# 2023

# Stewardship Report

勞動基金運用局
BUREAU of LABOR FUNDS

Publication date: 2024.9.30

## Table of Contents


Chapter I. Implementing Sustainable Investment ---- 1

I. Targets ---------------------------------------------- 1

II. Resources input in stewardship -------------- 3

Chapter II. Statement of Compliance with Stewardship Principles------------------------ 8

Chapter III. Sustainability Policy --------------------------- 9

Chapter IV. Measures for Fulfilling Stewardship Responsibilities --------------------------------- 12

I. Stewardship Policy ------------------------------ 12

II. Conflicts of interest management ------------ 14

(I) Conflicts of interest management regulations --------------------------------- 15

(II) Conflicts of interest management method ------------------------------------ 16

(III) Strengthening mandated institutions' fulfillment of the duty of loyalty ------- 15

(IV) Description of conflict of interest patterns ------------------------------------ 16

III. Diverse ESG investments-------------------- 16

(I) Incorporating ESG assessments into the investment process and considering relevant evaluations for in-house investments --------------------- 17

(II) Expanding the adoption of ESG indices for mandates management ---- 20

IV. Dialogue and interaction with investee companies ---------------------------------------- 25
(I) Urging mandated institutions to jointly exert influence as shareholders 26
(II) Gradually Deepen Engagement Action ---------------------------------------------- 26
(III) Engagement records in the past 2 years (2023, and 2024 to date)---------- 27
V. Voting Policy and Voting Situation ---------- 39
(I) Voting Policy ------------------------------- 39
(II) Voting Situation --------------------------- 40
(III) Contents of agenda items that the Bureau voted against in the past 2 years (2023 and 2024 up to the end of June) and reason -------------------------- 44
VI. Information Disclosure------------------------- 49
Chapter V. Conclusion ------------------------------------------ 51
Appendix --------------------------------------------------------- 52

# Chapter I. Implementing Sustainable Investment

## I. Targets

The Bureau of Labor Funds (hereafter referred to as the "Bureau") is responsible for the investments of labor funds. Furthermore, the Bureau is entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture with the investments of the National Pension Insurance Fund and the Farmers' Pension Fund. As of the end of 2023, the scale of assets was nearly NT$6.6 trillion, with stable annual growth exceeding NT$100 billion.

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 benefit of fund beneficiaries and pursues long-term steady performance. While seeking returns, the investment process incorporates considerations for social welfare, labor rights, human rights, and environmental concerns to encourage companies to practice sustainability. Besides implementing these principles in the operational guidelines of each fund, the Bureau is constantly expanding its ESG investment strategy and 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 enhance its engagement action and broaden 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, to guide 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, 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 updated and strengthened the contents of the compliance statement accordingly. 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 2023)

| | |
|---|---|
| Labor Pension Fund (the New Fund) | 39,544 |
| Labor Retirement Fund (the Old Fund) | 9,895 |
| Labor Insurance Fund | 8,729 |
| Employment Insurance Fund | 1,643 |
| Labor Occupational Accident Insurance Fund | 369 |
| Arrear Wage Payment Fund | 169 |
| National Pension Insurance Fund | 5,203 |
| Farmers' Pension Fund | 140 |
| **Total** | **65,692** |

## 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 "Sustainable Committee of the Bureau of Labor Funds, Ministry of Labor" and the "Sustainable Investment Working Group of the Bureau of Labor Funds" in 2023 and 2022, respectively.

The "Sustainable Committee of the Bureau of Labor Funds, Ministry of Labor" is convened by the director general of the Bureau, with the deputy director general, chief secretary, and heads of each unit serving as committee members. The committee aims to promote sustainable governance strategies, practices sustainable investment principles, as well as tracks and reviews actions related to sustainable development.

The "Sustainable Investment Working Group of the Bureau of Labor Funds" consists of 12 to 15 members, with the director general of the Bureau serving as the convener. The working group holds regular meetings to deepen research on climate change, sustainable finance, and other related topics, focusing on the risks and opportunities of sustainable investment and supporting the Bureau's sustainable investment planning. Reports on the research and implementation results of the Sustainable Investment Working Group are submitted to the Sustainable Committee as necessary. The Bureau's resource allocation and responsible departments are listed in the table below.

| ESG measures | Responsible department |
| --- | --- |
| Research on relevant issues such as climate change and sustainable finance | Sustainable Investment Working Group (cross-departmental organization) |
| Sustainable investment strategy | Domestic Investment Division<br>Foreign Investment Division |
| Investment decision evaluation | Domestic Investment Division<br>Foreign Investment Division |
| Interaction and engagement with investee companies | Domestic Investment Division |
| Shareholders' meeting vote analysis and execution | Domestic Investment Division |
| ESG-related mandate strategies, indicators, and supervision | Domestic Investment Division<br>Foreign Investment Division |
| Sustainability report | Planning and Audit Division |

The Sustainable Investment Working Group of the Bureau of Labor Funds convened a total of 9 meetings in 2023. 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 12 topics:

| Date | Meeting topics |
|---|---|
| January 17 | Trends and policy measures for institutional investors supporting sustainable development |
| January 18 | Cathay Financial Holdings Co., Ltd.'s TCFD response measures |
| | Introduction to Cathay Life Insurance's climate change quantitative analysis |
| February 16 | Climate and sustainable investment |
| April 21 | Progress in the domestic energy transition toward 2050 net zero |
| May 10 | Climate change and the net-zero transition |
| July 19 | GHG inventory and information disclosure of domestic listed companies |
| | Climate database analysis |
| September 14 | European sustainable investment practices seen through case studies of ROBECO, PGGM, and BLUE SKY GROUP |
| November 13 | Biodiversity and engagement |
| | ISSB's consolidation of sustainability disclosure standards as a path to consistency |
| December 12 | Sustainable investment practices of the major international pension fund GPIF |

Furthermore, to raise employees' ESG awareness and incorporate ESG topics into investment assessments, the Bureau combined internal and external resources and invited experts to jointly discuss related topics. A total of 18 training sessions on related topics were held in 2023:

| Date | Meeting topics |
|---|---|
| March 9 | Introduction to ESG support reports (FactSet) |
| June 3 | Analysis of ESG and sustainable investment in European pension funds |
| August 23 | BlackRock's sharing of its engagement experience with high-carbon emissions/high-pollution industries |
| September 13 | ESG asset investors' transition to net zero |
| October 4 | Climate change and TCFD |
| October 4 | Wellington's sharing of its engagement experience |
| October 6 | Sharing of ESG investment practices |
| October 11 | ESG investment insights |
| October 27 | Climate risk scenario analysis and climate issues |
| November 8 | Introduction to the FactSet climate database |
| November 10 | Introduction to the MSCI climate database |
| November 14 | Introduction to the ISS climate database |
| November 16 | BlackRock's research on sustainable investment in the Asia-Pacific region |
| November 22 | Sharing of stewardship practices |
| November 22 | Introduction to the Trucost climate database |
| November 29 | Introduction to the Sustainalytics climate database |
| December 7 | Introduction to the Task-force on Climate-related Financial Disclosures (TCFD) |
| December 11 | Carbon emission analysis of equity positions in overseas investments entrusted by the Labor Pension Fund |

To jointly expand and exert the influence of institutional investors, the Bureau continues to strengthen its support for initiatives and expand communication with international advocacy organizations. For example, the Asia Corporate Governance Association (ACGA) visited the Bureau in July 2023, and the Bureau participated in the annual meeting organized by the ACGA in November of the same year. In November 2023, the Bureau pledged its support for the Task Force on Climate-related Financial

Disclosures (TCFD), demonstrating its commitment to addressing climate risks. The 2022–2023 Sustainability Report, released this year, referenced the TCFD's recommended framework for the first time, disclosing key management strategies and implementation actions across four core aspects.

