3

Sustainability Governance

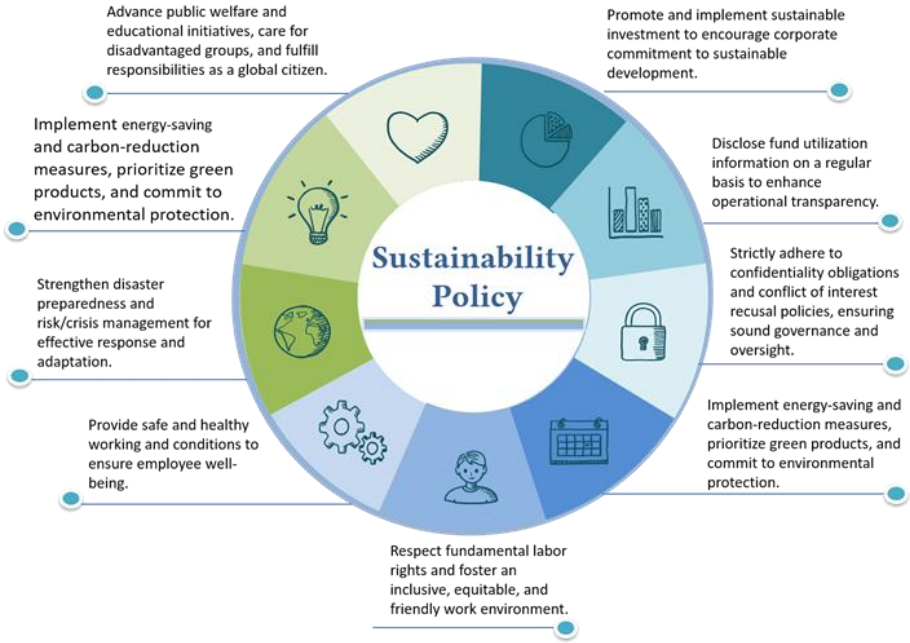


3. Sustainability Governance

3.1 Sustainability Strategy GRI : 2-22

Upholding the principles of "safety, transparency, efficiency, and stability," the Bureau diversifies investments across the labor funds, promotes integrated fund utilization, continuously refines its investment strategies, and leverages its influence in the capital markets to advance sustainable investment.

To fulfill its social responsibilities and meet its responsibilities to stakeholders, including fund beneficiaries, employees, news media, partners, government agencies, and investees, the Bureau established a Sustainability Policy. This policy demonstrates its commitment to safeguarding labor rights, fostering employee development, and promoting environmental protection, joining hands with all colleagues to maintain an ideal society, build a friendly workplace, and pursue a sustainable future.



3.1.1 Establishment of the Sustainable Development Committee GRI : 2-17

To implement the principles of sustainable investment and deepen research and initiatives on sustainability issues, the Bureau established the task-oriented "Bureau of Labor Funds Sustainable Investment Working Group" in January 2022. Chaired by the Director-General and comprising 12 to 15 members, the working group holds regular meetings to research and analyze emerging trends in corporate governance, social responsibility, climate change, and sustainable finance, to identify sustainability-related risks and opportunities in the investment portfolio.

In response to international sustainability trends and to further strengthen sustainability governance and promote related policies, the "Bureau of Labor Funds, Ministry of Labor Sustainable Development Committee" was established in October 2023. Chaired by the Director-General, comprises the Deputy Director-General, the Chief Secretary, and unit heads serving as committee members, the Committee advances sustainability strategies and action plans while tracking and reviewing sustainability initiatives to leverage collective wisdom. Furthermore, research findings and implementation outcomes of the Sustainable Investment Working Group are reported to the

Sustainable Development Committee as needed. (For details, please refer to Section 4.5.1 of this report: Internal Enhancement of Sustainable Finance Knowledge and Capabilities)

3.1.2 Implementation of Socially Responsible Investment GRI : 2-24

When formulating investment decisions, the Bureau incorporates investee companies' performance across social, labor rights, human rights, and environmental dimensions to guide its investment directions. By leveraging the influence of capital markets, the Bureau encourages investee companies to fulfill their social responsibilities, thereby achieving a win-win outcome that aligns investment returns with social and environmental sustainability.

