2022

Stewardship Report

勞動基金運用局
BUREAU of LABOR FUNDS

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Chapter I. Socially Responsible Investment Duties

I. Targets

The Bureau of Labor Funds (hereafter referred to as the "Bureau") coordinates the investment of labor funds and is entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture with the investment of national pensions and farmers' pensions. The current scale of assets is nearly NT$6 trillion, and it continues to grow at a stable pace of over NT$100 billion each year.

Funds managed by the Bureau are from workers and citizens. As an institutional investor and large government pension fund, utilization of the funds significantly impacts the market and investee companies, and various measures have attracted public attention. The Bureau upholds the principles of safety, transparency, and efficiency for the interests of fund beneficiaries and pursues long-term steady performance, in which socially responsible investment is a crucial investment philosophy. The Bureau has dedicated years of effort to implementing socially responsible investment. Besides clearly implementing it in the operational guidelines of funds and investment policy, the Bureau constantly expands its ESG investment strategy and is stepping up shareholder activism to exert its influence as an institutional investor.

Since climate risk has become a crucial issue worldwide, it has become critical to company operations and investment assessment. The Bureau continues to improve its engagement action and expand topics from corporate governance, labor rights, and environmental protection to tracking companies' net zero transition strategy. The Bureau referenced international developments and experience and engaged in more profound and broader exchanges with companies regarding their commitment and path to net zero emissions, guiding companies to take social responsibility and sustainable development more seriously. The Bureau utilizes the power of the capital market to promote sustainable development and fulfills its responsibility as an asset owner and manager.

The Bureau was the first to sign the "Stewardship Principles for Institutional Investors" after the Taiwan Stock Exchange released it on June 30, 2016, and urged entrusted domestic mandate investment institutions to also become supporters. After the Taiwan Stock Exchange announced the revised Principles in August 2020, the Bureau immediately cooperated with the review to update and strengthen the contents of the compliance statement. The Bureau began publishing stewardship reports each year starting in 2016. The Bureau's stewardship report was reviewed by the internal audit department and approved by the director-general.

(Unit: NT$100 million, as of the end of 2022)

Labor Pension Fund (the New Fund)	35,947
Labor Retirement Fund (the Old Fund)	9,846
Labor Insurance Fund	7,534
Employment Insurance Fund	1,560
Labor Occupational Accident Insurance Fund	345
Arrear Wage Payment Fund	155
National Pension Insurance Fund	4,524
Farmers' Pension Fund	82
Total	**59,993**

II. Resources input in stewardship

The rising awareness of ESG investment worldwide has affected business models and the assessment of investment value. Institutional investors play a role of utmost importance in sustainable investment. The Bureau manages labor funds and has an unshirkable responsibility to promote sustainable investment. To implement the concept of sustainable investment and step up sustainable investment research and measures, the Bureau established the “Working Group on Sustainable Investment of the Bureau of Labor Funds” in 2021. The working group has 12-15 members and the Bureau's director-general serves as the convener. The working group convenes regular meetings to study and analyze trends in corporate governance and social responsibility, climate change, and sustainable finance. This serves as the basis for improving the Bureau's measures and investment planning, and allows the Bureau to monitor sustainable investment risks and opportunities of its investment portfolio, which responsible departments implement:

ESG measures	Responsible department
Formulate ESG policy, study international trends and measures	Working Group on Sustainable Investment (cross-departmental organization)
Socially responsible investment strategies	Domestic Investment Division Foreign Investment Division
Investment decision evaluation	Domestic Investment Division Foreign Investment Division
Interacts with and engages investee companies	Domestic Investment Division
Shareholders' meeting vote analysis and execution	Domestic Investment Division
ESG-related mandate strategies, indicators, and supervision	Domestic Investment Division Foreign Investment Division
Sustainability report	Planning and Audit Division

The Working Group on Sustainable Investment of the Bureau of Labor Funds convened a total of 9 meetings in 2022. External experts were invited to give speeches, or working group members studied and analyzed development trends in topics and then shared their findings during the meetings, which discussed a total of 17 issues:

Date	Meeting topics
January 27	The goal of carbon neutrality by 2050, carbon footprint, ESG rating, and sustainable investments
March 3	Task-force on Climate-related Financial Disclosures (TCFD)
	The Bureau's socially responsible investment strategies and current status
April 7	Introduction to the Climate Paris Aligned Index
	Introduction to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
May 30	Introduction to Sustainable Finance
	Introduction to the Corporate Governance Evaluation System
June 27	Biodiversity loss - From TCFD to TNFD
	Overview of SASB - In the case of electric utilities
August 15	The EU's green energy policy
	Sustainable investment trends and challenges
September 22	CBAM - Carbon Border Adjustment Mechanism
	Introduction to GHG reduction and management methods
November 7	Development of large international pension funds under climate change and applicability of TCFD
	Application of the FTSE4Good TIP Taiwan ESG Index
December 22	Disclosure of climate-related risks and opportunities in Taiwan's insurance industry
	Climate investments of the capital market

Furthermore, to raise employees' ESG awareness and include ESG topics in investment assessments, the Bureau combined internal and external resources and invited experts to discuss related topics jointly. A total of 11 training sessions on related topics were held in 2022:

Date	Meeting topics
January 10 February 11	Introduction to the Climate Paris Aligned Index
January 19	Bloomberg - ESG data and analysis training
January 27	The goal of carbon neutrality by 2050, carbon footprint, ESG rating, and sustainable investments
March 9	Introduction to FactSet ESG support report
April 6	Association between the investment rating of mandated institutions and ESG rating results, as well as rating contents
April 26	Climate transition research
June 13	ESG and Sustainable Investment analysis in the European pension fund market
July 5	Impact of the Russo-Ukrainian War on the energy industry
November 8	Net zero opportunities and challenges under climate change
November 22	ESG investment of QIC private assets

「機構投資人盡職治理守則」遵循聲明

本局掌理退休、保險等基金之投資運用管理，茲聲明遵循「機構投資人盡職治理守則」，針對六項原則之遵循情形如下：

原則一 盡職治理政策

本局目標在於透過基金之投資運用，為受益人謀取最大利益，為達成此一目標，本局訂有投資政策書，內容包括投資目的與目標、投資理念、社會責任投資政策及道德規範政策等，將環境、社會、公司治理(ESG)議題納入投資評估，以善盡機構投資人之責任，提升經管基金之長期價值。投資政策書內容請詳：http://www.blf.gov.tw/front/main/1052。

原則二 利益衝突管理政策

為確保本局基於受益人之利益執行業務，業於投資政策書訂有道德規範政策，以管控本局人員於投資過程中之利益衝突情況，包括內線交易之禁止、請託關說之禁止等，並遵守公職人員財產申報、利益衝突等相關法令。

原則三 持續關注被投資公司

為確保本局取得充分且有效之資訊，以建立良好之投資決策基礎，本局針對被投資公司之相關新聞、財務表現、產業概況、經營策略、環境保護作為、社會責任與勞工權益及公司治理等議題，持續予以關注，瞭解被投資公司之永續發展策略及相關風險。

原則四 適當與被投資公司對話及互動

本局透過與被投資公司適當之對話及互動，以進一步瞭解與溝通其經營階層對產業所面臨之風險與策略，並致力與被投資公司在長期價值創造上取得一定共識。本局每年透過電話會議、面會、參與法說會或派員參與股東常會或重大之股東臨時會等方式與被投資公司經營階層溝通。當被投資公司在特定議題上有重大違反公司治理原則或損及本局受益人之虞時，本局將不定時向被投資公司經營階層詢問處理情形，適時調整投資決策，且不排除聯合其他投資人共同表達訴求，發揮機構投資人之影響力。

原則五 投票政策與揭露投票情形

本局為謀取受益人之最大利益，積極參與股東會各項議案投票，以履行股東行動主義。於電子投票或遴派代表出席行使投票權之前，均審慎評估各議案，必要時得於股東會前與被投資公司經營階層進行瞭解與溝通，且並非絕對支持經營階層所提出之議案。

原則六 定期揭露履行盡職治理之情形

本局定期於網站揭露履行盡職治理之情形及執行結果，包括但不限於本遵循聲明、各基金管理運用情形、出席被投資公司股東會與投票情形及其他重大事項。

簽署人 勞動部勞動基金運用局 109年9月1日更新

Chapter III. Sustainability Policy

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.

The Bureau strengthens communication with stakeholders and the general public through the publication of sustainability reports, allowing the public to understand the Bureau's ideals and efforts to fulfill its social responsibility, improve the well-being of laborers, and realize decent work. The Bureau's sustainability report is periodically disclosed in the social responsibility section of the Bureau's website.

Furthermore, the Bureau upholds the principles of "safety, transparency, efficiency, and stability" and diversifies investments of funds, actively engages in integration and utilization, enhances investment strategies, and implements socially responsible investment through its influence on the capital market.

Information on the Bureau's sustainability policy and socially responsible investments are disclosed in the Social Responsibility section of its website (Homepage/About Us/Policies/Social Responsibility; URL: https://www. blf. gov. tw/49200/49201/49221/49231/).