# Statement of Compliance with Stewardship Principles

## 「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。於電子投票或選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, facilitating 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 (Home/Social Responsibility; website: https://www.blf.gov.tw/86195/86196/86301/normalnodelist).

# 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' benefits through fund investments and utilization, as set forth in the Utilization Directions for the Labor Funds: "Without sacrificing the income of the Funds and to practice sustainable investment, the sustainable development of investment targets shall be taken into consideration." To achieve this goal, 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, information disclosure, and ethics policy. Please see the Investment Policy Statement for details: https://www.blf.gov.tw/86195/86196/86314/86316/90056/post

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 issue involving labor rights, environmental protection, and corporate governance occurs and attracts social attention, the Bureau urges the company to pay attention to it through shareholder activism, by dialogue, letters, participation in shareholder 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 shareholder 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) To 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 shareholder meeting demanding the company to propose improvement measures or a solution.

(III) Review the Bureau's holding position.

## II. Conflicts of interest management

### (I) Conflicts 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 conflicts 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 conflicts of interest.

The Bureau also established the "Bureau of Labor Funds, Ministry of Labor 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 conflicts of interest (Homepage/ Citizen Services/ Civil Service Ethics/ Avoiding Conflicts 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) Conflicts 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 conflicts 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 recent years and required mandated institutions to ensure fund managers fulfill their contractual obligations. If fund managers are found violating the laws or contracts, 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 conflicts 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 patterns of conflicts of interest are listed as the attached.

## 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, etc., to understand investee companies' sustainable development strategies and related risks.

### (I) Incorporating ESG assessments into the investment process and considering relevant evaluations for in-house investments

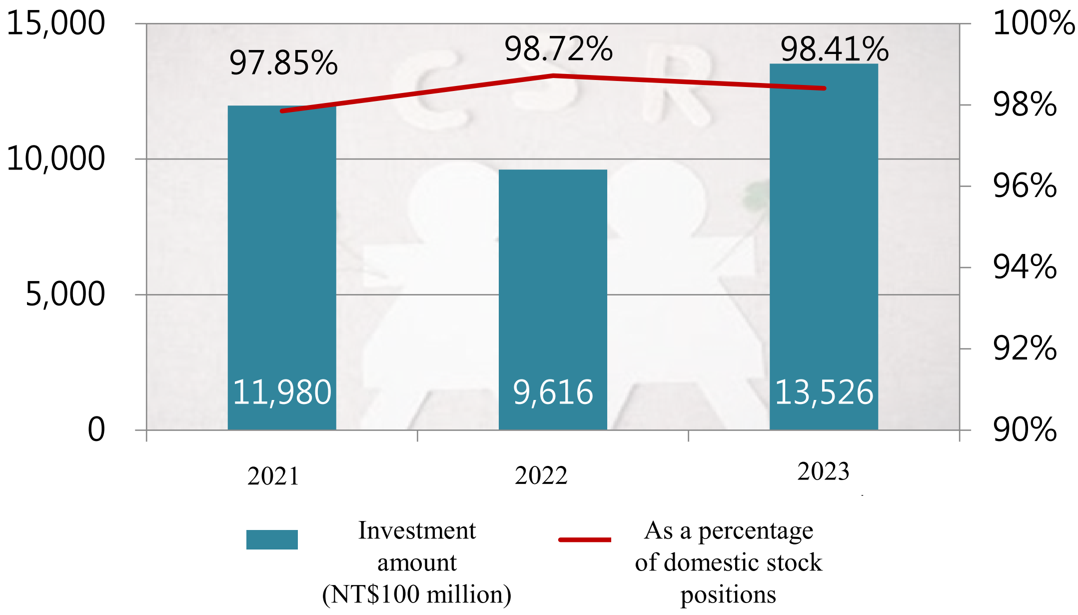
To practice sustainable investment, when adding new in-house stock investment targets, the Bureau, in addition to the prerequisites of long-term stable profits, good dividend, high liquidity, and positive industry outlook, also examines their ESG-related actions, preparation of sustainability reports, salary adjustment policies, and carbon emission policies. The Bureau further considers multiple ESG evaluations conducted by independent institutions with professionalism and credibility. Recently, we included climate risk into overall risk considerations. In alignment with the FSC's "Sustainable Development Guidemap for TWSE- and TPEx-Listed Companies," the Bureau is planning the schedule for GHG inventories and assurances for all listed companies. This approach enables continued monitoring of the carbon emissions of investee companies and the investment portfolio, using this information as a reference for investment strategy adjustments or engagement with investee companies.

Currently, the following ESG-related evaluations or indicators are referenced when adding new in-house investment targets domestically, and the performance of the invested stocks in these evaluations is continuously reviewed after investment.

| Main considerations | ESG evaluation items/indices | Evaluation/index compilation/implementation institution |
|---|---|---|
| E, S, G | National Sustainable Development Award from the National Councils 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 |

As of the end of 2023, the managed funds invested NT$1.3526 trillion in 330 high-quality companies that meet our evaluations criteria, accounting for 98% of the domestic stock position.

**The Bureau's investment in enterprises with excellent CSR ratings**




In investments in domestic debt securities, the Bureau takes into account corporate social responsibility while ensuring fund profitability. It considers the bond issuer's performance of social responsibilities, checks whether the bond issuer or its parent company discloses sustainability reports, and evaluates whether they have won awards for fulfilling social responsibilities. The Bureau also reviews their rankings in the Corporate Governance Evaluation, which should demonstrate their commitment to environmental protection, workplace safety, community involvement, and care for the disadvantaged. Additionally, it considers whether the bond issuer is an excellent enterprise included as a constituent stock in indices such as the "FTSE4Good TIP Taiwan ESG Index", the “TWSE Corporate Governance 100 Index", the "TWSE RAFI® Taiwan High Compensation 100 Index", and the "TWSE RA Taiwan Employment Creation 99 Index".

In addition to establishing the above-mentioned ESG-related investment evaluation mechanisms for bond issuers, the Bureau actively invests in sustainability bonds with ESG themes to enhance its influence on sustainable finance. As of the end of 2023, the number of domestic sustainability bond investments increased from 11 at the end of 2022 to 16, with the investment amount rising by NT$2.23 billion to a total of NT$13.33 billion.