The "Utilization Directions for the Labor Funds" stipulate that, while maintaining fund profitability, sustainable investment practices shall be implemented and the sustainable development performance of underlying investments taken into consideration. Furthermore, the "Investment Policy Statement of Labor Funds" specifies that ESG and information disclosure dimensions must be factored into investment considerations, and that investable, representative social responsibility indices should be evaluated and adopted as benchmark indices for mandates. In addition, mandated institutions are

required to incorporate CSR into the investment strategies of their proposals as an evaluation criterion for selection. Furthermore, through shareholder actions, including direct engagement with investee companies, attendance at shareholders' meetings, and the exercise of voting rights, the Bureau actively encourages investee companies to implement sustainable development practices. For companies involved in severe violations of social responsibility, the Bureau may, where fund performance and interests remain uncompromised, refrain from initiating or increasing investments as appropriate. (For details, please refer to Section 4.3 Sustainable and Responsible Investment of this report)

3.1.3 Adherence to Stewardship GRI：2-24

On June 30, 2016, the Taiwan Stock Exchange (TWSE) issued the "Stewardship Principles for Institutional Investors," and the Bureau promptly became one of the first signatories. This principles-based framework and guidance encourages institutional investors to leverage their professional expertise



and influence through continuous monitoring, constructive dialogue, and active engagement with investee companies, thereby maximizing investment value, elevating corporate governance standards, and fostering the sound development of industries, the economy, and society as a whole. Following the TWSE's release of the revised Principles in August 2020, the Bureau promptly reviewed and updated its statement of compliance to reinforce its commitment.

To encourage domestic securities investment trust enterprises entrusted with managing the Bureau's funds to fulfill their responsibilities as institutional investors and lead the spirit of stewardship, the Bureau issued letters calling on all mandated institutions to support the Stewardship Principles. All of them have signed the Principles, aiming to encourage listed companies to place greater emphasis on corporate governance, social responsibility, and sustainable operations.

3.2 Internal Control GRI : 2-27

3.2.1 Internal Control Mechanisms

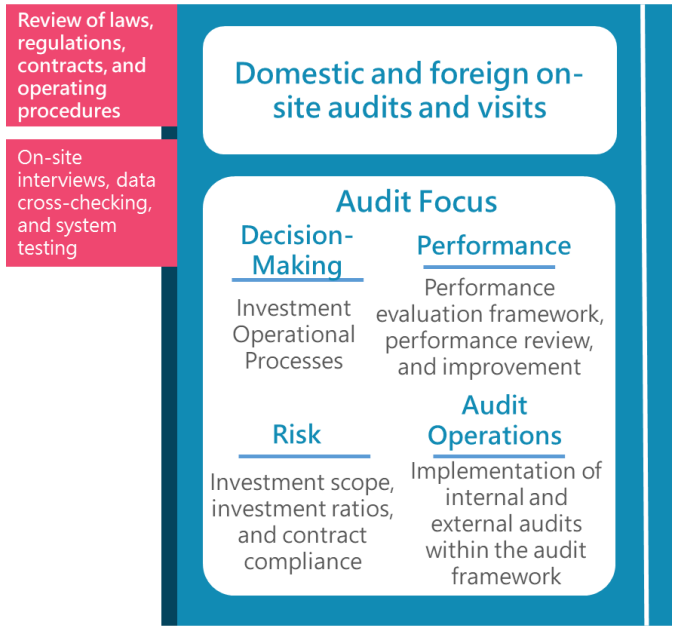
To strengthen the management of fund investment processes, operating procedures, and integrity measures, the Bureau conducts risk identification and assessment in accordance with the

"Handbook for Risk Management and Crisis Handling of the Executive Yuan and Affiliated Agencies" and has established an internal control system. Adopting a risk-based approach, the system incorporates 16 core control activities, with key priorities including enhancing the effectiveness of outsourced supervision, reviewing overall fund investment returns, and strengthening risk management and audit performance. These activities are adjusted on a rolling basis to ensure the sound and secure operation of the funds.