Bureau of Labor Funds Sustainability Policy

1. Promote and implement social responsibility investment and guide enterprises to fulfill their social responsibility.
2. Regular disclosure of information on the use of funds to achieve the goal of transparency of management information.
3. Strictly abide by confidentiality obligations and conflict of interest rules and fulfill management and supervision responsibilities.
4. Implement energy saving and carbon reduction, give priority to green products, and commit to environmental protection.
5. Promote social welfare and education, care for the disadvantaged, and fulfill social responsibility as a global citizen.
6. Prevent natural disasters, strengthen risk and crisis management, and handle incidents appropriately.
7. Respect basic labor and human rights protection principles and create an equal and friendly work environment.
8. Implement a fair performance appraisal, reward and penalties, and promotion system, and emphasize talent cultivation and development.
9. Provide safe and healthy working and living conditions to ensure the safety and health of employees.

勞動基金運用局
BUREAU of LABOR FUNDS

Chapter IV. Measures for Fulfilling Stewardship Responsibilities

I. Stewardship Policy

The Bureau aims to maximize beneficiaries' profits through fund investments and utilization. The Bureau established the Investment Policy Statement, which includes investment purpose and goals, investment philosophy, investment decision-making procedures, asset allocation policy, risk management policy, socially responsible investment policy, and information disclosure and ethics policy, to achieve this goal. Please see the Investment Policy Statement for details:
https://www.blf.gov.tw/49200/49201/49221/49229/

Regarding the socially responsible investment policy, the Bureau gradually adopts related strategies based on the development of socially responsible investments under the premise of being profitable, which improves labor rights and drives enterprises to fulfill their social responsibility.

When making investments, besides considering environmental, social, and governance (ESG), we also evaluate the investability and representativeness of the relevant social responsibility index as an indicator of discretionary management. In addition, mandated investment institutions are required to include CSR in the investment strategy of their business plan proposals as a reference for selection. The Bureau will not invest in or increase its investment in companies that severely violate their social responsibility, provided it does not affect the fund's interests.

For domestic investee companies, if a significant incident involving labor rights, environmental protection, and corporate governance occurs and attracts social attention, the Bureau urges the company to pay attention to related issues through shareholder activism, including dialogue, letters, participation in shareholders' meetings, and exercising voting rights. The Bureau continues to enhance shareholders' actions, expands the breadth and depth of engagement, and actively tracks the sustainable development progress and strategy for net zero emissions, to understand the company's challenges and progress in each issue. If an agenda item during a shareholders' meeting is detrimental to corporate governance, has a material impact on the company's financial stability and business development, or damages shareholders' interests, the Bureau will vote against the agenda item after evaluating the situation.

When making foreign investments, we continue to integrate ESG-related investments while considering the overall investment strategy, the profitability of the investment target, and its sustainable development philosophy. As for discretionary management, besides requiring mandated institutions not to invest in funds that violate social responsibility, we extensively look into the resources invested and integration of investment processes for ESG by the mandated institution in the selection and mandate process.

The Bureau established the “Bureau of Labor Funds Regulations on Fulfillment of Shareholder Action" in 2018 to provide the basis for shareholder activism. 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. When domestic listed companies of the Bureau’s in-house investment are involved in severe law violation or dispute events, the Bureau shall take the following measures:

(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.

(II) If the company does not propose improvement measures or solutions after the Bureau expresses concern, the Bureau will consider making a proposal during a shareholders' meeting demanding the company to propose improvement measures or a solution.

(III) Review the Bureau's holding position.

II. Conflict of interest management

(I) Conflict of interest management regulations

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 of Public Servants and laws and regulations related to conflict of interest.

The Bureau also established the "Ministry of Labor Bureau of Labor Funds Rules Governing Conflict of Interest and Confidentiality," "Code of Conduct for Investment Personnel of the Bureau of Labor Funds," and "Bureau of Labor Funds Employee Self-Regulation Agreement." Mandate contracts also specify the duty to exercise due care of a good administrator and matters requiring compliance by mandated institutions.

The Bureau's website has a section for avoiding conflict of interest (Homepage/Citizen Services/Civil Service Ethics/Avoiding Conflict of Interest). URL: https://www.blf.gov.tw/49200/49415/49441/49449/) to discloses the Act on Recusal of Public Servants Due to Conflicts of Interest and related educational information.

(II) Conflict of interest management method

The Bureau established hierarchical responsibilities based on the nature of operations and set system access rights, door access control, and firewalls as information control mechanisms. The Bureau audits civil service ethics, communicates laws and regulations, and conducts internal and external on-site audits to implement conflict of interest management.

All employees of the Bureau must sign the employee self-regulation agreement, commit to their duty of confidentiality, and abide by the principle of avoiding conflict of interest. Employees who directly participate in investments, their spouses, and underage children are prohibited from trading domestic listed, OTC, and emerging stocks. Comprehensive audits are conducted yearly, and asset reporting and review are carried out according to the law. The Bureau has increased communication with internal personnel to recuse themselves when they have a conflict of interest, and also periodically visits securities investment trust enterprises to communicate integrity and check for any abnormalities that may affect fund utilization. Furthermore, we regularly conduct on-site audits of internal business units, domestic and overseas mandated institutions, and custodial banks according to the "Bureau of Labor Funds Directors for Audit of Fund Operations" and "Annual Audit Plan."

(III) Strengthening mandated institutions' fulfillment of the duty of loyalty

To improve domestic mandate management, we revised the domestic discretionary investment contract in 2022 and required mandated institutions to ensure fund managers fulfill their contractual obligations. If fund managers are found violating the law or contract, it will be deemed intentional or negligent by the mandated institution, and the mandated institution shall compensate the fund for related losses. Based on experience, it is hard for the principal to prove the causal relationship of damage compensation and a provision was thus added to reverse the responsibility for damage compensation. Furthermore, the scope covered by performance bonds was expanded. If the performance bond for a single account of a single mandated institution is insufficient for compensation, the performance bonds and management fees of other accounts may be used for compensation, to ensure that all mandated assets are compensated for.

(IV) Description of conflict of interest patterns

According to the regulations above, the Bureau has established management measures for all subjects that may have a conflict of interest, including the Bureau and all employees, employees who handle specific operations, and the Bureau and mandated institutions. The main conflict of interest patterns are listed in the appendix.

III. Diverse ESG investments

The fund's investment portfolio covers numerous asset categories and investment patterns. The Bureau actively considers sustainable finance strategies when making investment decisions, which cover a wide range of ESG investments.

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, corporate governance, and net zero emissions, to understand investee companies' sustainable development strategies and related risks.

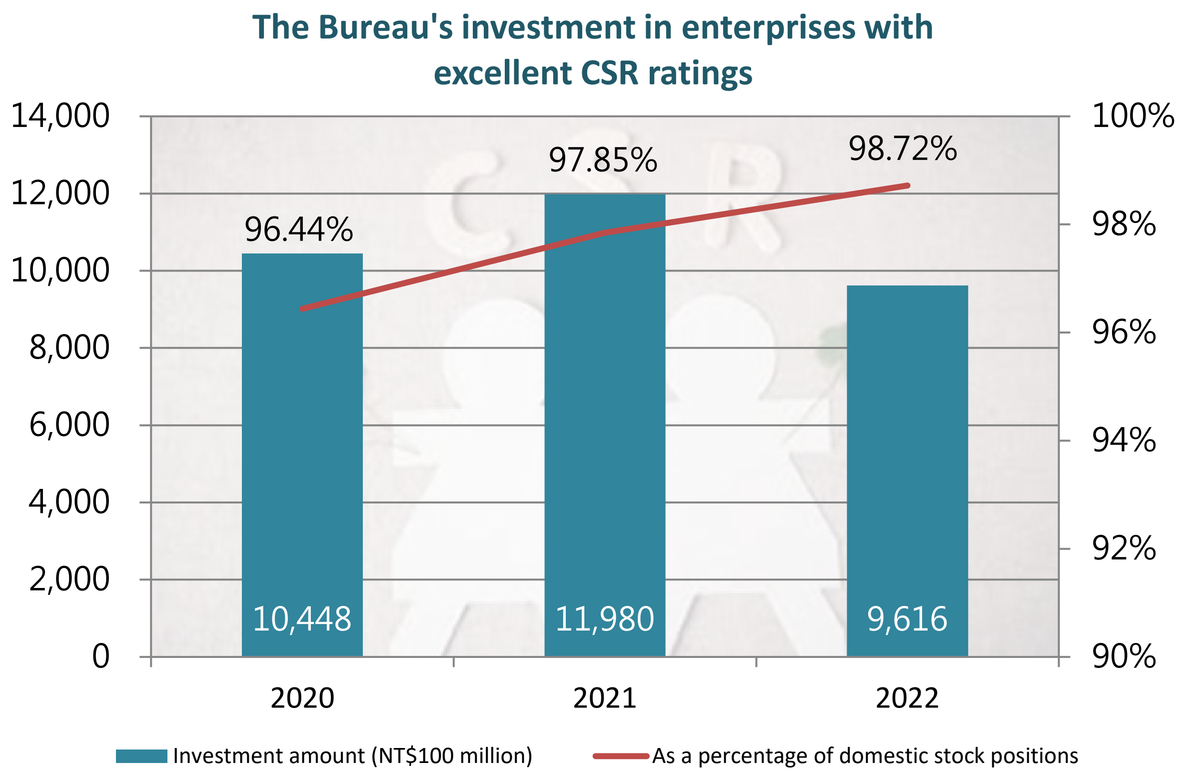
(I) Incorporating ESG assessment into the investment process and considering CSR-related evaluations when selecting in-house investment stocks

In addition to good dividend yield, good liquidity, and industry with good prospects under the premise of stable long-term profits when selecting investment targets, we also reference evaluations by professional and credible independent institutions, sustainability reports of domestic listed companies, overall profits, growth potential, and industry outlook, and consider investing in the best-performing stocks. We recently included climate risk into overall risk considerations.