### (II) Expanding the adoption of ESG indices for mandates

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

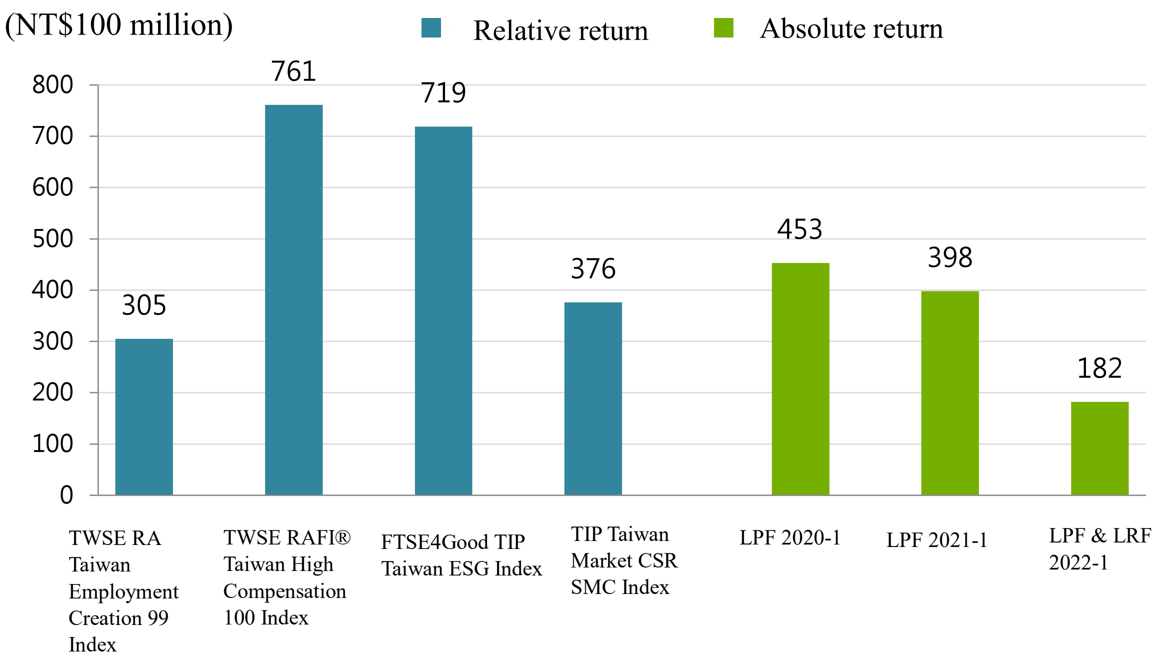
#### 1. Domestic discretionary mandates

In 2011 and 2014, the "TWSE RA Taiwan Employment Creation 99 Index" and the "TWSE RAFI® Taiwan High Compensation 100 Index" were adopted as domestic benchmarks for relative return mandates to encourage enterprises to hire more local workers and raise the salary level of employees. ESG 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 Financial Supervisory Commission (FSC) and Taiwan Index Plus Corporation to suggest 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 setting up domestic relative return mandates. 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 relative return 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, to strengthen ESG investment, the Bureau has, for the first time, required that the investment targets under the absolute return mandates set up in March 2020 included only listed companies with sustainability reports. This requirement was subsequently expanded to include all domestic mandate accounts. Since October 2022, renewed accounts have been required to invest in listed companies that prepare sustainability reports, while for non-renewed existing accounts, this requirement has been gradually applied since 2023. By May 2024, all investment targets of domestic mandate accounts had disclosed sustainability reports.

As of the end of 2023, funds managed by the Bureau have handled 7 ESG-related domestic mandates with a total scale of approximately NT$319.4 billion (as shown in the figure below).

**Scale of domestic ESG mandates as of the end of 2023**



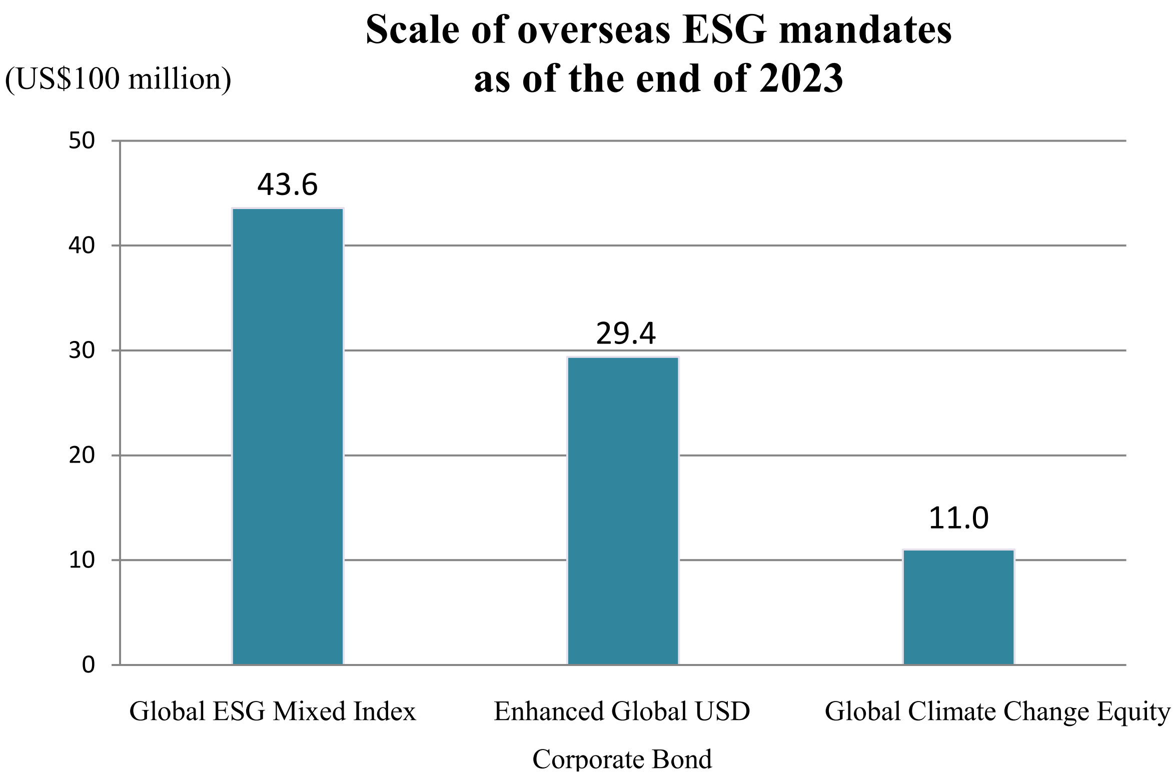

There are four relative return mandates with a total scale of approximately NT$216.1 billion, tracking the "TWSE RA Taiwan Employment Creation 99 Index," the "TWSE RAFI® Taiwan High Compensation 100 Index," the "FTSE4Good TIP Taiwan ESG Index," and the "TIP Taiwan Market CSR Small/Mid-Cap Index." The remaining three are absolute return mandates with a total scale of approximately NT$103.3 billion, mainly invested in listed companies that disclose sustainability reports.

### 2. Overseas discretionary mandates

The Bureau's overseas sustainability investments include the "2017 Global ESG Mixed Index Passive Equity," the "2020 Enhanced Global USD Corporate Bond," and the "2022 Global Climate Change Equity," which had a total scale of approximately US$8.4 billion as of the end of 2023 (as shown in the figure below). 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 amounted to US$2.3 billion and US$1.1 billion 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 investments 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.


Scale of overseas ESG mandates
as of the end of 2023
(US$100 million)
50
40
30
20
10
0
43.6
29.4
11.0
Global ESG Mixed Index
Enhanced Global USD
Corporate Bond
Global Climate Change Equity

## 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 shareholder meetings. The Bureau participated in the investor conferences, forums, or visits of 342 companies in 2023. 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 or issue formal letters, and make timely adjustments to its investment decision. The Bureau will also require mandated institutions to express concerns as needed, jointly exerting 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.

