



Bureau of Labor Funds



# Sustainability Report

2022-2023

---

**Table of Contents**



**01**

**Our Role**



**02**

**Stakeholder  
Communication and  
Materiality Analysis**



**03**

**Sustainable  
Governance**



**04**

**Sustainable  
Investment**



**05**

**Response to  
Climate Change**



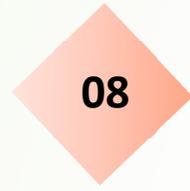
**06**

**Friendly  
Workplace**



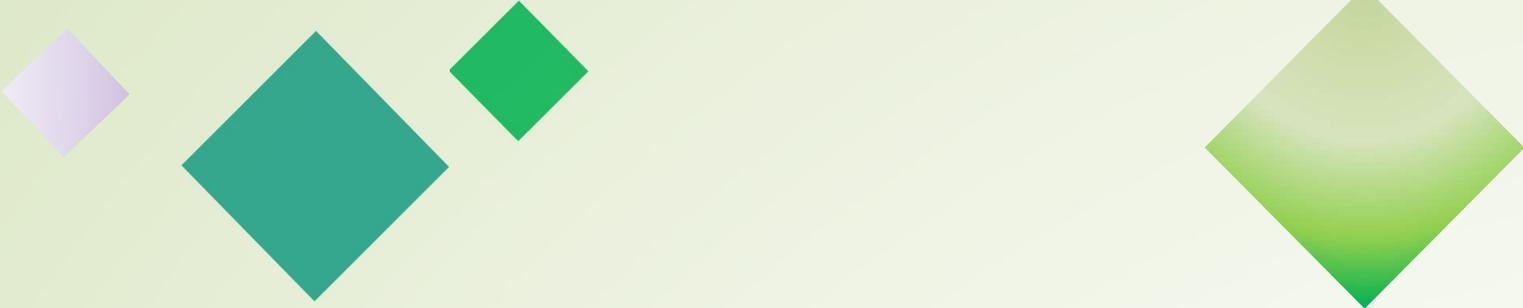
**07**

**Social  
Inclusion**



**08**

**Appendix**

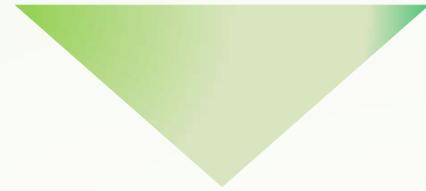


## Table of Contents

1.	Our Role .....	1-1
1.1	Words from the Reporter .....	1-1
1.2	About the Bureau of Labor Funds .....	1-4
2.	Stakeholder Communication and Materiality Analysis .....	2-1
2.1	Stakeholder Identification .....	2-1
2.2	Materiality Analysis .....	2-4
3.	Sustainable Governance .....	3-1
3.1	Sustainability Strategy .....	3-1
3.2	Internal Control .....	3-5
3.3	Information Security .....	3-9
3.4	Anti-corruption Measures and Conflict of Interest Management .....	3-11
3.5	Information Disclosure .....	3-15
3.6	Tax Policy .....	3-18
4.	Sustainable Investment .....	4-1
4.1	Results of Diverse Investment and Utilization .....	4-1
4.2	Risk Management .....	4-8
4.3	ESG Responsible Investment .....	4-11
4.4	Exerting the Influence of Stewardship .....	4-26



4.5	Declaring Sustainable Investment Concepts .....	4-32
5.	Response to Climate Change.....	5-1
5.1	Task force on Climate-related Financial Disclosures (TCFD).....	5-1
5.2	Low-carbon Operations .....	5-20
6.	Friendly Workplace .....	6-1
6.1	Human Resources.....	6-1
6.2	Performance Evaluation and Reward/Penalty System .....	6-4
6.3	Protection of Human Rights and Elimination of Discrimination .....	6-6
6.4	Employee Care .....	6-9
6.5	Talent Development .....	6-14
6.6	Disaster Protection.....	6-16
7.	Social Inclusion .....	7-1
7.1	Increasing Employment Opportunities .....	7-1
7.2	Social Care and Practices.....	7-3
7.3	Environmental Education .....	7-4
8.	Appendix .....	8-1
8.1	About this report.....	8-1
8.2	GRI Content Index .....	8-4
8.3	Implementation Status of the Principles for Responsible Investment.....	8-10
8.4	Response to the United Nations Sustainable Development Goals (SDGs) .....	8-12
8.5	Statement of Compliance with Stewardship Principles for Institutional Investors.....	8-16



1

**Our Role**

# 1. Our Role

## 1.1 Words from the Reporter

The Bureau of Labor Funds, Ministry of Labor (hereafter referred to as the "Bureau") is responsible for the investment of labor funds. Furthermore, the Bureau is entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture with the investment of the National Pension Insurance Fund and the Farmers' Pension Fund. The scale of the funds managed by the Bureau have rapidly grown over the past decade, growing 1.6x from approximately NT\$2.5 trillion when the Bureau was established in February 2014 to over NT\$6.5 trillion at the end of 2023.

When it was first established, the Bureau expressly stated in the "Utilization Directions for the Labor Funds" and the "Investment Policy Statement of Labor Funds" that environmental (E), social (S), governance (G), and information disclosure must be taken into consideration when making investments. Over the past 10 years, the Bureau has attached great importance to responsible investment and paid close attention to the sustainable development of enterprises. The Bureau has also incorporated ESG issues into its investment analysis and decision-making process as well as complied with the United Nations Principles for Responsible Investment (PRI), while also ensuring that funds produce long-term stable

<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

income. The Bureau has expanded the use of ESG-related indexes and realized sustainable investment through the influence of institutional investors on the capital market.

Climate change and environmental sustainability are urgent global issues. The Bureau carefully considers climate risks and opportunities, takes a balanced approach to transitional justice, and practice shareholders' activism to drive industrial transformation. In 2022, the Bureau launched the "Enhanced Global Climate Change Equity" foreign mandate, the first among pension funds in Asia to incorporate the Climate Change Performance Index (CCPI) as an investment benchmark, thereby taking a tangible step toward the goal of low-carbon investment. In addition, to improve sustainable investment research and governance, the "Sustainable Investment working Group of the Bureau of Labor Funds" was established in 2022 and held 17 meetings to examine in-depth various topics such as climate change and sustainable finance. The "Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor" was subsequently established in 2023 to ensure the Bureau is in line with international trends and implement the concept of sustainable development. Furthermore, to bring the Bureau in line with international standards and implement sustainable governance, the Bureau became a supporter of the Task force on Climate-related Financial Disclosures (TCFD) announced by the Financial Stability Board (FSB) in 2023. In this report, the Bureau referenced its four major recommended frameworks, and there is a



dedicated chapter on the disclosure of management strategies and implementation measures in response to the risk of climate change. Moreover, the Bureau also responded to the United Nations Principles for Responsible Investment (PRI) and Sustainable Development Goals (SDGs) in order to make further progress toward the goal of mitigating global warming.

The world still has a long way to go to achieve net zero emissions. However, there are also investment opportunities amid these challenges. The Bureau will continue to pay attention to climate change and sustainable finance development trends, conduct in-depth research on various sustainability issues, practice shareholders' activism, expand the scope of engagement, leverage its influence as an institutional investor, and strengthen the disclosure of relevant information to fulfill its responsibilities as a fund manager, in hopes of creating a sustainable future together with stakeholders.

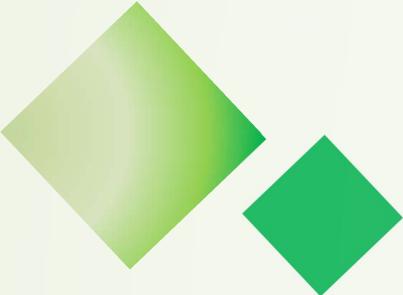


Director General, Bureau of Labor Funds Yu-Ching Su

## 1.2 About the Bureau of Labor Funds GRI: 2-1, 2-6

The Bureau is subordinate to the Ministry of Labor and is responsible for the investment and utilization of labor funds. The labor funds under the jurisdiction of the Ministry of Labor include the Labor Pension Fund (the new fund), Labor Retirement Fund (the old fund), Labor Insurance Fund, Employment Insurance Fund, Worker Occupational Accident Insurance Fund, and Arrear Wage Payment Fund. The Bureau is also entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture with the investment of the National Pension Insurance Fund and the Farmers' Pension Fund.

### Funds managed by the Bureau of Labor Funds



### 1.2.1 History



### 1.2.2 Organizational Goals and Vision



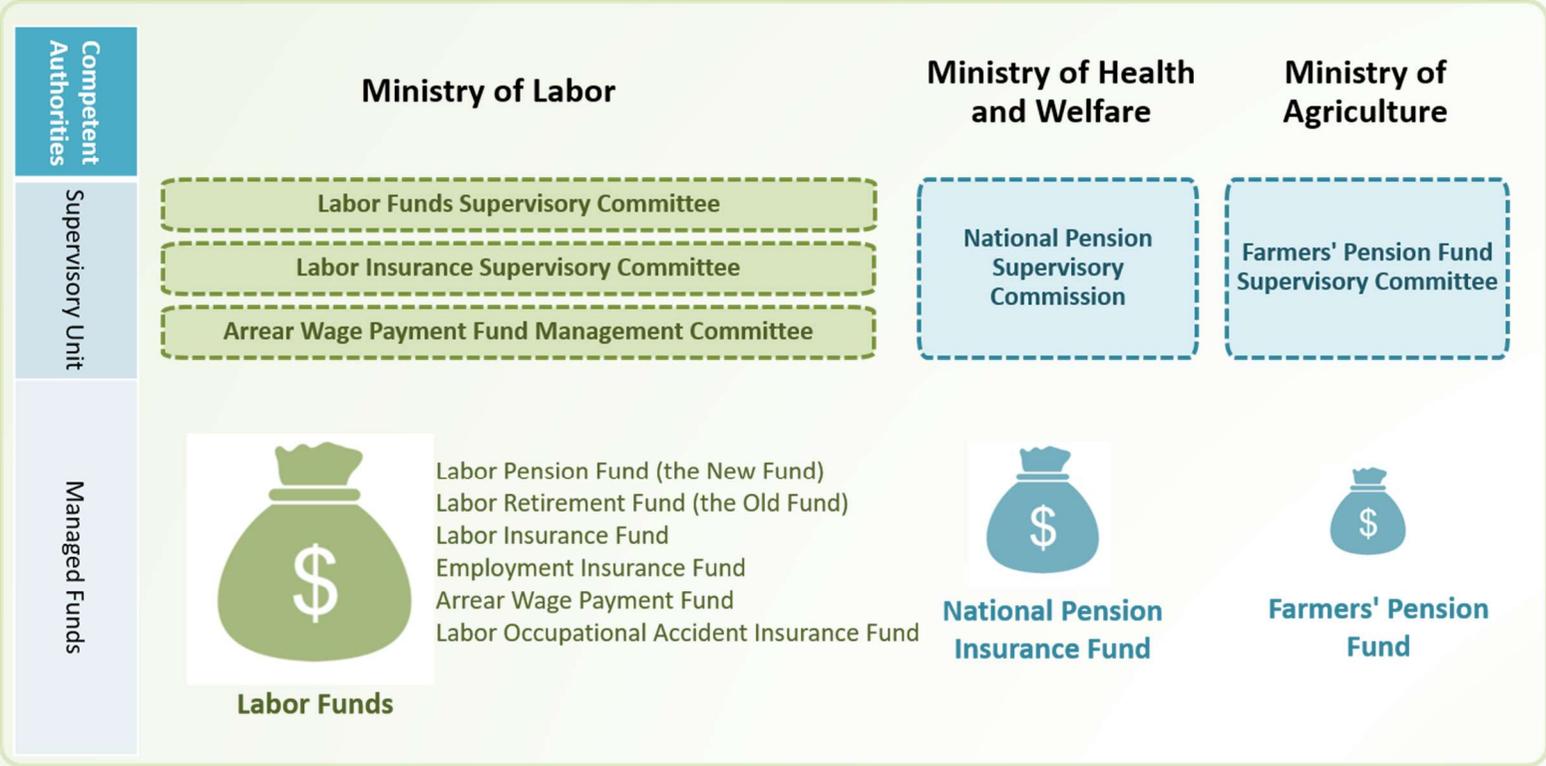
The Bureau’s primary mission is to pursue long-term stable returns for the funds. The Bureau considers the attributes and regulatory restrictions of each fund according to the Investment Policy Statement, and assesses the overall economic and financial market conditions to formulate the most appropriate asset allocation and investment plans that take into account risks and returns. Fund utilization was managed accordingly with an emphasis on safety, transparency, integrity, professionalism, and performance, seeking long-term reasonable returns for the funds to improve the well-being of workers after retirement.

### 1.2.3 Supervision Division

GRI: 2-9, 2-10, 2-12, 2-13, 2-14, 2-16, 2-18, 2-25

The funds managed by the Bureau are separately supervised. Supervisory committees under the Ministry of Labor, Ministry of Health and Welfare, and Ministry of Agriculture supervise the annual utilization plans and performance, asset allocations, budgets, and final accounts of the funds under their jurisdiction. The Bureau regularly attends meetings of various supervisory committees, actively responds to the opinions of employers, workers, and experts and committee

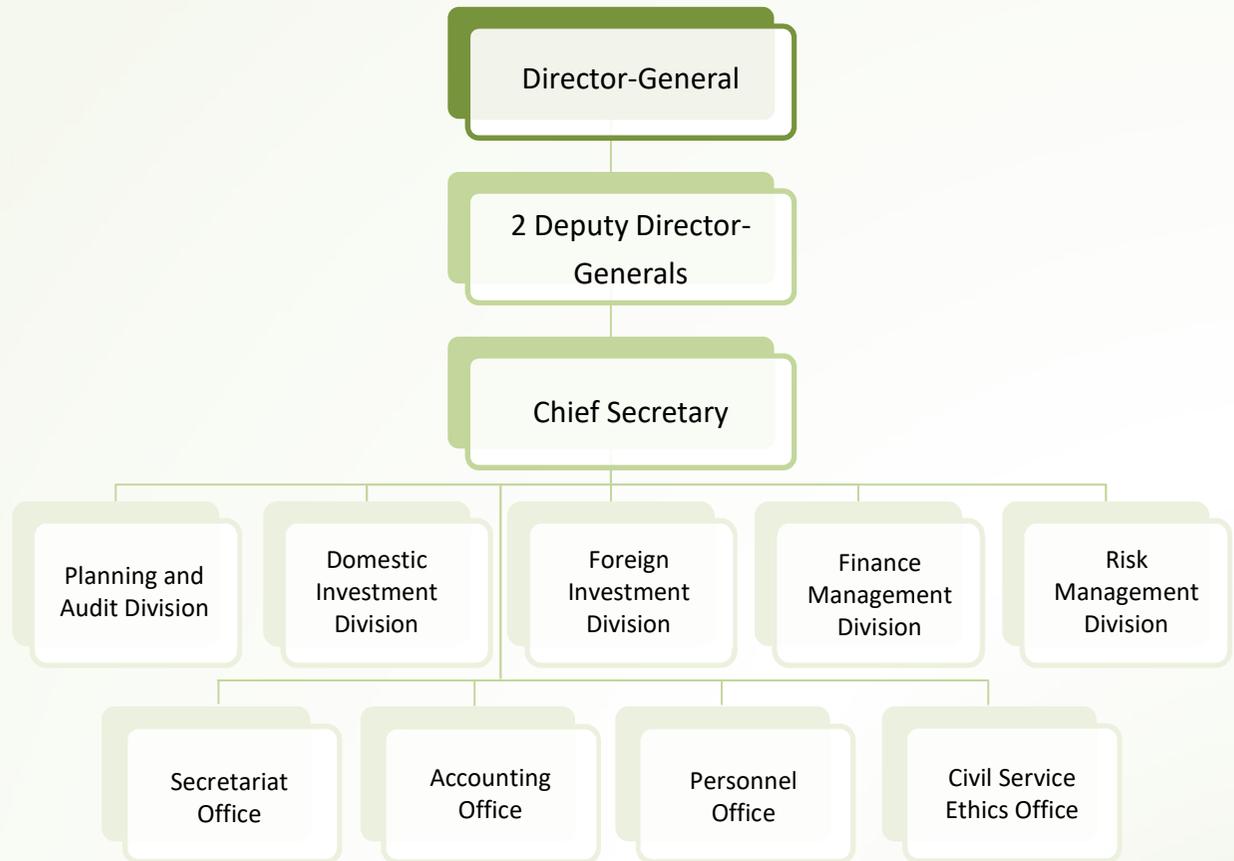
members related to financial affairs, and incorporates them into overall planning and implementation to improve fund performance.



**BLF is in charge of funds utilization**

## 1.2.4 Organizational Structure GRI: 2-9, 2-11

The highest level person in charge of the Bureau is the director-general, with 2 deputy directors-general and a chief secretary to assist in the overall management of Bureau affairs. The Bureau has 5 divisions and 4 offices, namely the Domestic Investment Division, Foreign Investment Division, Finance Management Division, Risk Management Division, Planning and Audit Division, Secretariat Office, Personnel Office, Civil Service Ethics Office, and Accounting Office.



**1.2.5 Responsibilities**    GRI: 2-9, 2-13, 2-14

Investments in the funds are managed based on the principles of division of responsibilities and professionals handling their areas of expertise.



**Asset allocation**

Risk Management Division



**Front-office investment analysis and execution**

Domestic Investment Division  
Foreign Investment Division



**Middle-office risk management**

Risk Management Division



**Back-office scheduling, delivery, custody, and accounting**

Finance Management Division



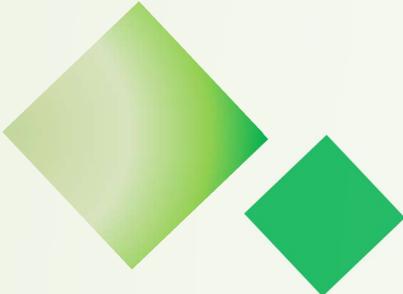
**Internal/External investment audit and control**

Planning and Audit Division



**Administrative assistance**

Secretariat Office,  
Personnel Office  
Accounting Office, Civil  
Service Ethics Office



## 1.2.6 Supervision and Management GRI: 2-10, 2-12, 2-13, 2-14, 2-16, 2-17, 2-18

The Bureau carries out business in accordance with relevant laws and regulations and the division of responsibilities between units, and also regularly convenes meetings to discuss sustainable governance, investment strategies, and the management of operational risks. The Bureau regularly reports an overview of fund utilization and important matters to supervisory units, such as the Ministry of Labor, the Ministry of Health and Welfare, and the Ministry of Agriculture.

<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

**Ministerial Affairs Supervisory Meeting and Fund Supervisory Committee Meeting Report**

- To implement annual administration plans, the Bureau attends the ministry affairs meetings of the Ministry of Labor on a monthly basis and regularly reports on business operations.
- To improve the performance of fund management, the Bureau regularly reports labor fund utilization data, and also attends meetings of the Labor Funds Supervisory Committee, National Pension Supervisory Committee, and Farmers' Pension Supervisory Committee on a monthly basis to report on fund utilization and important matters. The Bureau also attends meetings of the Labor Insurance Supervisory Committee and Arrear Wage Payment Fund Management Committee in a non-voting capacity, as well as actively responds to suggestions from experts from various sectors and takes them into consideration when utilizing labor funds.

**Supervisors meeting**

- Supervisor meetings are held on a weekly basis, chaired by the director-general, and attended by the deputy directors-general, chief secretary, and heads of each unit to discuss important matters of the week, review business implementation, and key points for future work.

**Sustainable Development Committee meetings**

- The "Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor" was established to become aligned with international sustainable development trends, to implement sustainable governance policies, and practice sustainable investment concepts. The committee has 13 members, in which the director general serves as the convener and convenes meetings every six months. Meetings may be convened irregularly when necessary to formulate, follow up, and review various sustainable development strategies and implementation plans.

<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

### Investment Strategy Team meeting

- The "Bureau of Labor Funds Investment Strategy Team" was formed to establish a mechanism for major investments and decisions. The team has 9 members, with the director-general serving as the convener. The team convenes meetings twice a month in principle, and ad hoc meetings may be held as necessary. The team mainly reviews the labor funds' annual asset allocation plans, and plans and reviews investments in various financial products and discretionary investments.

### Risk Control and Management Team meeting

- The Risk Control and Management Team was established to effectively control and manage the risks of each managed fund. The team has 9 members, with a deputy director-general serving as the convener. Meetings are held regularly every four months, and ad hoc meetings may be held as necessary. The team's main responsibilities are to screen the major risk management items of fund businesses, establish risk management mechanisms, review the standard operating procedures and solutions for various processing mechanisms, conduct regular effectiveness assessments of various solutions, and conduct audits of risk management from time to time.



2.

**Stakeholder  
Communication and  
Materiality Analysis**



## 2. Stakeholder Communication and Materiality Analysis

GRI: 2-29, 3-1, 3-2, 3-3

### 2.1 Stakeholder Identification

The Bureau referenced the GRI Standards issued by the Global Reporting Initiative for organizational operations and strategy planning to better meet the needs and expectations of stakeholders. The Bureau's stakeholders are identified through daily public opinion collection and inquiries made by citizens via phone calls. Stakeholders can be divided into eight categories: fund beneficiaries, counterparties, Competent authorities, news media, employees, suppliers, communities, and research institutes/academia. The Bureau understands and responds to the topics of concern to stakeholders through multiple communication channels, and reports on the topics.