In terms of self-supervision, to ensure the continuous and effective operation of the internal control system, the Bureau regularly monitors the implementation of internal control measures through routine supervision, self-assessments, and internal audits. Each year, in accordance with the "Directions for the Signing of Government Internal Control Statements," the Bureau assesses the overall effectiveness of its internal controls. Following review and approval by the Internal Control Working Group, the Director-General and the convener of the Internal Control Working Group jointly sign the "Statement of Internal Control," which is publicly disclosed on the Bureau's official website to demonstrate governance transparency and accountability.

3.2.2 Audit of Fund Operations

To enhance the management efficiency of fund investment and utilization, the Bureau conducts annual audits of fund investment and utilization across internal business units, external mandated institutions, and custodian banks in accordance with the "Bureau of Labor Funds Directions for Audit of Fund Operations" and the annual audit plan. Key audit areas include investment processes, regulatory compliance, and compliance with contractual terms. Deficiencies and identified areas for improvement are placed under tracking and re-examined to ensure corrective measures are thoroughly implemented.



Regarding internal audits, the Bureau conducts quarterly audits of fund utilization-related units, including the Domestic Investment Division, Foreign Investment Division, Finance Management Division, Risk Management Division, and the Accounting Office, while also reviewing each unit's self-audit implementation. To protect asset security, the Bureau also conducts annual year-end asset

sampling and physical inventories of the Internally managed positions of its funds under management, verifying that the asset items and balances recorded in fund accounts reconcile with counterparty statements.

In terms of external audits, the Bureau conducts regular or as-needed on-site audits and visits of domestic and foreign mandated management operations and custodian banks in accordance with contractual terms or annual budget plans. These audits are designed to assess the mandated institutions' investment and trading processes, performance management, risk management mechanisms, and regulatory compliance audits, as well as to conduct sample testing of investment and risk management systems to ensure compliance with contractual requirements.

3.2.3 Bolstering Fund Audit Management

To continuously enhance the quality of fund supervision and management, the Bureau utilizes generative AI tools during the pre-audit stage to assist in identifying market risk events and potential high-risk targets. These insights serve as references for selecting audit samples of mandated institutions, thereby improving the completeness of information gathering and reinforcing the

implementation of risk-based auditing principles. Additionally, the Bureau compiles common deficiencies on an annual basis and issues formal notices requesting mandated institutions to prevent similar occurrences. The Bureau also coordinates with the Financial Supervisory Commission (FSC) and the Securities Investment Trust & Consulting Association (SITCA) to assist in supervising remediation efforts, thereby strengthening institutional operations and risk management.

The Bureau has established a joint supervision mechanism with the FSC. On-site audit findings regarding domestic mandated institutions are promptly communicated to the FSC, and any anomalies are referred to the FSC for investigation and appropriate action. Concurrently, the FSC notifies the Bureau of any deficiencies identified during its examinations of the Bureau's domestic mandated accounts, thereby maximizing the effectiveness of joint supervision.

3.3 Information Security Maintenance

3.3.1 Personal Data Protection

The Bureau has established the "Ministry of Labor Bureau of Labor Funds Directions for Personal Data Protection and Management" and formed a Personal Data Protection Management

Implementation Team. The team convenes meetings as operational needs arise to review matters concerning personal data protection policies and institutional planning. In accordance with Article 17 of the Personal Data Protection Act, the Bureau conducts an annual inventory and update of the personal data categories it maintains and manages, publishing this information under the "Personal Data Protection Section" in the public disclosure section of its official website.

3.3.2 Concrete Measures for Information Security Maintenance

The Bureau has implemented multi-layered defense mechanisms, including intrusion detection and prevention systems, antivirus and malware protection, as well as spam and malicious website filtering, to safeguard against cyberattacks. By integrating event logs and transmitting them in real time to an outsourced security operations center for security threat correlation analysis, the Bureau has established a 24/7 threat detection system to provide security threat alerts and protection.

