beta concept. This year, we are planning for an ESG mandate for our domestic equity portfolio which will also apply ESG selection criteria and smart beta concept in this mandate. Going forward, we will continue increasing our ESG exposure to implement this important investment theme in all of the Fund's portfolios.

PART 4: Asset strategy and performance (22% of DECISION WEIGHTING)

Please explain how investments into the following asset areas *have improved* over the past three years in terms of strategic goals and risk-adjusted returns (please include details of your in-house or external management strategy in each relevant area, and if possible offer specific investment/mandate examples):

- I) Active equity investments
- II) Active credit investments
- III) Passive investments
- IV) Smart beta investments
- V) Real asset investments (i.e. real estate and infrastructure)
- VI) Private equity investments
- VII) Private debt investments

I) Our domestic in-house equity portfolios adopt flexible investment strategies to obtain long-term stable returns. We adopt both the top-down and bottom up investment approaches to allocate our equity investments. We dedicate effort to macroeconomic and industry analysis and the views of top-down analysis is a key part of our investment process and asset allocation. We overweigh the industries which will be benefit in the economic cycle. Bottom up fundamental analysis is the most important part of our investment procedure and our investment team evaluates the fundamental of stocks. We screen the investible universe and look for companies with good quality and high growth potential. We evaluate the value of companies and select companies that are trade below their fair values. Our positions are divided into core and satellite holdings and each of them has its own trading strategies. We actively use range-trading strategies to enhance capital gains of satellite position. Core holdings are our long term investments with the characteristics of high dividend yields and rational valuation to generate steady returns. The total return from the domestic in-house equity investment is NTD 96.3 billion from 2014 to July 2017 and our performance significantly outperformed Taiwan Stock Exchange Weighted Index (TWSE).

Our foreign active equity investment mandates can divide into active and enhanced mandates according to different risk budgets and benchmarks. Basically, equity mandates which adopt traditional market capitalization indices as benchmarks could be active or enhanced types depend on alpha and risk targets. We began to adopt smart beta indices as benchmarks to diversify our portfolios and enhanced our returns in recent years. We design these smart beta mandates with limited risk tolerance to keep the characteristics of smart beta. We outsourced Enhanced Global High Dividend Yield and Enhanced Asia-Pacific Mix Equity mandates in 2013 and 2016 respectively. The total size is up to USD4.4 billion. We expect that managers can have moderate flexibility to deal with market changes and smart beta cycles to create better return. For example, the enhanced Asia-Pacific Mix Equity mandate adopts multi-factor index as benchmark, managers can over/under weigh each factor depends on their own view. We expect to expand active equity investments to absolute equity mandate in the near future and look for skilled managers who have capability to capture return over market cycles and hedge downside risk.

We also try to diversify our foreign active equity mandates by managers and investment areas. Our enhanced and active equity mandates invest in Global, Emerging market, Asia Pacific ex Japan and Asia Pacific and we hire 10 managers to manage these mandate accounts now. These managers adopt different investment process and styles to manage our accounts. For example, some may adopt a blend of top-down allocation and bottom-up stock selection and some may just only adopt bottom-up approach to construct portfolios. They also have different investment styles such as value, quality, growth, diversified, large cap biased or style neutral etc. The different investment styles have different performances during the economic cycle and the diversified investment styles help the BLF's to earn more stable return during the entire economic cycle. The total return from foreign active and enhanced mandates is USD 2.17 billion from 2014 to July 2017.

II) Our investment objectives of in-house active investment are to obtain both stable return and capital gain. Our in-house team invests in bonds, mutual funds and ETFs. Our investment approach combines both top-down macro views and bottom-up fundamental analysis. We review the monetary and currency policies, inflation, economy growth of major countries and market valuations to decide asset allocation of different asset classes and countries. We dynamically adjust asset allocation depends on risk preference and yield trends. We also

focus on security selection and look for bonds with good quality and higher coupon rate. We allocate bonds issued in multiple currencies to reduce the currency and country risk. Risk management is the important part of credit investments and we adhere to strict investment risk management to control and monitor our investments. The total return from foreign active credit investment is USD 991 million from 2014 to July 2017 and we generated consistent and stable long-term return.