At present, social responsibility evaluations or indicators referenced when selecting domestic in-house investment stocks include:

1. Received the National Enterprises Environmental Protection Award from the Environmental Protection Administration, Executive Yuan.
2. Passed the Corporate Governance System Assessment organized by the Taiwan Corporate Governance Association.
3. In the top 50% ranking in TWSE’s Corporate Governance Evaluation.
4. Selected as a constituent stock of the TWSE RA Taiwan Employment Creation 99 Index, Taiwan High Compensation 100 Index, and FTSE4Good TIP Taiwan ESG Index.
5. Labor and management have signed a collective bargaining agreement.

As of the end of 2022, managed funds invested NT$961.6 billion in 303 companies with excellent CSR ratings, accounting for 99% of the domestic stock position.



(II) Expand the use of ESG indicators for mandate management

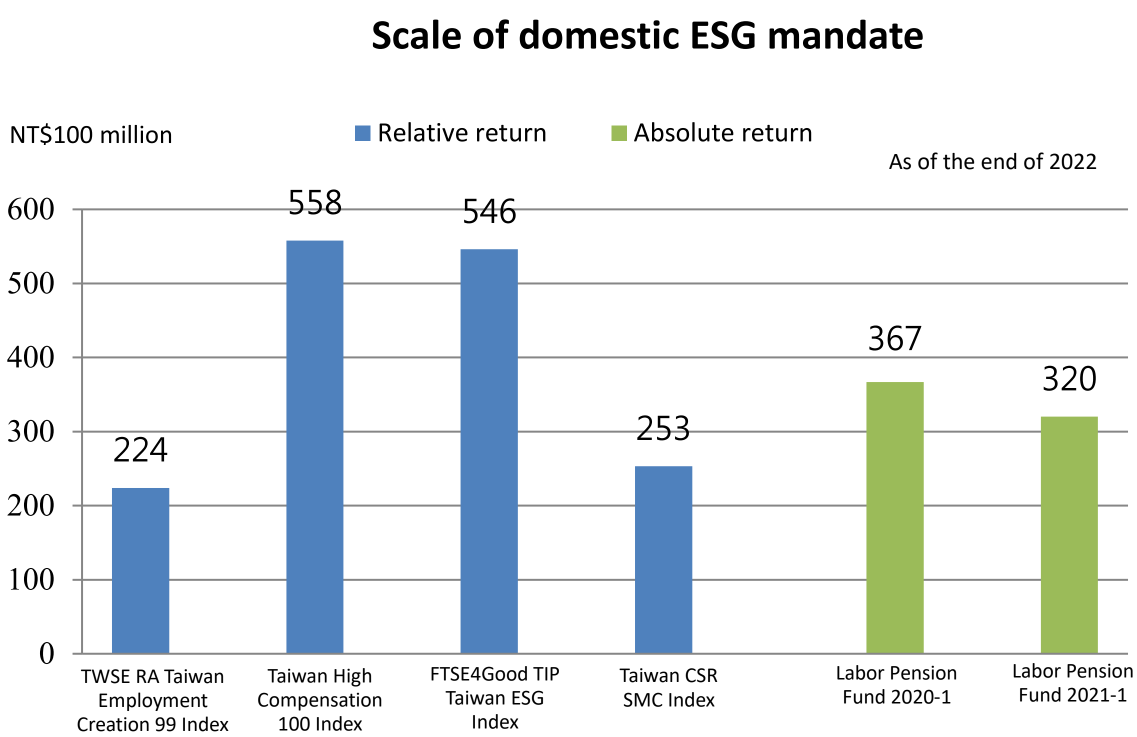
Due to limited workforce and resources, the Bureau simultaneously uses external resources and related social responsibility indicators for mandate management.

1. Domestic discretionary mandate

In 2011 and 2014, the "TWSE RA Taiwan Employment Creation 99 Index" and "Taiwan High Compensation 100 Index" were adopted as the mixed equity return-based outsourcing indicators in Taiwan to encourage enterprises to hire more local workers and raise the salary level of employees. Social responsibility includes environmental, social, and corporate governance aspects. Since the first two indices focus on corporate governance and social aspects, the Bureau issued an official letter to the FSC and Taiwan Index Plus Corporation to ask them to compile a broader ESG index as soon as possible. Taiwan Index Plus Corporation and FTSE jointly compiled the FTSE4Good TIP TW ESG Index on December 18, 2017. The index combines environmental, social, and corporate governance aspects and covers various topics. The Labor Pension Fund adopted it as an investment indicator in 2018 when handling domestic mixed equity return-type discretionary operations. In addition, to promote the focus on ESG in listed small and medium-sized companies, the "TIP Taiwan Market CSR Small/Mid-Cap Index" was adopted as an indicator for the mixed equity mandate set up in November 2020. The Bureau will continue to refine the diversity of mandate investments to guide enterprises fulfilling their social responsibilities and promoting sustainable development.

Furthermore, the absolute return mandate was set up in March 2020 to strengthen social responsibility investment. For the first time, it required investment targets to be listed companies that compile sustainability reports. The Bureau handled domestic mandates in 2021 and 2022 and required investment targets to be listed companies that compile sustainability reports. This requirement was promoted in all existing domestic discretionary mandate contracts. All investee companies of domestic discretionary investment accounts must prepare sustainability reports by May 2024.

As of the end of 2022, funds managed by the Bureau have handled 7 ESG-related domestic mandates with a total scale of about NT$226.8 billion (as shown in the figure below). Four are relative return mandates with a total scale of approximately NT$158.1 billion tracking “TWSE RA Taiwan Employment Creation 99 Index”, “Taiwan High Compensation 100 Index”, “FTSE4Good TIP Taiwan ESG Index,” and “TIP Taiwan Market CSR Small/Mid-Cap Index.” The remaining three are absolute return mandates with a total scale of approximately NT$68.7 billion, mainly invested in listed companies that compile sustainability reports.

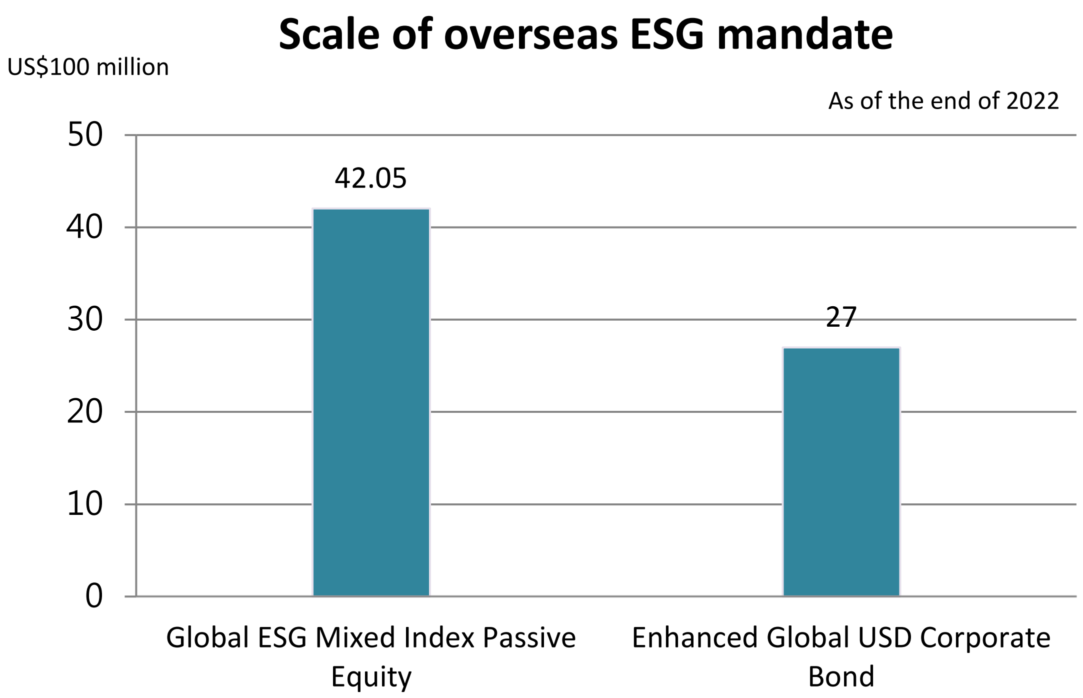


2. Overseas discretionary investment

The Bureau's overseas sustainability investments include the "2017 Global ESG Mixed Index Passive Equity," "2020 Global USD Corporate Bond," and "2022 Global Climate Change Equity," which had a total scale of approximately US$6.905 billion as of the end of 2022 (as shown in the figure below). Furthermore, the Global Climate Change Equity has allocated US$600 million in 2023. The abovementioned ESG equity mandate uses negative screening and the methodology of stock selection within the corresponding industry, incorporating ESG as a primary screening factor and excluding specific controversial industries (including tobacco, liquor, arms, gambling, and adult entertainment), as well as companies involved in significant environmental, customer, human rights, and labor rights disputes. The fixed-income mandate uses a negative screening strategy for ESG investments, and clearly prohibits investments in bonds issued by companies in the abovementioned controversial industries or revenue from the controversial industries reaching a certain percentage (currently 60%).