The Bureau has adopted the ISO 27001:2013-certified information security management system and the government agency cybersecurity vulnerability notification mechanism. In 2025, it completed the transition to ISO 27001:2022, establishing well-defined management processes. At the same time,

the Bureau regularly reviews and updates the security of hardware and software facilities and conducts vulnerability remediation to continuously enhance protection levels and ensure information security.

Implementation of Information Security Management, 2024–2025			
Item	**Implementation Status**	**Sessions / Frequency**	**Compliance Criteria**
Information Security Education and Training	All employees completed the training and passed the assessments.	7 sessions were held in total	General users and supervisors: Receive at least 3 hours of information security education and training annually.
Vulnerability scanning	Conduct vulnerability scanning on core systems and remediate or mitigate identified vulnerabilities.	Conducted twice in total	All medium- and high-risk vulnerabilities must be remediated.
Information security audit	All findings from internal and external information security audits were remediated.	Conducted four times in total	Analyze the root causes of deficiencies, formulate preventive measures, and conduct follow-up tracking to complete corrective actions.

3.4 Integrity Measures and Conflict of Interest Management GRI：2-15、205-1、205-2

To foster a culture of integrity, the Bureau has established an "Integrity Corner" on its website, providing relevant anti-corruption regulations (such as the Act on Recusal of Public Servants Due to Conflicts of Interest and the Ethics Guidelines for Civil Servants) for public and employee reference. Furthermore, a dedicated "Conflict of Interest Recusal Section" was established to implement post-transaction disclosures in accordance with the Act on Recusal of Public Servants Due to Conflicts of Interest, thereby upholding the Bureau's reputation for probity.

3.4.1 Ethics Guidelines for Civil Servants GRI：2-27

3.4.1.1 Ethics Guidelines for Civil Servants

To ensure that personnel perform their duties with integrity, impartiality, and regulatory compliance, and to enhance the Bureau's reputation for probity, employees must perform their official duties impartially and in accordance with the law. They are prohibited from exploiting their official authority, methods, or opportunities to seek improper benefits for themselves or third parties. Furthermore, except under specific circumstances permitted by official protocol, employees shall not

solicit, agree to accept, or accept gifts or property from stakeholders related to their duties, participate in banquets or entertainment hosted by stakeholders, or engage in improper contact with relevant individuals having interests tied to their official duties.

3.4.1.2 Recusal of Public Servants Due to Conflicts of Interest

To promote clean and capable governance and effectively prevent corruption and improper benefit transfers, the Bureau strictly enforces compliance with the Act on Recusal of Public Servants Due to Conflicts of Interest, requiring public servants governed by the Act to recuse themselves when performing duties involving conflicts of interest related to themselves or their related parties.

3.4.1.3 Property Declarations by Public Servants

To establish and maintain integrity among public servants, Bureau employees subject to the Act on Property-Declaration by Public Servants are required to accurately declare all assets held under their names, as well as those of their spouses and minor children, in accordance with applicable regulations. In 2024 and 2025, three asset declaration obligors were respectively selected through public drawing each year to undergo substantive review, while one additional person was selected

each year for a comparison of asset declarations between the preceding and following years. The 2024 review found no discrepancies or misrepresentations in asset declarations. The 2025 substantive review will be duly conducted in accordance with the official letter issued by the Agency Against Corruption, Ministry of Justice

3.4.2 Signing of Code of Self-Discipline and Compliance Audits GRI：2-27

We have established the "Directions for Prevention of Conflicts of Interest and Confidentiality Obligations for Employees of the Bureau of Labor Funds, Ministry of Labor" and the "Bureau of Labor Funds Code of Self-Discipline" These regulations strictly prohibit employees,

their spouses, minor children, and any persons trading under an employee's name from trading shares of domestic TWSE-listed, TPEx-listed, and emerging stock

Statistics on Signatories to the Direct Investment Code of Self-Discipline		
Year	2024 年	2025 年
Number of Signatories	146	142
Number of Audited Employees	146	142
Total number of persons audited (including spouses and minor children)	321	306

companies, equity-linked derivative financial instruments, and single-stock call/put warrants.