We diversify our foreign active fixed income mandates by managers and investment universes. We have different types fixed income mandates such as global aggregate, global credit, enhanced global sovereign credit, emerging market debt. We hire 16 managers to manage these mandate accounts now. These managers use various investment philosophies and approaches to manage our account. For example, some may use a combination of quantitative and fundamental research approach and some may largely use a top-down approach with quantitative optimization. In the past few years, we were in the low yield and rising interest rate environment, it's difficult for mandate managers to gain return for fixed income investments. The total return from foreign active fixed income mandates is USD 403 million from 2014 to July 2017.

We also endeavor to find a suitable course for us to sail through this challenging investment environment with extremely low yield in fixed income market nowadays. As a result, we tendered Enhanced Global Sovereign Credit mandate and the Absolute Return Fixed Income mandate in 2015 and 2017 respectively. The Enhanced Global Sovereign Credit mandate seeks to capture higher yield and diversify countries allocation with a customized benchmark that blends the developed and emerging markets. The Absolute Return Fixed Income adopts total return and unconstrained investment concept and seeks to find an all-weather solution in the rising interest rate environment.

III) We gradually increase our passive investments in recent years and use smart beta indices as benchmarks to use them as a cheaper way to capture better return and reduce the portfolio risk. We use Fundamental, Minimum Volatility and Quality indices as our benchmarks of global equity mandates now. We announced Global ESG Quality Mix Equity Indexation last year and the total amount is USD2.4 billion. This is the first time that we integrate ESG criteria with smart beta strategies in one mandate. This mandate aims to

improve the return of ESG index by Quality Mix Index which consist of an equal weighted combination of Enhanced value, Minimum Volatility and Quality indices. We hope to fulfill our social responsibilities as well as earn a better return comparing to market cap index.

We issued a cross-fund joint invitation to tender for our foreign mandate portfolios to increase our bargain power of fee expenses with external managers and we did have preferential management fee for these mandate accounts. The total return from our foreign passive mandates is USD 1.79 billion from 2014 to July 2017. Our domestic passive equity mandate was first established in 2011, we kept promoting passive investment strategy by tracking different indices. Our domestic passive investment accounted for 8% of domestic mandates as of the end of July 2017. The total return from these mandates is NTD 28.5 billion from 2014 to July 2017.

IV) The BLF has focused on building diversified portfolios since its establishment. We adopt smart beta indices as benchmarks to reduce the risk of market cap weighted indices which overweight overheated index constituents since 2011. We believe smart beta strategies can enhance return and reduce risk over the long term however each smart beta strategy may underperform during some market cycles. Therefore, we gradually allocate our portfolios to different smart beta strategies to diversify our asset allocation of smart beta strategies and reduce the risk. We believe we can also earn more stable excess return and decline the tracking error of smart beta strategies through the diversification.

We apply smart beta strategies to global and regional equity mandates as well as a global fixed income mandate. We usually adopt passive management for these smart beta mandates because they are the most cost-efficient. Some of them are implemented by enhanced mandates due to the consideration of diversification of management style and the characteristics of smart beta indices.

With regards to passive smart beta mandates, we use Fundamental, Minimum Volatility and Quality indices as our benchmarks of global equity mandates now. We announced Global ESG Quality Mix Equity Indexation last year and the total amount is USD2.4 billion. This is the first time that we integrate ESG criteria with smart beta strategies in one mandate. This mandate aims to improve the return of ESG index by Quality Mix Index which consist of an equal weighted combination of Enhanced value, Minimum Volatility and Quality indices. We

hope to fulfill our social responsibilities as well as earn a better return comparing to market cap index.

With regards to enhanced mandates of smart beta strategies, the BLF outsourced Enhanced Global High Dividend Yield and Enhanced Asia-Pacific Mix Equity mandates in 2013 and 2016 respectively. The total size is up to USD4.4 billion. Basically these mandates are designated with the limited performance target and tracking error constraint. We expect that managers can have moderate flexibility to deal with market changes and smart beta cycles to create better return. For example, the enhanced Asia-Pacific Mix Equity mandate adopts multi-factor index as benchmark, managers can over/under weigh each factor depends on their own view. The BLF extended smart beta strategies to fixed income mandate -the Enhanced Global Sovereign Credit in 2015. This mandate provide higher yield and reduce the concentration risk by investing in diversified markets. The BLF strategically invests in this mandate to mitigate the interest rate risk.