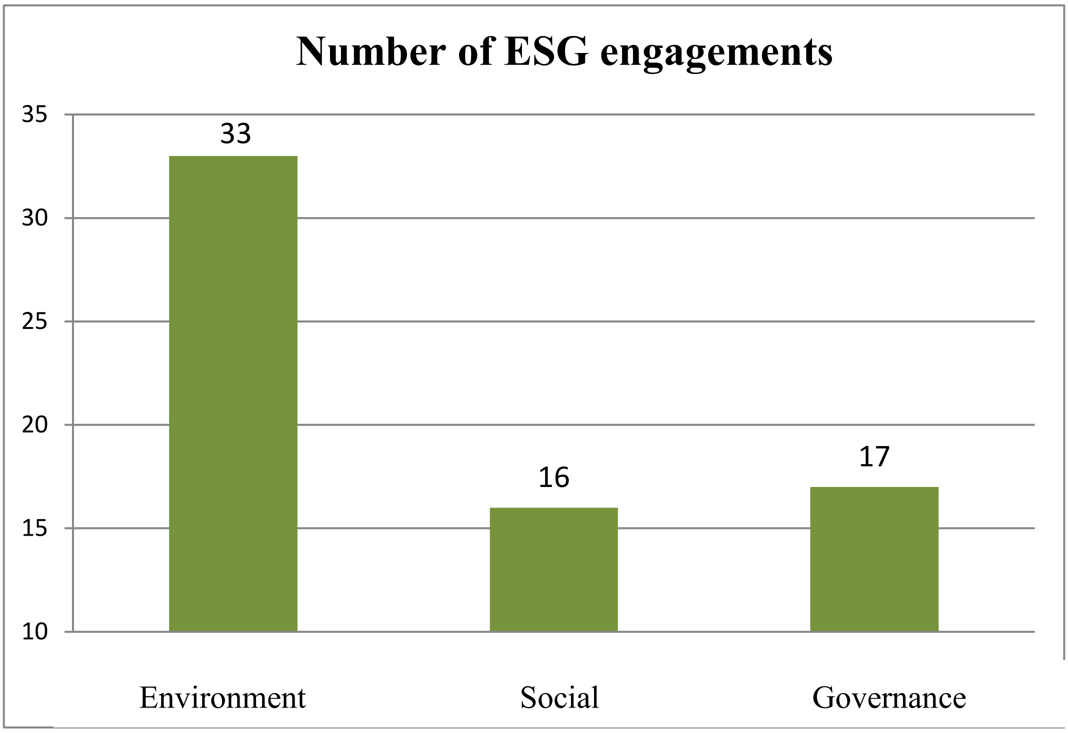
### (I) Urging mandated institutions to jointly exert influence as shareholders

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 depict 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 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 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) Engagement records in the past 2 years (2023, and 2024 to date)



| Background event | |
|---|---|
| ➢ **Social (S)**<br>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. | |
| **Engagement and exchanges** | Starting in 2011, the Bureau has continued 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 2023. |
| **Fulfillment of predetermined goals through interaction/engagement** | From 2011 to the end of 2023, the Bureau has sent letters to a cumulative total of 45 investee companies, with continuous monitoring of their hiring practices. The total number of persons with disabilities hired increased by 1,240, meeting the Bureau's intended goal. |
| **Anticipated follow-up actions or action planning** | The Bureau will continue to track investee companies that do not meet the quota each month and periodically send letters to companies that fail to make improvements. |
| **Impact on future investment decisions** | Most companies have improved their compliance with the legal employment requirements for persons with disabilities. Therefore, the Bureau will maintain its current investment positions in these companies, with no immediate changes to investment decisions. |

<table>
<tr><th colspan="2">Background event</th></tr>
<tr><td colspan="2">➢ Environment (E)<br>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>Engagement and exchanges</td><td>In 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. Tracking continued, and in 2023, further letters were sent to 13 companies that still had not set net-zero emission targets.</td></tr>
<tr><td>Fulfillment of predetermined goals through interaction/engagement</td><td>As of the end of 2023, 22 of the aforementioned 31 companies had set net-zero emission goals in 2023, partially meeting the Bureau's intended goal. Additionally, as of the end of August 2024, 3 of the aforementioned 13 companies had set net-zero emission goals in 2024.</td></tr>
<tr><td>Anticipated follow-up actions or action planning</td><td>The Bureau will continue to track net zero emission goals set by investee companies and urge 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>
<tr><td>Impact on future investment decisions</td><td>Most companies have accelerated the establishment of net-zero emission goals. Therefore, the Bureau will maintain its current investment positions in these companies, with no immediate changes to investment decisions.</td></tr>
</table>

<table>
<tr><th colspan="2">Background event</th></tr>
<tr><td colspan="2">➢ Governance (G)<br>In the ranking of the 2022 Corporate Governance Evaluation announced in 2023, Company A's rank declined compared to 2021. In the 2023 ranking announced in 2024, it continued to lag behind, showing no improvement.</td></tr>
<tr><td>Engagement and exchanges</td><td>When the Bureau visited Company A in 2023, the Bureau recommended that the company improve its corporate governance and fulfill its responsibilities as a business operator. Continuous monitoring revealed that the company continued to lag being in the ranking the following year. As a result, the Bureau once again reminded the company to focus on improvements.</td></tr>
<tr><td>Fulfillment of predetermined goals through interaction/engagement</td><td>Company A responded that its board of directors also places great importance on this matter. In 2024, the board appointed a director to oversee the issue, while the president instructed a dedicated unit to coordinate efforts. The company plans to address the unscored items from the 2023 evaluation by categorizing them into those that can be quickly improved and those that require assessment of practical and policy-related timeline issues. A clear timetable for completion has been established to implement improvements, with the expectation of better results in the next Corporate Governance Evaluation. Through continuous communication between the Bureau and Company A, the company acknowledged the existing engagement issues and has actively developed response strategies, raising the level of oversight and strengthening the implementation of improvement measures across various units. Given that Company A has enhanced its improvement measures and increased its focus on corporate governance, this aligns with the Bureau's current goals.</td></tr>
<tr><td>Anticipated follow-up actions or action planning</td><td>In the ranking of the 2023 Corporate Governance Evaluation announced in 2024, Company A's ranking did not improve as expected compared to the previous year. However, the company has strengthened its level of oversight and improvement measures. Therefore, the Bureau will continue to monitor its 2024 Corporate Governance Evaluation ranking, to be announced in 2025.</td></tr>
<tr><td>Impact on future investment decisions</td><td>Company A has increased its focus on corporate governance. Therefore, the Bureau will continue to monitor its 2024 Corporate Governance Evaluation ranking, to be announced in 2025, and will maintain its holdings in Company A, with no immediate adjustments to investment decisions.</td></tr>
</table>

| Background event | |
|---|---|
| ➢ **Governance (G)**<br>During the director's election of Company B in its 2023 shareholder 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. | |
| **Engagement and exchanges** | 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 shareholder meeting to show its concern based on responsible investment and shareholders' activism. |
| **Fulfillment of predetermined goals through interaction/engagement** | Company B responded during the shareholder meeting by thanking shareholders for their opinions and indicating that it would look into the issue and comply with government regulations. Company B has responded positively to the Bureau's concerns regarding the issue of independent directors serving more than three consecutive terms, promising to include this matter for consideration in the next board election. Given that Company B has incorporated the issue of independent directors into its corporate governance considerations, this aligns with the Bureau's current goals. |
| **Anticipated follow-up actions or action planning** | The Bureau will continue to track consecutive terms of independent directors at Company B and take necessary measures when appropriate. |
| **Impact on future investment decisions** | Company B has responded positively to this matter. Therefore, the Bureau will continue to monitor the reappointment of its independent directors and will maintain its holdings in Company B, with no immediate adjustments to investment decisions. |