In light of the growingly severe damage and impact of climate change on the global environment, the world is working to reduce greenhouse gas emissions. The Bureau set up the Global Climate Change Equity Mandate Investment that references the Climate Paris Aligned Index in 2022. The index significantly reduced overall carbon emissions, fossil fuel reserves, and financial losses caused by extreme climate. The mandate reached US$2.3 billion and US$600 million was funded in 2023, hoping to encourage companies to move towards a green economy through discretionary investment.

The Bureau hopes to implement the sustainable investment policy through investment and supports companies with good performance in environmental sustainability, social issues, and corporate governance while considering the funds' returns. We want to make other institutional investors in Taiwan attach importance to sustainability issues and jointly contribute to global sustainable development.

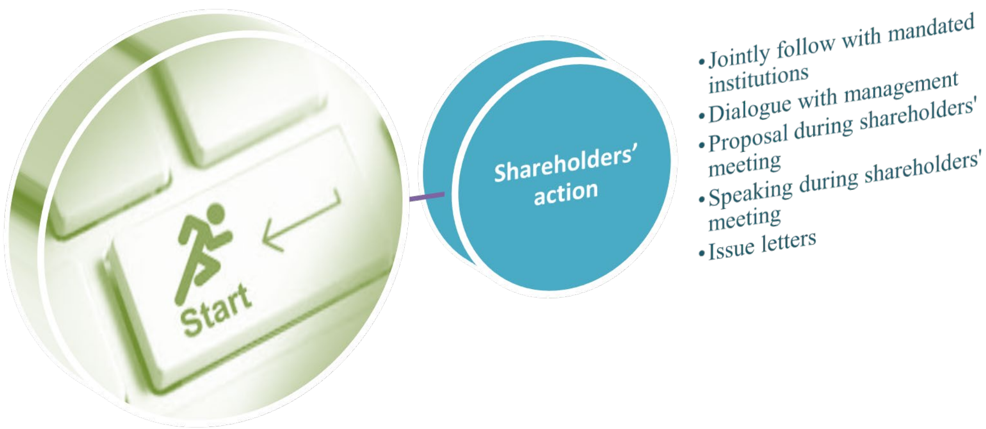


IV. Dialogue and interaction with investee companies

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 value creation.

We communicate with the management of investee companies through conference calls, face-to-face communication with management, participation in investors' conferences, and attendance at general or extraordinary shareholders' 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.

The Bureau actively engages in shareholder activism. After interacting with and engaging investee companies, the Bureau tracks developments of incidents and how incidents are handled by the company, assessing subsequent improvements and examining the impact of a company's performance in evaluations of the company's business situation. These are comprehensively considered when making subsequent investment decisions.



(I) Urging mandated institutions to jointly exert influence as shareholders

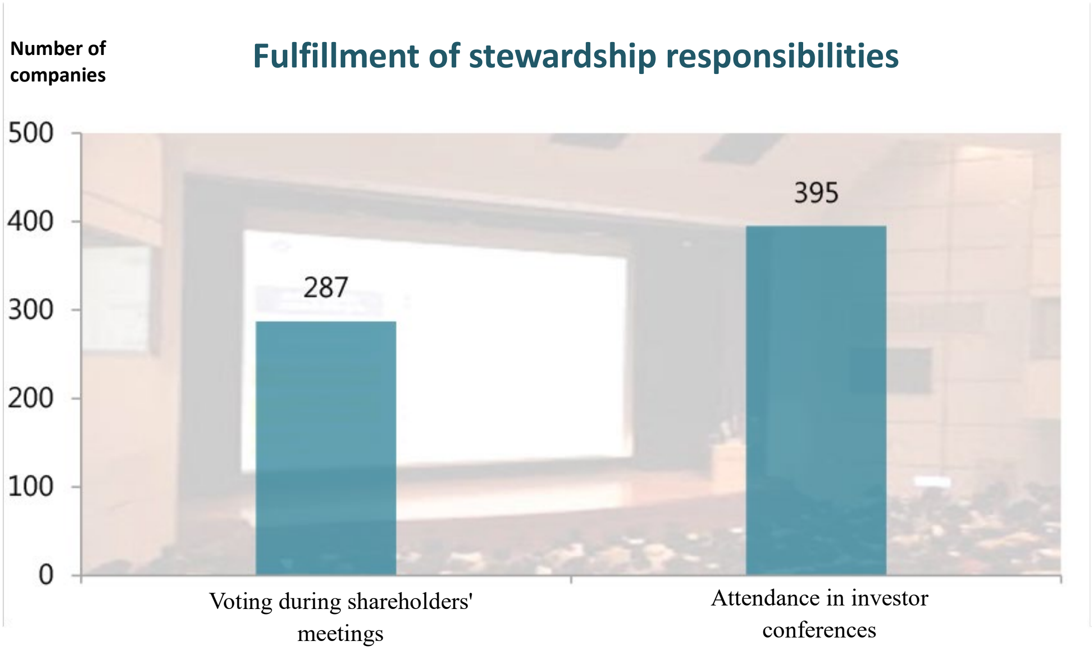
To fulfill the stewardship responsibilities of an institutional investor, the Bureau encourages labor funds' mandated investment institutions and investee companies to take ESG more seriously and requires tenderers for domestic and overseas discretionary investment to explain how they will incorporate the concept of socially responsible investment into stock selection. Mandated institutions for domestic discretionary investment are required to describe the implementation of socially responsible investment in quarterly review reports, and the shareholding review and communication process with investee companies involved in major disputes over labor rights, labor management, and environmental protection. To further implement sustainable investment, mandated institutions are required to stay up-to-date on the sustainability strategies and sustainability information disclosures of investee companies, guiding investee companies to attach importance to the value of sustainable development.

(II) Gradually Deepen Engagement Action

The Bureau continues to fulfill the stewardship responsibilities of institutional investors and gradually deepens engagement actions in stages. As the world directs more attention to sustainability issues and sustainability information disclosure standards are progressively developed, net zero transition has become a crucial issue that companies face and concerns their long-term operational opportunities and risks. It is also an essential 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 in which it has relatively high shareholdings.

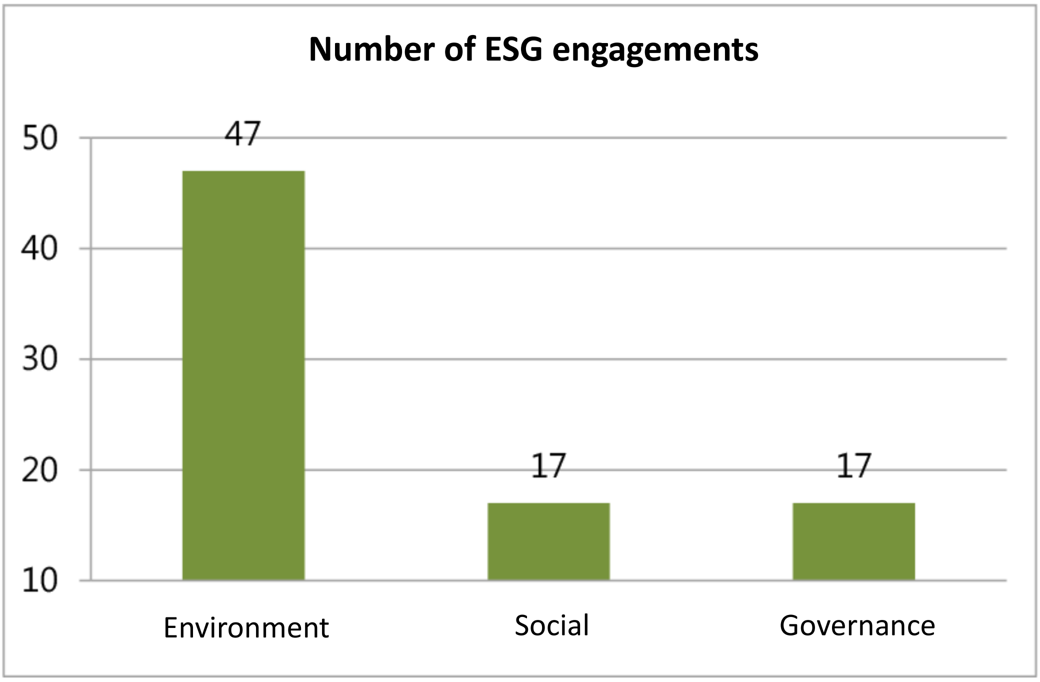
(III) Actively exercising shareholders' rights to fulfill stewardship responsibilities

The Bureau participated in the shareholders' meetings of 287 companies to vote and participated in the investor conferences, forums, or visits of 395 companies in 2022. The Bureau also issued letters on CSR issues to investee companies when appropriate.