Our overseas smart beta investment accounted for 36% of foreign mandates as of the end of July 2017. Smart beta strategies are part of core portion for our foreign investment and we take these strategies as our long term strategic asset allocation. The BLF pursues long- term stable return and we aim to deploy smart beta strategies to diminish volatility and provide downside protection for our portfolios. The total return from foreign smart beta mandates is USD 2.04 billion from 2014 to July 2017. In addition, the BLF will continue to look for new type of smart beta strategies and diversify the risk of smart beta strategies. We expect to apply smart beta strategies efficiently and improve the performance of funds under the risk that each fund can take.

In an effort to promote socially responsible investment, we adopted smart beta indices such as the Taiwan Employment Creation 99 Index and the Taiwan High Compensation 100 Index as benchmarks in the 2011 and 2014 domestic mandates, respectively. The total return from these mandates is NTD 12.7 billion from 2014 to July 2016.

V) The Bureau has added alternative investments with lower correlation to conventional equities and bonds. For foreign alternative investments, both Real estate investment trusts (REITs) and listed infrastructure are important portion of the BLF's alternative investments. They offer higher liquidity, better transparency, and similar long-term return comparing to

direct real estate investment and direct infrastructure. They also enjoy stable income and potential capital gain. The BLF also invests directly in infrastructure private open-end fund since 2016. Although we just started to invest in real asset investment since 2011, the alternative investments play a more and more important role for the bureau to diversify the risk and enhance the return. The total return from foreign alternative investment is USD 1.75 billion from 2014 to July 2017.

Despite the sluggish real estate market of the past few years, in January 2016 the Bureau managed to auction off surface rights to the Labor Insurance Fund-owned land on Bade Road in Taipei (site of the former Taipei Hope Plaza Farmer Market). The revitalization and development of the land brought the Labor Insurance Fund more than NT\$6.4 billion in income, including nearly NT\$4.1 billion in royalty payments and the right to charge a total of more than NT\$2.3 billion in rent over the next 70 years. This income will contribute to the Labor Insurance Fund's long-term income, benefiting all of its participants. The redeveloped land will bolster the nearby IT cluster and help form an industrial corridor that promotes culture and green development, creating higher local tax revenues, greater job opportunities, and a more prosperous IT industry and local shopping area. In addition to the Bade Road plot, the Bureau also completed the revitalization of several small properties owned by the Labor Insurance Fund by renting them out, requesting redevelopment by the National Property Administration, and receiving compensation for putting them up for public use. The seven revitalization projects generated more than NT\$136 million and contributed to the income of the Labor Insurance Fund.

VI) VII) As we mentioned in part 2, one of the objectives of our in-house investment portfolio is always to construct a well-diversified portfolio and seeking for long term stable and consistent return, especially in overseas alternatives investments. Global economic recovery has remains on track; however, we remain face global uncertainty about the timing and nature of U.S. fiscal policy, global monetary policies, political risks etc. Private equity and private debt have lower correlation with traditional equity and bond and provide institutional investors alternative opportunities to acquire return. Our in-house team starts to invest in private equity and private debt funds last year. Currently, we focus on secondary market for private equity funds investment because it could shorten the life cycle of our

initial investment and we can withdraw quickly if needed. The Bureau will be aggressively looking for all kinds of alternative investment opportunities.

PART 5: Additional information (12% OF DECISION WEIGHTING)

Please outline how your institution excels in either or both of the following:

- I)** Environmental, Social and Governance responsibility (*as an organisation and in terms of investment strategy*)
- II)** Individual contribution to institutional investment (*please name an individual who particularly stood out for their work and explain why they have done so*)

I) The BLF has set up Socially Responsible Investment(SRI) policy in the Investment Policy Statement(IPS). We aim to take into account of environmental, social and corporate governance factor in investment strategy to increase the benefit of labors and encourage corporations to fulfill social responsibility, therefore attain win-win situation.

For the past few years, the BLF has adopted related investment strategies in accordance with international practices. They are:

1. Positive and Negative Screening:

To lead with actions, the Labor Pension Fund adopted the “Taiwan Employment Creation 99 Index” in 2011 as one of the domestic mandate benchmarks – by then we were the first institution to do so – for the sake of encouraging enterprises to employ more labors. In 2014, the BLF again applied “Taiwan High Compensation 100 Index” as one of the domestic mandate benchmarks to support enterprises which increase salaries for their employees. For these mandate managers, we monitor their implementation of strategies closely. We try to lead enterprises to take more social responsibility through this kind of mandates. The BLF will evaluate not invest in, or not increase our invested positions on firms which are involved with critical controversy of ESG issues.