<table>
<tr><th colspan="2">Background event</th></tr>
<tr><td colspan="2">➢ Environment (E)<br>Company C continues to face public scrutiny due to a past pollution incident involving its subsidiary.</td></tr>
<tr><td>Engagement and exchanges</td><td>1. The Bureau contacted Company C and requested that it explain developments in the incident and its subsequent handling. In 2023, the Bureau issued a letter to the company, asking it to promptly respond to public concern to protect the interests of related stakeholders and increase sustainable development value.<br>2. The Bureau closely monitored the subsequent developments of the incident during investor conferences and shareholder meetings. In response to inquiries at shareholders' and other relevant meetings, Company C stated that it had addressed the past pollution incident involving its subsidiary in accordance with local government regulations.<br>3. As Company C continues to face public scrutiny over the matter, the Bureau sent another letter in 2024, urging Company C to increase its focus on the issue and appropriately communicate with stakeholders.<br>4. To practice shareholder activism, the Bureau also spoke at the 2024 shareholder meeting of Company C, recommending that the company engage in further communication with stakeholders.</td></tr>
<tr><td>Fulfillment of predetermined goals through interaction/engagement</td><td>Company C has publicly clarified, in response to media reports about the past pollution incident involving its subsidiary, that the matter was handled prudently in accordance with local government regulations. Additionally, the company has committed to actively improving stakeholder communication, as recommended by the Bureau at the shareholder meeting. Considering that Company C has provided an explanation of its actions, this aligns with the Bureau's current goals.</td></tr>
<tr><td>Anticipated follow-up actions or action planning</td><td>The Bureau will continue to monitor Company C's communication and responses with stakeholders, urging the company to respond appropriately and in a timely manner.</td></tr>
<tr><td>Impact on future investment decisions</td><td>After contacting Company C, the company stated that it would compile and individually respond to shareholder concerns raised at the shareholder meeting. Considering that Company C is strengthening its stakeholder communication efforts, the Bureau will maintain its holdings in the company, with no immediate adjustments to investment decisions.</td></tr>
</table>

| Background event | |
|---|---|
| ➢ **Governance (G), Environment (E)**<br>To strengthen socially responsible investing, the Bureau has required that the investment targets under the absolute return mandates initiated in 2020 be listed companies that publish sustainability reports. This requirement has since been expanded to include all domestic mandate accounts. | |
| **Engagement and exchanges** | In 2023, among the stocks that funds managed by the Bureau invested in, 14 companies have not uploaded their sustainability reports. 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 which it holds larger shareholdings to understand their progress. |
| **Fulfillment of predetermined goals through interaction/engagement** | Through continuous encouragement and promotion by the Bureau, 11 of the 14 companies had compiled and uploaded their sustainability reports by the end of August 2023, partially meeting the Bureau's goals. |
| **Anticipated follow-up actions or action planning** | The Bureau will continue to monitor the preparation of sustainability reports by listed companies and urge those representing potential investment opportunities, but lacking reports, to complete them promptly to align with sustainability trends. |
| **Impact on future investment decisions** | Currently, all domestic companies whose stocks are held by the Bureau's managed funds are required to disclose sustainability reports. Therefore, the Bureau no longer holds positions in companies that have not disclosed such reports. |

| Background event | |
|---|---|
| ➢ **Environment (E)**<br>Since 2023, the Bureau has gradually conducted in-depth investigations into the comprehensiveness of short-, medium-, and long-term climate commitments, carbon reduction pathways, and specific outcomes of investee companies. Priority has been given to companies in which the Bureau holds higher shareholdings and that belong to high-carbon industries. Since 2023 to date, the Bureau has engaged with three companies (D, E, and F). | |
| **Engagement and exchanges** | We exchanged opinions face-to-face with Company D 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.<br><br>● Level of engagement: Company D's chief sustainability officer and senior executives of the institutional investor |
| **Fulfillment of predetermined goals through interaction/engagement** | Company D 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. After continuous interaction and communication between the Bureau and Company D, the company not only acknowledged the existence of engagement issues but also formulated response strategies and took proactive measures. Previously, the company had previously set an SBTi goal to limit temperature rise to below 2°C in 2020, and in July 2024, it signed an updated target to limit temperature rise to below 1.5°C. The company additionally stated that this updated target is expected to pass verification by the end of 2024. Considering Company D's continuous improvement in its low-carbon transition strategies, it aligns with the Bureau's current goals. |
| **Anticipated follow-up actions or action planning** | The Bureau will continue to monitor the implementation of Company D's net-zero strategy and timely encourage the company to refer to international industry peers' low-carbon transition practices. |
| **Impact on future investment decisions** | Company D has a comprehensive plan for low-carbon operations and continues to allocate resources accordingly. Therefore, the Bureau will maintain its position in the company and has not adjusted its investment decisions. |

| Background event | |
|---|---|
| **➢ Environment (E)**<br>Since 2023, the Bureau has gradually conducted in-depth investigations into the comprehensiveness of short-, medium-, and long-term climate commitments, carbon reduction pathways, and specific outcomes of investee companies. Priority has been given to companies in which the Bureau holds higher shareholdings and that belong to high-carbon industries. Since 2023 to date, the Bureau has engaged with three companies (D, E, and F). | |
| **Engagement and exchanges** | In 2024, an online meeting was held with Company E to gain an in-depth understanding of its SBTi target-setting plans, carbon reduction potential of various low-carbon production technologies, R&D progress, and disclosure of capital expenditures for low-carbon transition. The Bureau also provided Company E with carbon intensity data per each unit of product from industry peers and requsted an explanation for any differences.<br><br>● Level of engagement: Company E's chief financial officer and investment executives of the institutional investor |
| **Fulfillment of predetermined goals through interaction/engagement** | Company E stated that carbon reduction targets under SBTi have shifted from the previous "below 2°C" scenario to the more stringent "below 1.5°C" scenario. The required annual carbon reduction standards for its industry are currently unattainable for most international peers. However, Company E also mentioned that it will continue internal R&D and monitor international developments in carbon reduction technologies, striving toward the target of the "below 1.5°C" scenario. The company also explained that the reason for its significantly higher carbon intensity compared to many of its peers is primarily due to differences in calculation methods. Through interactions with Company E, the Bureau gained insights into the challenges faced by the company's industry in the carbon reduction process and its adaptive strategies under different stages of technological development. The company also plans to continue its research efforts. Considering Company E's ongoing investment in low-carbon technology research, this aligns with the Bureau's current goals. |
| **Anticipated follow-up actions or action planning** | The Bureau will maintain communication with Company E, sharing the focus areas of international organizations when appropriate and tracking the company's progress in SBTi target-setting and planned capital expenditures for low-carbon |