### 2.1.1 Stakeholder Communication Channels and Frequency

Stakeholders	Communication Channel and Frequency
<b>Fund Beneficiaries</b>	<ul style="list-style-type: none"> <li>● Announce the net value of domestic mandates every day</li> <li>● Information on the utilization of funds is announced on the official website on a daily, monthly and semi-annual basis</li> <li>● E-mail fund utilization status to trade unions every month</li> <li>● Visualized fund information is released on a monthly basis and videos on financial investment and labor funds are posted on the official YouTube channel</li> <li>● The domestic and foreign financial and economic situation, overview of fund performance, fund income and expenses, investments and utilization of each fund, and stock categories of domestic investments are published every month</li> <li>● Annual reports, stewardship reports, and budgets and final accounts are published every year</li> <li>● Periodically issue sustainability reports</li> </ul>
<b>Counterparties</b>	<ul style="list-style-type: none"> <li>● Established the Mandated Management Guidelines for the Labor Funds and announced it on the official website</li> <li>● Announced the operating procedures of domestic and foreign mandated institutions</li> <li>● Irregularly announce mandate plans and organize open selections</li> <li>● Irregularly organize civil service ethics symposiums</li> </ul>
<b>Competent authorities</b>	<ul style="list-style-type: none"> <li>● Submit monthly reports on the utilization of each fund</li> <li>● Attend monthly meetings of the Labor Funds Supervisory Committee, National Pension Supervisory Committee, and Farmers' Pension Supervisory Committee, and send personnel to attend meetings of the Labor Insurance Supervisory Committee and Arrear Wage Payment Fund Management Committee in a non-voting capacity</li> <li>● Submit annual administration plans, annual asset allocation plan, and budgets and final accounts every year</li> <li>● Accept annual inspections by supervisory units, such as the Ministry of Labor, Ministry of Health and Welfare, and Ministry of Agriculture</li> </ul>

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
							<ul style="list-style-type: none"> <li>● Irregular supervision and review by the Legislative Yuan, Control Yuan, and National Audit Office</li> </ul>
	<b>News media</b>						<ul style="list-style-type: none"> <li>● Information on the utilization of funds is announced on the official website on a daily, monthly and semi-annual basis</li> <li>● Appoint a media liaison</li> <li>● Hold at least 2 press conferences each quarter</li> <li>● Accept media interviews, respond, and issue press releases from time to time</li> </ul>
	<b>Employees</b>						<ul style="list-style-type: none"> <li>● Establish a "Sexual Harassment Committee"</li> <li>● Weekly supervisor meetings</li> <li>● Formulate employee training plans every year, provide tuition subsidies, and encourage employees to pursue on-the-job training</li> <li>● Formulate employee assistance plans and conduct health check-ups every year</li> <li>● Convene annual performance evaluation committee meetings</li> <li>● Irregularly organize various activities (birthday celebrations, environmental education, folk celebrations)</li> <li>● Irregularly review the performance bonus system</li> </ul>
	<b>Suppliers</b>						<ul style="list-style-type: none"> <li>● Handled in accordance with the Government Procurement Act</li> <li>● Irregularly announce procurement contents and open tenders</li> </ul>
	<b>Community</b>						<ul style="list-style-type: none"> <li>● Irregular resource recycling operations</li> <li>● Irregular second-hand goods donations</li> </ul>
	<b>Research institutes/Academia</b>						<ul style="list-style-type: none"> <li>● Information on the utilization of funds is announced on the official website on a daily, monthly and semi-annual basis</li> <li>● Regularly publish stewardship reports and sustainability reports</li> <li>● Irregularly respond to the status of sustainable investments</li> </ul>

## 2.2 Materiality Analysis

### 2.2.1 Determine the Material Topic Reporting Process

The Bureau referenced "GRI 3: Material Topics 2021" to understand the material topics of concern to stakeholders, and assess the impact of each topic, in order to prioritize and determine the key points of reporting in this report.



- 1. Understand the organizational context of the agency:** The Bureau is the authority responsible for the investment and utilization of labor funds, its operating results are closely related to the security of workers after retirement, and has thus attracted attention.
- 2. Identify the impact of sustainability issues:** The Bureau identified 14 sustainability issues, such as operating performance, through daily public opinion collection and interaction and communication with stakeholders. The issues of greater concern and greater impact to stakeholders were then collected through questionnaires.
- 3. Assess the degree of impact:** Statistics of questionnaire results are compiled to analyze the probability each topic will impact the economy, environment, and people (including their human rights).
- 4. Verify material topics to be reported:** Based on the evaluation results, 9 of the 14 topics were identified as material topics, and will be focus of this report.

## 2.2.2 Material Topics Identification and Management

To identify material topics, the Bureau has formulated 14 sustainability issues and collected opinions from stakeholders on the level of concern and impact of each issue through a questionnaire survey. The link to the questionnaire is provided on the Bureau's website for the general public to respond to anonymously. Business units notify employees, counterparties, fund beneficiaries, news media, and other stakeholders to fill out the questionnaire. The questionnaire collection period was from October to the end of December 2023.

The responses to the questionnaire were counted to rank the 9 main issues of concern to stakeholders, and the potential impact of each issue on the economy, environment, and people (including their human rights) are comprehensively assessed as follows:

Material Topics	Degree of impact		
	Economic	Environmental	People (including their human rights)
Business Performance	● ● ● ● ● ● ● ● ● ● ●	● ● ●	● ● ● ● ●
Ethical Corporate Management	● ● ● ● ● ● ● ●	● ●	● ● ● ● ● ● ● ●
Information Disclosure	● ● ● ● ● ● ●	● ● ●	● ● ● ● ● ● ●
Professional Talent	● ● ● ● ●	● ●	● ● ● ● ● ● ● ● ● ●
Regulatory Compliance	● ● ● ● ● ●	● ● ● ●	● ● ● ● ● ●
Multiple Communication Channels	● ● ● ●	● ●	● ● ● ● ● ● ● ● ● ●
Management Mechanism	● ● ● ● ●	● ● ● ●	● ● ● ● ● ●
Risk Management	● ● ● ● ● ●	● ● ● ● ● ●	● ●
Sustainable Investment	● ● ●	● ● ● ● ● ● ● ●	● ● ●

Note: The quantity of ● is used to express the degree

Material topics are determined based on the assessment results. Management approaches are formulated on this basis and reported in this report as follows:

Material Topics	Description of Impact	GRI Topics	Management Approach
Business Performance	Strive to create stable income for the fund and ensure workers' life after retirement.	GRI 201: Economic Performance	4.1 Results of Diverse Investment and utilization
Ethical Corporate Management	Strengthen anti-corruption measures based on the principle of integrity, properly utilize managed funds, and ensure the rights and interests of the funds.	GRI 2-15:Conflicts of Interest GRI 205:Anti-corruption	3.4 Anti-corruption Measures and Conflict of Interest Management
Information Disclosure	Regularly disclose fund utilization or hold press conferences to strengthen policy promotion and communication.	Customized Material Topics	3.5 Information Disclosure
Professional Talent	Implement employee training and career development, improve employees' competencies, and achieve stable growth in business performance.	GRI 401:Employment GRI 404:Training and Education GRI 405:Diversity and Equal Opportunity	6. Friendly Workplace
Regulatory Compliance	All investments by funds and operations of the organization strictly abide by the principle of administration according to law, in order to	GRI 2-27: Compliance GRI 207: Tax	3.2 Internal Control 3.6 Tax Policy

Material Topics	Description of Impact	GRI Topics	Management Approach
	ensure compliance with regulatory requirements and protect the rights and interests of funds.		
Multiple Communication Channels	Establish various communication channels and keep them open, promptly respond to suggestions from stakeholders, and increase mutual trust.	GRI 2-16:Communication of critical concerns	2. Stakeholder Communication and Materiality Analysis 3.5 Information Disclosure
Management Mechanism	Effective implementation of internal controls will help improve the organization's management performance and stabilize the long-term performance of funds.	Customized Material Topics	1.2 About the Bureau of Labor Funds 3.2 Internal Control
Risk Management	Implement investment risk management, raise employees' awareness of information risks, and effectively reduce investment and operational risks.	Customized Material Topics	4.2 Risk Management
Sustainable Investment	Implement the Sustainable Investment Policy in investments by funds, and incorporate the ESG status of investee companies into the investment process, joining hands with different sectors in attaching importance to environmental sustainability.	GRI 201:Economic Performance	4. Sustainable Investment



3.

## Sustainable Governance



### 3. Sustainable Governance

#### 3.1 Sustainability Strategy

GRI: 2-22

Uphold the principles of "safety, transparency, efficiency, and stability" and diversify investments of funds, actively engage in integration and utilization, enhance investment strategies, and implement sustainable investment through the Bureau's influence on the capital market.

To fulfill social responsibility and management responsibility to

fund beneficiaries, the competent authority, mandated institutions, communities, employees, and suppliers, the



Bureau established the sustainability policy to protect labor rights, attach importance to employee development, and implement environmental protection concepts, jointly maintaining an ideal society and friendly workplace with all employees to pursue a sustainable future.

**3.1.1 Establishment of a Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor** GRI: 2-17

To implement the concept of sustainable investment and step up sustainable investment research and measures, the Bureau established the “Sustainable Investment working Group of the Bureau of Labor Funds” in January 2022. The director general serves as the convener and the working group has 12-15 members. The working group convenes regular meetings to study and analyze trends in corporate governance and social responsibility, climate change, and sustainable finance, allowing the Bureau to monitor sustainable investment risks and opportunities of its investment portfolio.

The "Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor" was established in October 2023 to become aligned with international sustainable development trends, and further deepen and broaden the implementation of sustainable governance policies. The director general serves as the convener and members include the deputy director general, chief secretary, and heads of each unit. The committee implements sustainable

development strategies and implementation plans, and tracks and reviews sustainable development-related actions, leveraging the collective wisdom of members. Reports on the research and implementation results of the Sustainable Investment working Group are submitted to the Sustainable Development Committee as necessary. (For details, see 4.5.1 of this report on improving internal sustainable finance knowledge)

**3.1.2 Implementation of Socially Responsible Investment** GRI: 2-24

In the process of making investment decisions, the Bureau takes into account the social, labor rights, human rights, and environmental performance of the investee companies to determine the direction of investment. The Bureau hopes to use the power of the capital market to encourage investee companies to attach importance to fulfilling their social responsibilities, and thereby achieve a win-win situation for investment performance and social and environmental sustainability.

The Utilization Directions for the Labor Funds clearly state that, without sacrificing the income of the Funds and to practice sustainable investment, the sustainable development of investment targets shall be taken into consideration. The Investment Policy Statement states that social responsibility aspects, such as environmental, social, governance, and information disclosure, must be taken into consideration when investing. The investability and representativeness of the relevant social responsibility index is also evaluated as an indicator of mandated management. In addition, mandated institutions are required to include CSR in the investment strategy of their



business plan proposals as a reference for selection. The Bureau urges investee companies to implement sustainable development through shareholder actions, including communicating with investee companies, participating in shareholder meetings, and exercise voting rights. For companies that severely violate their social responsibilities, the Bureau will not invest or increase its investment in the companies, provided that it does not affect the rights and interests of the funds. (For details, please see the description in 4.3 ESG Responsible Investment of this report)

**3.1.3 Compliance with the Stewardship Principles** GRI: 2-24

The Bureau was the first to sign the “Stewardship Principles for Institutional Investors” released by the Taiwan Stock Exchange (TWSE) on June 30, 2016. The purpose of the principles is to provide a framework and guidance to encourage institutional investors to use their professionalism and influence, and encourage investee companies to improve their corporate governance through the attention, dialogue, and interaction with investee companies, as well as the efforts to increase their investment value, thus driving the healthy development of the industry, economy, and society as a whole.



After the TWSE announced the revised Principles in August 2020, the Bureau immediately cooperated with the review to update and strengthen contents of the compliance statement.

The Bureau sent letters to domestic mandated institutions urging them to fulfill their responsibilities as institutional investors, and guiding them to show the spirit of stewardship by complying with the Stewardship Principles. All mandated institutions became signatories. This has caused public companies to attach greater importance to corporate governance, social responsibility, and sustainable development.

## **3.2 Internal Control** GRI: 2-27

### **3.2.1 Internal Control Mechanisms**

The Bureau carries out risk identification and assessment and has established an internal control system in accordance with the "Handbook for Risk Management and Crisis Handling of the Executive Yuan and Affiliated Agencies," in order to effectively manage the investment process of funds, various operating standards, and anti-corruption measures. Based on the risk assessment results, 16 controls were included, primarily focused on improving the performance of outsourced supervision, reviewing the overall income from fund utilization, and strengthening risk management and audit performance.

To implement the self-supervision mechanism and reasonably ensure the continuous and effective operation of internal control, the Bureau conducts routine supervision, self-assessment, and internal audits to understand the operation and implementation of internal control. The Bureau evaluates the overall effectiveness of internal controls each year based on the "Directions for the Signing of Government Internal Control Statements." After discussion and approval at the Internal Control Working Group meeting, an internal control statement signed by both the director general and the convener of the Internal Control Working Group will be released on the Bureau's website.

### 3.2.2 Audit of Fund Operations

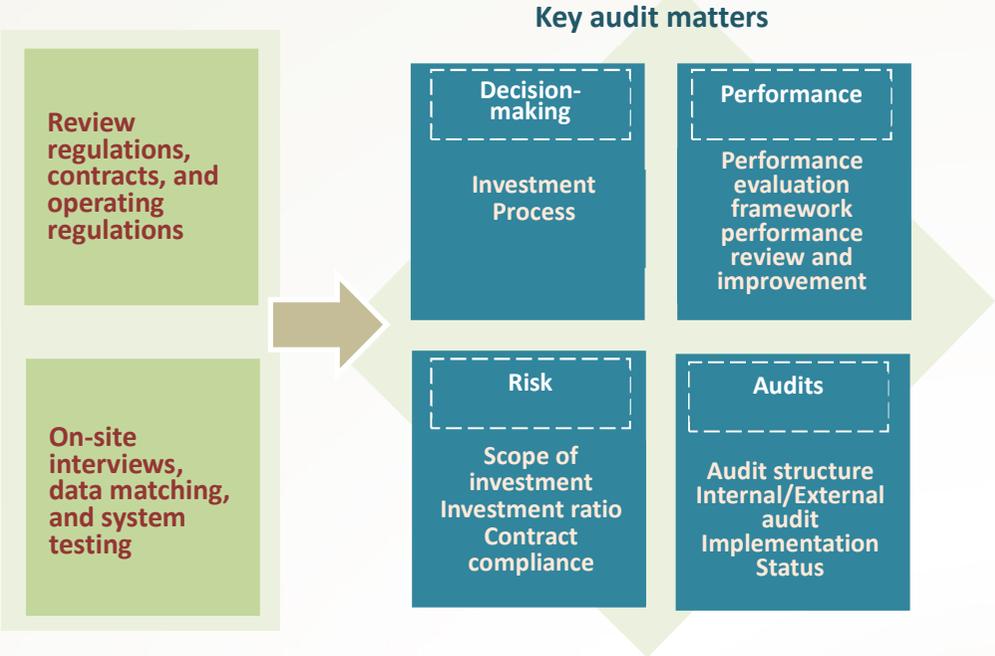
The Bureau also conducts audits of managed funds based on the "Bureau of Labor Funds Directions for Audit of Fund Operations" and the annual audit plan, in order to strengthen the investments of managed funds. The Bureau conducts audits of internal business units and external mandated institutions every year based on fund investment and utilization, and inspects the investment processes of each fund and compliance with regulations and contracts. The deficiencies found during the audit and matters that require improvement are listed, tracked and re-inspected.

Regarding internal audits, the Bureau conducts quarterly inspections of matters related to managed funds handled by the Domestic Investment Division, Foreign Investment Division, Finance Management Division, Risk Management

Division, and Accounting Office, and conducts audits on the self-inspection matters handled by each business unit. In addition, to verify that the asset items and asset balances listed in the statements of funds are consistent with the statements of counterparties, proprietary positions of managed funds are randomly inspected and an inventory is taken at the end of each year to ensure asset safety.

Regarding external audits, the Bureau conducts audits or visits domestic and foreign mandated institutions and custodial institutions every year according to respective contracts and budget, to gain an on-site understanding of the implementation status of investment and trading processes, performance management, risk management mechanisms, and audits. Deficiencies and matters requiring improvement are re-inspected, and the investment and risk management system of mandated institutions are randomly inspected on site to verify its compliance with the contract and protect the safety of entrusted assets.

**On-site audits and visits in Taiwan and overseas**



### 3.2.3 Strengthen Fund Audit Management

The Bureau continues to implement differentiated management of risk-oriented audits, in order to improve the audit mechanism. Based on the audit results and audit deficiencies of domestic mandated institutions, the Bureau identifies and categorizes risk attributes and assesses the impact, and lists them as the basis for annual audit management. It also serves as an important reference for outsourced reviews and performance evaluation. In addition, the Bureau summarizes deficiencies in official letters to mandated institutions, the Financial Supervisory Commission (FSC) and the securities investment trust and consulting associations to review and improve and supervise improvements of the deficiencies.

The Bureau and FSC have established a joint supervision mechanism to strengthen fund audit and management. The FSC is immediately notified of the results of on-site inspections of domestic mandated institutions. If any abnormalities are found, the FSC will be notified by letter to conduct an investigation, and the FSC will notify the Bureau of deficiencies found in domestic mandated accounts, establishing a smooth communication channel and information sharing platform to jointly gain the benefits of supervision and protect the rights and interests of funds.

## 3.3 Information Security

### 3.3.1 Personal Data Protection.

The Bureau established the "Ministry of Labor Bureau of Labor Funds Directions for Personal Data Protection and Management" and formed a Personal Data Protection and Management Team, which irregularly convenes meetings based on business implementation needs, and reviews the personal data protection policy and system planning. The Bureau takes an inventory of the personal data it has retained and manages in accordance with Article 17 of the Personal Data Protection Act every year, and releases the information on the "Personal Data Protection Section" of the official website.

### 3.3.2 Specific Measures for Maintaining Information Security

The Bureau actively established an information security platform to strengthen intrusion detection and defense, provide protection against computer viruses and malware, and filter spam and malicious website. We also established a defense-in-depth mechanism to block cyberattacks. Event logs are sent to the outsourced Security Operation Center for real-time analysis of information security threats, establishing 24/7 threat detection, warning, and protection.

The Bureau has obtained ISO 27001 Information Security Management System certification, and introduced the government agency Cybersecurity Vulnerability Analysis and Notice System in 2023. Combined with the complete management process, we regularly review notifications of information security vulnerabilities in information software and hardware equipment, and carry out security vulnerability patching to reduce information security risks.

Detailed list of information security management implementation from 2022 to 2023			
Item	Implementation Status	Session, frequency	Criteria
Information security training	All employees have completed training and passed examinations.	8 sessions in total	<ol style="list-style-type: none"> <li>1. Dedicated information security personnel: Receive at least 12 hours of professional information security training every year.</li> <li>2. Information personnel: Receive at least 3 hours of professional information security training every 2 years, and receive at least 3 hours of general information security training every year.</li> <li>3. General users and supervisors: Receive at least 3 hours of general information security training every year.</li> </ol>
E-mail social engineering drills	Results of e-mail social engineering drills all met standards.	Conducted 4 times in total	Target value: The e-mail open rate was less than 6%; The e-mail click rate was less than 4% Actual drill results: All met the target values, and both were 0% in the latest drill (the second half of 2023)
Information security audits	All matters discovered in the internal and external audits of information security have been improved.	Conducted 2 times in total	Analyzed the causes of deficiencies, formulated preventive measures, conducted follow-up, and completed improvements.

## 3.4 Anti-corruption Measures and Conflict of Interest Management

The "Civil Service Ethics" section was set up on the website to create a culture and atmosphere of integrity. The section provides anti-corruption laws and regulations (such as the Act on Recusal of Public Servants Due to Conflicts of Interest, Ethics Guidelines for Civil Servants... etc.) for access and use by the public and employees. An "Avoiding Conflict of Interest Section" was also set up for disclosures after transactions in accordance with the Act on Recusal of Public Servants Due to Conflicts of Interest to maintain an image of integrity.

### 3.4.1 Ethics Guidelines for Civil Servants GRI: 2-27

#### 3.4.1.1 Ethics Guidelines for Civil Servants

For personnel to perform their duties with integrity, self-restraint, impartiality, and administration in accordance with the law, and to improve the image of integrity, the Bureau's employees are required to perform their duties impartially and in accordance with the law, and shall not use the powers, methods, and opportunities of their duties to seek improper benefits for themselves or a third party. In principle, employees are not allowed to request, make promises, or accept gifts from parties with a conflict of interest; employees

are not allowed to participate in banquets and entertainment from parties with a conflict of interest; employees are not allowed to make inappropriate contact with parties with a conflict of interest.

### **3.4.1.2 Recusal of Public Services Due to Conflicts of Interest**

The Bureau strictly requires public servants referred to in the Act on Recusal of Public Servants Due to Conflicts of Interest to avoid any conflict of interest that they or their related parties may have, in order to promote clean and competent politics and effectively prevent corruption and improper transfer of interests.

### **3.4.1.3 Property Declaration of Public Servants**

Employees of the Bureau who are required to declare their property in accordance with the Act on Property Declaration of Public Servants are all required to declare in detail the property in their own names and their spouse and minor children's names, in order to establish the integrity of public servants. In 2022 and 2023, 3 and 2 property declaration obligors were publicly drawn for a substantive review, respectively, and 1 is drawn each year for comparison with the previous year. The 2022 audit did not find any false property declarations, and substantive reviews were conducted in 2023 in accordance with the letter from the Agency Against Corruption, Ministry of Justice.

### 3.4.2 Signing of Self-Regulation Agreement and Audits GRI: 2-27

The Bureau established the "Ministry of Labor Bureau of Labor Funds Rules Governing Conflict of Interest and Confidentiality" and the "Bureau of Labor Funds Employee Self-Regulation Agreement," and prohibits employees, spouses, minor children, and individuals whose names are used by employees for trading from trading TWSE-listed, TPEX-listed, and emerging stocks, equity derivatives, and individual stock subscriptions in Taiwan.

The actual inspection rate of the Self-Regulation Agreement was increased to 100% starting from 2021. The number of people inspected in 2022 was 305, and the number of people inspected in 2023 was 316.

Statistics of the number of people directly involved in investment who signed the Self-Regulation Agreement		
Year	2022	2023
Number of signatories	137	144
Number of people inspected (employees)	137	144
Total number of people inspected (including spouse and minor children)	305	316

### 3.4.3 Establishment of a Whistleblowing System and Reward Protection GRI: 2-26

The Bureau has established a whistleblowing system and a reward protection mechanism to correct civil service ethics, eliminate corruption, and create a culture of integrity. The Civil Service Ethics Office handles corruption or administrative violations of personnel, so that civil servants are unwilling to be corrupt, do not need to be corrupt, cannot be corrupt, and dare not be corrupt. These efforts aim to lower investment risks and the risk of other violations, so that the outside world will know that the Bureau has integrity and is corruption-free.

### 3.4.4 Organize Corporate Integrity Lectures

The Bureau strictly requires insiders to comply with the code of conduct when making investments with the managed funds. Insiders are required to abide by the responsibility of confidentiality in work and the principle of avoiding conflicts of interests in the performance of duties. The Bureau includes clauses in contracts signed with financial institutions entrusted with discretionary investment in hopes of lowering investment risks, and achieving the goal of steady growth of fund investments.

To let the outside world see the Bureau's determination to maintain integrity, the Bureau selected domestic mandated institutions for promotion of laws and regulations in 2022 and 2023, strengthen the concepts of corporate

governance and corporate integrity, and at the same time strictly require the integrity and self-discipline of mandated institutions. The Bureau held 2 corporate integrity lectures (including financial case analysis and whistleblowing system) for mandated institutions and employees in 2023. The analysis of financial cases and understanding of the whistleblowing system improves employees legal concepts when performing duties, and prevents violations of the law.

## 3.5 Information Disclosure GRI: 2-16

### 3.5.1 External Communication Channels

The Bureau has established a diverse information disclosure interface to utilize the immediacy and convenience of the Internet to regularly release relevant information for public access. The Bureau actively holds press conferences to explain the utilization of labor funds and implementation of related policies to the public, achieving open and transparent fund information.