Note: The Bureau attended the shareholders' meetings of all companies invested and voted electronically. The Bureau attends the shareholders' meetings in person when necessary.

(IV) Engagement records in the past 2 years (2022, and 2023 to date)



<table>
<tr><th colspan="3">Background event</th></tr>
<tr><th>Engagement and exchanges</th><th>The company's response</th><th>Subsequent effect and progress tracking</th></tr>
<tr><td colspan="3">➢ Social (S)
● Companies should hire a certain percentage of persons with disabilities, as required by the regulations, to ensure and increase the employment of persons with disabilities. The Ministry of Labor announces companies that do not meet the quota monthly.</td></tr>
<tr><td>Starting in 2011, 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 and sent letters to 16 investee companies in 2022.</td><td>Starting in 2011, the Bureau sent letters to 40 investee companies and continues to examine their hiring of persons with disabilities.</td><td>As of the end of 2022, employment of persons with disabilities increased by 1,125. The Bureau continues to track investee companies that do not meet the quota each month and periodically sends letters to companies that fail to make improvements.</td></tr>
<tr><td colspan="3">➢ Environment (E)
● 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.</td></tr>
<tr><td>The Bureau sent letters to 31 investee companies that have not set net zero emission goals, urging the companies to set carbon reduction goals.</td><td>As of September 2023, 16 of the 31 companies set net zero emission goals in 2023.</td><td>The Bureau continues to track net zero emission goals set by investee companies and urges companies that have not set goals to set related plans as soon as possible in response to the global trend of net zero emissions.</td></tr>
</table>

Background event		
Engagement and exchanges	**The company's response**	**Subsequent effect and progress tracking**
➢ **Governance (G)** ● In the 2021 Corporate Governance Evaluation ranking announced in 2022, Company A's rank declined compared to 2020.		
When the Bureau visited Company A in 2022, the Bureau recommended that the company improve its corporate governance and fulfill its responsibilities as a business operator.	Company A responded that it had analyzed items where it lost points and improved all items. It expects its rank to improve in the 2022 ranking.	Company A's ranking in the 2022 Corporate Governance Evaluation announced in 2023 improved from 51%-65% to 21-35%, showing how the company emphasizes corporate governance.
➢ **Social (S)** ● A subsidiary of Company B was suspected of exploiting cleaners in 2022 by hiring them as contractors and not employees.		
The Bureau contacted the company and requested that it explain developments in the case and its subsequent handling.	Company B indicated that the case was already settled and expressed its best intentions to the parties involved. As for subsequent handling, besides comprehensively examining related contracts and labor conditions of all affiliated enterprises, it also strengthened internal communication and training and listed employees' labor conditions and a friendly and safe work environment as audit items.	The Bureau issued a letter to Company B requesting that the company urge its subsidiaries to abide by the law and fulfill their corporate social responsibility to maintain the company's image. After the dispute occurred, Company B made internal adjustments and took enhanced measures.

Background event		
Engagement and exchanges	**The company's response**	**Subsequent effect and progress tracking**
➢ **Governance (G)** ● In the ranking of the 2022 Corporate Governance Evaluation announced in 2023, Company C's rank declined compared to 2021.		
When the Bureau visited Company C in 2023, the Bureau recommended that the company improve its corporate governance and fulfill its responsibilities as a business operator.	Company C responded that it had analyzed items where it lost points and improved all items. It expects its rank to improve in the 2023 ranking.	Management of Company C showed that they took corporate governance seriously during the communication process. The Bureau will continue to track the company's ranking in the Corporate Governance Evaluation announced next year.
➢ **Environment (E)** ● A subsidiary of Company D caused public concern due to a pollution incident in 2023.		
The Bureau contacted the company and requested that it explain developments in the incident and its subsequent handling.	Company D indicated that the subsidiary improved various processes and equipment after the incident and that all data of related units in on-site supervision reports meet environmental standards.	The Bureau issued a letter to Company D, asking it to promptly respond to public concern to protect the interests of related stakeholders and increase sustainable development value. The company indicated that it has improved after the pollution incident, and the Bureau will continue monitoring subsequent developments.

<table>
<tr><th colspan="3">Background event</th></tr>
<tr><th>Engagement and exchanges</th><th>The company's response</th><th>Subsequent effect and progress tracking</th></tr>
<tr><td colspan="3">➢ Governance (G)
● During the director’s election of Company E in its 2023 shareholders' meeting, the term of some independent director candidates exceeded three terms in violation of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>Considering that the investment of funds managed by the Bureau is financial in nature, the Bureau abstains from voting in director and supervisor elections as a principle. However, the Bureau still speaks during the shareholders' meeting to show its concern based on responsible investment and shareholders' activism.</td><td>Company E responded during the shareholders' meeting by thanking shareholders for their opinions and indicating that it would look into the issue and comply with government regulations.</td><td>The Bureau will continue to track consecutive terms of independent directors at Company E and take necessary measures when appropriate.</td></tr>
<tr><td colspan="3">➢ Environment (E)
● 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 in which it has relatively high shareholdings.</td></tr>
<tr><td>We exchanged opinions face-to-face with Company F in 2023 to understand the formulation and implementation of its low carbon and sustainability strategies, and discussed the company's net zero goals and carbon reduction plan with its chief sustainability officer.</td><td>Company F stated that it does indeed need to exert greater effort to lower carbon transition due to industry characteristics. The company thanked the Bureau for showing concern about its sustainability strategy, and committed to continue implementing and improving carbon reduction measures to achieve the goal of net zero emissions gradually.</td><td>The Bureau gained further understanding of the inputs by Company F in carbon reduction and sustainability and the bottlenecks it faces through this engagement action. The Bureau will continue tracking the company's net zero emissions path. Company F has made comprehensive plans for low carbon-operations and continues to input resources. The Bureau will continue to follow the company's transition strategy and measures.</td></tr>
</table>

Background event		
Engagement and exchanges	**The company's response**	**Subsequent effect and progress tracking**
➢ **Governance (G), Environment (E)** ● To strengthen socially responsible investment, the Bureau, since March 2020, requires the investment targets of absolute return mandates to be listed companies that have compiled sustainability reports. The requirements continue to be promoted in all existing domestic discretionary mandate contracts. All investee companies will be required to prepare sustainability reports by May 2024.		
Among the stocks that funds managed by the Bureau invested in, 14 companies have not uploaded the sustainability report. The Bureau issued letters in 2023 asking the companies to prepare and upload sustainability reports, and urged mandated institutions to engage individual companies. The Bureau participates in face-to-face exchanges with companies that the Bureau has higher shareholdings to understand the progress.	After continued encouragement and promotion from the Bureau, 3 of the 14 companies have committed to preparing and uploading sustainability reports before the end of this year.	The Bureau communicated with the companies and gained their commitment to prepare sustainability reports, which will benefit their progress toward sustainable development. We will continue to track the preparation of sustainability reports by investee companies of managed funds and urge companies that have not prepared their sustainability report to begin preparing sustainability reports as soon as possible and stay up-to-date on sustainable development trends.

V. Voting Policy and Voting Situation

(I) Voting Policy

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 the exercise of equity by funds under the Bureau's management.

To maximize benefits for beneficiaries, the Bureau casts votes electronically on agenda items during shareholders' meetings. The Bureau votes on its own and not by proxy. Besides electronic voting, if an agenda item is determined to have a material impact and involve the fund's interests, the Bureau will send personnel to attend in person and speak when necessary or take further shareholders' action.

Before exercising voting rights, we will carefully analyze the contents and impact of each agenda item. In addition to the internal case study of the in-house stocks, the mandate institutions are also requested to provide analysis and advice on each discretionary investment stock. The Bureau assesses the advice of mandate institutions and then offers its advice. If necessary, the Bureau will look into matters and communicate with the investee company's management before the shareholders' meeting. The Bureau will not unconditionally support the agenda items proposed by management.

The Bureau pays attention to the effect of agenda items on the company's business development, shareholders' value, social responsibility, and environmental sustainability. The primary considerations when voting on agenda items are as follows:

1. Director and supervisor elections: Considering that the investment of funds managed by the Bureau is financial in nature, the Bureau abstains from voting in director and supervisor elections as a principle and also abstains from voting on motions to lift the non-compete clause for directors.
2. Capital increase/reduction, merger, and acquisition: Assess the impact on company operations, profits, and original shareholders.
3. Dividend yield: Assess whether it meets shareholders' interests.
4. Asset transactions and lending to others: Assess financial risk and reasonableness.
5. Remuneration structure: Assess the impact on employees and shareholders.