| | |
|---|---|
| | transition. |
| **Impact on future investment decisions** | Company E has a clear net-zero pathway, having disclosed capital expenditures for its four major mid-term carbon reduction pathways from 2025 to 2030. Therefore, the Bureau will maintain its position in the company, with no immediate adjustments to investment decisions. |

| Background event | |
|---|---|
| ➢ **Environment (E)**<br>Since 2023, the Bureau has gradually conducted in-depth investigations into the comprehensiveness of short-, medium-, and long-term climate commitments, carbon reduction pathways, and specific outcomes of investee companies. Priority has been given to companies in which the Bureau holds higher shareholdings and that belong to high-carbon industries. Since 2023 to date, the Bureau has engaged with three companies (D, E, and F). | |
| **Engagement and exchanges** | In 2024, an online meeting was held with Company F to gain an in-depth understanding of its SBTi long-term target-setting plans, low-energy hydrogen production, and carbon capture technology development. The Bureau reminded the company that its current carbon reduction strategy leaves a significant gap from the 2050 net-zero target and requested an explanation of how it plans to bridge this gap.<br><br>● Level of engagement: Company F's senior managers and investment executives of the institutional investor |
| **Fulfillment of predetermined goals through interaction/engagement** | Company F stated that the carbon reduction technologies needed beyond 2030 remain uncertain, requiring significant R&D investment for long-term reductions. Once clearer R&D outcomes are achieved, the company will pursue SBTi certification for its long-term carbon reduction targets. Currently, the company plans to use low-energy hydrogen and carbon capture technology to bridge the gap between its current carbon reduction strategy and the 2050 net-zero target, with continued investment in related technology development. Through interactions with Company F, the Bureau learned that the company began developing low-energy hydrogen production technology several years ago. In addition to achieving short-term carbon reduction targets through energy transition, the company will continue allocating resources to low-carbon technology development to close the gap between current results and the 2050 net-zero target, while also seeking SBTi certification for its long-term carbon reduction goals. Considering Company F's ongoing low-carbon technology R&D, this aligns with the Bureau's current goals. |
| **Anticipated follow-up actions or action planning** | The Bureau will maintain communication with Company F, sharing the focus areas of international organizations when appropriate and tracking the company's progress in SBTi long-term target-setting and various carbon reduction technology developments. |

| | |
|---|---|
| **Impact on future investment decisions** | Company F has a clear net-zero pathway, having disclosed short-, medium-, and long-term carbon neutrality strategies and continues to invest resources in carbon reduction technology R&D. Therefore, the Bureau will maintain its position in the company, with no immediate adjustments to investment decisions. |

# 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 shareholder 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 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 shareholder meetings. 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 proposals 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

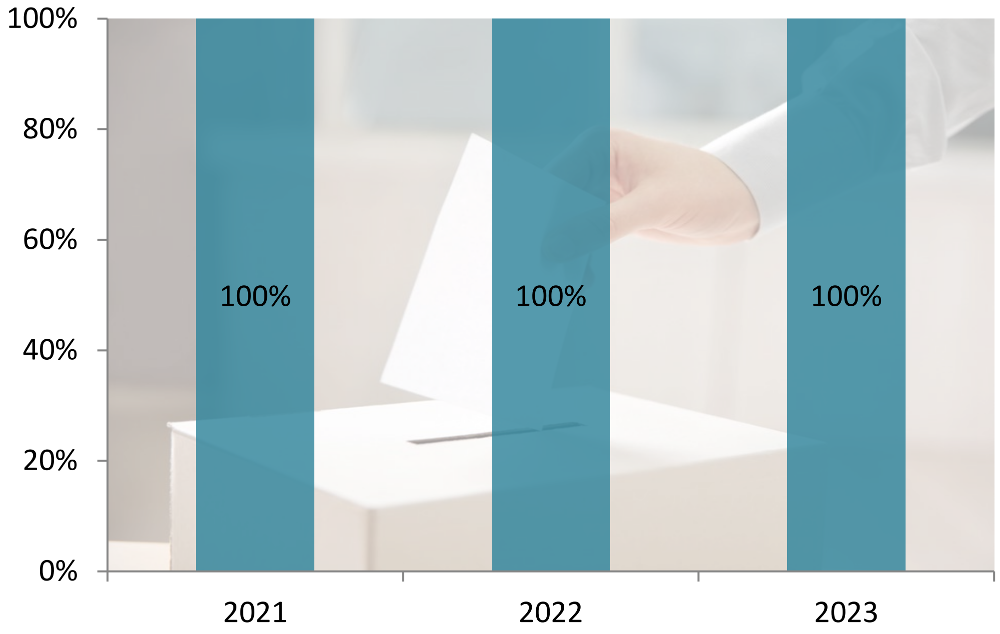
Since 2018, the Bureau voted electronically on 100% of agenda items during shareholder meetings.

The Bureau voted on 4,832 agenda items of shareholder meetings of 359 companies in 2023. A total of 2,437 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), 2,266 were personnel organization-related agenda items (including amendments to the Articles of

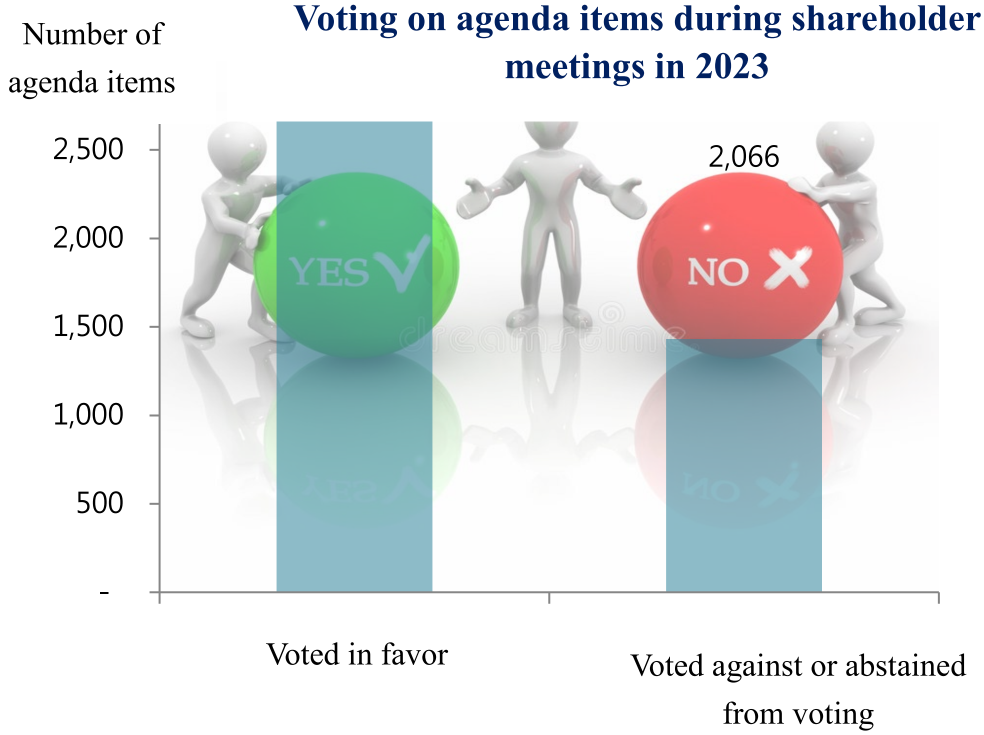
Incorporation or operating procedures, directors and supervisors elections, and lifting the non-compete clause for directors), 92 were shareholders' interests-related agenda items (including the issuance of restricted stock awards, issuance of employee stock warrants below market price, transfer of treasury shares to employees lower than average buyback price, and company share transfer or split), and 37 other agenda items. In the 4,832 agenda items above, the Bureau voted against or abstained from voting on 2,066 agenda items. In addition to exercising voting rights through electronic voting, representatives were also appointed to attend in-person shareholder meetings of 22 companies, with one representative speaking at a shareholder meeting, as detailed in the engagement record (Company B).