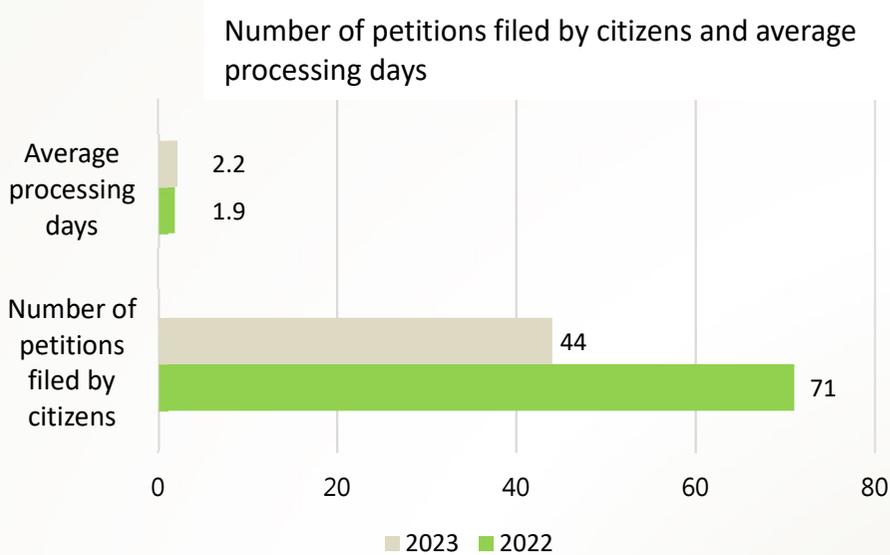
➤ **List of Disclosure Channels**

Disclosure channel	Content	Disclosure channel	Content
Official website	<ul style="list-style-type: none"> <li>● Currently, the information disclosed regularly includes fund scale, investment performance, asset allocation, and statistics of domestic and foreign in-house and mandate investment performance.</li> <li>● In addition to the abovementioned information that is regularly announced, information involving fund utilization and major events is irregularly disclosed or press releases are issued for the public can quickly understand the current status of funds.</li> </ul>	Social media (YouTube, Facebook)	<ul style="list-style-type: none"> <li>● Web2.0 website is used and videos on fund utilization are regularly released through the YouTube video section.</li> <li>● Fund information is posted on the Ministry of Labor’s Facebook fan page in a timely manner, and convenient, real-time, rich, and diverse fund information is provided through social media to strengthen communication with the public.</li> </ul>
English version website	<ul style="list-style-type: none"> <li>● To help foreign nationals understand information related to labor funds and increase international visibility, the Bureau established an English version website, which provides English translations of information on labor fund-related regulations, fund utilization, important news, and tenders.</li> </ul>	Holding press conferences	<ul style="list-style-type: none"> <li>● Other channels such as press releases, press conferences, and media interviews are used to let laborers and the general public understand the latest status of fund utilization, and provide timely explanations on issues related to fund utilization that the outside world is concerned about.</li> </ul>

**3.5.2 Public Opinions and Responses** GRI: 2-25, 2-26

The Bureau has established standards for all businesses, and requires employees to abide by the highest professional ethical standards, maintain integrity, and protect their reputation when performing duties. In addition to internal management in accordance with anti-corruption regulations, there are also external supervision mechanisms in place, providing a reporting hotline, e-mail, and fax for the public to report corruption and illegal acts. The Bureau also established a whistleblowing system and reward and protection mechanism to maintain integrity.

In 2022 and 2023, the Bureau received 71 and 44 petitions regarding the individual rights of citizens, respectively. Most of the petitions were sent via e-mail, and related divisions and offices immediately responded or forwarded it to the responsible agency to handle the case. According to statistics, average processing days was 1.9 days and 2.2 days, respectively.



## 3.6 Tax Policy GRI: 207-1, 207-2

To respond to international trends of tax governance, effectively control tax risks, and implement sustainable development of society, the Bureau complies with the tax laws of various investment markets, files tax returns and pays taxes within the time limit, and fully utilizes the Avoidance of Double Taxation Agreement and tax preferences of various countries to fulfill its social responsibility while giving consideration to return on investment.

- 
- |       |   |   |
|-------|---|---|
| I.    | <b>Regulatory compliance principles</b> | The Bureau verifies and calculates taxes, files tax returns, and pays taxes in accordance with tax regulations.   |
| <hr/> |   |   |
| II.   | <b>Legal tax mitigation principles</b>  | Adopt methods that comply with legislative intent to mitigate taxes according to the principles of regulatory compliance.   |
| <hr/> |   |   |
| III.  | <b>Risk management principles</b>       | Understand the tax laws and regulations of various countries and their changes, and rely on the assistance of external professional institutions to prudently manage tax risks. |
-

### **3.6.1 Lawful Exemption of Taxes on Domestic Investments and Fulfill Withholding Obligations**

Pursuant to the Labor Pension Act, Labor Insurance Act, Employment Insurance Act, Labor Occupational Accident Insurance and Protection Act, Act for Protecting Worker of Occupational Accidents, Regulations for the Management, Repayment, Collection and Allocation of the Arrear Wage Debts, National Pension Act, and Farmer Pension Act, the funds managed by the Bureau are exempt from taxation. The Bureau applies for tax exemption for gains on investments in accordance with the law to protect the income of funds. In addition, the Bureau fulfills its withholding obligations when paying salaries or remuneration to lawyers, accountants, and notaries, or when paying remuneration to foreign businesses to manage the investments of funds. The Bureau reports the remuneration within the time limit to increase the government's tax revenue.

### **3.6.2 Utilize the Avoidance of Double Taxation Agreement when making foreign investments and pay local taxes**

The foreign investments of funds managed by the Bureau involve the tax laws of foreign countries. The Bureau appointed custodian banks and tax consultants with international experience to file tax returns and pay taxes for

overseas income, in order to improve filing efficiency, file tax returns within the time limit, and obtain the best tax conditions.

If the foreign investments made by managed funds involve investment gains in countries that have signed the Avoidance of Double Taxation Agreement with Taiwan, an application for a resident certificate is submitted to the branch of the National Taxation Bureau of Taipei, Ministry of Finance with jurisdiction as supporting evidence, and the resident certificate is handed over to the custodian bank to apply for tax reduction or tax refund. Reasonable taxes are then paid according to the tax rate of the Avoidance of Double Taxation Agreement.

### 3.6.3 Tax Risk Management

The Bureau engages custodian banks and tax consultants to assist in prudent assessment of tax risks to avoid tax disputes, and provide professional consulting for new investment markets or changes in tax regulations in various countries, so as to effectively control risks and protect the rights and interests of the funds.



4.

## Sustainable Investment



4 優質教育



8 合穩的工作  
及經濟成長



9 工業化、創新  
及基礎建設



13 氣候行動



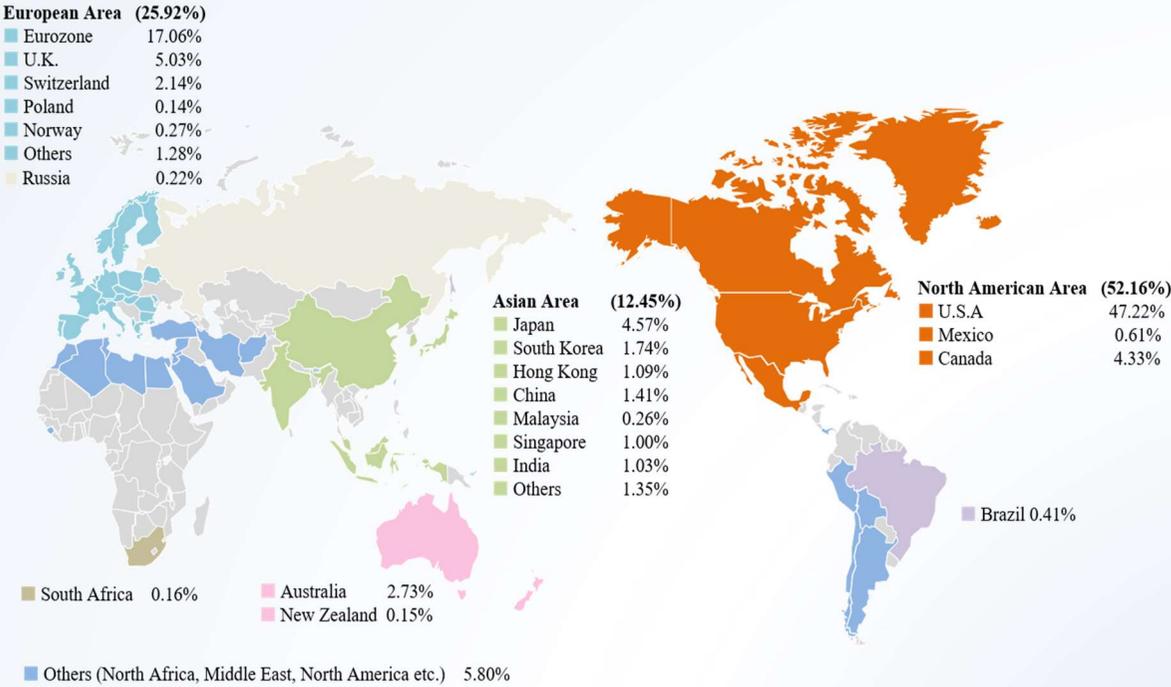
16 和平、正義  
及健全制度

# 4. Sustainable Investment

## 4.1 Results of Diverse Investment and Utilization GRI: 201-1

### 4.1.1 Diversified Global Investment Portfolio

The Bureau aims to increase investment opportunities through diversified regions worldwide and asset categories. In addition to constructing relative return investment portfolios, such as global stocks, global bonds, global emerging market stocks, global emerging market bonds, and Asia-Pacific stocks, the Bureau also uses multi-asset portfolios and stocks and bonds portfolios with absolute return to effectively diversify



market risks. By the end of December 2023, the total foreign investments of labor funds reached US\$110.5 billion and invested across 72 countries.

Facing the increasingly volatile financial environment, the Bureau continues to monitor the financial situation, prudently and dynamically adjust the investment portfolio, diversify the global portfolio to reduce market risks, and deepen understanding of the development of sustainable investment strategies, in order to monitor international investment trends and seize investment opportunities, while taking into account fund performance and social investment, achieving long-term fund performance for labor funds.

#### **4.1.2 Fund Utilization Results**

The results of labor fund investments have an extensive and massive impact, including the well-being of laborers, economic security of laborers after retirement, and reducing the government's financial burden. Financial statements are not the only consideration when selecting stocks for investment, ESG is also important consideration of investment targets for labor funds, in hopes of bring a positive impact to society and benefit the stakeholders of fund investments.

### 4.1.2.1 The scale and performance of managed funds in the past 2 years

The Bureau coordinates the investment and utilization of various labor funds, and diversifies its asset portfolio of stocks, bonds and alternative investments worldwide. The financial market has changed rapidly in the past two years due to global inflation, geopolitics, and economic factors, which has made the investment and utilization of funds even more difficult. Facing such as severe investment environment, the Bureau actively monitors trends in the financial market and dynamically and flexibly adjusts its investment strategies. In 2022, the scale of funds under management reached NT\$5.9993 trillion, with a return of -NT\$382.1 billion, and a rate of return of -6.68%. In 2023, the scale of funds under management reached NT\$6.5692 trillion, with a return of NT\$784.7 billion, and a rate of return of 12.90%.

### The scale and performance of managed funds in the past 2 years

Fund	2022			2023		
	Scale (NT\$100 million)	Return (NT\$100 million)	Rate of return (%)	Scale (NT\$100 million)	Return (NT\$100 million)	Rate of return (%)
Labor Pension Fund	35,947	-2,280	-6.67	39,544	4,786	12.60
Labor Retirement Fund	9,846	-709	-8.30	9,895	1,258	14.83
Labor Insurance Fund	7,534	-589	-7.45	8,729	1,101	14.44
Employment Insurance Fund	1,560	49.8	3.32	1,643	33.8	2.10
Labor Occupational Accident Insurance Fund	345	2.2	0.65	369	5.4	1.51
Arrear Wage Payment Fund	155	-3.3	-2.27	169	9.8	6.35
Subtotal of Labor Funds	55,387	-3,529	-6.71	60,349	7,194	12.80
National Pension Insurance Fund	4,524	-290	-6.38	5,203	640	14.20
Farmers' Pension Fund	82	-2	-3.78	140	13	12.33
Total of Managed Funds	59,993	-3,821	-6.68	65,692	7,847	12.90

### 4.1.2.2 Mid- and Long-term Performance of Managed Funds

Managed funds continue to refine their asset allocation, diversify investments, and pay attention to corporate social responsibility with the goal of pursuing long-term and stable investment returns. Taking into account the different attributes, laws and regulations, and scale of each managed fund, the asset allocation and annual utilization plans are different. Among them, the Employment Insurance Fund and Labor Occupational Accident Insurance Fund are only allowed to invest in deposits and bonds with fixed income, resulting in different returns on investment. In terms of the medium and long-term performance of the Labor Pension Fund, Labor Retirement Fund, and Labor Insurance Fund, which have relatively large scale, their rate of return has been approximately 4.75% since their establishment, approximately 5.35% in the past 10 years, and approximately 6.92% in the past 5 years. The funds' medium and long-term performance have been stable.

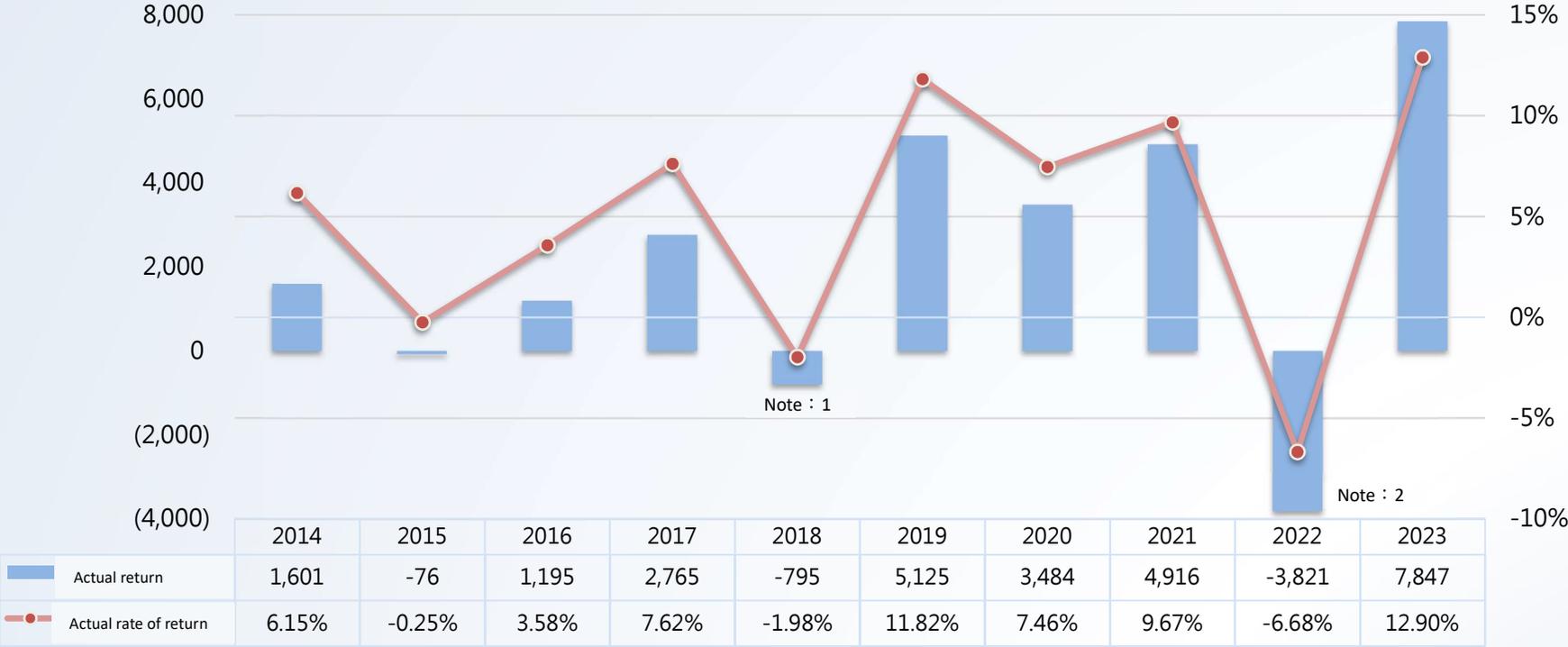
The accumulated gains of the managed funds over the past 10 years was NT\$2.224 trillion, with a cumulative rate of return of 52.39%, and an annualized rate of return of 5.24%.

**Mid- and long-term performance of each fund**

Fund	From establishment to 2023	10 years 2014-2023	5 years 2019-2023
Labor Pension Fund	4.86%	5.22%	6.51%
Labor Retirement Fund	4.76%	5.77%	7.90%
Labor Insurance Fund	4.50%	5.33%	7.51%
Employment Insurance Fund	1.52%	1.57%	1.75%
Labor Occupational Accident Insurance Fund	1.30%	-	-
Arrear Wage Payment Fund	2.40%	2.78%	3.51%
National Pension Insurance Fund	5.21%	5.65%	7.31%
Farmers' Pension Fund	6.55%	-	-

Note: The rate of return is the average annual rate of return.

NT\$100 million **Performance of managed funds in the past 10 years**



Note1 : When the U.S.-China trade war broke out in 2018, the global stock and bond markets dropped. The return rate of managed funds was -1.98%, which was better than the -8.60% return of Taiwan Stock Exchange Capitalization Weighted Stock Index.

Note2 : When the Russo-Ukrainian War broke out in 2022, the global stock and bond markets plummeted. Global stock and bond market returns were -18.36% and -16.25%, respectively, while the rate of return of managed funds was relatively resilient at -6.68%.

## 4.2 Risk Management

### 4.2.1 Investment Risk Management

#### 4.2.1.1 Risk Management Regulations and Processes

The Bureau has improved internal risk management mechanisms with an organizational culture that focuses on managerial implications. In addition to establishing a complete risk management system according to the "Directions for Risk Management of Funds Managed by the Bureau of Labor Funds," the Bureau assists with the investment and effective risk management for financial products via risk identification, assessment, monitoring, and reporting for each fund, ensuring medium and long-term stable investment returns for each managed fund.

We established risk management items and processes to facilitate the effective utilization and maintain the safety of funds, providing the basis for implementing risk management of each managed fund. Related management items include market, credit, liquidity, operational, and legal risks, and are managed at different frequencies, such as daily, weekly, monthly, and quarterly.

### 4.2.1.2 Risk Assessment Mechanism and Frequency

The risk management items and processes established by the Bureau are shown on the right side. We also planned reference indicators for reporting the climate change risk of each fund in the future, which will be provided to investment units to use as reference for position adjustment or engagement.

<b>Daily</b>	
The transaction alert form is reviewed by the system and manually	The risk value of each fund is calculated and monitored
<b>Weekly</b>	
The weekly risk value report is submitted	
<b>Monthly</b>	
Operational risks are reviewed and the risk indicators of discretionary accounts are calculated	
<b>Quarterly</b>	
Backtesting is conducted to ensure the effectiveness of model parameters in the risk management system	
<b>Every 4 months</b>	
The Risk Control and Management Team convenes a meeting, which may also be convened in response to major domestic and overseas financial events	
<b>Every 6 months</b>	
A risk stress test is conducted for each fund	
<b>Annually</b>	
Annual risk management items for the following year are reviewed	

### 4.2.2 Response Strategies for Major Sudden Risk Events

The Bureau established the "Directions for Operations of the Risk Control and Management Team of the Bureau of Labor Funds" to effectively respond to major or unexpected risk events, and also established a Risk Control and Management Team to regularly and irregularly review the risk value of each fund and its changes. The team reviews various handling mechanisms and solutions for major risk management items in the fund business and their

<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

effectiveness. For major risk management items in the fund business, including severe fluctuations in the risk value of investment positions of managed funds, natural disasters, and mandated or custodial institutions being hollowed out, declaring bankruptcy, large-scale redemptions, runs, requests to terminate contracts, or other major business crises, the Bureau has established standard operating procedures and solutions to handle the incident in a timely manner. The Bureau also monitors trends in the financial market at all times. In the event of a major financial event, an ad hoc meeting of the Risk Control and Management Team may be held depending on the situation to formulate response measures and manage risks in a timely manner.

For example, the Russo-Ukrainian War that broke out late January 2022 caused market turmoil, rapid global inflation, and central banks such as the U.S. Federal Reserve rapidly raised interest rates. The Risk Control and Management Team convened 3 ad hoc meetings to discuss the impact on managed funds and determine the funds' investment risks in a timely manner.

### 4.3 ESG Responsible Investment GRI: 201-1

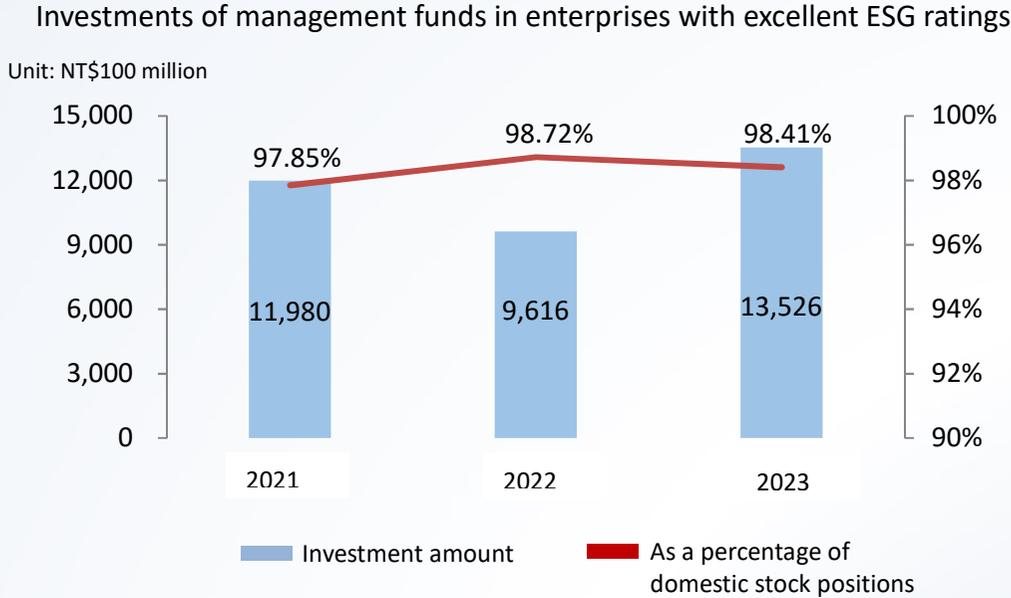
To implement the concept of sustainable investment and balancing returns of managed funds, the Bureau gradually adopted related investment strategies by incorporating ESG considerations into the investment process, and uses the power of the capital market to guide companies to attach importance to sustainability issues.

Main considerations	ESG evaluation items/indexes	Evaluation/index compilation/implementation institution
E, S, G	National Sustainable Development Award from the National Council for Sustainable Development	Executive Yuan
E	National Enterprise Environmental Protection Award	Ministry of Environment
S	Occupational Safety and Health Award	Occupational Safety and Health Administration, Ministry of Labor
G	Corporate Governance Certification	Taiwan Corporate Governance Association
G	Top 50% in the Corporate Governance Evaluation	TWSE
S	TWSE RA Taiwan Employment Creation 99 Index	TWSE, Rayliant Global Advisors (RGA)
S	TWSE RAFI® Taiwan High Compensation 100 Index	TWSE, Rayliant Global Advisors (RGA)
E, S, G	FTSE4Good TIP Taiwan ESG Index	Taiwan Index Plus Corporation, FTSE
S	Collective bargaining agreements signed by labor and management	Ministry of Labor

### 4.3.1 Incorporating ESG Assessment into the In-House Investment Process

#### 4.3.1.1 Investments in Domestic Stocks

In addition to the prerequisites of stable profits, good dividend yields, high liquidity, and industries with good future prospects, in-house investments in domestic stocks also take into account numerous ESG evaluations conducted by independent institutions with professionalism and credibility (the main references are as shown in the table), as well as the preparation of sustainability reports. The Bureau continues to review the performance of invested stocks in ESG-related evaluations.