Since 2021, the substantive audit rate under the Code of Self-Discipline has been elevated to a 100% comprehensive review, auditing 321 individuals in 2024 and 306 individuals in 2025.

3.4.3 Establishment of Whistleblowing, Rewards, and Whistleblower Protection Mechanisms GRI : 2-26

To maintain administrative integrity, combat corruption, and foster ethical practices, the Bureau has established a whistleblowing system alongside reward and protection mechanisms. The government ethics agencies handle matters involving personnel corruption, illegal acts, or administrative misconduct. This framework aims to ensure civil servants have no desire, need, opportunity, or audacity to engage in corruption, thereby reducing investment and compliance risks while reinforcing the Bureau's commitment to integrity and ethical governance.

3.4.4 Corporate Integrity Seminars

In managing fund investment operations, the Bureau strictly requires internal personnel to comply with relevant codes of conduct, uphold work confidentiality, and adhere to conflict-of-interest

avoidance principles. Furthermore, corresponding contractual terms and standards are established for external mandated investment financial institutions to mitigate investment risks and achieve the objective of stable fund growth.

To demonstrate the Bureau's dedication to integrity and probity, domestic mandated institutions were selected in 2024 and 2025 for regulatory advocacy sessions aimed at reinforcing corporate governance and corporate integrity principles, while strictly upholding high ethical and self-discipline standards among mandated institutions. In addition, the Bureau organized 1 practical financial case analysis workshop for internal personnel in 2024, utilizing case studies and analyses to enhance employees' professional competencies and regulatory compliance awareness during business execution, thereby preventing unlawful conduct.

3.5 Information Disclosure GRI : 2-16

3.5.1 External Communication Channels

The Bureau has established diversified information disclosure platforms, leveraging the timeliness and convenience of the Internet to regularly publish information for public access. In addition, the

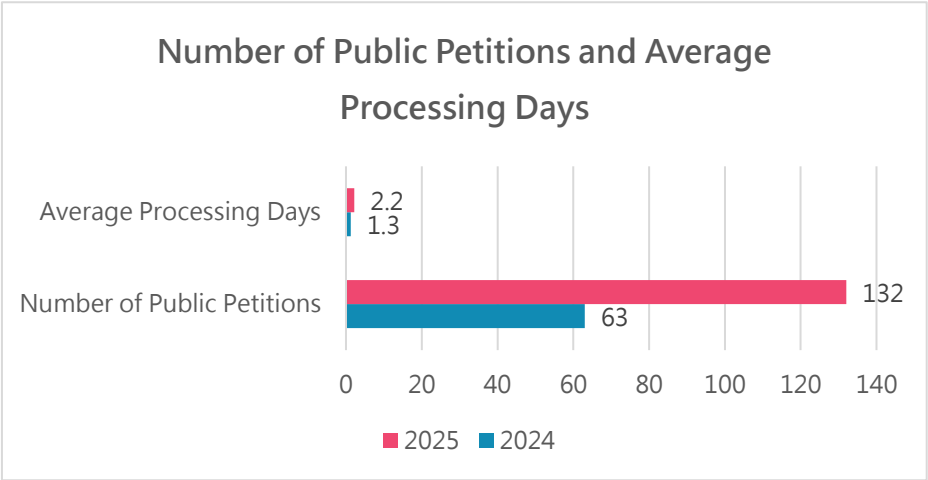
Bureau proactively holds press conferences to brief the public on the utilization of the labor funds and the progress of related policies, putting fund transparency and open disclosure into practice.