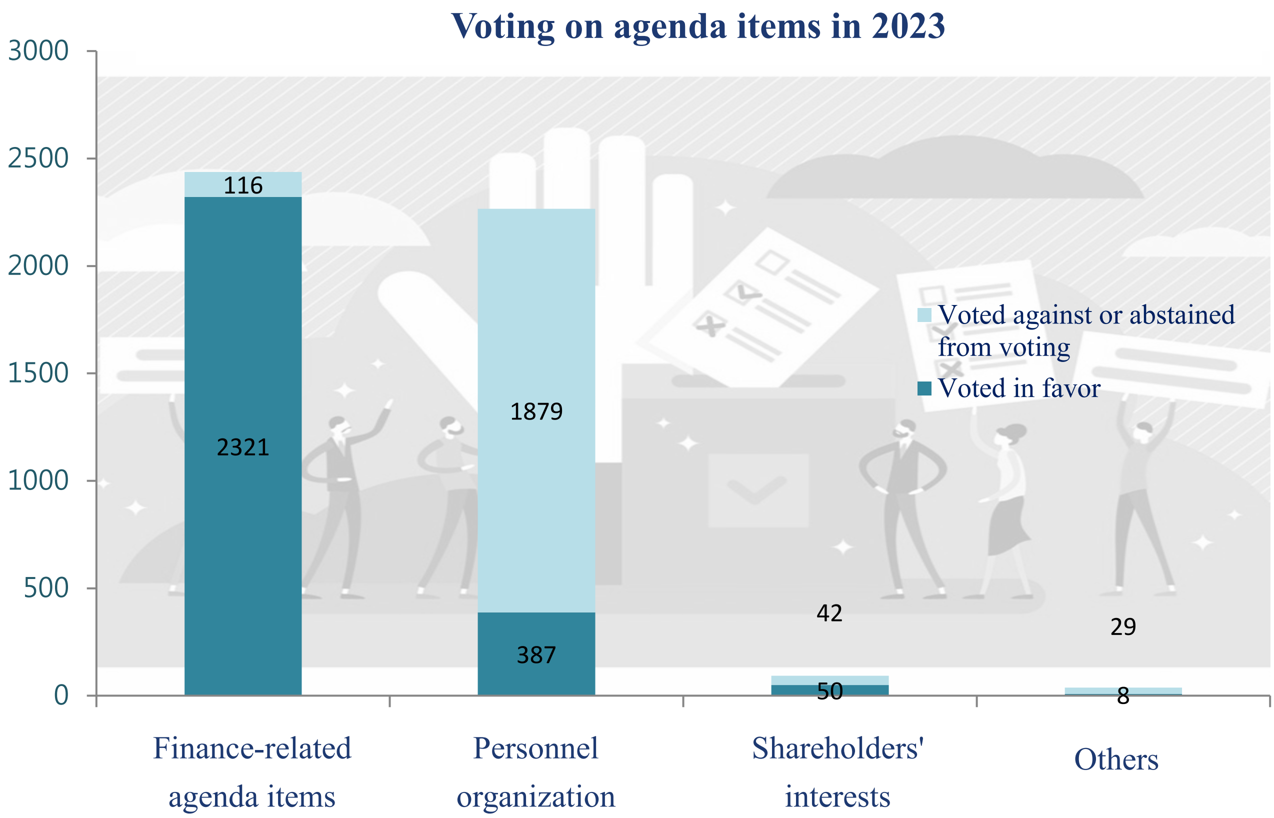
Given the large scale and unique nature of the funds managed by the Bureau, fund operations are often a focal point of market attention. If shareholdings were disclosed, they could be subject to various interpretations, potentially influencing market expectations, complicating fund operations, and affecting workers' rights. Therefore, it is currently not advisable to disclose voting details by company or case. However, considering the increasing demands and expectations for institutional investors' stewardship, the Bureau discloses the contents of agenda items opposed at shareholder meetings over the past two years, along with the reasons for opposition, using company codes for each item to enhance information transparency.

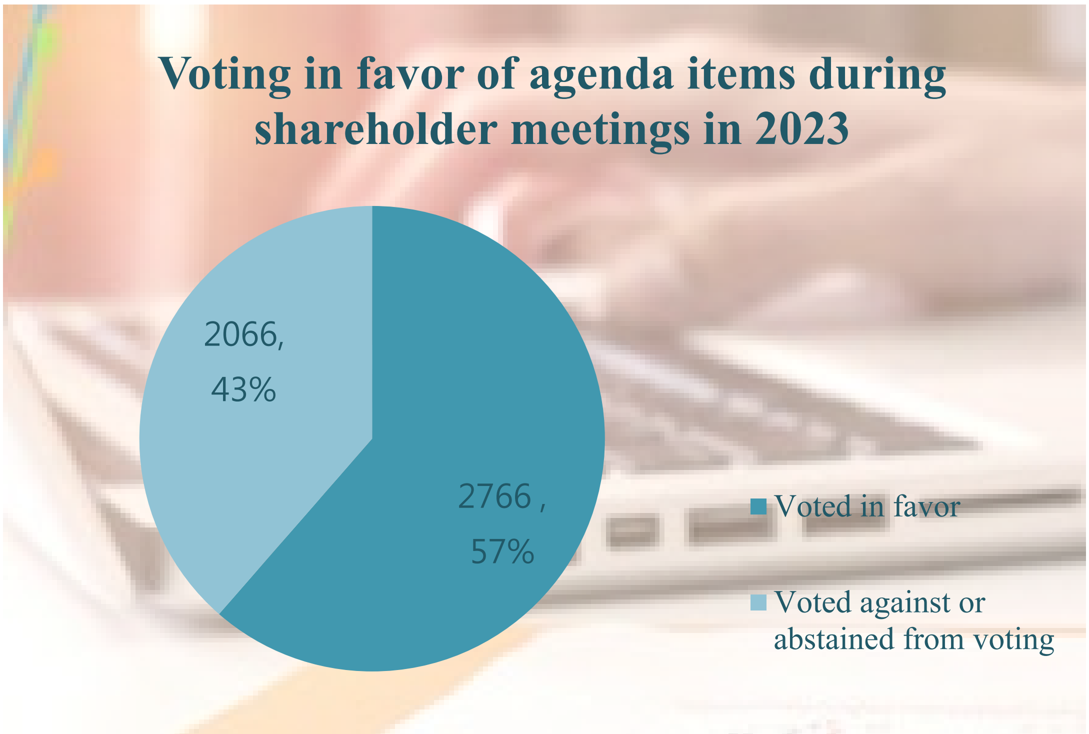
## Voting participation rate over the years