<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

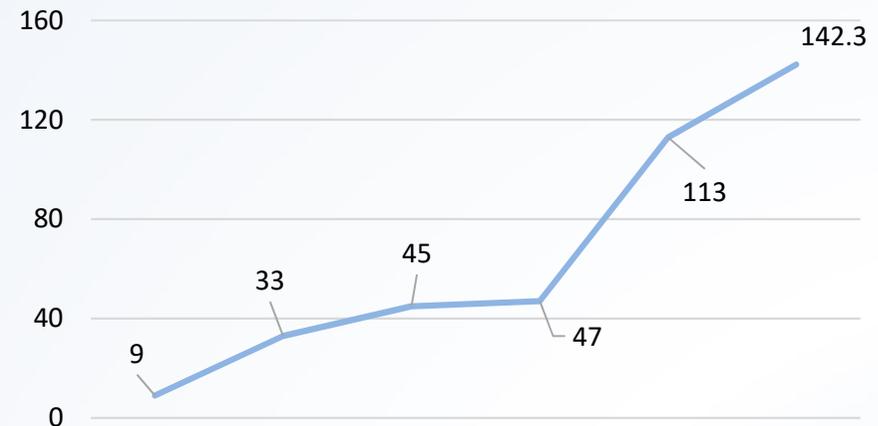
As of the end of 2023, managed funds invested a total of NT\$1.3526 trillion in 330 high-quality companies that meet our ESG-related evaluations, accounting for 98.41% of the domestic stock position.

### 4.3.1.2 Investment in Domestic Debt Securities

Investments in domestic debt securities take into account corporate social responsibility while ensuring fund profitability, considers the performance of social responsibilities by bond issuers, and checks whether the bond issuer or its parent company prepare sustainability reports, won awards for fulfilling social responsibilities, their rankings in the Corporate Governance Evaluation, which is sufficient to prove the implementation of environmental protection, workplace safety, community involvement, and care for the disadvantaged, or whether they are excellent enterprises selected as a constituent stock in the FTSE4Good TIP Taiwan ESG

Cumulative investment amount in domestic sustainability bonds

Unit:  
NT\$100 Million



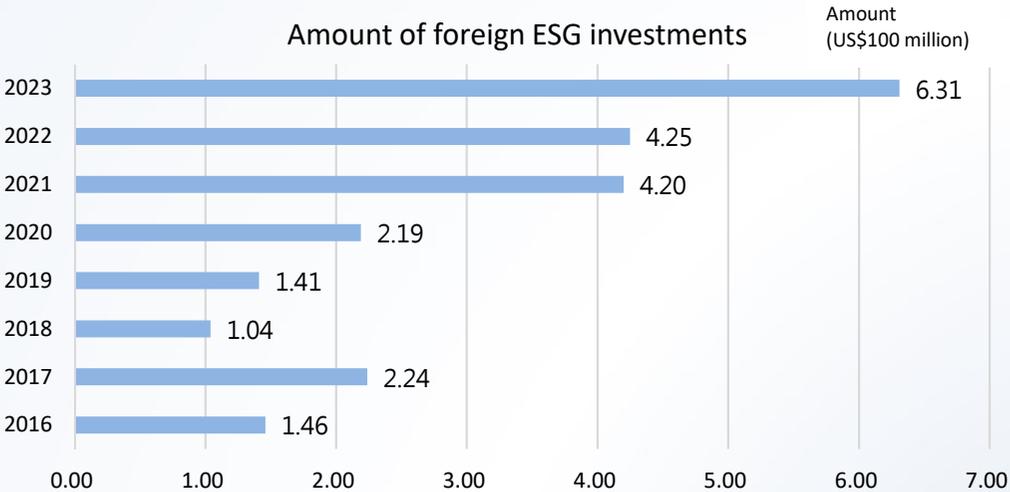
Note: Domestic sustainability bonds include green bonds, social bonds, sustainability bonds and sustainability-linked bonds; this is the difference between the cumulative investment amount and the investment amount at each year-end.

Index, TWSE Corporate Governance 100 Index, TWSE RAFI® Taiwan High Compensation 100 Index, and TWSE RA Taiwan Employment Creation 99 Index.

### 4.3.1.3 Foreign investments

The Bureau began to look into ESG-related topics in the second half of 2016 to make foreign in-house investments, and successively invested in ESG-related funds and ETFs. Early ESG-related categories include water resources, low carbon, climate change, and solar power, but the funds are relatively small, and investments were mainly made in E TFs at first due to considerations of liquidity risk. As the funds grew to a larger scale, active mutual funds were added in 2021.

Sustainable investment has become the mainstream investment trend. Not only growing rapidly in terms of scale, but also covering a wider range of categories to provide



<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

investors with more options. Foreign in-house ESG investment targets include investments that have positive environmental themes, social responsibility, good governance mechanisms and characteristics, and commitment to reduce or adapt to climate change. Companies with revenue that obviously comes from fossil fuels and controversial industries (such as tobacco, oil, gas, coal, alcohol, gambling, and controversial weapons) are excluded. The goal is to provide capital gains and avoid potential ESG risks in the future. In addition, in response to the current high interest rate environment worldwide, foreign in-house investments also increase holdings of investment grade bond ETFs from issuers with relatively high MSCI ESG scores, in order to obtain stable returns. Multi-asset combines ESG and sustainable development investment perspectives, adding new investment targets to the traditional stock and bond asset allocation, which can reduce the overall fluctuation in returns of the investment portfolio and stabilize fund income.

In addition, starting from the fourth quarter of 2023, the bond issuer's ESG rating announced by a third party information source is included in the scope of review before purchasing hold-to-maturity bonds for foreign in-house investment. Whether the issuer is involved in events that cause high impact or potential impact on society or the environment is analyzed and evaluated, and potential ESG investment risks in the future are

determined by incorporating ESG performance factors of investment targets into investment analysis and decision-making evaluation factors.

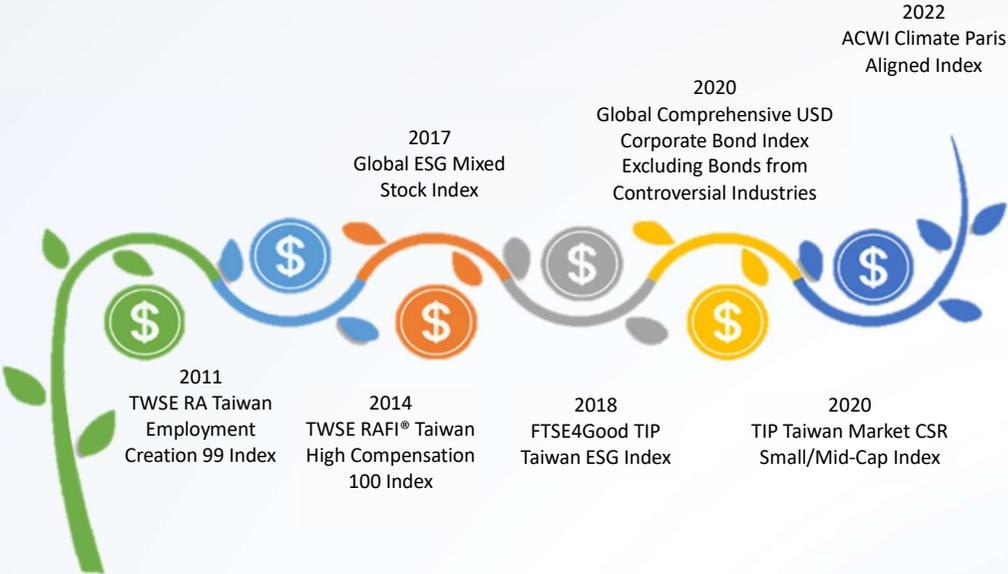
As of the end of 2023, the overall ESG investment amount of foreign in-house investments in compliance with Article 8 and Article 9 of the EU's Sustainable Finance Disclosure Regulations (SFDR) and track sustainability-related indicators totaled US\$631 million. The overall ESG investment amount accounted for 5.48% foreign in-house based on market valuation.

### 4.3.2 Adopting ESG Indices for mandates

To continue to expand ESG investment strategies and leverage the influence of institutional investors, the Bureau uses external resources and ESG-related indices as tracking benchmark for mandates to further ESG investment capacity.

### 4.3.2.1 Domestic mandate

Since 2011, domestic mandates have used ESG indices, such as "TWSE RA Taiwan Employment Creation 99 Index", "TWSE RAFI® Taiwan High Compensation 100 Index", "FTSE4Good TIP Taiwan ESG Index" and "TIP Taiwan Market CSR Small/Mid-Cap Index" as benchmark indices for relative return mandates, guiding companies to pay attention to social responsibilities. To improve transparency, above index methodologies are all publicly disclosed on the website of Taiwan Index Plus Corporation. In the future, ESG-related factors will continue to be taken into consideration in developing customized indices.

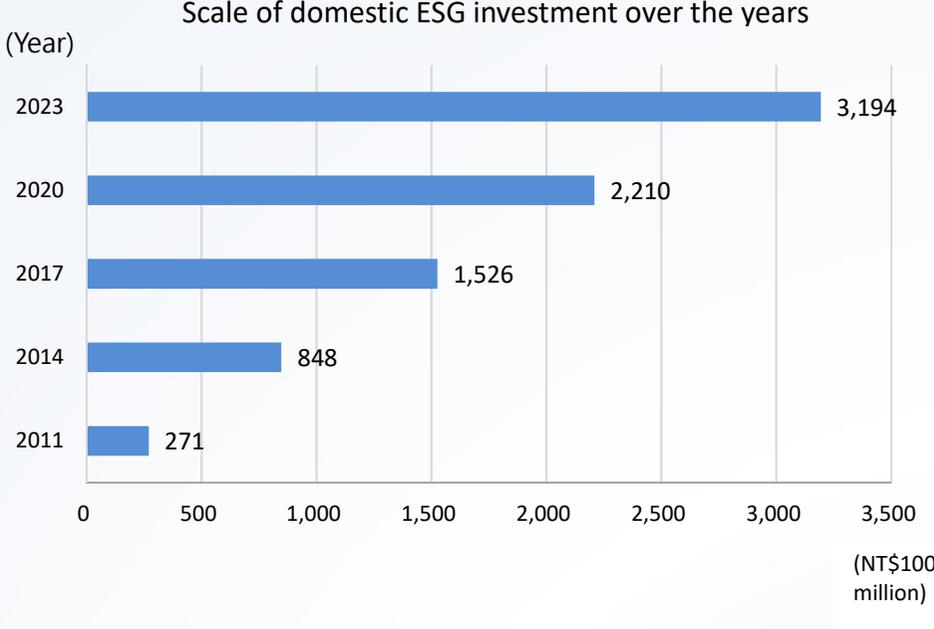
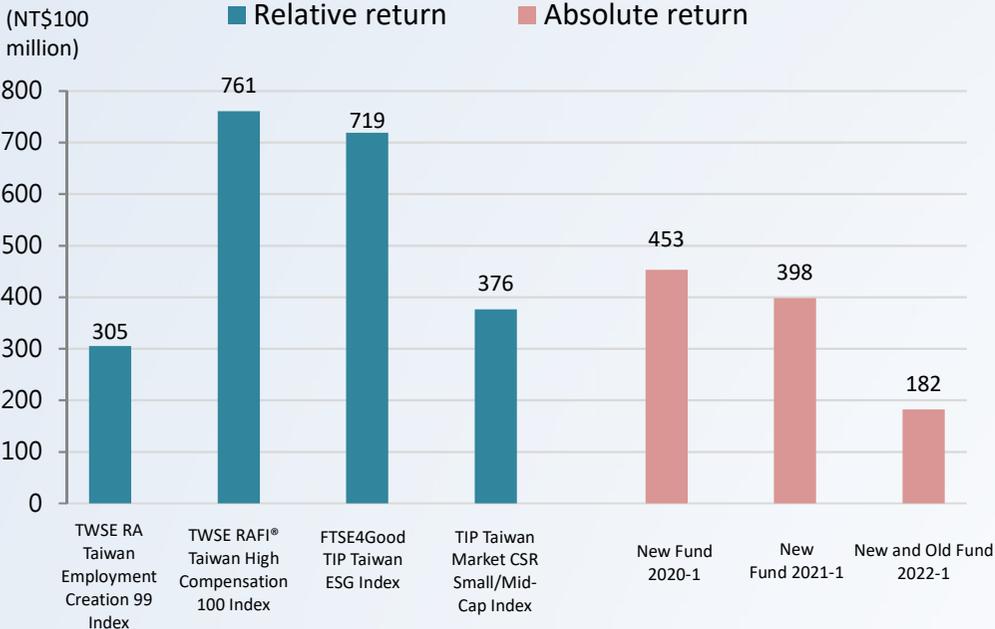


Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

To further strengthen socially responsible investment, the absolute return mandate, which was set up in March 2020, required the fund managers invest only in listed companies that disclose sustainability reports. This is the first time the Bureau has set up sustainability requirement for domestic absolute return mandate. After that, new mandates have also restricted the investment scope only to companies that have disclosed sustainability reports.

As of the end of 2023, funds managed by the Bureau have 7 ESG-related domestic mandates with a total scale of approximately NT\$319.4 billion (as shown in the figure below). Among these 7 mandates, four out of them are relative return mandates, with a total scale of NT\$216.1 billion. The remaining three are absolute return mandates, with a total scale of NT\$103.3 billion and the managers are all required to invest in listed companies that have disclosed sustainability reports. This requirement is being extended to all existing domestic mandate accounts. To be more specific, starting from May 2024, all investment targets of domestic mandate accounts are all in line with the requirement that the companies have disclosed sustainability reports.

Scale of domestic ESG mandate as of the end of 2023



Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	<b>Sustainable Investment</b>	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	-------------------------------	----------------------------	--------------------	------------------	----------

### 4.3.2.2 Foreign Mandate

ESG concepts are incorporated into the selection of mandated institutions for various types of foreign mandates. There are ESG-related audit items in the Request for Service Proposal, such as: The resources that the asset management company has invested in ESG and its development plans, whether it has a dedicated sustainable investment team and the cooperation method of the investment team. For specific sustainability-themed mandates (such as climate change), further ESG inspection items are added, such as whether the asset management company includes climate risks in its securities research and asset allocation processes.

For existing foreign mandate accounts, the Bureau hires an external investment consulting company to conduct quarterly assessments and provide an ESG rating for account strategies. Besides continuing to supervise the improvement of mandated institutions with poor ratings, it is also included as a reference item for account renewal and increasing or decreasing funds. In addition, when conducting regular on-site visits to mandated institutions, whether the mandated institution has established a corporate governance or corporate social responsibility stock (bond) evaluation mechanism will also be included as an inspection item.

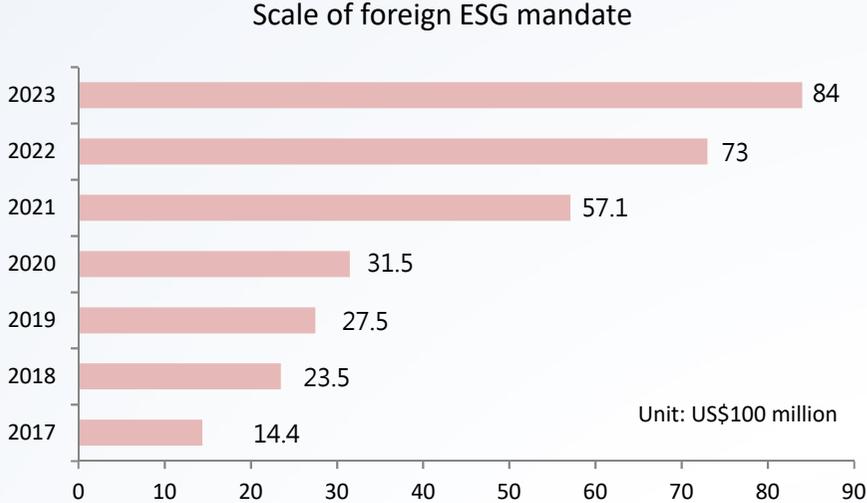
To continue to fulfill corporate social responsibility while maintaining fund income, the Bureau handled Global ESG Quality Mix Equity Indexation foreign mandate in 2017. The mandate's scope of investment is global stocks, and invests in constituent stocks of the reference index MSCI ACWI ESG ex Selected Sub-Industries Quality

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

Mix E Series Capped Index, selecting companies with the best ESG performance in each industry. The index excludes vice industries (such as tobacco, alcohol, arms, gambling, and pornography industries) and companies that have major ESG controversies. Furthermore, to further improve the performance of the investment portfolio, the strategic factors "high-quality," "low-volatility," and "enhanced value" were added when constructing the index to strengthen the protection against downside risk, in hopes of balancing social responsibility and investment returns. The original total amount of the mandate above was US\$2.4 billion, and the amount has increased each year. The contract was renewed in 2022. As of the end of 2023, the total amount of the mandate was US\$4.36 billion.

In addition, the Bureau handled Enhanced Global USD Corporate Bond foreign mandate in 2020. The mandate's scope of investment is global bonds, and the reference index is Bloomberg Barclays Global Aggregate Corporate USD ex Controversial Industry Index. The scope of investment excludes bonds issued by companies in the vice industry (such as tobacco, alcohol, arms, gambling and pornography industries). We incorporated ESG concepts into the investment process and related strategies through theme-based, screening, and process integration approaches, in hopes of achieving the goals of increasing returns, diversifying risks, and fulfilling social responsibilities. The original total amount of the mandate above was US\$2.3 billion. As of the end of 2023, the total amount of the mandate was US\$2.94 billion.

Seeing the growingly severe damage caused by climate change to the global environment in recent years, the Bureau launched Enhanced Global Climate Change Equity foreign mandate in 2022. The mandate's scope of investment covers constituent stocks of the reference index MSCI ACWI ex China A Select Climate Paris Aligned Index, and selects companies with better climate governance in various industries and are moving towards a green economy. Companies in vice industries (such as tobacco, alcohol, arms, gambling and pornography industries) and those with major ESG controversies are excluded. Companies that severely deviate from the SDGs, especially those that are not aligned with SDG 7 (ensure access to clean and affordable energy) and SDG 13 (climate action), are excluded to comply with the climate goals of the Paris Agreement, while maintaining investment returns. The total original amount of the mandate above is US\$2.3 billion, and US\$1.1 billion was disbursed in 2023. Subsequent disbursements will be made in batches depending on the financial situation.



Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

In summary, as of the end of 2023, the investment amount of foreign mandates in sustainability indexes of the reference index totaled US\$8.4 billion. In addition, in the US\$54.8 billion equity position of foreign mandates, 64% of the stock positions were constituent stocks of the abovementioned sustainable investment stock index.

### 4.3.3 Negative Screening of Controversial Industries

For foreign mandates, the Bureau issued a letter to mandated institutions on April 21, 2016 notifying them not to invest in funds that violate corporate social responsibility, in order to urge enterprises to take their social responsibilities seriously. If a mandated institution is found in violation, the amount of the mandate may be reduced or the contract may be terminated depending on the severity of the violation. This is clearly stated in the Investment Guideline of the Investment Management Agreement for the foreign mandate contract.

In addition, the investment scope of foreign sustainable investment mandates excludes vice industries (such as tobacco, alcohol, arms, gambling, and pornography industries). Among them, the investment scope of the sustainable investment stock mandate also excludes companies involved in major controversies in ESG aspect, while Enhanced Global Climate Change Equity Mandate in 2022 further excludes companies that seriously deviate from the SDGs.

#### 4.3.4 Seizing Investment Opportunities Brought by Climate Change

The foreign mandate "Enhanced Global Climate Change Equity Mandate" in 2022 is the first theme-based mandate targeting environmental sustainability. The reference index used is MSCI ACWI ex China A Select Climate Paris Aligned Index, which aims to achieve the climate goals of the Paris Agreement (control global temperature rise within 1.5-2°C). It integrates the climate risks (transition and physical risks) listed in TCFD and green opportunities (green income and low-carbon patents) in hopes of reducing carbon emissions, reducing global temperature rise, and managing extreme weather risks. The mandate's carbon footprint verification at the end of 2023 show that the reference index's total carbon emissions and weighted average carbon intensity (WACI) are approximately 85% and 72% lower than the MSCI ACWI Index, respectively. In particular, the potential carbon emissions of fossil fuel reserves were reduced to almost zero. The overall carbon reduction effect is quite significant. Furthermore, the reference index's implied temperature rise by the end of the century is 1.7°C, which is far lower than the 2.4°C of the MSCI ACWI Index. It is obvious that the investment in climate change has begun to bear fruit. In the future, the Bureau will continue to monitor global carbon reduction actions and learn from the actions of mandated institutions and other pension funds, in order to understand the investment risks of sustainability aspects such as climate change, and seize investment opportunities in the capital market driven by the low-carbon economy.

## 4.4 Exerting the Influence of Stewardship

GRI: 201-1

### 4.4.1 Shareholders' action

GRI: 2-29

Establishment of Compliance Standards	The Bureau established the "Bureau of Labor Funds Regulations on Fulfillment of Shareholder Action," which clearly provides the procedures for handling domestic public companies that are involved in major violations of the law or controversies, completing the guidelines for engaging in shareholder actions.
Key points of regulations	<ol style="list-style-type: none"> <li>1. The regulations stipulate that CSR evaluations must be considered when selecting domestic equity securities for investment. The reference indicators must be announced, and the percentage of investments that meet the evaluation criteria must be periodically disclosed.</li> <li>2. When domestic listed companies that the Bureau invested in are found in a severe violation of the law or involved in a dispute, the Bureau shall take the following measures:             <ol style="list-style-type: none"> <li>(I) Understand the cause of the incident from company management in writing or orally, express the Bureau's concern, and require the company to handle the incident as soon as possible.</li> <li>(II) If the company does not propose improvement measures or solutions after the Bureau express concern, the Bureau will consider making a proposal during a shareholder meeting demanding that the company propose improvement measures or a solution.</li> <li>(III) Review the Bureau's holding position.</li> </ol> </li> </ol>

Approach to Shareholder Activism	Dialogue and interaction with management through conference calls, in-person meetings, participation in investor conferences, or sending staff to attend shareholder meetings.
Results	For information on the dialogue and interaction with investee companies in recent years, including a complete case-by-case explanation of the content and reasons for voting against proposals in the past two years, factors considered when voting on various types of proposals, and the impact of engagement and progress tracking, please see pages 18-31 of the "2022 Stewardship Report" on the Bureau's official website.