The Bureau considers the reasonableness and necessity of agenda items. For agenda items with the following situations, the Bureau votes against or abstains from voting after assessment and explains the reason to the company when appropriate to achieve better communication:

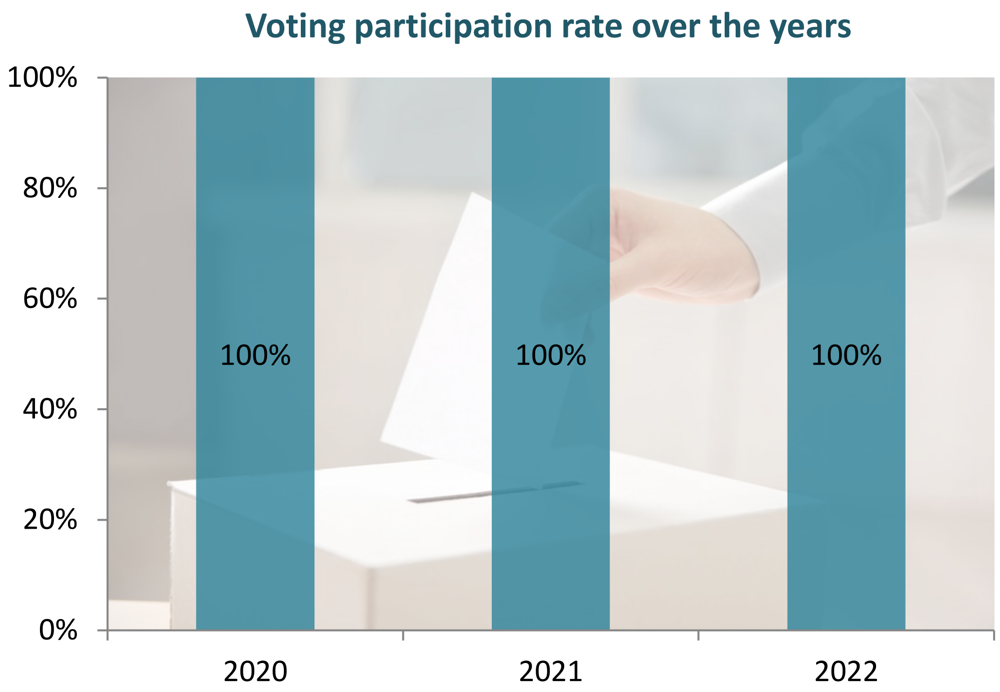
1. Detrimental to corporate governance.

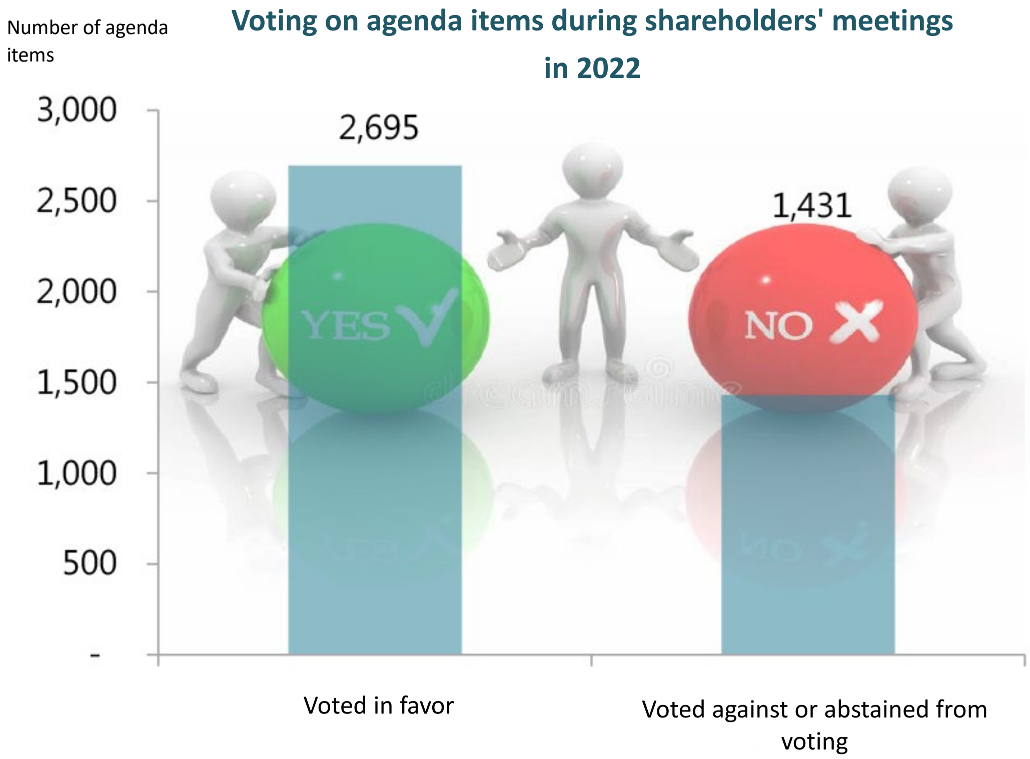
2. Has a material impact on the company's financial stability and business development.
3. May damage shareholders' long-term interests.

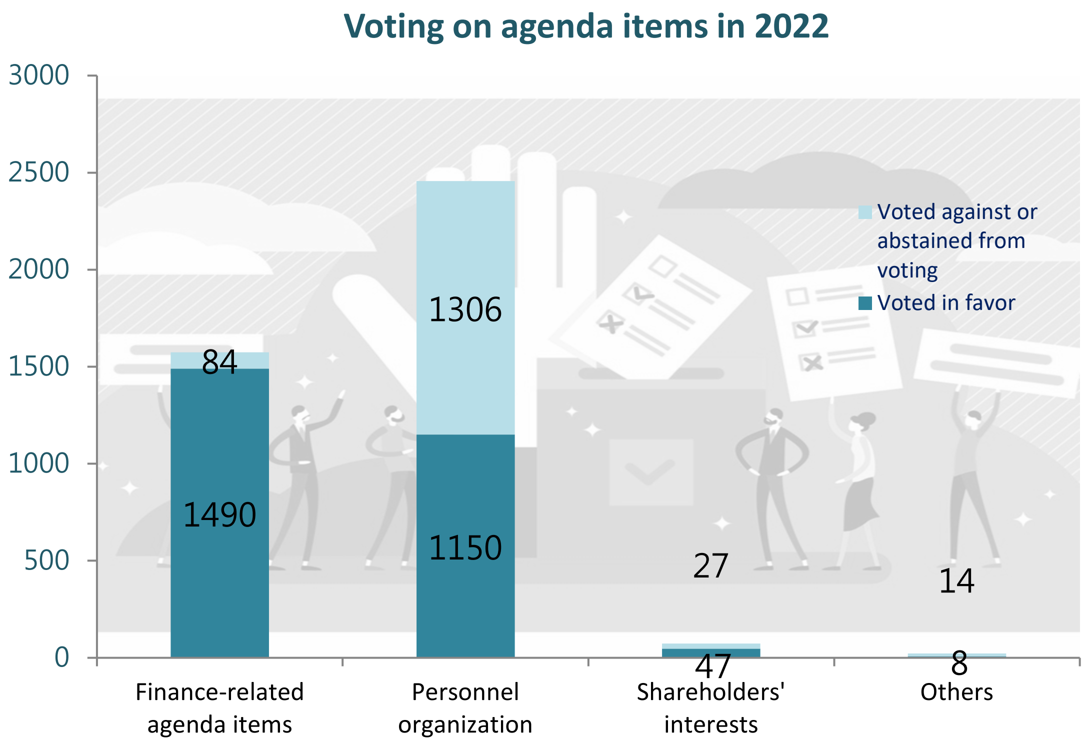
(II) Voting Situation

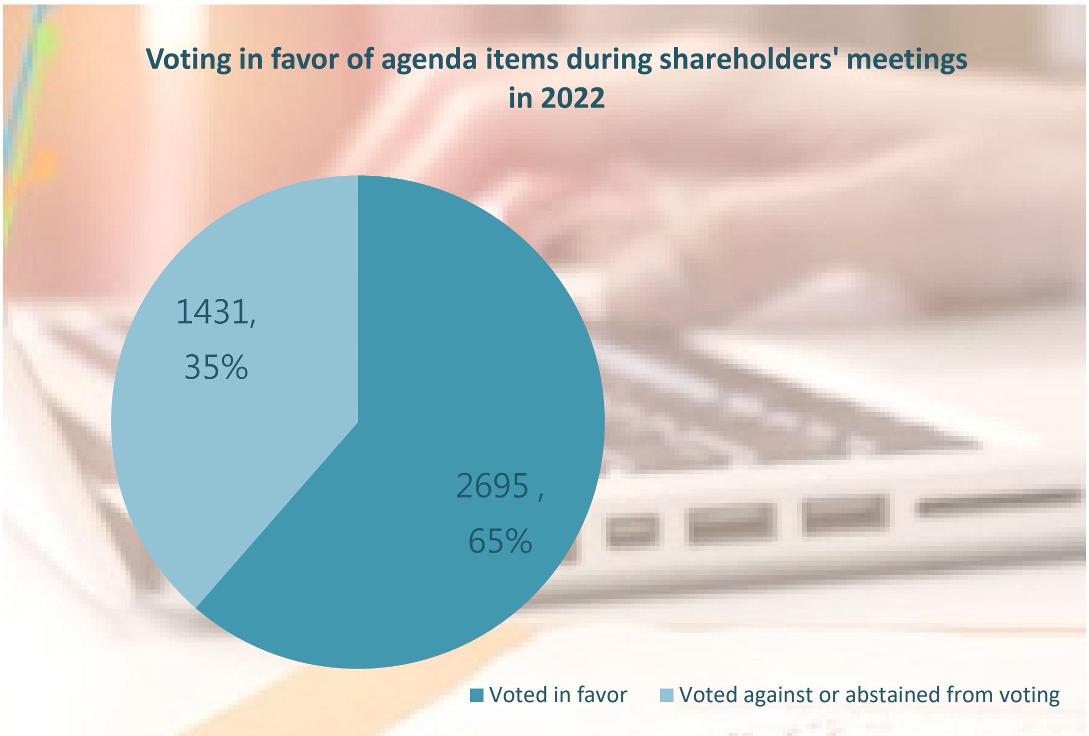
Since 2018, the Bureau voted electronically on 100% of agenda items during shareholders' meetings.