2. ESG Integration:

Our domestic investment in-house team takes into account not only financial performance, business and outlook of companies but also the factors of environmental, social, and governance when evaluate investment targets.

3. Engagement and Voting:

(1) On August 16, 2016, the BLF was one of the earliest institutional investors which signed the Stewardship Code for Institutional Investors, a bedrock guideline for promoting responsible investment behaviors established by the Taiwan Stock Exchange. We also encourage our selected managers and their firms to join us and cosign the document. By doing so, we expect to move a stride forward on ensuring the beneficiaries' wellbeing in the long run.

(2) Engagement is an important strategy of BLF's SRI and which is the use of shareholder power to influence corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing shareholder proposals, and voting at shareholders' meetings. In 2017, we proposed to a domestic investee company a proposal related to distribution of legal reserve for discussion at annual general meeting, and the resolution was approved. It was the first time for institutional investors to propose since the Company Act was amended in 2005 to give shareholders the right to proposal and was widely watched and discussed in Taiwan. (Linked news: <https://money.udn.com/money/story/5710/2540646>) Besides, we have written to major domestic companies in which we are shareholders to encourage them to consider environmental, social, and governance (ESG) factors relevant to a company's business during their operations.

Our in-house portfolios has never own any share of firms which manufacture or market tobaccos, gambling, weapons, or alcohol products. Since early this year, the in-house portfolios have been increasing its holding position on CSR investment. We will construct suitable investment strategies and add-in appropriate investments through intensive studies. Additionally, as mentioned in Part 3, we launched Global ESG Quality Mix Equity Indexation mandate in December 2016. The ESG mandate with an aggregated amount of \$2.4 billion and invests in companies with good Environmental, Social and Governance (ESG) performance and exclude companies that are involved in specific businesses which have high potential for negative social impact such as alcohol, tobacco, gambling etc. This year, we are set to introduce the Taiwan ESG index as a mandate benchmark, which was co-compiled by Taiwan Index Plus Corporation and one of leading international institutions. Going forward, we will continue increasing our ESG exposure to implement this important investment theme in all of the Fund's portfolio.

We released our social responsibility report in July 2016, disclosing management philosophy on investment, social, and environmental aspects, as well as our achievements in performing social responsibility. The entire report is published on the Bureau's website, under the exclusive social responsibility page, and has also been registered on the sustainability disclosure database of Global Reporting Initiative.

The BLF is committed to socially responsible investment and includes the SRI policy in investment guideline and the investment policy statement. The SRI is deeply included in our investment objective and belief. We expect ourselves to play a leading role in driving the social responsibility awareness of Taiwan's companies and organizations.

II) Li-Ju Liu has served as our Deputy Director-general and the spokesperson since the establishment of the BLF in 2014. Ms. Liu is the top executive in assisting the Director-general to manage various labor funds in Taiwan, including the Labor Pension Fund, the Labor Retirement Fund, the Labor Insurance Fund, the Employment Insurance Fund, the Overdue Wages Payment Fund and the Occupation Incidents Protection Fund.

In the media-sensitive world, Ms. Liu has always been an essential figure in our Bureau. As the spokesperson, she conducts communications with all the major media from local and int'l throughout TV, Internet, radio and print interviews. Under her professionalism and authority, the public trusts her opinion and insight as credible sources. On top of that, she also leads our Foreign Investment Division, Risk Management Division and Planning and Audit Division.

For foreign investment, she leads the team to build diversified portfolios of Labor Funds. The total size of foreign investment increases from USD 30 billion to USD 60 billion since the BLF's establishment. Besides traditional equity and bond investments, Ms. Liu always encourages our investment team to explore new investment opportunities. We begin our Smart Beta investments since 2011 and leverage our experience of smart beta indices to all the Labor Funds. Our overseas smart beta investment accounted for 36% of foreign mandates as of the end of July 2017. We also construct our alternative investment position to construct a well-diversified portfolio and seeking for long term stable and consistent return. The LPF started to invest in alternative investments since 2011 and our overseas alternative investment is about USD 10 billion now. Our overseas alternatives

investments include real estate, infrastructure, commodity, hedge funds, private equity and private debt. The alternative investments play a more and more important role in our portfolios now. Last but not the least, the Bureau has taken into account social and environmental considerations in its investment decision-making and chosen to invest in companies with a focus on sustainable development. In this way, the Bureau hopes not only to generate investment returns, but also to contribute to society, the environment, and the economy. Our foreign mandate team launch ESG mandate with an aggregated amount of \$2.4 billion last year.