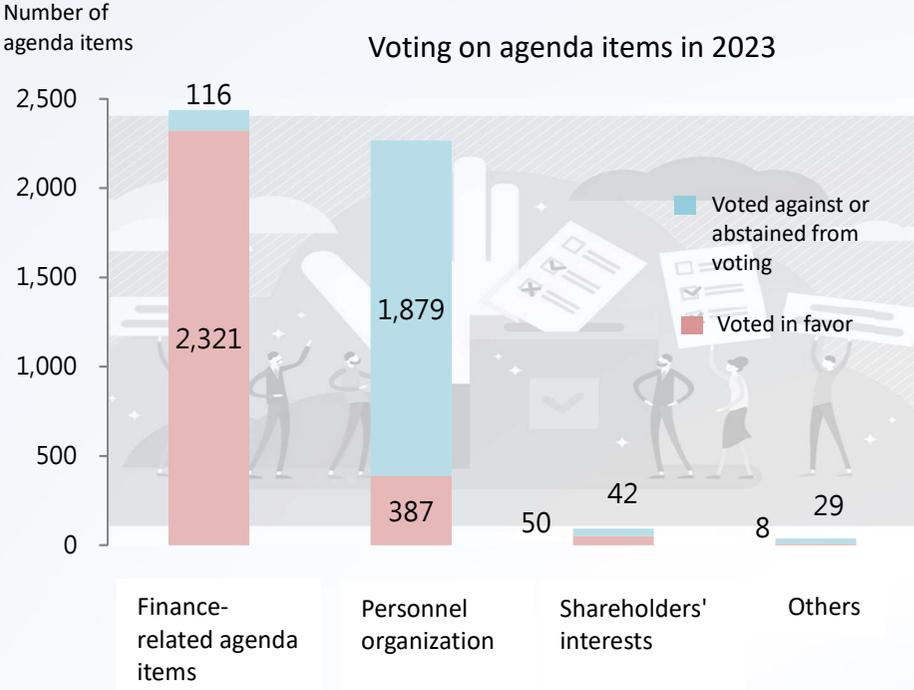
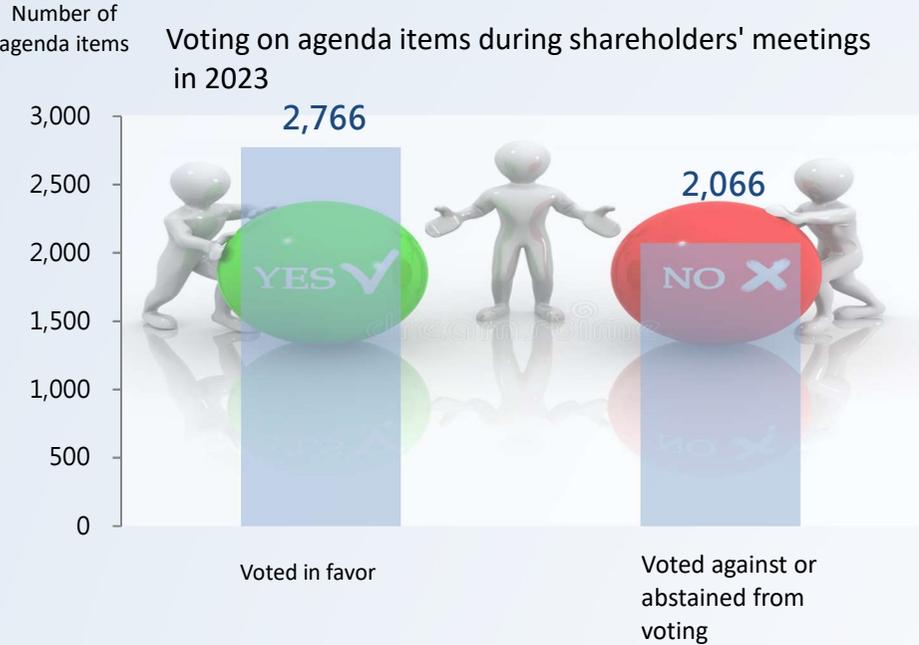
**4.4.2 Voting Policy** GRI: 2-29

Establishment of Compliance Standards	The Bureau established the "Bureau of Labor Funds Regulations on the Exercise of Equity in Listed (Over-the-Counter) Companies" to provide the basis for managed funds to exercise equity rights shareholder meetings.
Key points of regulations	The Bureau participates in voting of all shareholder meetings of individual stocks through electronic voting, and sends representatives to attend the meetings in person if necessary, expressing opinions on proposals related to fund rights and interests when necessary.
Main factors considered when voting on various	1. Director and supervisor elections: Considering that the investment of funds managed by the Bureau are financial in nature, the Bureau abstains from voting in director and supervisor elections as a principle, and

types of proposals	<p>also abstains from voting on proposals to lift the non-compete clause for directors.</p> <ol style="list-style-type: none"> <li>Capital increase/reduction, merger and acquisition: Assess the impact on company operations, profits, and original shareholders.</li> <li>Dividend yield: Assess whether it meets shareholders' interests.</li> <li>Asset transactions and lending to others: Assess financial risk and reasonableness.</li> <li>Remuneration structure: Assess the impact on employees and shareholders.</li> </ol>
The reasons why vote against or abstain from voting	<ol style="list-style-type: none"> <li>Detrimental to corporate governance.</li> <li>Has a material impact on the company's financial stability and business development.</li> <li>May damage shareholders' long-term interests.</li> </ol>

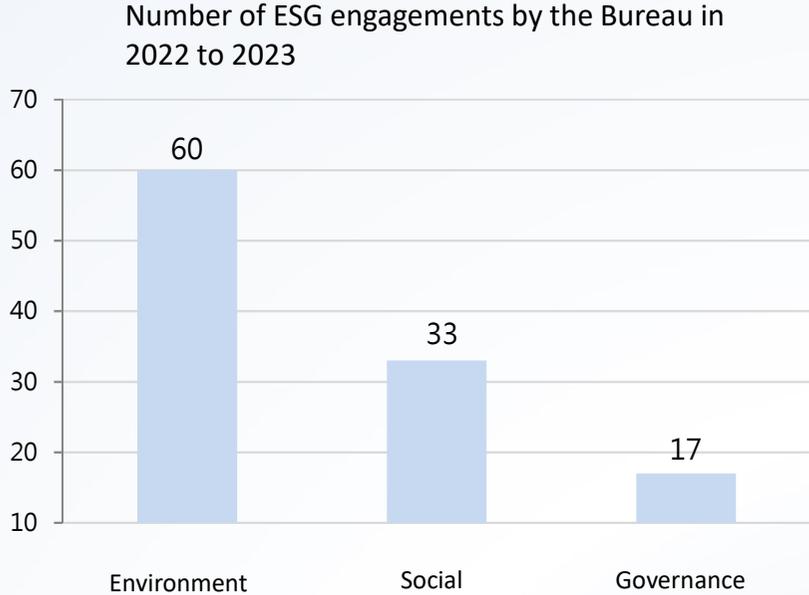
Note: For complete information on the policy, please see pages 25-31 of the "2022 Stewardship Report" on the Bureau's official website.

The Bureau participated in a total of 662 shareholder meetings in 2022-2023, and voted in 100% of the meetings. The voting situation when participating shareholder meetings in 2023 is as follows (for details of the voting situation in 2022, please see pages 26-28 of the "2022 Stewardship Report").



**4.4.3 Engagement Action** GRI: 2-29

The Bureau continues to comply with the Stewardship Principles for Institutional Investors, and gradually deepens engagement actions in stages. As the world directs more attention to sustainability issues and sustainability information disclosure standards are gradually developed, net zero transition has become a crucial issue that companies face and concern their long-term operational opportunities and risks. It is also an important factor assessed when making investment decisions. Hence, the Bureau looked into the comprehensiveness of investee companies' short-term, mid-term, and long-term climate commitments, carbon reduction path, and specific results, and prioritized companies in high carbon emission industries that it has relatively high shareholdings.



Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

Important engagement cases

2022	<p>Environmental sustainability is a global consensus. The National Development Council and numerous government agencies jointly announced "Taiwan's Pathway to Net Zero Emissions in 2050" in March 2022. The Bureau sent letters to 31 investee companies that have not set net zero emission goals, urging the companies to set carbon reduction goals. As of December 2023, 22 of the 31 companies set net zero emission goals in 2023.</p>
2023	<p>The Bureau began looking into the comprehensiveness of investee companies' short-term, mid-term, and long-term climate commitments, carbon reduction path, and specific results in 2023, and prioritized companies in high carbon emission industries that it has relatively high shareholdings. The Bureau visited a company in August 2023, and exchanged opinions with its chief sustainability officer on the company's net zero goal and carbon reduction blueprint. The Bureau gained a better understanding of the company's investment in carbon reduction and sustainability, as well as the bottlenecks it faces, through the engagement action, and obtained the company's commitment to continue to carry out and improve its carbon reduction efforts.</p>

## 4.5 Declaring Sustainable Investment Concepts

The Bureau's website has a "Social Responsibility" section to disclose the sustainable policy and important strategies and achievements of various social responsibilities, which will help the outside world understand socially responsible investment concepts and the implementation status. In addition to introducing the Bureau's socially responsible investment policies, implementation results, proportion of socially responsible investments, and stewardship performance, the section also provides links to relevant domestic and foreign activities and websites, in order to monitor development trends of socially responsible investments.

### 4.5.1 Improving Internal Sustainable Financial Knowledge

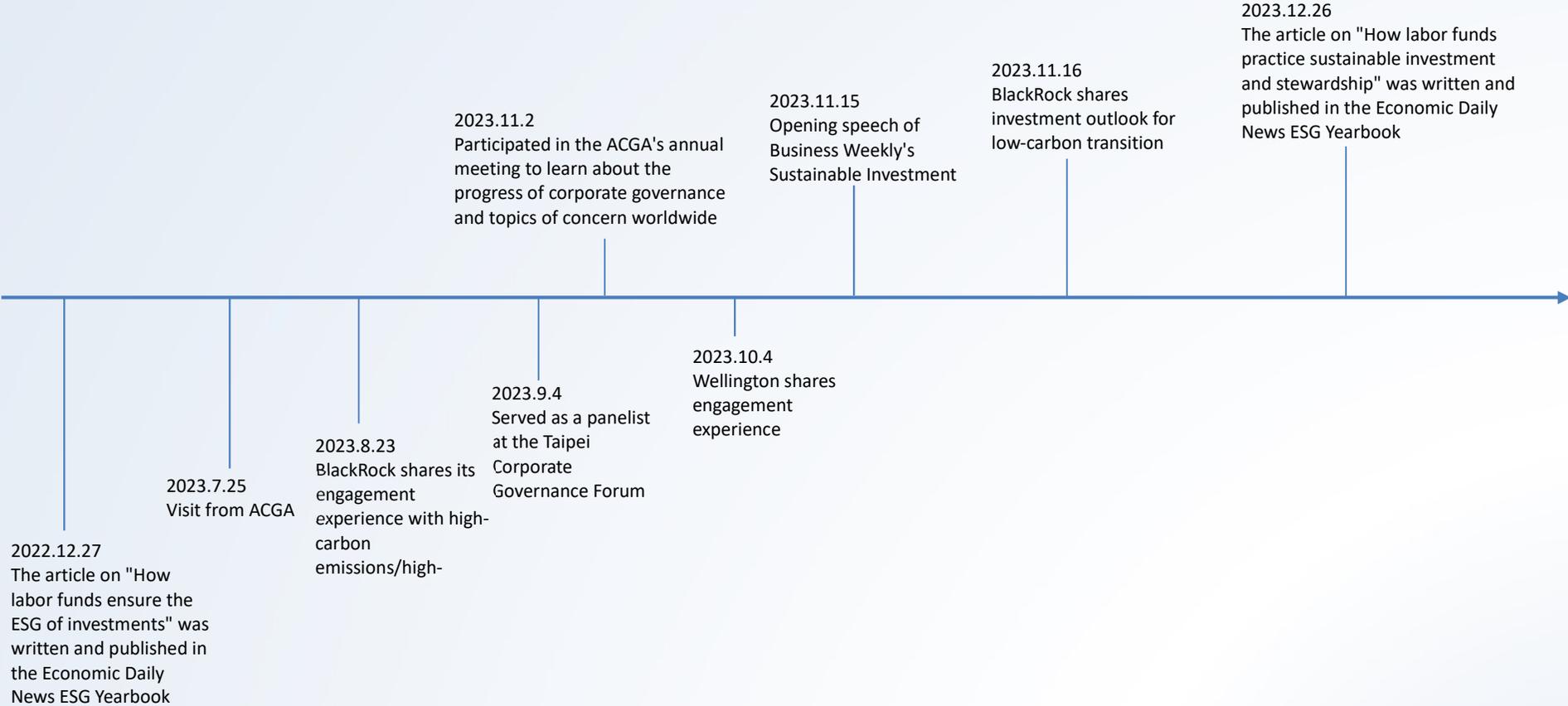
To stay up-to-date on the latest development trends of sustainable investments worldwide, and enhance the relevant knowledge and skills of employees, which is used as the basis for specific actions and investment planning of the Bureau and to monitor risks and opportunities of sustainable investment, the Sustainable Investment working Group of the Bureau of Labor Funds was established in 2022 and has held 16 meetings as of the end of 2023. The working group continues to improve research on various issues. Besides having members of the working group share their research, external experts and scholars are also invited to give lectures on sustainability-related issues, including: domestic and foreign sustainable finance policies and development trends, introduction to the ESG

<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-------------------------------	-------------------------------	-----------------------------------	---------------------------	-------------------------	-----------------

evaluation system and indexes, quantitative analysis of climate change, greenhouse gas inventory, sustainable investment practices of international pension funds, biodiversity, and integration of sustainability disclosures. The Bureau summarizes research results and recommends business implementation measures as reference for investment units. Furthermore, the Bureau combines internal and external resources, invites domestic and foreign financial institutions, large institutional investors, and international consulting companies to share relevant experience with the latest development trends of sustainable investment from time to time. In particular, 29 training sessions were held in 2022 and 2023 on investment risks caused by climate change, which has been the focus of attention recently, and related discussion topics include: asset owners' net-zero transition, engagement experience sharing, Task Force on Climate-related Financial Disclosures (TCFD), and climate risk scenario simulation. International sustainability data companies were also invited to explain how climate databases can support asset owners in assessing climate risks and opportunities. We hope that the discussions during various meetings and training sessions will enhance our knowledge and competencies related to sustainable finance, monitor the development of international ESG and climate change issues, actively discuss appropriate investment portfolios or mandate types, and implement sustainable investment concepts.

## 4.5.2 Promoting the Concept of Sustainable Investment to the Outside World

Institutional investors play a vital role in sustainable investment issues, and the Bureau has an unshrinkable responsibility to promote sustainable investment. To improve the external understanding of the Bureau's sustainable investment efforts, we have participated in many forums to serve as panelists and speakers, and discussed development trends in corporate governance and social responsibility, climate change, and sustainable finance, engaging in exchanges with experts and scholars in various fields. The "Stewardship Report" is regularly published on the official website every year, and special chapters are written and submitted to newspapers and the media from time to time. In addition, in order to understand the practices of institutional investors, exchanges with international advocacy organizations were deepened in 2023, such as: the Asia Corporate Governance Association (ACGA) visited the Bureau in July 2023. In November of the same year, the Bureau sent representatives to participate in the annual meeting organized by the association to strengthen international exchanges.





5.

## Response to Climate Change

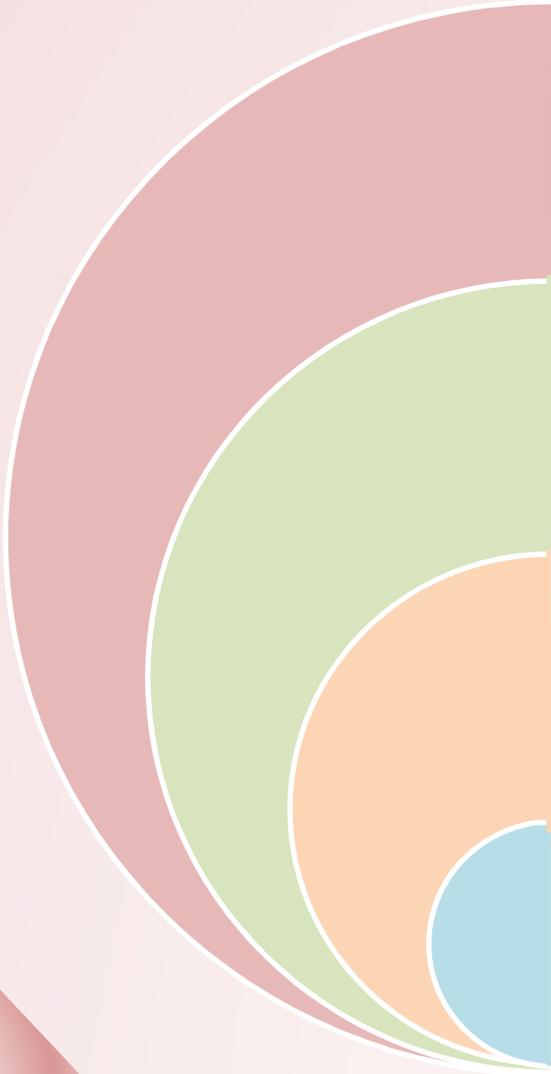


## 5. Response to Climate Change

The frequency of extreme weather events in various places continues to increase due to the impact of climate change, and its impact on countries around the world is gradually intensifying. Facing the impact of climate change, how to prevent natural disasters and reduce climate risks has become an important issue for governments and private enterprises around the world. In response to climate change, the Bureau responds to the government's energy conservation and carbon reduction internally, supports green procurement, strives to reduce the consumption of energy, paper and water resources, and practices green consumption. Externally, we exert influence through funds and shareholder actions, implement sustainable investment, and move towards the government's goal of net-zero emissions by 2050.

### 5.1 Task force on Climate-related Financial Disclosures (TCFD) GRI: 201-2

As the impact of climate change becomes more and more apparent, climate-related financial disclosures are also attracting increasing attention. The Bureau supports the international sustainability initiative and became a supporter of the TCFD announced by the Financial Stability Board (FSB) in November 2023. This report referenced the recommended framework for the first time and discloses the main management strategies and implementation actions of the four core aspects.



<b>Governance</b>	<ul style="list-style-type: none"> <li>Established a "Sustainable Development Committee" to implement the sustainable governance policy, practice sustainable investment concepts, and track and review sustainable development-related actions.</li> <li>The "Sustainable Investment working Group of the Bureau of Labor Funds" was established to deepen research on climate change and sustainable finance, and pay attention to the risks and opportunities of sustainable investment.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Starting from the perspective of asset allocation with investment planning as the main priority, and taking into account the assumptions of the NGFS scenario, we formulated the relevant impacts and periods to identify climate change-related risks and opportunities.</li> <li>We incorporate climate change risks into asset allocation considerations, keep abreast of the risks and opportunities brought by climate change to investments, make investments based on the Stewardship Principles, and exert the influence of capital use.</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>The "Risk Control and Management Team" has included climate change risk through the "Directions for Risk Management of Funds Managed by the Bureau of Labor Funds."</li> <li>Taking into account fund profitability and overall allocation planning, we steadily carry out our carbon reduction strategy.</li> <li>Continue to engage in dialogue and interaction with investee companies to understand the risks faced by the industry and response strategies.</li> <li>Gradually complete climate change risk reports related to domestic and foreign investment positions in stages.</li> </ul>
<b>Metrics And Targets</b>	<ul style="list-style-type: none"> <li>We are committed to various carbon reduction policies for managed funds (investment side) and offices (operation side) to achieve the government's goal of net zero emissions by 2050.</li> <li>Strengthen the carbon emission disclosure of investment portfolios by mandated institutions, and refer to international experience to improve engagement actions.</li> <li>In the future, we will use data from the climate database to measure the carbon emissions of managed funds, and select suitable performance indicators.</li> </ul>

### 5.1.1 Governance

The funds managed by the Bureau are separately supervised, in which supervisory committees under the Ministry of Labor, Ministry of Health and Welfare, and Ministry of Agriculture supervise the annual utilization plans and asset allocation. Besides handling matters according to relevant laws and division of labor, various meetings are regularly convened to report on fund utilization and important matters.

In view of the massive scale of managed funds, climate change issues and factors may cause direct or indirect losses to investment positions. Therefore, the "Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor" was established in 2023 to implement the sustainable governance policy and practice sustainable investment concepts, formulate and track and review various sustainable development strategies and implementation plans, and manage issues related to climate change risks of fund investments. In addition, in view of the potential impact of medium- and long-term investments, the Bureau formulated relevant asset allocation and sustainable investment strategies, established and improved climate change risk management procedures, developed related monitoring measures through risk identification and measurement, strengthened risk management capabilities, and fulfilled its responsibilities as an institutional investor. (For details, see 1.2.6 Supervision and Management, 3.1.1 Establishment of a Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor, 3.1.2 Implementation of Socially Responsible Investment, 3.1.3 Compliance with the Stewardship Principles, and 4.2.1 Investment Risk Management in this report)

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

### 5.1.2 Strategy

The Bureau is in charge of the investment and utilization business of managed funds in accordance with the law. To fulfill the duty of loyalty of an administrator, the Bureau upholds the principle of sound operation and protects the welfare of beneficiaries. As the global political and economic environment increasingly pays attention to the issue of environmental sustainability, the Bureau identifies the potential risks and opportunities that may be brought by climate change based on the TCFD framework, and formulates the assessment and response strategies to reduce the impact of climate change and improve organizational climate resilience. We also hope to provide guidance through funding, and encourage enterprises to transform and build resilience to climate impacts, so that fund performance and social value will grow simultaneously.

#### 5.1.2.1 Identification of Climate Risks and Opportunities

To help asset owners identify climate-related risks and opportunities, the United Nations Principles for Responsible Investment (PRI) used the TCFD as the framework and recommended approaches analysis through asset allocation, sector, stock level, carbon footprint, stranded assets, and scenario analysis. The asset allocation of the funds managed by the Bureau is based on a diversified portfolio of the global financial market. Considering

that the current climate-related financial disclosure methods, regulations, and databases are in the construction and development stage, the Bureau’s disclosure is based on the perspective of asset allocation and refers to the Network for Greening the Financial System (NGFS) scenarios, analyzing the potential impact and period of related climate risks and opportunities. The climate-related risks and opportunities identified are shown in the table below. Overall, the climate risks and opportunities of investment assets mainly come from the potential impact of asset price changes faced by the holdings (such as enterprises). (For information on own operations to achieve the core business, please also see 3.1 Sustainability Strategy and 5.2 Low-Carbon Operations of this report)

Category	Description of risk and opportunity	Potential impact	Duration of impact	Applicable asset categories	Materiality
Transition risks	Market : Global policies and consumer demand are shifting towards net-zero emissions, which impact the operations, profits, repayments, and financing of investee companies, including the burden of carbon emissions cost, stranded asset due to transition, cost of developing and using new energy or technology, lower consumer demand on high energy-consuming products, negative impact of lawsuits (disputes) on reputation, and changes in credit rating (risk of default).	Asset repricing	Short- and medium-term	Domestic and foreign stocks, Domestic and foreign bonds, Foreign alternative	V

	Regulations and policies: Levying carbon fees, improving equipment energy efficiency, and the government expanding loan programs of the funds	Increase in operating costs or short-term cash flow needs	Short- and medium-term	Domestic alternative	
Physical risks	Acute: Frequent extreme weather events Chronic: Climate trend variability, warming, sea level rise	Asset repricing, increase in operating costs, or suspension of operations	Short-, medium-, and long-term	Domestic and foreign stocks, Domestic and foreign bonds, Domestic and foreign alternative	V (Mid- and long-term)
Opportunities	Market: Changes in consumer preferences, increase in subsidies from policies and regulations, building asset resilience, R&D and innovation of low emission products (new energy, technology, or services)	Asset pricing, green business opportunities, resilient infrastructure	Short-, medium-, and long-term	Domestic and foreign stocks, Domestic and foreign bonds, Foreign alternative	V
	Energy/Technology efficiency	Improved operational efficiency	Mid- and long-term	Bank deposits, Domestic alternative	

Note: The category of potential impacts and duration of relevant climate risks and opportunities are given upon the variation of NGFS scenarios. The category of materiality is decided by exposure of the funds managed by the Bureau.