The Bureau voted on 4,126 agenda items of shareholders' meetings of 287 companies in 2022. A total of 1,574 were finance-related agenda items (including acknowledgment of business reports and financial reports, earnings distribution or offsetting losses, capital increase, private placement of negotiable securities, and capital reduction), 2,456 were personnel organization-related agenda items (including amendments to the Articles of Incorporation or operating procedures, directors and supervisors elections, and lifting the non-compete clause for directors), 74 were shareholders' interests-related agenda items (including the issuance of restricted stock awards, issuance of employee stock warrants below market price, transfer of treasury shares to employees lower than average buyback price, and company share transfer or split), and 22 other agenda items. In the 4,126 agenda items above, the Bureau voted against or abstained from voting on 1,431 agenda items.




Voting on agenda items during shareholders' meetings in 2022
Number of agenda items
3,000
2,500
2,000
1,500
1,000
500
-
2,695
1,431
YES
NO
Voted in favor
Voted against or abstained from voting


Voting on agenda items in 2022
3000
2500
2000
1500
1000
500
0
84
1490
1306
1150
27
47
14
8
Voted against or abstained from voting
Voted in favor
Finance-related agenda items
Personnel organization
Shareholders' interests
Others


Voting in favor of agenda items during shareholders' meetings in 2022
1431, 35%
2695 , 65%
Voted in favor
Voted against or abstained from voting

(III) Contents of agenda items that the Bureau voted against in the past 2 years (2022 and 2023 up to the end of June) and reason

1. The Bureau voted against agenda items of 8 companies in 2022

Company	Content of agenda item	Reason for voting against
A	Revising the procedures for acquiring or disposing assets increases the company's limit on investments in assets not under operating use or negotiable securities.	It will lower the transparency of the company's asset transactions, and the financial risk cannot be assessed. Hence, the Bureau voted against the agenda item.
B	Revising the procedures for acquiring or disposing of assets increases the company's limit on investments in negotiable securities.	It will lower the transparency of the company's asset transactions, and a review of the company's most recent quarterly financial statements found that the company does not hold any negotiable securities. The Bureau inquired about the company before voting, and the company said that it currently has yet to have any specific ideas for investment opportunities. Considering that the financial risk cannot be assessed, the Bureau voted against the agenda item.
C	The revision to the procedures for the acquisition or disposal of assets increases the amount of investments in negotiable securities that the chairperson is authorized to approve and raises the limit on property not under operating use and short-term investment of funds in negotiable securities.	Increasing the amount that the chairperson is authorized to approve is detrimental to supervision by the board of directors. Neither change to the limit is for operational requirements. If the company has many idle funds, it can consider a capital reduction and return the funds to shareholders. Hence, the Bureau voted against the agenda item.

Company	Content of agenda item	Reason for voting against
D	The revision to the procedures for acquiring or disposing of assets increases the limit on the amount of negotiable securities purchased by subsidiaries. If a subsidiary is not a listed company, the limit will be increased from 1x to 5x the subsidiary's total assets.	The Bureau inquired of the company about the situation before voting, and the company indicated that it was due to a subsidiary planning to make an investment related to its core business. Considering that increasing the limit will result in relatively high financial leverage and it is hard to assess subsequent management and financial risk, the Bureau voted against the agenda item.
E	Issue ordinary shares for cash capital increase.	The company's proposal will increase its capital and dilute 9.7% of shares held by original shareholders. Considering the dilution of original shareholders' equity and the option of a private placement for a capital increase, there may be a higher discount for a private placement or difficulty understanding the company's pre-selected investor. Hence, the Bureau voted against the agenda item.
F	The amendment to the Articles of Incorporation lowers the percentage of company profits allocated as employee bonuses from 5% to 3% and increases directors' remuneration from 2% to 3%.	Lowering the percentage of company profits allocated as employee bonuses and increasing the percentage allocated as directors' remuneration does not meet general expectations of corporate social responsibility, because it does not consider employee bonuses and benefits. Hence, the Bureau voted against the agenda item.
G	The amendment to the Articles of Incorporation lowers the percentage of company profits allocated as employee bonuses from 10%-25% to no less than 1%.	The industry that Company E is in faced a labor shortage at the time. Significantly lowering the percentage without explaining the potential impact on employee bonuses may result in employees being poached. Hence, the Bureau voted against the agenda item.

Company	Content of agenda item	Reason for voting against
H	The amendment to the Articles of Incorporation lowers the minimum percentage of company profits allocated as employee bonuses from 5% to 1% and adjusts directors' remuneration from 1% to not higher than 1%.	While lowering the minimum percentage of company profits allocated as employee bonuses does not necessarily mean lower employee bonuses due to company profit growth, it is still a possibility and does not meet general expectations of corporate social responsibility, because it does not consider employee bonuses and benefits. Hence, the Bureau voted against the agenda item.

2. The Bureau voted against agenda items of 8 companies as of the end of June 2023

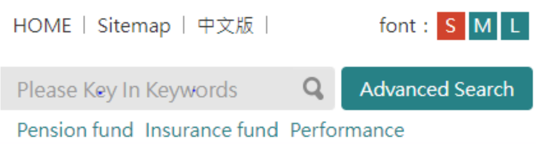
Company	Content of agenda item	Reason for voting against
A	The amendment to the management regulations for lending to others relaxes restrictions on subsidiaries extending the loan period.	Even though the company specifies the deadline for loans to others and the number of times the deadline may be extended, the contents mention that "after the board of directors approves an extension to the loan deadline, there does not need to be actual repayment." The rule may cause the company to face unnecessary financial risk. Hence, the Bureau voted against the agenda item.
B	The amendment to the Articles of Incorporation significantly lowers the minimum percentage of company profits allocated as employee bonuses from 10% to 1%.	The company did not provide a reasonable explanation for lowering the percentage of company profits allocated as employee bonuses, which does not meet general expectations of corporate social responsibility. Hence, the Bureau voted against the agenda item.

Company	Content of agenda item	Reason for voting against
C	The amendment to the Articles of Incorporation significantly lowers the minimum percentage of company earnings allocated as employee bonuses from 16% to 6%.	The company did not provide a reasonable explanation for lowering the percentage of company earnings allocated as employee bonuses, which does not meet general expectations of corporate social responsibility. Hence, the Bureau voted against the agenda item.
D	Revising the procedures for acquiring or disposing of assets increases the company's limit on investments in negotiable securities.	Since investment isn't the company's core business, increasing the limit will result in relatively high financial leverage, and it is hard to assess subsequent management and financial risk. Hence, the Bureau voted against the agenda item.
E	The amendment to the procedures for lending to others and providing endorsement and guarantee increases the limit on the amount of endorsement and guarantee.	Considering that the limit on endorsement and guarantee will be significantly increased from 80% of the company's net worth to 400%, even though the clause includes supervision by the board of directors and by the shareholders' meeting, the limit exceeds the company's net worth by far, and the company does not provide a complete explanation as to why it is necessary to make such as significant increase. Hence, the Bureau voted against the agenda item.

Company	Content of agenda item	Reason for voting against
F	Revise the lending procedures to others and raise the lending amount limit.	The company will increase the limit on lending to others from 50% of the company's net worth to 100% and the limit on lending to parties with business dealings from 10% of the company's net worth to 60%. The Bureau contacted the company to understand the agenda item before voting, and the company indicated that the funds would be loaned to a wholly-owned subsidiary to reduce the subsidiary's loan and interest accrued, so it needs to increase the limit on lending to others. The Bureau considered that a high lending amount may increase financial risk, and the agenda item does not clearly state that the loan will only be provided to wholly-owned subsidiaries. Hence, the Bureau voted against the agenda item.
G	Lift the non-compete clause on new directors and their representatives.	Considering that the company did not provide a detailed explanation of whether the concurrently held position is within the scope of its business and the importance of the action, the Bureau voted against the agenda item.
H	Revise the lending procedures to others and raise the lending amount limit.	The company increased the limit on lending to individuals from NT$10 million to 20% of the company's net worth. Considering that the significant increase in the limit may cause the company to face unnecessary financial risk, the Bureau voted against the agenda item.