Ms. Liu supervises the establishment of the risk management mechanism of BLF to improve our risk management and she serves as the convenor of the Risk Control and Management Team meeting as well. Under her supervision, the Investment Policy Statements (IPS) of Labor Funds and National Pension Insurance Fund had been well consolidated and promulgated. She is also endeavored to carry out the funds' investment policies into practice. Benefitting from her thoughtful planning on asset allocation, the forecast model of long-term expected rate of return has been continuously improved and increases the proportion of alternative investments with low correlation to traditional assets. Based on all these efforts mentioned above, the asset allocation of the Funds under management could be well diversified globally. She is also responsible for supervising the establishment of BLF information application system, and serving as the chief information security officer, to ensure the smooth operation of the information application system and the safety of the information.

On top of that, Ms. Liu is the chairperson of the BLF's risk management and internal control committee. She sets up a task force to create an internal control system with in-depth procedures which could identify and evaluate operational risks and carry out self-evaluation suggesting the Bureau's management could be well performed. Meanwhile, Ms. Liu instructs our audit team to design an risk-oriented audit management to carry out internal audits and external due diligences. Each year, four internal audits, 14 on-site audits for domestic mandate institutions, and at least 10 foreign mandate wealth management companies. Furthermore, for due diligence against our oversea mandates, she presides quarterly conferences with Towers Watson, our international consultancy, to obtain world-class evaluation and information.

In 2015, the government carried out the first internal control evaluation among 150 government agencies. The Bureau, on behalf of the Ministry of Labor won an “A” ratings. That means the central government recognizes the excellence and effectiveness of the Bureau’s internal control and risk management.

She leads the divisions to complete the establishment of the Bureau of Labor Funds and improved the management efficiency of government funds by setting the optimal asset allocation, expanding diversified investments actively and thus improves the investment performances of the Funds. She guided the risk management division to amend all risk management guidelines and integrated related risk control regulations after the BLF’s establishment and established the standards applicable to the funds under Bureau’s management.

Ms. Liu believes in our team members’ professions and provides us plentiful flexibility to implement our work. She gives proper guidance when needed and that’s why all the team members can do their best to their jobs and all the work can be done smoothly. Sharing leadership insight in pursuit of excellence Ms. Liu has been recognized as a role model in Taiwan’s pension fund management.

For more than two decades our government has dedicated in perfecting pension mechanism. Ms. Liu has absolutely taken a significant role throughout the pension history of Taiwan.

Prior to establishment of the BLF, she served as the Vice chairperson of the Labor Pension Fund Supervisory Committee (LPSC). From LPSC to BLF, Ms. Liu is one of the main characters who have actively engaged in the development of regulatory framework, risk control system, in-house and mandate investment strategies since establishment. As a major planner in drafting the whole mechanism, Ms. Liu started off her pension management career early since the schemes were initially planned and launched in Taiwan.

Ms. Liu was one of the important members to promote the New Labor Pension Schem to adopt defined contribution plan in Taiwan. There are over 10 million people applied the New Labor Pension Scheme since the legislation was enacted in 2005. Ms. Liu was responsible for planning and co-ordinating the establishment of a dedicated pension fund. When the Labor Pension Fund Supervisory Committee (LPSC) was established in 2007, Ms. Liu was the chief secretary who was responsible for supervising the establishment of various systems

and operational mechanisms. And then she served as vice chairperson of the Committee to assist the chairperson with investment management.

Afterward the government restructuring in 2014, the Bureau of Labor Funds (BLF) was established and integrated the investment business of the LPSC and the LIF. In order to consolidate the original two sets of operational mechanisms and personnel, Ms. Liu was responsible for convening preparatory meetings and supervising the integration of laws and regulations, operational mechanisms, information systems, personnel, etc.

After the establishment of the BLF, Ms. Liu not only enhanced of the investment return, but also reduced the operating manpower and the fees significantly. She also promoted ESG investment and accessed to great benefits to achieve economies of scale for the funds. Ms. Liu was the important promoter for investment management business of labor funds and contributed a lot.