### 5.1.2.2 Impact of Material Climate Risks and Opportunities on the Bureau

Transition and physical risks and opportunities that occur in the short, medium and long term mainly affect the returns of managed funds through changes in the value of investment financial assets. Under the constraints of cross-regional and industry integrated research and analysis and information collection, the Bureau has continued to actively interview domestic and foreign institutions to understand the construction or introduction of relevant models, and is currently using public information on the climate of international organizations, such as the European Commission’s Global Greenhouse Gas Emissions Report (2023) and the World Resources Institute's (WRI) Physical Risk Platform. We found that the world's carbon emissions currently mainly come from electricity, energy, manufacturing, transportation, and industry, while emerging markets (or areas with insufficient resilient infrastructure) are relatively vulnerable areas in the climate change process. In addition, international society generally believes that if the world achieves net-zero emissions by 2050 through an orderly transition, there will be significant transition costs in the short and medium term. However, in a global warming scenario that international cooperation is delayed (delayed transition), or cooperation is not smooth (policies remain unchanged), there will be higher physical risks in the long term. This highlights that while focusing on short- and medium-term transition risks, we must acknowledge the hazards of long-term physical risks.

### 5.1.2.3 Response Strategy

The Bureau hopes to guide companies to carry out transformative climate actions through fund utilization, and take relevant response strategies to enhance the climate resilience of managed fund assets.

**1. Include climate risk into asset allocation considerations**

The "2024 Funds asset allocation and investment plan" was formulated in 2023, in which new content related to climate change issues was added, and climate change factors are emphasized as an important consideration of investment portfolios. Climate-related risks and opportunities will be carefully assessed to determine medium and long-term investment trends and social responsibility.

**2. Continue to implement investment areas or cooperation relationships for sustainable development of climate change**

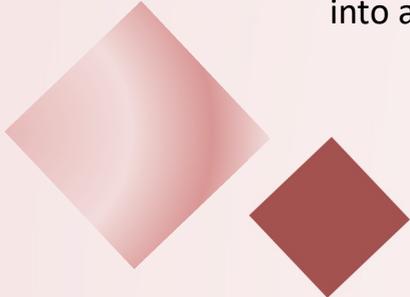
The domestic equity securities mandate in 2020 required the investees selected by mandated institutions shall issue a sustainability report. This is the first time the Bureau has set up sustainability requirement for domestic mandate and has been promoted each year, in order to continue implementing responsible investment related to climate change and sustainable development. Starting from May 2024, domestic companies that managed funds invest in are limited to those that disclose sustainability reports, and the Bureau will look for potential investment opportunities in the transition to a low-carbon economy. In addition, domestic bond investments all take into account the net-zero emissions actions of the bond issuer. In terms of foreign

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

investments, the Bureau launched Enhanced Global Climate Change Equity Mandate in 2022, the first Asian pension fund to reference the Climate Paris Aligned Index. In the future, the Bureau will continue to plan investments related to climate transition or carbon reduction in response to the global trend of net-zero emissions. Furthermore, the Bureau attaches great importance to the actions of domestic and foreign asset management companies in response to climate risks, and continues to incorporate and track climate risk-related items in the mandate institution selection, fund operation, performance supervision, and inspection training stages.

**3. Make investments according to the Stewardship Principles and seize net-zero transition opportunities**

Companies with high carbon emissions or have locations of operations susceptible to climate change tend to have higher potential climate risks, but they may also be accompanied by some investment opportunities. For example, the mining industry has high carbon emissions, but can produce key raw materials for electric vehicles or solar power. In addition, although the electric power industry or fossil fuel industry has high carbon emissions, they are the key to the transition of all industries (such as general enterprise electricity consumption or basic raw materials). Similarly, building resilient infrastructure implies green business opportunities. Therefore, we will take inventory of the exposure of managed funds to high-carbon-emission assets, and, taking into account both performance and sustainability issues, appropriately use engagement actions and mandated



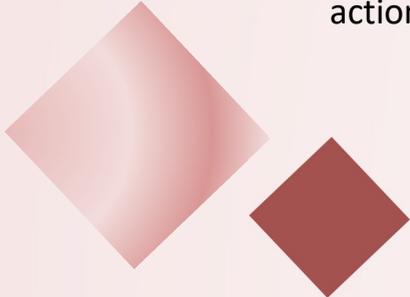
Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

management mechanisms to evaluate and track the carbon reduction and transition strategies of the high-carbon-emission industries.

For domestic investments, the Bureau guides companies towards the path of transition through the implementation of shareholder actions. In principle, the shareholdings of high-carbon emission and fossil fuel industries should not be higher than the index weighting, and exposure positions are evaluated and adjusted based on the company's net-zero transition actions. In terms of foreign investment, we will consider the carbon emissions of the overall investment positions, taking into account fund profitability and asset allocation, and gradually carry out carbon reduction for existing investment positions. At the same time, we will continue to pay attention to the development of sustainable investment and international net zero initiatives. This will be used in the planning and design of mandates to guide mandated institutions to monitor climate risks and opportunities.

**4. Exert influence through fund utilization**

The Bureau continues to train employees with professional knowledge on climate change, and actively engages in exchanges with international institutions. The Bureau is considering joining international advocacy organizations, and hopes to understand climate change risk issues through various communication and exchange actions. At the same time, the Bureau uses financial influence to gradually supervise enterprises in implementing



<b>Our Role</b>	<b>Stakeholder Communication and Materiality Analysis</b>	<b>Sustainable Governance</b>	<b>Sustainable Investment</b>	<b>Response to Climate Change</b>	<b>Friendly Workplace</b>	<b>Social Inclusion</b>	<b>Appendix</b>
-----------------	---	-----------------------------------	-----------------------------------	---------------------------------------	-------------------------------	-------------------------	-----------------

the concept of sustainable operations and climate risk management, promoting corporate sustainability and fulfilling social responsibilities.

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

### 5.1.3 Risk Management

The "Directions for Risk Management of Funds Managed by the Bureau of Labor Funds" were amended in December 2023 to include climate change risks, in order to respond to investment risks that may be caused by global environmental changes, improve the risk management system, and fulfill the social responsibilities and obligations of institutional investors. Related risk management mechanisms are as follows:

#### 1. Domestic investments

When new investable stocks are added to the pool of domestic stocks for in-house investment, their performance in social responsibility-related evaluations or indicators must first be reviewed, so that both investment performance and social responsibility are taken into account. After individual stocks are included in the stock pool, the Bureau will continue to examine the ESG performance of stocks that labor funds invest in according to evaluations by credible independent institutions, and will also pay attention to their corporate governance, environmental protection actions, social responsibility, and carbon reduction strategies. In addition, the Bureau has a limit on investments in high carbon emission and fossil fuel industries to balance climate risks and social responsibility. The Bureau actively engages in shareholder activism, understands the risks faced by industries and their response strategies through continuous dialogue and interaction with investee companies, and comprehensively evaluates and adjusts investment strategies based on their handling of situations and related actions. In terms of domestic discretionary investments, mandated institutions are required to regularly

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

explain their assessment of the low-carbon transformation of high carbon emission industries and include climate risk in the consideration of investment positions.

In terms of domestic debt securities, in addition to the fulfillment of social responsibilities by the bond issuer and the type of corporate social responsibility index that the bond issuer is included in, climate change risks are also included in the assessment when making investments. The bond issuer or its parent company is required to identify and respond to climate change risks in its sustainability or TCFD report, in order to encourage bond issuers to practice corporate governance and fulfill their social responsibilities, moving towards the goal of net zero emissions by 2050.

**2. Foreign investments**

Starting in the third quarter of 2023, the Bureau requires foreign mandated institutions to disclose ESG information of their investment portfolio each quarter, including quantitative data (ESG rating, carbon emissions, etc.) and qualitative data (active engagement), in order to gain an in-depth understanding of the sustainability performance of investment portfolios consisting of foreign equity securities and debt securities. Under international regulatory requirements related to climate change and the increasing attention of supervisory authorities, this information will help the Bureau practice sustainable investment and understand the actions of international mandated institutions and pensions funds, so as to determine the risks of investments related to sustainability, such as climate change, and seize investment opportunities in the capital market driven by the

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

low-carbon economy. In the future, we will conduct a carbon emission analysis on the positions of managed funds, take into account the fund's income and the overall allocation plan, appropriately incorporate climate risks into asset allocation considerations, and carry out strategic carbon reduction using a steady approach, in hopes of achieving the long-term carbon reduction goals of the funds. In terms of in-house investments, ESG considerations are currently incorporated into the investment process when selecting underlying assets such as ETFs, funds, and bonds in a timely manner, in order to determine potential ESG investment risks in the future (see 4.3.1.3 Foreign Investments of 4.3.1 Incorporating ESG Assessment into the Investment Process for details).

**3. Climate Change Risk Report**

The FSC released the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies" in 2022, so that all domestic TWSE and TPEX-listed companies will complete their GHG inventory in 2027, and complete assurance of their GHG inventory in 2029. Therefore, the Bureau's Risk Management Department will collect information on carbon emissions and financial information of each company according to the abovementioned schedule and method, and will reference the Financed Emissions Standards of the Partnership for Carbon Accounting Financials (PCAF), discussing and gradually preparing climate change risk reports related to domestic and foreign investment positions in stages.

## 5.1.4 Metrics and Targets

The Bureau complies with government policies and is committed to achieving net-zero emissions in its investment portfolio and office premises, in order to achieve the goal of net-zero emissions by 2050, taking carbon reduction measures related to investment and operations.

### 5.1.4.1 Investment

As the largest government pension fund in the country, the Bureau makes proper use of every fund, takes into account the long-term stable returns of the funds, complies with the Principles for Responsible Investment (PRI) and the Sustainable Development Goals (SDGs), and continues to deepen the sustainable investment strategy. Besides planning climate change-related mandates, the Bureau continues to make new low-carbon transition investments, seize climate transition business opportunities, and continue to take shareholder actions and engage shareholders to exert influence, guiding investee companies and mandated institutions to attach importance to environmental sustainability and take climate transition actions.

#### 1. Carbon emissions verification of investment portfolios:

According to the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies" released by the FSC in 2022, domestic TWSE and TPEX-listed companies will be required to complete their GHG inventory in stages based on their capital and industry. In addition, all listed companies shall complete their GHG inventory

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

in 2027, and assurance by 2029, creating a robust ecosystem for sustainable development. GHG inventories that have already been disclosed by domestic TWSE and TPEX-listed companies were either voluntarily compiled or contains data that has not been verified by a qualified third-party institution, or the same company has inconsistent boundaries for different years. Considering the quality of carbon emission information disclosures, investments in domestic stocks and bonds by the Bureau's managed funds will be coordinated with the schedule set by the FSC, and we will continue to pay attention to the GHG inventory and assurance of investee companies. We will comprehensively consider human resources, data objectivity or availability, and gradually enrich the disclosure of information on GHG emissions of investment portfolios.

In terms of foreign investments, the Bureau invests in a wide variety of global financial asset classes, and has required mandated institutions to periodically disclose the carbon footprint of their investment portfolios starting in the third quarter of 2023. To verify the carbon footprint of the overall foreign investment position, and considering that monitoring the carbon emissions of investment portfolios requires a large amount of data and technology, the Bureau has actively looked into the functions of data and management platforms of various climate databases. In the future, we will gradually use the data of databases to select appropriate indicators for accessing the carbon emissions of foreign stock and bond investments by managed funds for subsequent climate risk management. In the future, the Bureau will strategically adjust asset allocation to achieve long-term carbon reduction goals while taking into account the long-term stable returns of the funds.

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

Overall, the Bureau will reference the financial industry's "Financed Emissions Standards" of the Partnership for Carbon Accounting Financials (PCAF) to determine the emissions of investment positions of managed funds, and establish effective net-zero strategies and goals for asset portfolios. For the carbon footprint verification of investment portfolios, the scope of the verification will cover global stock and bond investments, in order to establish a complete basis for future risk management and setting carbon reduction goals, moving towards net-zero financial assets in 2050.

**2. Engagement with high carbon emission industries:**

The Bureau actively engages industries in climate-related issues, and began to send letters to investable companies that have not set net zero emission goals each year starting in 2022, urging the companies to set carbon reduction goals. At the same time, domestic mandated institutions are required to regularly explain their monitoring of the carbon reduction actions of high carbon emission industries that they invest in and their engagement with the industries, and work with the Bureau to drive the sustainable actions of investee companies, so as to gradually reduce the carbon emissions of their investment portfolio. This will guide companies to attach greater importance to social responsibility and actively take climate transition actions. The Bureau continues to improve its engagement actions, references relevant international experience and developments. Starting from 2023, the Bureau began looking into the comprehensiveness of investee companies' short-term, mid-term, and long-term climate commitments, carbon reduction path, and specific

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

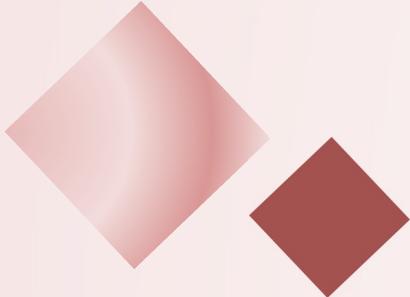
results, and increased the depth and breadth of consultations. The Bureau gives priority to companies in industries with high carbon emissions that it has higher shareholdings, engages the companies in carbon reduction issues through shareholder actions, gains an in-depth understanding of their sustainability and net-zero related actions, and takes them into consideration when making investment decisions.

**3. Expansion of green bond investment scale:**

In recent years, the Bureau has been actively investing in environment or climate-related green bonds, and continued to include new investable targets while expanding its investment scale each year. The amount invested by managed funds in green bonds is accounting for a growing percentage of the amount invested in all domestic bonds, increasing from 1.40% in 2020 to 3.22% as of the end of 2023. In the future, the Bureau will continue to actively participate in investment opportunities in the green finance industry, hoping to accelerate the transition of companies to a low-carbon economy and gradually move towards the goal of net zero emissions by 2050.

**5.1.4.2 Operations**

The following measures have been taken to reduce carbon emissions of offices and achieve eco-friendly goals:

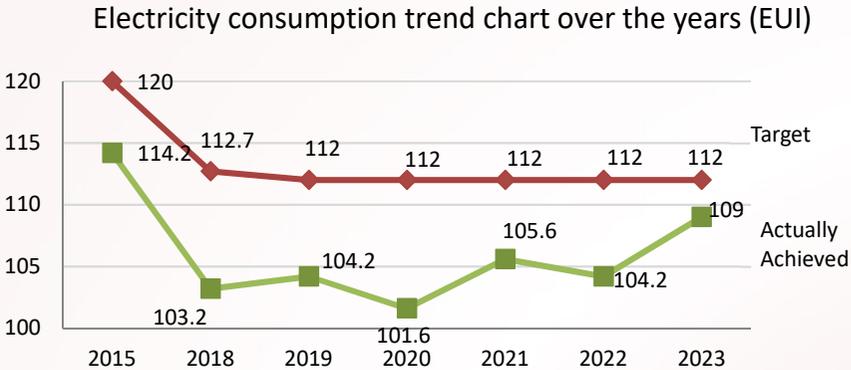


**1. Green procurement:**

The Bureau supports policies to purchase eco-friendly products designated by the Ministry of Environment. The achievement rate in 2023 was 100% (higher than the target of 95% for green procurement items designated for government agencies in 2023). The goal is to continue to achieve 95% and above for green procurement items.

**2. Reduce carbon emissions from the operating environment:**

The Executive Yuan approved the "Electricity Consumption Efficiency Management Plan for Government Agencies and Schools" in 2020, with the overall goal of improving electricity consumption efficiency in 2023 by 10% compared with 2015. The Executive Yuan set electricity saving targets to be achieved by individual agencies each year in 2020 to 2023. In coordination with the plan, the Bureau implemented a number of energy-saving measures, such as the IEN energy-saving management platform, replacing all lamps with LED lamps, replacing old air conditioners,



EUI= Annual electricity consumption/Total floor area of building  
Unit: kWh/m<sup>2</sup> .year)

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

and air-conditioning temperature management, and achieved the energy-saving target in both 2022 and 2023.

**3. Create a low-carbon electronic environment:**

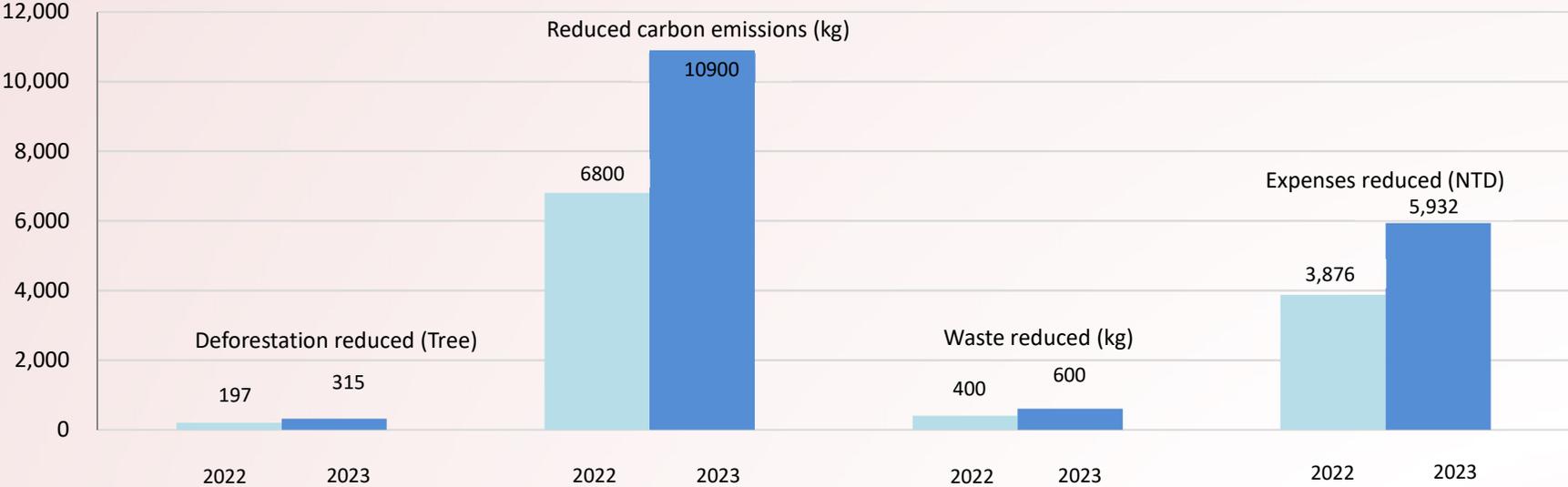
We actively implemented the online approval system for processing official document signings and electronic exchanges, and held online meetings, online training, and purchased an electric vehicle to reduce carbon emissions and become friendlier to the environment.

**5.2 Low-carbon Operations** GRI: 201-2

**5.2.1 Green Purchasing**

Priority is given to the use of green products and eco-friendly products when handling tenders, and green purchasing is actively implemented. The amount of eco-friendly products designated by the Ministry of Environment purchased in 2022 and 2023 was NT\$1,697,141 and NT\$2,966,210, respectively. The green purchasing ratio reached 100% in both 2022 and 2023.

2022-2023 Green Procurement Benefit Analysis Chart



### 5.2.2 Energy Conservation and Carbon Reduction

Key points for implementing energy conservation and carbon reduction:

- 1 All faucets in the office pantry have been replaced with water-saving faucets and water-saving gaskets have been installed. Toilets are equipped with water savers and water bottles are placed to save water.

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

2 Chunghwa Telecom's IEN energy-saving platform is used to control the opening and closing times of air conditioners and power supplies. Office lamps are reduced according to usage needs. As of the end of 2020, all office lighting has been replaced with LED lamps. Hallways and escape indicators use LED lamps and the pantry is installed with a timer to save electricity. Air-conditioning is managed in zones, the temperature of spaces, such as offices and conference rooms, is controlled between 26 and 28°C. Every year, the maintenance company or maintenance personnel are asked to check the refrigerant amount of the central air conditioning system. If the refrigerant is insufficient, it is refilled to ensure the efficiency of the central air conditioning system and reduce electricity consumption.

3 All official vehicles were replaced with electric vehicles in 2022. Electric vehicles consume approximately 2,200 kWh of electricity per year and generate 1,364 kg of carbon dioxide. Compared with gas cars, which consume 1,020 liters of oil per year and generate 2,285 kg of carbon dioxide, carbon dioxide emissions can be reduced by 921 kg.

4 Except for paper contracts, confidential documents, or complex cases that require physical attachments to be received in paper, all official documents are handled electronically. Meeting materials are placed in the Bureau's public area and can be downloaded as needed to reduce paper printing.



6.

## Friendly Workplace



## 6. Friendly Workplace

### 6.1 Human Resources GRI: 2-7, 401-1, 405-1

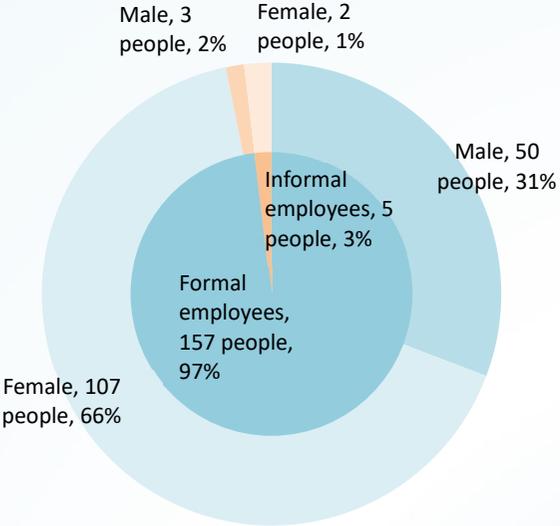
The sustainable development and cultivation of human resources is the main driving force for organizations to continue to create performance. Facing the era of human capital, the Bureau has always complied with relevant laws and regulations, and salaries, performance evaluations, rewards and penalties, and promotions are based on merit system principles. The Bureau also pays attention to gender equality policies and does not treat employees differently due to gender or sexual orientation. The Bureau is actively creating a friendly workplace and promotes balance between family and work. The Bureau also plans and organizes relevant training courses to develop employees' professional competencies and accumulate capabilities.

Claudia Goldin, professor of economics at Harvard University, winner of the 2023 Nobel Prize in Economics, analyzed more than 200 years of historical data in the United States to illustrate how the gender gap in income and employment rates has changed over time, in which family and marriage are factors that affect the female labor force participation rate, in order to remind all sectors to pay attention to the challenges of female labor participants in balancing family and work, and to increase the value of maintaining a family. The conclusion of Golding's research is exactly the goal that the Bureau aims to achieve in talent management. All employees, regardless of gender, should participate in work and housework, have their own career, and also have a happy family.

**6.1.1 Type of Personnel and Gender Ratio** GRI: 2-23, 405-2

As of December 31, 2023, the Bureau has 157 formal employees (including technical and maintenance workers) and 5 informal employees (to assist in general affairs that do not involve public power).

Among the 157 formal employees (including technical and maintenance workers), 107 are female and 50 are male. Among the 5 informal employees, 2 are female and 3 are male. Informal employees accounts for 3% of formal employees. Regarding the number of male and female supervisors, there are a total of 31 employees ranked section chief and above, in which 20 are female and 11 are male.