VI. Information Disclosure

The Bureau periodically discloses a summary of fund management, utilization, and other material matters. Furthermore, for the public to understand the Bureau's implementation of socially responsible investments and stewardship, the Bureau's website has a "Social Responsibility" section that describes the social responsibility policy, stewardship compliance statement, implementation of socially responsible investment over the years, and sustainability report, in hopes that people concerned about the Bureau will be able to understand the Bureau's concepts and efforts in fulfilling social responsibility, improving the well-being of laborers, and realizing decent work.



Bureau of Labor Funds	Homepage https://www. blf.gov.tw/86195/
Investment Policy Statement	Homepage/Investment Policy Statement https://www.blf.gov.tw/86195/86196/86314/86316/90056/post
Social Responsibility	Homepage/Social Responsibility https://www.blf.gov.tw/86195/86196/86301/normalnodelist

Chapter V. Conclusion

The Bureau is an institutional investor that manages the utilization and investment of labor pension and insurance funds of laborers and citizens. As the Bureau diversifies its portfolio, it also continues to increase socially responsible and sustainable investments, complies with the UN Principles for Responsible Investment, and improves its stewardship. The Bureau is concerned about the ESG measures of investee companies implements conflict of interest management, strengthens external communication, and reviews internal control mechanisms at any time. The Bureau hopes to increase the long-term value of managed funds through professional management and fulfill its responsibility as an institutional investor, providing fund beneficiaries with greater economic security in life.

Please contact the following channels for more information on the Bureau's stewardship.

<table>
<tr><th>Stakeholders</th><th>Contact method</th></tr>
<tr><td>Fund Beneficiaries</td><td>Tel: 02-3343-5900 (operator)
Website: https://www.blf.gov.tw
Public opinion mailbox: https://rfmeodex.blf.gov.tw/PO</td></tr>
<tr><td>Trade Counterparties</td><td rowspan="2">● For more information on the Bureau's sustainable development and stewardship, please call 02-3343-5900 and dedicated personnel will contact the responsible department.
● Or directly contact the anti-corruption department
Anti-corruption reporting tel: 02-3343-5858
Anti-corruption reporting e-mail: ethics@blf.gov.tw</td></tr>
<tr><td>Competent Authorities</td></tr>
<tr><td>Employees</td><td>Anti-corruption reporting tel: 02-3343-5858
Anti-corruption reporting e-mail: ethics@blf.gov.tw</td></tr>
</table>

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
Between the Bureau and all employees	Using the power of their position, opportunities, or methods to directly or indirectly gain improper benefits for themselves or others.	Ministry of Labor Bureau of Labor Funds Rules Governing Conflict of Interest and Confidentiality	Besides imposing strict administrative penalties, they will also bear civil and criminal liability. The same shall apply to supervisors at each level who are verified to have covered up for subordinates who engaged in the following conduct.
	Failing to maintain confidentiality and leaking business secrets learned while performing duties.		
	Publishing talks related to their position in the agency or their name without permission or authorization from the director-general.		
	Directly or indirectly benefiting themselves or related parties due to their action or inaction when performing duties.		
Between the Bureau and employees directly involved in investment	Failing to perform duties with integrity in accordance with the law, or using the power, opportunities, or information obtained through their position for profit.	Bureau of Labor Funds Employee Self-Regulation Agreement	Punish according to the Public Functionaries Discipline Act.
	Trading of domestic listed, OTC, and emerging stocks, equity derivatives, and individual stock subscriptions by employees who directly participate in investments, their spouses,		

	underage children, and individuals making trades on behalf of employees. However, this does not apply to beneficiary certificates of securities investment trust funds, subscriptions to public drawings for listed stocks, and sale of shares already held.		
Between the Bureau and personnel responsible for domestic and foreign investment management	Except for official business etiquette or other specific situations, proposing, offering, requesting, or accepting any form of bribery or agreeing to or accepting gifts from individuals with a conflict of interest.	Code of Conduct for Investment Personnel of the Bureau of Labor Funds.	A penalty will be imposed according to regulations if a violation is verified to be true. Personnel will be referred to the judicial authority if involved in criminal offenses.
	Except for official business etiquette or other specific situations, being entertained by those with a conflict of interest with their position.		
	Improper contact with individuals who have a conflict of interest with their position without obtaining approval from their supervisor due to business needs or other justifiable causes.		
	Except for snacks, simple meals and accommodations, and transportation necessary to perform official duties, accepting wine and dining or other forms of entertainment from related agencies (institutions) during		

	visits, audits, or when attending meetings.		
	Failing to carefully manage confidential information learned due to their position, providing or leaking information not disclosed by the Bureau or not necessary to perform duties to others, or using the information for non-work-related purposes.		
	When engaging in individual investment or wealth management, failing to strictly comply with the principle of avoiding conflict of interest with their position and violating their confidential obligations.		
	Failing to comply with related principles and regulations when performing investment analysis.		
Between the Bureau and mandated institutions	Mandated institutions fail to ensure that their performance assistants exercise the duty of care and loyalty as good administrators based on their professional knowledge and experience in the industry or according to the responsibilities specified in the business plan proposal within the scope of investment defined in the investment contract.	Domestic discretionary investment contract	If a performance assistant is found in violation of the investment contract, it will be deemed to be intentional or negligent by the mandated institution, and the mandated institution shall

			compensate the Bureau for related losses.
	Mandated institutions failing to comply with the principle of avoiding conflict of interest, or not charging their representative, directors, supervisors, managers, employees, and performance assistants with the responsibility of loyally performing duties for the Bureau's interests, or seeking benefits for the mandated institution, themselves, or others.		The action will be deemed intentional or negligent by the mandated institution, and the Bureau may directly confiscate the performance bond as punitive damages.
	The personnel listed above using their position to unlawfully infringe on the mandated assets, regardless of whether they directly or actually manage the investment account with the mandated assets.		Mandated institutions shall be jointly liable for compensation relating to all accounts and personnel for managing investments using the mandated assets. The Bureau may directly confiscate the performance bond as

			punitive damages.
	Mandated institutions or their directors, supervisors, managers, salespersons, employees, and performance assistants violating the investment contract or related laws and regulations when handling discretionary investments for the Bureau, or using information obtained due to their position to trade negotiable securities for themselves or individuals other than the managed funds and discretionary investment management accounts.		Mandated institutions shall be jointly liable for compensating damages to the mandated assets, and the Bureau may directly confiscate the performance bond as punitive damages.
	From the time the Bureau allocates funds according to the investment contract for the first time to the time that mandated assets no longer hold stocks and equity derivatives of a target company, the department head and investment managers at the discretionary investment department of mandated institutions, their spouse, underage children, and individuals making trades on behalf of them trade stocks or equity derivatives of the target company.		
	Mandated institutions failing to maintain confidentiality or		Mandated institutions and

	leaking information on mandated assets and investments to others, unless otherwise stipulated by the law or investment contract, or the disclosure or use by the mandated institution is approved by the Bureau in writing with the scope, method, and time approved for use specified. Mandated institutions failing to require their representative, directors, supervisors, managers, personnel participating in decision-making for the utilization of mandated assets, and other individuals who are aware of the abovementioned information to agree to abide by these regulations in writing or other methods, and failing to properly supervise the abovementioned personnel's compliance with this confidentiality clause.		the following personnel (representative, directors, etc.) shall be jointly liable for compensating damages, and the Bureau may directly confiscate the performance bond as punitive damages.
	Mandated institutions owe a debt to the Bureau due to failing to perform obligations specified in the investment contract, or failing to compensate the Bureau according to the investment agreement or other discretionary investment account agreements with the Bureau.		The Bureau may directly deduct the debt from the performance bond.
	During the discretionary investment period, the Bureau		The Bureau may cancel or

	discovers that a mandated institution obtained qualifications by falsifying application documents or engaging in illegal conduct that was deemed to have affected the fairness of selection.		terminate the investment contract, recover all mandated assets, and directly confiscate the performance bond as punitive damages.
	Mandated institutions and securities or futures brokerages exchange orders, return orders, give gifts, or engage in other conduct for improper gains.		The Bureau may cancel or terminate the contract and recover all mandated assets.
	Mandated institutions or their performance assistants violating the law or investment contract, or failing to exercise the duty of care and duty of loyalty of a good administrator, and failing to make improvements within the time limit notified by the Bureau, or the conduct was clearly intentional or grossly negligent. It caused the mandated assets to sustain damages.		The Bureau may notify the mandated institution to immediately make improvements or take necessary measures, recover and no longer allocate mandated assets, terminate the

			investment contract or take other necessary measures, and directly confiscate the performance bond as punitive damages.
	Criminal offenses relating to investments using information obtained from their position that the representative, directors, supervisors, managers, employees, and performance assistants of mandated institutions were found guilty of.		The Bureau may seek punitive damages of up to double the performance bond from the mandated institution.
	Transactions by mandated institutions using mandated assets violate the investment contract.		The mandated institution shall execute a reverse transaction and settle the profit or loss. Any surplus after settlement of profits and losses shall belong to the Bureau. If there is any shortfall, it shall be

			deemed to be in the scope of damages that mandated institutions are liable for compensating. The mandated institution shall compensate the Bureau, unless the mandated institution proves that the shortfall was caused by a breach of contract not attributable to the mandated institution.