➢ Overview of Disclosure Channels

Disclosure Channel	Information Content	Disclosure Channel	Information Content
Official Website	● Information currently disclosed on a regular basis includes fund scale, investment performance, asset allocation, and performance statistics for domestic and foreign in-house and mandated investments. ● In addition to the aforementioned regular disclosures, the Bureau discloses information on an ad hoc basis and issues press releases concerning fund utilization and major events, enabling the public to promptly understand the fund's current status.	**Social Media (YouTube, Facebook)**	● The Bureau has adopted a Web 2.1 framework and regularly releases videos on fund utilization through a dedicated YouTube channel. ● Fund-related updates are posted on the Ministry of Labor's Facebook page as appropriate, delivering accessible, real-time, and diverse information via social media to enhance public communication.
English Website	● To help international stakeholders understand labor fund-related information and enhance international visibility, an English webpage has been established to provide labor fund regulations, fund utilization updates, key news, and tender announcements for public reference.	**Press Conferences**	● Through press releases, press conferences, media interviews, and other channels, the Bureau keeps workers and the general public informed of the latest developments in fund utilization and provides timely explanations of fund-related matters of public concern.

3.5.2 Public Opinions and Responses

GRI：2-25、2-26



The Bureau has established comprehensive guidelines across all operations, requiring employees to adhere strictly to the highest standards of professional ethics, uphold integrity, and safeguard the Bureau's reputation in the performance of their duties. In addition to internal anti-corruption governance, external oversight mechanisms are in place. These provide dedicated reporting channels, including a telephone hotline, email, and fax, for the public to report corruption and illegal practices. Whistleblowing procedures, alongside whistleblower protection and reward mechanisms, have also been established to maintain institutional integrity.

In 2024 and 2025, the Bureau received 63 and 132 public petition cases regarding individual interests, respectively. Most petitions were submitted via email and were promptly addressed by the relevant divisions or referred to the competent authorities for handling, achieving an average processing day of 1.3 days and 2.2 days, respectively.

3.6 Tax Policy

GRI：207-1、207-2

In response to international trends in tax governance, to effectively manage tax risks and advance sustainable social development, the Bureau complies with the tax laws and regulations of each investment market, files tax returns and pays taxes within prescribed deadlines, and appropriately leverages international tax treaties and tax incentives offered by various countries, thereby balancing investment returns with CSR.

1 **Principle of Regulatory Compliance**

Comply with tax laws and regulations, accurately calculate tax liabilities, and properly file and pay taxes.

2 **Principle of Lawful Tax Mitigation**

Adhere to the principles of legality and compliance, adopting tax-saving measures that align with legislative intent

3 **Principle of Risk Control**

Maintain a thorough grasp of tax laws, regulations, and relevant developments across jurisdictions, and prudently manage tax risks by leveraging the expertise of external professional institutions.

3.6.1 Lawful Tax Exemption for Domestic Investments and Fulfillment of Withholding Obligations

In accordance with 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 taxes. Therefore, statutory tax exemption applications are filed for income generated from various investment items to safeguard fund returns. Furthermore, in fulfilling its fund investment management responsibilities, the Bureau conscientiously meets all withholding obligations and files returns within statutory deadlines when paying salaries, professional service fees to attorneys, CPAs, notaries, and other professionals, or remuneration to foreign institutions, thereby contributing to national tax revenue.

3.6.2 Leverage Tax Treaties for Foreign Investments and Pay Local Taxes

Because foreign investments of the funds managed by the Bureau are subject to foreign tax laws, the Bureau engages custodian banks and tax consultants with international expertise to handle annual overseas income tax filings and payment procedures. This improves filing efficiency, ensures compliance with filing deadlines, and secures optimal tax treatments.

For income derived from foreign investments in countries that have signed bilateral tax treaties with Taiwan, the Bureau applies for a certificate of residence from the competent branch of the National Taxation Bureau of Taipei, Ministry of Finance as supporting documentation. Custodian banks are then appointed to process tax relief at source or apply for tax refunds, ensuring that reasonable taxes are paid in accordance with the applicable tax treaty rates

3.6.3 Tax Risk Control

To prevent tax disputes, the Bureau engages custodian banks and tax consultants to prudently assess tax risks and provide professional advice regarding new investment markets or regulatory changes in foreign tax laws, thereby effectively mitigating risks and protecting fund interests.