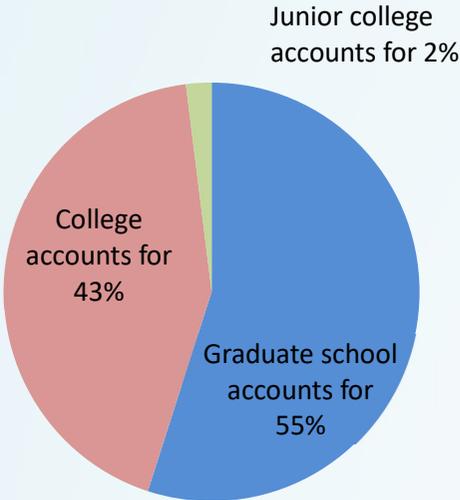


The recruitment, selection, employment, distribution, placement, performance evaluation, and promotion of personnel are all in compliance with relevant laws and regulations, ensuring gender equality in employment and not treating employees differently due to gender or sexual orientation.

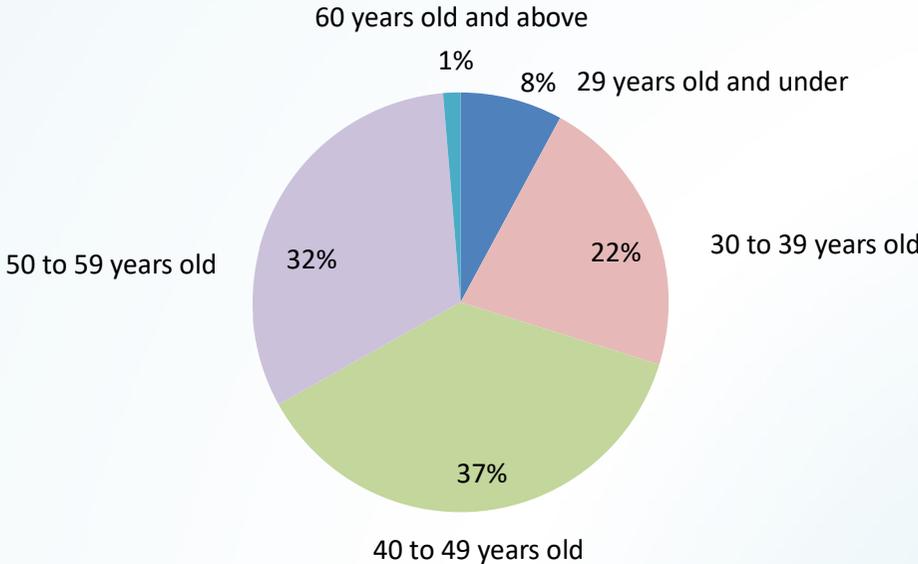
### 6.1.2 Distribution by Education and Age

In terms of education, 83 employees graduated from graduate school, 65 people graduated from college, and 3 people graduated from junior college. As for age distribution, 12 employees are 29 years old and under, 33 employees are between 30 and 39 years old, 56 employees are between 40 and 49 years old, 48 employees are between 50 and 59 years old, and 2 employees 60 years old and above.

Breakdown of the Bureau's employees by educational background



Breakdown of the Bureau's employees by age



## 6.2 Performance Evaluation and Reward/Penalty System GRI : 404-3

### 6.2.1 Remuneration Policy GRI: 2-19, 2-20, 2-21, 405-2

The remuneration and care for the Bureau's employees are in compliance with relevant laws and regulations. There is no differential treatment due to gender or sexual orientation. The salary of public servants is in accordance with the Public Functionaries Remuneration Act and Regulations Governing Differential Pay of Public Functionaries. Basic salary, professional allowance, and supervisory allowance are paid based on the individual's grade approved by the Ministry of Civil Service, the level of expertise required for each position, and the level of responsibility. Performance bonuses are paid based on gains from proprietary investments. As for raises, the Executive Yuan approved a 4% raise for military personnel, civil servants, and teachers in 2024.

### 6.2.2 Performance Evaluation System GRI: 2-19, 2-20, 2-21

According to Article 2 of the Civil Service Performance Evaluation Act, the year-end performance evaluation of employees is based on the purpose of comprehensively verifying their reputation and performance, and providing rewards or imposing punishments accordingly. The results of regular performance evaluations are referenced to achieve accurate and objective evaluation. In addition, regular performance evaluations of employees

in various units for January to April and May to August are conducted in late April and August every year in accordance with the "Directions for Regular Performance Evaluations of Civil Servants of the Executive Yuan and its Subordinate Agencies." The rating of each item on the regular performance evaluation form is used to determine the performance of the employee, which is used as the basis for year-end performance evaluations, promotions, and transfers.

### 6.2.3 Reward and Penalty Mechanisms

Adhering to the principles of immediate issuance of rewards and no leniency in reward verification, we make good use of the reward mechanism to reward personnel who deserve rewards for specific reasons, in order to raise the morale of employees.

### 6.2.4 Promotion System

The promotion of personnel is handled according to the Civil Service Promotion Act and its enforcement rules, the Bureau's promotion sequence list and the civil service promotion standard are used as the basis for evaluating promotions. In addition, among the personnel transferred from the Bureau of Labor Insurance to the Bureau, some were independently recruited by the Bureau of Labor Insurance and do not have civil service qualifications

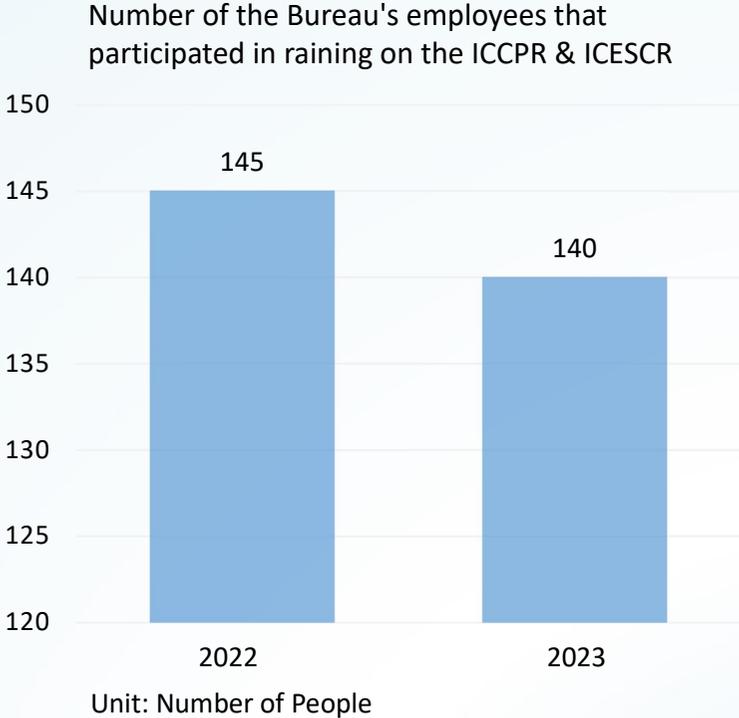
(hereinafter referred to as "Retained personnel"). Considering the career development and to raise the morale of such personnel, the Bureau established the "Supplementary Rules for Evaluating the Promotion of Retained Personnel" based on the principle of equity, so as to establish a good promotion system. In response to the change of generations and to strengthen the breadth and depth of human resources, the Bureau handled a total of 2 internal promotion cases and 11 external hiring cases in 2023 in response to business needs, and requested that the Executive Yuan and Examination Yuan revise its staffing table to increase the number of higher-level positions, in hopes of motivating employees and establishing smoother promotion channels.

**6.3 Protection of Human Rights and Elimination of Discrimination** GRI: 2-23

**6.3.1 Training on the ICCPR & ICESCR** GRI: 404-2

The "International Covenant on Civil and Political Rights" and the "International Covenant on Economic, Social and Cultural Rights" (ICCPR & ICESCR) are important international human rights codes. To implement the Ministry of Justice's "Implementation Plan for Human Rights Education, Training and Results Evaluation of the ICCPR & ICESCR," the Bureau actively organizes human rights training courses to help personnel understand the correlation between the provisions of the ICCPR & ICESCR, general opinions, and their duties, and learn to apply

the ICCPR & ICESCR in their duties. In 2022 and 2023, the Bureau held the "Universal Declaration of Human Rights and Two Covenants of Human Rights: Respecting human rights starts with cherishing life," "Human Rights Training Course - The United States vs. Billie Holiday Film Appreciation," "2023 Human Rights Training - Introduction to the Convention on the Rights of Persons with Disabilities (CRPD) and Disability Experience Activities," and "Human Rights Training Course - Convention on the Rights of the Child, Welfare Policies and Regulations, and Appreciation of 130 Children Film Appreciation." The number of participants in human rights policy training was 145 and 140, accounting for 87% and 85% of the Bureau's employees, respectively. Employees receive 2 hours of human rights training each year.



### 6.3.2 Employee Communication and Grievance Channel System

In 2022 and 2023, 10 "BLF Family - EAP" activities were held with a total of 162 participants, who had lunch with the director general, deputy director general, and chief secretary to share their recent situation at work and in life. The Bureau also arranged an exchange event using EAP cards for heart-to-heart communication and to increase interactions and exchanges. The "EAP Office Relocation Care Event" was held in March 2023 to understand how well employees are adapting to office space adjustments after relocation.

### 6.3.3 Sexual Harassment Prevention

To enhance the awareness and empathy of supervisors and ensure smooth vertical and parallel communication channels, 3 supervisor sensitivity training and workplace bullying and sexual harassment prevention training sessions were organized in August 2023. All employees were required to participate in the training course to create a friendly workplace.

### 6.3.4 Hiring Persons with Disabilities and Indigenous Peoples

The Bureau has hired the number of persons with disabilities required by the People with Disabilities Rights Protection Act. When job vacancies are announced, the Bureau also welcomes persons with disabilities and indigenous peoples to participate in the selection. The Bureau actively implements measures for equality in employment to protect the right to work of people with different identities.

## 6.4 Employee Care GRI: 401-2

The remuneration of personnel is handled in accordance with the Public Functionaries Remuneration Act and the enforcement rules of the same act, the Directions for Remuneration of Military Personnel, Civil Servants, and Teachers, or regulations of the Executive Yuan, and there is no differential treatment due to gender. In addition to paying employees' statutory pay on time, we also provide welfare measures to create a healthy workplace environment.

## 6.4.1 Healthcare

### 6.4.1.1 Government Employee Insurance

In December 2022, 133 employees were covered by government employee insurance, 2 were receiving old-age benefit, 3 were receiving a funeral allowance, 1 was receiving childbirth benefit, and 1 was receiving childcare allowance. In December 2023, 130 employees were covered by government employee insurance, 1 was receiving old-age benefit, 2 were receiving a funeral allowance, 1 was receiving childbirth benefit, and 1 was receiving childcare allowance.

### 6.4.1.2 Health Examinations

Employees are given official leave to receive health examinations in accordance with regulations, and health examination expenses are subsidized. In 2022, 19 people applied for health examination subsidies. In 2023, 23 people applied for health examination subsidies.

### 6.4.1.3 Organizing Sports Lectures and Lunchtime Sports Clubs

"Yoga for physical and mental relaxation" was held on November 6 and 13, 2023. Yoga physical trainers were invited to provide on-site instructions. The Bureau also purchased table tennis equipment to improve the physical and mental health of employees, and yoga and table tennis are organized during lunch breaks on weekdays.

## 6.4.2 Care and Assistance GRI: 401-3, 404-2

### 6.4.2.1 Employee Assistance Program

Since joining the employee assistance program coordinated by the Ministry of Labor in 2010, services have been provided to the Bureau's employees, contract-based personnel, workers (technicians, drivers), temporary personnel, and their relatives within the second degree of kinship. The Bureau contracted Teacher Chang Foundation for professional counselors to provide employees with counseling services, group counseling, and on-site services. The entire process of counseling services is kept confidential.

### 6.4.2.2 Balance between Family and Work

According to the "Regulations for Unpaid Leave of Civil Servants," both female and male employees may apply for unpaid parental leave, and will be reinstated upon expiration of the leave period, with priority given to their original position in their original unit. In 2022 and 2023, 3 female employees applied for unpaid parental leave, and they were reinstated to their original positions in their original unit, protecting their rights and interests.

### 6.4.2.3 Employee care

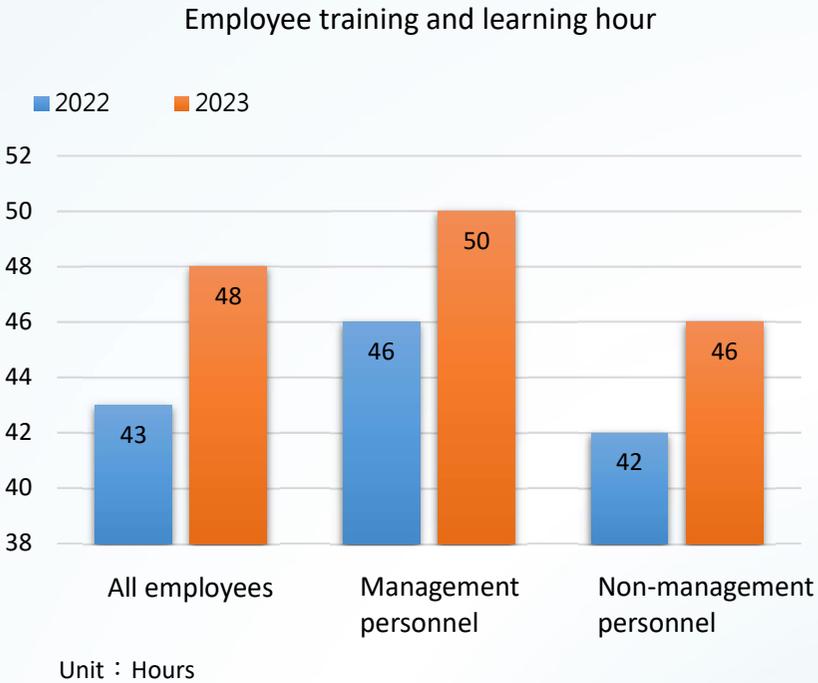
1. **Breastfeeding room:** To create a friendly and approachable breastfeeding room space, increase employee usage, and maintain the privacy and safety of the breastfeeding room environment, there is a sink, mirror, hand towels, bottle sterilizer, refrigerators, air purifiers, and breastfeeding sofa, providing complete nursery space and equipment. Personnel are assigned to clean the environment every day.
2. **Subsidies for children's education:** The Bureau provides subsidies for the children of employees to attend domestic public and private colleges, and elementary schools and above. In 2022, 72 people applied for children's education subsidies, with the subsidy amount reaching NT\$568,200. In 2023, 77 people applied for children's education subsidies, and the subsidy amount reached NT\$585,700.
3. **Family care leave:** A total of 31 employees applied for family care leave in 2022, totaling 131 days, with an average of 4.2 days per employee per year. A total of 22 employees applied for family care leave in 2023, totaling 73 days, with an average of 3.3 days per employee per year. The main reason for application was to take care of children and parents.

4. **Set up a warming drink and energy supply station for women with thoughtful little things:** Starting from March 2023, tampons, hand warmers, ginger tea bags, and chocolates are available for women to take at any time when they need it.
5. **Establish a care worker system:** Care workers actively find employees with special needs and increase employee engagement. Care workers also conduct interviews and provide telephone consultation services to employees, providing initial stress relief and referral to EAP consultation channels.
6. **Organize diverse activities:** Training seminars are organized to help new employees more quickly assimilate into the organization, aromatherapy and stress-reduction experience activities relieve employees' stress from work, positive thinking and stress relief coffee experience cultivates positive thinking, Women's Day gender equality - health and happiness always come side by side, and White Day - men's care activities jointly create a better workplace regardless of gender.

## 6.5 Talent Development GRI: 404-1, 404-2

### 6.5.1 Training and Continuing Education

To enhance the ability of personnel to perform their duties and to promote important policies, training and continuing education plans are formulated on a rolling basis every year to improve employees' professional competencies and develop the habit of lifelong learning. The training categories are divided into professional training, general management training, new employee training, and other related training. Classroom courses and digital courses help employees broaden their horizons. See the table for detailed contents of the training courses. The average training hours of all employees was approximately 43 hours and 48 hours in 2022 and 2023, respectively. Supervisors on average received approximately 46 hours and 50



hours of training in the 2 years, while non-supervisors on average received approximately 42 hours and 46 hours of training.

List of training course categories	
Type of training	Description and purpose
Specialized training	To improve the professional skills and knowledge of personnel and thereby improve operational performance
General administrative management training	Plan related courses in coordination with the annual policy education and training of the Directorate-General of Personnel Administration, Executive Yuan
New employee training	Courses to help new employees quickly understand the Bureau's organizational structure, introduction to the work of each division and office, official document writing, etc.
Other training according to business needs	Each division and office plans and organizes relevant training courses according to individual business needs. For example, the Personnel Office organizes related courses on employee assistance topics, and each division and office offers its own professional investment courses.

### 6.5.2 Job Rotation Experience

The Bureau's Directions for Job Transfer were revised in accordance with the Civil Service Promotion Act and the Ministry of Labor Directions for Promotion and Transfer, and stipulate that personnel who have served in positions at

the same level in the same unit for three consecutive years may voluntarily participate in transfers; personnel who have served in positions at the same level in the same unit for four consecutive years may be transferred, implementing the personnel policy requiring personnel to rotate through positions. The policy aims to effectively cultivate talents and create forward-looking manpower. Personnel were transferred a total of 68 person-times in 2022 and 2023.

## 6.6 Disaster Protection

### 6.6.1 Disaster Prevention and Response Mechanisms

Fire accidents and earthquakes frequently occur in Taiwan, and it is crucial to reduce the loss of life and property caused by disasters. To effectively prevent sudden disasters, immediately mobilize personnel for self-defense and timely emergency rescue, and reduce casualties and property losses, the Bureau conducts disaster prevention drills in accordance with the Fire Services Act and its enforcement rules, carries out annual "Fire Safety



Extinguish fires when it first starts (fire hydrant)



Instruct personnel to evacuate

Equipment Inspection and Reporting," and passed the on-site inspection by personnel dispatched by Taipei City Fire Department.

Office areas all have an evacuation map, direction indicators, and emergency exit lights. Emergency exits and escape routes are kept clear and installed with emergency lighting equipment. Disaster prevention promotion and task force training are conducted every six months to raise employees' crisis awareness in the event of sudden disasters.

### 6.6.2 Epidemic Prevention

In 2020-2021, the Bureau formulated emergency response plans, task forces, manpower allocation, and procurement of epidemic prevention supplies in response to the COVID-19 pandemic. Although the pandemic subsided in 2022-2023, the Bureau learned from the epidemic prevention experience, and current epidemic prevention supplies, such as: the quantity of masks and rapid test kits are documented and controlled, alcohol is provided on a regular basis, and disinfection is regularly carried out to create a healthy working environment.



7.

## Social Inclusion



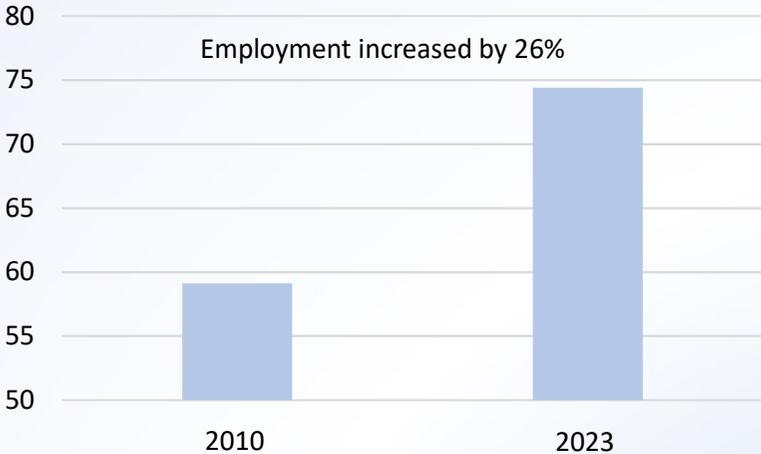
# 7. Social Inclusion

## 7.1 Increasing Employment Opportunities

### 7.1.1 Increasing Domestic Employment Opportunities through Mandates

When making an open request for mandated institutions for overseas discretionary investment, applicants are required to have branches, locations of operations, or service teams in the Republic of China. Applicants may appoint financial service companies with branches or locations of operations in Taiwan as their service teams, in hopes of creating domestic employment opportunities while engaging in overseas discretionary investment.

Number of people employed by companies selected into the TWSE RA Taiwan Employment Creation 99 Index (10,000 people)



Furthermore, the "TWSE RA Taiwan Employment Creation 99 Index" was adopted for a domestic mandate of NT\$36 billion in 2011. The number of employees of constituent stocks increased from 591,000 at the end of 2010 to 744,000 at the end of 2023, an increase of 26%.

### 7.1.2 Increase the Employment of Persons with Disabilities

We continue to outsource internal cleaning and annual waxing to persons with disabilities, contributing to the improvement of their employment opportunities.

Furthermore, starting in 2021, the Bureau continues to send letters as a shareholder to the top 10 companies that do not meet the quota for hiring persons with disabilities each year. As of the end of 2023, the Bureau sent letters to a total of 45 investee companies and increased employment by 1,240 employees.

Letters sent to encourage the hiring of persons with disabilities in 2022 and 2023 and increase in employment



## 7.2 Social Care and Practices

### 7.2.1 Labor Insurance Relief Loan

The labor funds managed by the Bureau provide loans to insured persons who meet the criteria, so as to assist workers who are having difficulties in life. NT\$8.2 billion and NT\$9.2 billion in labor insurance relief loans were provided in 2022 and 2023, respectively.

### 7.2.2 Experience visually impaired massage service

The "EAP Healthy Living - Experience visually impaired massage service" was held in October 2022 to continue to fulfill social responsibilities, uphold the spirit of the EAP to take care of employees' physical and mental health, and relieve stress from work, so that colleagues can devote themselves to work with a healthy mind and body, and at the same time increase employment opportunities for the visually impaired. In addition, we collected 2,500 triangular pencils, 30 mugs, and 17 thermos bottles and donated them to the Mustard Seed Mission in January 2023, so that disadvantaged children will feel love and warmth in the cold winter.



2022 EAP Healthy Living Experience visually impaired massage service

### 7.2.3 Public Welfare Purchases

The Ministry of Health and Welfare established the People with Disabilities Rights Protection Act and Regulations on Preferred Procurement for Products and Services Produced in Disability Welfare Care Facilities and Institutions and Sheltered Workshops, in order to protect the rights and interests of persons with disabilities, and ensure their equal opportunity to participate in society, politics, economy, and culture. The regulations stipulate that government agencies at all levels should give priority to the items produced and the services provided by persons with disabilities at a reasonable price and below a certain amount up to 5% (hereinafter referred to as "Public Welfare Purchases"). The Bureau supports the policies and actively makes Public Welfare Purchases, achieving 85% and 88% in 2022 and 2023, respectively, far higher than required by law.