## Voting on agenda items during shareholder meetings in 2023




Voting on agenda items in 2023
3000
2500
2000
1500
1000
500
0
116
2321
1879
387
42
50
29
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 shareholder meetings in 2023
2066, 43%
2766 , 57%
Voted in favor
Voted against or abstained from voting

## (III) Contents of agenda items that the Bureau voted against in the past 2 years (2023 and 2024 up to the end of June) and reason

### 1. The Bureau voted against 9 agenda items in 2023

| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| A | Amend the Management Regulations for Lending to Others to relax restrictions on subsidiaries extending loan periods. | 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 | Amend the Articles of Incorporation to significantly lower 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. |
| C | Amend the Articles of Incorporation to significantly lower 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 | Amend the Procedures for Acquiring or Disposing of Assets to increase the company's limit on investments in negotiable securities. | Since investment is not the company's core business, increasing the limit could result in relatively high financial leverage, making it difficult to assess subsequent management and financial risks. Hence, the Bureau voted against the agenda item. |

| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| E | Amend the Procedures for Lending to Others and Providing Endorsement and Guarantee to increase the limit on the amount of endorsement and guarantee. | Considering that the limit on endorsement and guarantee would 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 shareholder meeting, the limit exceeds the company's net worth by far, and the company did not provide a complete explanation as to why it is necessary to make such an significant increase. Hence, the Bureau voted against the agenda item. |
| F | Amend the Procedures for Lending to Others to raise the lending amount limit. | The company planned to 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. |

| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| H | Amend the Procedures for Lending to Others to raise the lending amount limit. | The company planned to increase 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. |
| I | Amend the Rules of Procedure for Shareholder Meetings to reduce the maximum speaking time from 5 minutes to 3 minutes and remove the provision allowing one extension of speaking time with the chairman's permission. | Considering that the company planned to shorten the maximum speaking time for shareholders and remove the right to extend speaking time, which could undermine shareholders' ability to fully express their opinions, the Bureau voted against the agenda item. |

## 2. The Bureau voted against agenda 8 items as of the end of June 2024

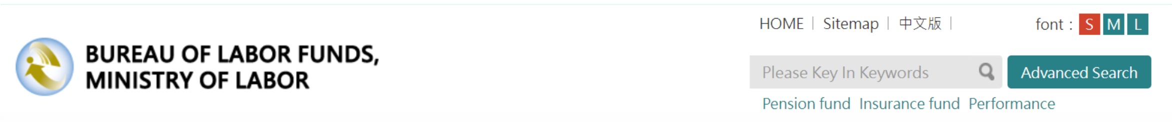
| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| A | Amend the Procedures for Acquiring or Disposing of Assets to increase the total contract amount for derivative transactions and adjust the individual and overall loss limits. | Considering that the company's core business is not investment, any mismanagement of derivative hedging operations could result in significant losses, making it difficult to assess subsequent management and financial risks. Hence, the Bureau voted against the agenda item. |
| B | Amend the Procedures for Acquiring or Disposing of Assets to increase the company's limit on investments in negotiable securities. | Since investment is not the company's core business, increasing the limit could result in relatively high financial leverage, making it difficult to assess subsequent management and financial risks. Hence, the Bureau voted against the agenda item. |

| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| C | Amend the Procedures for Providing Endorsement and Guarantee to allow violations of relevant regulations by auditors or responsible supervisors to no longer require reporting to the CEO or the board of directors. | Considering that the removal of reporting procedures for violations could increase internal control risks, the Bureau voted against the agenda item. |
| D | Amend the Procedures for Lending to Others and Providing Endorsement and Guarantee to remove the rule that the total amount of funds lent to foreign companies with 100% voting share ownership must not exceed 100% of the lending company's net worth, and that the amount lent to an individual company must not exceed 100% of the lending company's net worth. Instead, the lending amount will be determined according to the Procedures for Lending to Others and Providing Endorsement and Guarantee established by the lender company. | Considering that the amended lending limit standards make it difficult to assess changes in the amounts lent, which could potentially increase financial risk, the Bureau voted against the agenda item |

| Company | Content of agenda item | Reason for voting against |
|---|---|---|
| E | Amend the Procedures for Lending to Others by changing the loan approval authority from requiring approval by both the CEO and the chairman to requiring approval by the chairman alone. | Considering that the relaxation of authorization rules could make it difficult to assess subsequent financial risks, the Bureau voted against the agenda item. |
| F | Amend the Articles of Incorporation to remove the requirement that the business report and other documents be submitted to the Audit Committee for review at least 30 days before the annual general shareholder meeting. | Considering that removing the document submission timeline is inconsistent with regulatory requirements and could increase internal control risks, the Bureau voted against the agenda item. |
| G | Amend the Articles of Incorporation to change the minimum dividend distribution from 20% of annual distributable earnings to 50% of newly added distributable earnings for the current year. | Considering that this change in the dividend distribution policy could reduce the dividend amount, even when the company is profitable, due to a lack of profit growth—potentially harming shareholders' interests—the Bureau voted against the agenda item. |
| I | Amend the Articles of Incorporation to add retirement and severance pay for the chairman, in addition to the existing compensation standards for the chairman, directors, and independent directors, authorizing the board of directors to establish related procedures. | Although the company claimed that the amendment aims to formalize retirement and severance pay, it did not specify the principles for payment, resulting in insufficient transparency and making it difficult to assess the potential impact. Therefore, 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 | Home<br>https://www.blf.gov.tw/86195/ |
|---|---|
| Investment Policy Statement | Home/Investment Policy Statement<br>https://www.blf.gov.tw/86195/86196/86314/86316/90056/post |
| Social Responsibility | Home/Social Responsibility<br>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 (main line)<br>Website: https://www.blf.gov.tw<br>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.<br>● Or directly contact the anti-corruption department<br>Anti-corruption reporting tel: 02-3343-5858<br>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<br>Anti-corruption reporting e-mail: ethics@blf.gov.tw</td></tr>
</table>

Appendix

| 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.<br>Failing to maintain confidentiality and leaking business secrets learned while performing duties.<br>Publishing talks related to their position in the agency or their name without permission or authorization from the director-general.<br>Directly or indirectly benefiting themselves or related parties due to their action or inaction when performing duties. | Bureau of Labor Funds, Ministry of Labor 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. |
| 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.<br>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. | Bureau of Labor Funds Employee Self-Regulation Agreement | Punish according to the Public Functionaries Discipline Act. |
| Between the Bureau and | Except for official business etiquette or other specific situations, proposing, offering, | Code of Conduct for | A penalty will be imposed |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| personnel responsible for domestic and foreign investment management | requesting, or accepting any form of bribery, or agreeing to or accepting gifts from individuals with a conflict of interest. | Investment Personnel of the Bureau of Labor Funds. | 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, or 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 | Domestic discretionary investment contract | If a performance assistant is found in violation of the investment |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| | the industry or according to the responsibilities specified in the business plan proposal within the scope of investment defined in the investment contract. | | 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 |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| | | | 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 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 | | Mandated institutions and the following personnel (representative, directors, etc.) shall be jointly liable for |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| | 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. | | 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 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. | | The Bureau may cancel or 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. |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| | 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, and 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 |

| Parties involved in conflict of interest | Conflict of interest patterns | Conflict of interest management regulations | Management measures |
|---|---|---|---|
| | | | 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, and 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. |