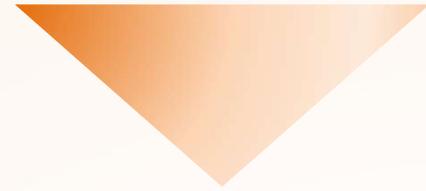
### 7.3 Environmental Education

In 2022, 3 batches of environmental education were held in the Museum of Drinking Water, with a total of 110 participants in the learning courses. Participants learn about water, cherish water, and love water by getting close to the park's historical sites, understanding the water purification process, or experiencing the shallow mountain ecology. Furthermore, digital learning is used to draw employees attention to the environment and ecology.

The Sustainable Investment working Group of the Bureau of Labor Funds deepens research on various sustainable investment issues, and prepares study reports. By allowing all employees to learn about sustainability issues, we hope to further make a positive impact on society, the environment, and the economy.



Environmental education and training at the Museum of Drinking Water in 2022



8.

**Appendix**

## 8. Appendix

### 8.1 About this report GRI: 2-2, 2-3, 2-4

The Bureau has long been committed to the implementation and improvement of ESG. In addition to pursuing stable profits for labor funds, the Bureau also promotes sustainable investment and continues to implement environmental protection issues, social care, pays attention to labor rights, and promotes corporate social responsibility. Since 2016, the Bureau has published the "Bureau of Labor Funds Social Responsibility Report" every two years, and the report was renamed the "Bureau of Labor Funds Sustainability Report" in 2020.

#### 8.1.1 Reporting Period

The information in this report is mainly from January 1, 2022 to December 31, 2023. We hope that the release of this report will allow stakeholders and the general public to understand the Bureau's specific actions in ESG, and look forward to joining domestic enterprises and agencies in attaching importance to sustainable development. The Chinese and English versions of previous reports are available for download in the Social Responsibility section of the Bureau's website. The previous version was released in April 2022.

## 8.1.2 Reporting Boundaries and Scope

The Bureau utilizes the investment management of funds under the jurisdiction of the Ministry of Labor, and is entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture to manage the investment and utilization of the National Pension Insurance Fund and Farmers' Pension Fund under their jurisdiction. This report discloses the Bureau's thinking when managing ESG and the results of sustainable investments. The financial figures disclosed in the report are calculated in NTD, except for some that are specially indicated in USD. The relevant figures are self-collected and used as the basis for calculation. If there are any inconsistencies in the scope, they will be specially noted in the report.

Information on the overall investment guidelines, investment policies, budget, and final accounts of the managed funds are described in the Bureau's Investment Policy Statement, budget, and final accounts, and are publicly disclosed on the Bureau's website, so they are not included in the scope of this report.

### 8.1.3 Writing Principles

This report references the GRI Standards released by the Global Reporting Initiatives (GRI) as the basis and structure for writing, and corresponds to the United Nations Sustainable Development Goals (SDGs). It is arranged according to the framework recommended by the TCFD, and contents were approved by the Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor.



#### **BUREAU OF LABOR FUNDS, MINISTRY OF LABOR**

10F, No. 6, Sec. 1, Roosevelt Rd., Zhongzheng District, Taipei City 100

Phone (02)3343-5900

FAX (02)3343-5904

Contact person: Chen Chung-Liang  
and Chang Hsiang-Kui

<https://www.blf.gov.tw/>



## 8.2 GRI Content Index

Statement of use	The Bureau of Labor Funds, Ministry of Labor has reported the information cited in this GRI Content Index for the period from January 1, 2022 to December 31, 2023, with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

### 8.2.1 General Disclosures

GRI Standard	DISCLOSURE		LOCATION
GRI 2: General Disclosures 2021	2-1	Organizational details	1.2 About the Bureau of Labor Funds
	2-2	Entities included in the organization's sustainability reporting	8.1 About this report
	2-3	Reporting period, frequency and contact point	8.1 About this report
	2-4	Restatements of Information	8.1 About this report
	2-6	Activities, value chains and other business relationships	1.2 About the Bureau of Labor Funds
	2-7	Employees	6.1 Human Resources
	2-9	Governance structure and composition	1.2.3 Supervision Division 1.2.4 Organizational Structure, 1.2.5 Responsibilities
	2-10	Nomination and selection of the	1.2.3 Supervision Division, 1.2.6 Supervision and Management

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

		highest governance body					
	2-11	Chair of the highest governance body		1.2.4	Organizational Structure		
	2-12	Role of the highest governance body in overseeing the management of impacts		1.2.3	Supervision Division, 1.2.6 Supervision and Management		
	2-13	Delegation of responsibility for managing impacts		1.2.3	Supervision Division, 1.2.5 Responsibilities		
				1.2.6	Supervision and Management		
	2-14	Role of the highest governance body in sustainability reporting		1.2.3	Supervision Division, 1.2.5 Responsibilities		
				1.2.6	Supervision and Management		
	2-15	Conflicts of Interest		3.4	Anti-corruption Measures and Conflict of Interest Management		
	2-16	Communication of critical concerns		1.2.3	Supervision Division		
				1.2.6	Supervision and Management		
				3.5	Information Disclosure		
	2-17	Collective knowledge of the highest governance body		1.2.6	Supervision and Management		
				3.1.1	Establishment of a Sustainable Development Committee		
	2-18	Evaluation of the performance of the highest governance body		1.2.3	Supervision Division		
				1.2.6	Supervision and Management		
	2-19	Remuneration Policies		6.2.1	Remuneration Policy		
				6.2.2	Performance Evaluation System		
	2-20	Process to determine remuneration		6.2.1	Remuneration Policy		
				6.2.2	Performance Evaluation System		
	2-21	Annual total compensation ratio		6.2.1	Remuneration Policy		
				6.2.2	Performance Evaluation System		

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

	2-22	Statement on sustainable development strategy		3.1 Sustainability Strategy			
	2-23	Policy commitments		6.1.1 Type of Personnel and Gender Ratio 6.3 Protection of Human Rights and Elimination of Discrimination 8.3 Implementation Status of the PRI 8.4 Response to the SDGs,8.5 Statement of Compliance with Stewardship Principles for Institutional Investors			
	2-24	Embedding policy commitments		3.1.2 Implementation of Socially Responsible Investment 3.1.3 Compliance with the Stewardship Principles			
	2-25	Processes to remediate negative impacts		1.2.3 Supervision Division 3.5.2 Public Opinions and Responses			
	2-26	Mechanisms for seeking advice and raising concerns		3.4.3 Establishment of a Whistleblowing System and Reward Protection 3.5.2 Public Opinions and Responses			
	2-27	Compliance with laws and regulations		3.2 Internal Control 3.4.1 Ethics Guidelines for Civil Servants 3.4.2 Signing of Self-Regulation Agreement and Audits			
	2-28	Membership associations		N/A			
	2-29	Approach to stakeholder engagement		2 Stakeholder Communication and Materiality Analysis 4.4.1 Shareholders' Action 4.4.2 Voting Policy 4.4.3 Engagement Action			
	2-30	Collective bargaining agreements		N/A			

## 8.2.2 Material Topics

GRI Standards	DISCLOSURE		LOCATION
GRI 3: Material Topics 2021	3-1	Process to determine material topics	2 Stakeholder Communication and Materiality Analysis
	3-2	List of material topics	2 Stakeholder Communication and Materiality Analysis
Economic Performance			
GRI 3: Material Topics 2021	3-3	Management of material topics	2 Stakeholder Communication and Materiality Analysis
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	4.1 Results of Diverse Investment and Utilization
	201-2	Financial implications and other risks and opportunities due to climate change	5.1 Task force on Climate-related Financial Disclosures (TCFD) 5.2 Low-carbon Operations
Ethical Corporate Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	2 Stakeholder Communication and Materiality Analysis
GRI 2: General Disclosures 2021	2-15	Conflicts of Interest	3.4 Anti-corruption Measures and Conflict of Interest Management
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	3.4 Anti-corruption Measures and Conflict of Interest Management
	205-2	Communication and training about anti-corruption policies and procedures	3.4 Anti-corruption Measures and Conflict of Interest Management
Information Disclosure			
GRI 3:	3-3	Management of material topics	2 Stakeholder Communication and Materiality Analysis

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

Material Topics 2021							
Professional Talent							
GRI 3: Material Topics 2021	3-3	Management of material topics		2	Stakeholder Communication and Materiality Analysis		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover		6.1	Human Resources		
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		6.4	Employee Care		
	401-3	Parental leave		6.4.2	Care and Assistance		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee		6.5	Talent Development		
	404-2	Programs for upgrading employee skills and transition assistance programs		6.3.1	Training on the ICCPR & ICESCR, 6.4.2 Care and Assistance, 6.5 Talent Development		
	404-3	Percentage of employees receiving regular performance and career development reviews		6.2	Performance Evaluation and Reward/Penalty System		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		6.1	Human Resources		
	405-2	Ratio of basic salary and remuneration of women to men		6.1.1	Type of Personnel and Gender Ratio, 6.2.1 Remuneration Policy		
Regulatory Compliance							
GRI 3: Material Topics 2021	3-3	Management of material topics		2	Stakeholder Communication and Materiality Analysis		
GRI 2: General Disclosures 2021	2-27	Compliance with laws and regulations		3.2	Internal Control, 3.4.1 Ethics Guidelines for Civil Servants		
				3.4.2	Signing of Self-Regulation Agreement and Audits		

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

GRI 207: Tax 2019	207-1	Approach to tax		3.6 Tax Policy			
	207-2	Tax governance, control, and risk management		3.6 Tax Policy			
Multiple Communication Channels							
GRI 3: Material Topics 2021	3-3	Management of material topics		2 Stakeholder Communication and Materiality Analysis			
GRI 2: General Disclosures 2021	2-16	Communication of critical concerns		3.5 Information Disclosure			
Management Mechanism							
GRI 3: Material Topics 2021	3-3	Management of material topics		2 Stakeholder Communication and Materiality Analysis			
Risk Management							
GRI 3: Material Topics 2021	3-3	Management of material topics		2 Stakeholder Communication and Materiality Analysis			
Sustainable Investment							
GRI 3: Material Topics 2021	3-3	Management of material topics		2 Stakeholder Communication and Materiality Analysis			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed		4.1 Results of Diverse Investment and Utilization, 4.3 ESG Responsible Investment, 4.4 Exerting the Influence of Stewardship			
	201-2	Financial implications and other risks and opportunities due to climate change		5.1 Task force on Climate-related Financial Disclosures (TCFD) 5.2 Low-carbon Operations			

### 8.3 Implementation Status of the Principles for Responsible Investment GRI: 2-23

The Bureau complies with the six major principles of the PRI in the investment process, the key points of implementation are as follows:

PRI	Implementation
Principle 1: Incorporate ESG issues into investment analysis and decision-making processes	<ul style="list-style-type: none"> <li>● The Investment Policy Statement has a dedicated chapter setting out the policy principles.</li> <li>● Use ESG indices for domestic and foreign mandates.</li> <li>● When investing in domestic stocks, in addition to considering fundamentals, also reference multiple ESG evaluations.</li> <li>● The bond issuer's ESG rating announced by a third party information source is included in the scope of review before purchasing hold-to-maturity bonds for foreign in-house investment.</li> <li>● Before investing, check whether the bond issuer or its parent company has joined indices related to ESG topics, and use it as a reference for investment decisions.</li> </ul>
Principle 2: Actively exercise shareholders rights	<ul style="list-style-type: none"> <li>● The Bureau participates in voting of all shareholder meetings of individual stocks through electronic voting, and expresses opinions on proposals related to fund rights and interests when necessary.</li> <li>● Interact with management of investee companies via phone calls, in-person meetings, and participation in investor conferences.</li> <li>● Expand engagement action focusing on carbon reduction, and gradually deepen engagement actions.</li> </ul>
Principle 3: Urge investee companies to appropriately disclose ESG information	<ul style="list-style-type: none"> <li>● Domestic in-house investment stocks are all TWSE and TPEX-listed companies that disclose sustainability reports.</li> <li>● Starting in May 2024, all companies that domestic mandate accounts invest in must disclose</li> </ul>

PRI	Implementation
	<p>sustainability reports.</p> <ul style="list-style-type: none"> <li>● Pay attention to whether the bond issuer or its parent company has prepared a sustainability report, and review whether it has appropriately disclosed or provided relevant information on ESG issues.</li> <li>● Urge foreign mandated institutions to disclose ESG information of their investment portfolio each quarter, including quantitative data (ESG rating, carbon emissions, etc.) and qualitative data (active engagement).</li> </ul>
<p>Principle 4: Urge the investment industry to accept and implement the PRI</p>	<ul style="list-style-type: none"> <li>● Participate in external forums to share the Bureau's responsible investment practices.</li> <li>● Take into account whether the bond issuer fulfills its social responsibilities and implements ESG issues when making investment decisions.</li> </ul>
<p>Principle 5: Establish cooperation mechanisms and strengthen effectiveness in implementing the PRI</p>	<ul style="list-style-type: none"> <li>● Continue to deepen exchanges with international advocacy organizations, and send personnel to attend annual meetings to engage in exchanges with international investors on the development trends of responsible investment.</li> </ul>
<p>Principle 6: Issue individual reports to explain the progress of PRI implementation</p>	<ul style="list-style-type: none"> <li>● Issue a stewardship report to disclose the Bureau's stewardship performance.</li> <li>● Issue a sustainability report to disclose the Bureau's sustainable investment policies and implementation status.</li> </ul>

## 8.4 Response to the United Nations Sustainable Development Goals (SDGs) GRI: 2-23

SDGS		Response
	End poverty (7.1, 7.2)	<ul style="list-style-type: none"> <li>● NT\$8.2 billion and NT\$9.2 billion in labor insurance relief loans were approved to provide assistance in 2022 and 2023, respectively.</li> <li>● We outsource routine cleaning services to persons with disabilities, and prepare a labor contract to protect their right to work.</li> <li>● We purchase goods required for official business from disability welfare care facilities and institutions or sheltered workshops in coordination with government policy, providing economic support to disadvantaged groups.</li> </ul>
	Good health and well-being (6.4, 6.6)	<ul style="list-style-type: none"> <li>● Provide employee health examinations and EAP counseling services.</li> <li>● Formulate an epidemic contingency plan, store epidemic prevention supplies on a regular basis, periodically perform disinfection, and improve health risk management capabilities.</li> </ul>
	Quality education (3.4, 4.5, 6.3, 6.5)	<ul style="list-style-type: none"> <li>● Organize employee education and training, including environmental education, gender mainstreaming, civil service ethics, human rights education, and administrative neutrality.</li> </ul>
	Gender Equality (6.3)	<ul style="list-style-type: none"> <li>● Strengthen gender mainstreaming training for civil servants, raise their gender equality awareness, actively prevent sexual harassment in the workplace, and maintain a good, friendly, and gender-equal working environment.</li> </ul>
	Clean water, sanitation, and its sustainable management (5.2)	<ul style="list-style-type: none"> <li>● Install water-saving devices and implement water-saving measures to cherish water resources.</li> <li>● Sort waste, recycle and reuse resources to reduce the environmental burden.</li> </ul>
	Ensure access to clean and affordable energy	<ul style="list-style-type: none"> <li>● All official vehicles were replaced with electric vehicles using clean energy.</li> <li>● Use the telecom company's energy-saving platform to control the on-and-off times of air conditioners and</li> </ul>

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

SDGS		Response
	(5.2)	power supplies to reduce carbon emissions one by one.
	Decent work and economic growth (4.3, 6.1, 6.2, 6.4, 6.5, 7.1)	<ul style="list-style-type: none"> <li>● Starting in 2021, the Bureau continues to send letters as a shareholder to the top 10 companies that do not meet the quota for hiring persons with disabilities each year. As of the end of 2023, the Bureau sent letters to a total of 45 investee companies and increased employment by 1,240 employees.</li> <li>● The Bureau began using the "TWSE RA Taiwan Employment Creation 99 Index" for mandates in 2011, and the number of employees of constituent stocks increased from 591,000 at the end of 2010 to 744,000 at the end of 2023, an increase of 26%.</li> <li>● Salaries shall be paid in accordance with the Public Functionaries Remuneration Act and the Regulations Governing Differential Pay of Public Functionaries, and salaries are adjusted in accordance with policies.</li> <li>● Implement a fair evaluation reward and punishment system, comprehensively verify employees' reputation and performance, and provide rewards or impose punishments accordingly.</li> <li>● Establish a good promotion and transfer system to find the right people for the right positions and boost morale.</li> <li>● Protect the work rights of employees, abide by the law, achieve talent selection, cultivation, and retention, and provide a safe and healthy working environment.</li> </ul>
	Industry, Innovation, and Infrastructure (4.1, 4.3)	<ul style="list-style-type: none"> <li>● We are committed to ESG investments, and the amount invested in sustainability bonds as of the end of 2023 reached NT\$13.33 billion.</li> <li>● We handled "global infrastructure securities" foreign mandate in 2013, 2015, and 2021 respectively, with a total mandate amount of US\$5.55 billion.</li> </ul>
	Reduce inequality (6.3, 7.1, 7.2)	<ul style="list-style-type: none"> <li>● Starting in 2021, the Bureau continues to send letters as a shareholder to the top 10 companies that do not meet the quota for hiring persons with disabilities each year. As of the end of 2023, the Bureau sent letters to a total of 45 investee companies and increased employment by 1,240 employees.</li> <li>● The Bureau actively contacts organizations for the disabled to purchase cleaning services, such as annual</li> </ul>

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

SDGS		Response
		<p>waxing, creating employment opportunities for disadvantaged groups.</p> <ul style="list-style-type: none"> <li>● Establish equal pay for equal work and prevent workplace bullying.</li> <li>● Meet the quota for hiring persons with disabilities, and welcome indigenous peoples to apply for the Bureau's job openings to implement the diversified and equal employment policy.</li> </ul>
	Sustainable cities and communities (6.6)	<ul style="list-style-type: none"> <li>● Set up fire-fighting equipment in accordance with fire safety regulations, conduct disaster prevention drills in accordance with the law every year, and provide safe office space.</li> </ul>
	Sustainable consumption and production (5.1, 5.2)	<ul style="list-style-type: none"> <li>● Implement green procurement, purchase eco-friendly products designated by the Environmental Protection Administration of the Executive Yuan, and support the recycling and reuse policy.</li> <li>● Actively implemented the online approval system for processing official document signings and electronic exchanges, and hosted online meetings.</li> </ul>
	Climate Action (3.1, 4.3, 4.4, 4.5, 5.1)	<ul style="list-style-type: none"> <li>● The "Sustainable Investment working Group of the Bureau of Labor Funds" was established in 2022 and the "Sustainability Committee of the Bureau of Labor Funds, Ministry of Labor" was established in 2023 to incorporate climate change issues into research and strategic planning.</li> <li>● Became a supporter of the TCFD in 2023 and attach importance to climate change risks.</li> <li>● The Bureau sent letters to 31 investee companies that have not yet set net zero emission goals in 2022, urging the companies to set carbon reduction goals. As of the end of 2023, 22 of the companies set net zero emission goals in 2023.</li> <li>● A total of 23 training sessions on climate-related issues were held in 2023, covering climate-related financial disclosure methods and suggestions, ESG and low-carbon transition investment practices, and engagement experience sharing.</li> <li>● "Enhanced Global Climate Change Equity Mandate" in 2022 had an original mandate amount of US\$2.3 billion.</li> </ul>

Our Role	Stakeholder Communication and Materiality Analysis	Sustainable Governance	Sustainable Investment	Response to Climate Change	Friendly Workplace	Social Inclusion	Appendix
----------	--	------------------------	------------------------	----------------------------	--------------------	------------------	----------

SDGS		Response
	Peace, justice, and systems (4.3)	<ul style="list-style-type: none"> <li>The investment scope of "Global ESG Quality Mix Equity Indexation foreign mandate," "Enhanced Global USD Corporate Bond foreign mandate," and "Enhanced Global Climate Change Equity foreign mandate" exclude stocks and bonds issued by companies in vice industries (such as tobacco, alcohol, arms, gambling, and pornography industries).</li> </ul>

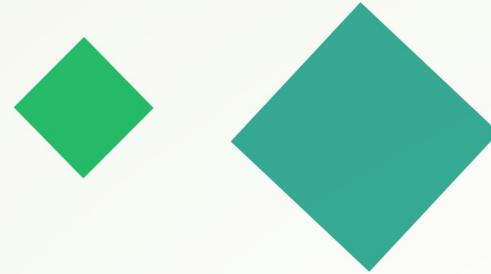
## 8.5 Statement of Compliance with Stewardship Principles for Institutional Investors GRI: 2-23

The Bureau is responsible for the investment, utilization, and management of pension and insurance funds, and issued a statement of compliance with the Stewardship Principles for Institutional Investors. Compliance with the six principles is as follows:

Stewardship Principles	Compliance
Principle 1: Stewardship Policy	The Bureau’s goal is to maximize benefits for beneficiaries through the investment and utilization of funds. The Bureau issued an Investment Policy Statement to achieve this goal, and its contents includes investment purpose and goals, investment philosophy, socially responsible investment policies and ethics policies, and incorporating ESG issues in investment evaluations, in order to fulfill the responsibilities of an institutional investor and increase the long-term value of managed funds. Please see the Investment Policy Statement for details: <a href="http://www.blf.gov.tw/front/main/1052">http://www.blf.gov.tw/front/main/1052</a> ◦
Principle 2: Conflict of Interest Management Policy	To ensure that the Bureau engages in operations in the best interest of beneficiaries, the Investment Policy Statement sets forth the ethics policy to manage conflict of interest of the Bureau's personnel in the investment process, including prohibiting insider trading and influence-peddling, and requiring personnel to abide by the Act on Property Declaration by Public Servants and laws and regulations related to conflict of interest.
Principle 3: Continue to monitor investees	To ensure adequate and effective information is obtained to provide a good foundation for making investment decisions, the Bureau continues to follow investee companies' news, financial performance, industry overview, business strategies, environmental protection measures, social responsibility, labor rights, and corporate governance, in order to understand investee companies' sustainable development strategies and related risks.
Principle 4: Appropriate Dialogue	We engage in suitable dialogue and interaction with investee companies to further understand and communicate the industry's risks and strategies with management, and strive to reach an agreement with investee companies on long-term

Stewardship Principles	Compliance
and Interaction with Investees	value creation. We communicate with the management of investee companies through conference calls, face-to-face communication, participation in investor conferences, and attendance at annual general meetings or extraordinary shareholder meetings. When an investee company severely violates corporate governance principles or may damage the interests of beneficiaries in specific issues, the Bureau will irregularly inquire management of the investee company about the situation, and make timely adjustments to its investment decision. The Bureau may express demands together with other investors to exert the influence of institutional investors.
Principle 5: Voting Policy and Disclosure of Voting Activities	The Bureau actively participates in voting on various proposals at the shareholder meetings to fulfill shareholder activism and maximize the benefits for beneficiaries. Before voting electronically or selecting representatives to attend and exercise voting rights, each motion will be carefully evaluated. If necessary, the Bureau will look into and communicate with the investee company before the annual general meeting. The Bureau does not necessarily support the proposals presented by management.
Principle 6: Periodically disclose the fulfillment of stewardship responsibilities	The Bureau regularly discloses the performance and results of stewardship on its website, including but not limited to this compliance statement, the management and utilization of each fund, attendance and voting at the shareholder meetings of investee companies, and other important matters.

Signed on 2016/7/15, revised on 2020/9/1



## Bureau of Labor Funds

10F, No. 6, Sec. 1, Roosevelt Rd., Zhongzheng  
District, Taipei City 1002332

Tel: (02)3343-5900

Fax: (02)3343-5904

