

BUREAU OF LABOR FUNDS

2020-2021 Sustainability Report

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CH 1.

About this Report

CH 1. About this Report

➢ GRI: 102-1, 102-3, 102-4, 102-5, 102-51, 102-52, 102-53, 102-54, 102-55

I. Report Overview

The Bureau of Labor Funds (hereafter referred to as "the Bureau") has long been committed to the promotion and improvement of environmental, social, and corporate governance issues. In addition to pursuing stable fund profitability, we also promote socially responsible investment and continue to implement environmental protection issues, social care, attention to labor rights, and corporate social responsibility. Through the publication of the Sustainability Report, we hope to let stakeholders and the general public understand the specific actions of the Bureau in environmental (E), social (S) and governance (G), and to join hands with domestic enterprises and organizations to emphasize sustainable development.

II. Scope of Report

This report discloses the Bureau's philosophy on environmental, social, and governance management and the effectiveness of socially responsible investment in 2020 and 2021. The Bureau is responsible for the

BUREAU OF LABOR FUNDS, MINSTRY OF LABOR

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

investment management of the funds under the Ministry of Labor and is entrusted by the Ministry of Health and Welfare and the Council of Agriculture, Executive Yuan with the investment of the National Pension and the Farmers' Pension Fund under their jurisdiction. The financial figures disclosed in the report are in New Taiwan Dollars, and the related data are self-calculated and used as the basis of calculation. Any inconsistencies in the scope of the report will be highlighted in the report.

The overall investment directions, investment policy, and budgetary information of the managed funds are listed in the investment policy, budgetary documents, and financial statements of the Bureau. The information is publicly disclosed on our website and is not included in the scope of this report.

III. Reporting Principles

This report is based on the framework of the GRI Standards published by the Global Reporting Initiatives (GRI), and was authored in accordance with the Core of the GRI Standards. The Chinese and English versions of this report are available in the Social Responsibility section of the Bureau's website for download and viewing.



CH 2.

Words from the Rapporteur

CH 2. Message from the Rapporteur

➢ GRI: 102-14

The United Nations Climate Change Conference, which recently concluded in November 2021, adopted the "Glasgow Climate Pact", which called for maintaining the Paris Agreement to limit global temperature rise to within 1.5 degrees Celsius and gradually reduce the use of coal. President Tsai Ing-wen also announced the Net Zero Emissions by 2050 target in her National Day speech. The issue of environmental sustainability has become an important issue that all sectors need to seriously address while pursuing economic development.

The Bureau of Labor Funds coordinates the investment of labor funds and is entrusted by the Ministry of Health and Welfare and the Council of Agriculture, Executive Yuan with the investment of the National Pension and the Farmers' Pension Fund. While pursuing investment returns, we also take into account social responsibility and incorporates environmental, social and corporate governance (ESG) aspects into the funds' investment process. In terms of domestic stock investments, in addition to taking into account whether a company has prepared a sustainable report, we have adopted evaluations by independent institutions of professional competence and prestige and the constituents of relevant indices as the basis for stock selection. In addition, we actively participate in shareholders' meetings and investors' conferences of the investee companies through shareholder actions. On issues involving significant labor rights, environmental protection, and corporate governance, we communicate with the management of the company or exercise voting rights. In addition, the funds also invest in Social Responsibility by tracking indices when it comes to discretionary investment services, and over the years, have adopted a number of domestic and foreign social responsibility-related indices as indicators for discretionary operations. In 2021, the Labor Funds set up the NT$48 billion domestic discretionary "Socially Responsible Investment Absolute Return Mandate" for listed companies that regularly publish sustainability reports as the investment universe to encourage domestic enterprises to focus on CSR.

With the recent increasing damage and impact of climate change on the global environment and the increasing stringency of relevant international laws and regulations, we face increased risks when making investments. As the manager of government funds, we are naturally responsible for sustainable environmental development. In 2022, we will set a precedent in Asia by adopting the PACT Indices as a reference indicator. By investing in companies that are moving towards a green economy, we hope to achieve the global climate improvement goals of reducing carbon emissions, lowering global temperatures, and managing extreme climate risks while taking into account the returns of the fund. We also hope to lead other corporate investors to pay attention to global climate change and other environmental sustainability issues, and to make a concerted effort to achieve global environmental sustainability.

In 2020, countries worldwide were stricken by the Coronavirus Disease 2019 (COVID-19) pandemic and faced severe economic and social challenges. In 2021, economic activities gradually recovered with vaccine administration becoming more widespread and the gradual relaxing of pandemic control measures around the world, while the highly accommodating monetary policies and proactive fiscal policies of various countries allowed the global economy to rebound from its nadir in 2020. However, the spread of virus variants, China's regulatory and electrical power restriction measures, and inflationary pressures have also caused financial markets to experience high volatility. The Bureau actively keeps abreast of the development of the global economic situation and has adopted a strategic asset allocation mechanism, which is dynamically adjusted on a quarterly basis, to fine-tune the allocation weighting through regional and financial asset diversification, and further enhance the efficiency of fund utilization while bearing reasonable risks, fulfilling the responsibilities of a fund manager.

Bureau of Labor Funds
Director General
Su Yu-Ching



CH 3.

Review

2020-2021

Outcome Review 2020-2021

E

- 100% Green procurement
- 15,231 kWh Electricity savings
- 281.2 billion New ESG-related mandated investments
- 4.3 billion Investments in green bonds

S

- 409 times Video conferences during the pandemic
- 57% Percentage of female managers
- 90 hours Employee education and training
- 25 companies Issued official letters regarding underemployment of employees with disabilities

G

- 5,582.3 billion Total management scale
- 9.67% Returns of managed funds for 2021
- 76 countries Invested countries
- 100% Investment company shareholder meeting voting ratio



CH 4.
Introduction to the Bureau of Labor Funds

CH 4. Introduction to the Bureau of Labor Funds

- GRI: 102-2, 102-5, 102-6, 102-18, 102-19, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-30, 102-32, 201-4

The Bureau is an agency under the Ministry of Labor and is responsible for the investment and operation of the Labor Funds. Governed by the Ministry of Labor, the Labor Funds comprise the Labor Pension Fund (the New Fund), the Labor Retirement Fund (the Old Fund), the Labor Insurance Fund, the Employment Insurance Fund, the Occupation Incidents Protection Fund, and the Arrear Wage Payment Fund. The Bureau of Labor Funds has also been entrusted by the Ministry of Health and Welfare to manage the investment and operation of the National Pension Insurance Fund, and by the Council of Agriculture, Executive Yuan for the Farmers' Pension Fund.



I. History

The Labor Standards Act of Taiwan was enacted in August 1984. In accordance with Article 56 of the Act and Article 3 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the Bank of Taiwan was entrusted to handle the income, expenditure, custody, and use of labor retirement funds. In June 2004, the Legislative Yuan passed the "Labor Pension Act" at the third reading, and implemented the new Labor Pension system from July 1, 2005. In March 2007, the "Organizational Act of the Labor Pension Fund Supervisory Committee" was passed at the third reading. On July 2 of the same year, the "Labor Pension Fund Supervisory Committee" was established, responsible for the investment and utilization of the new and old labor pension funds.

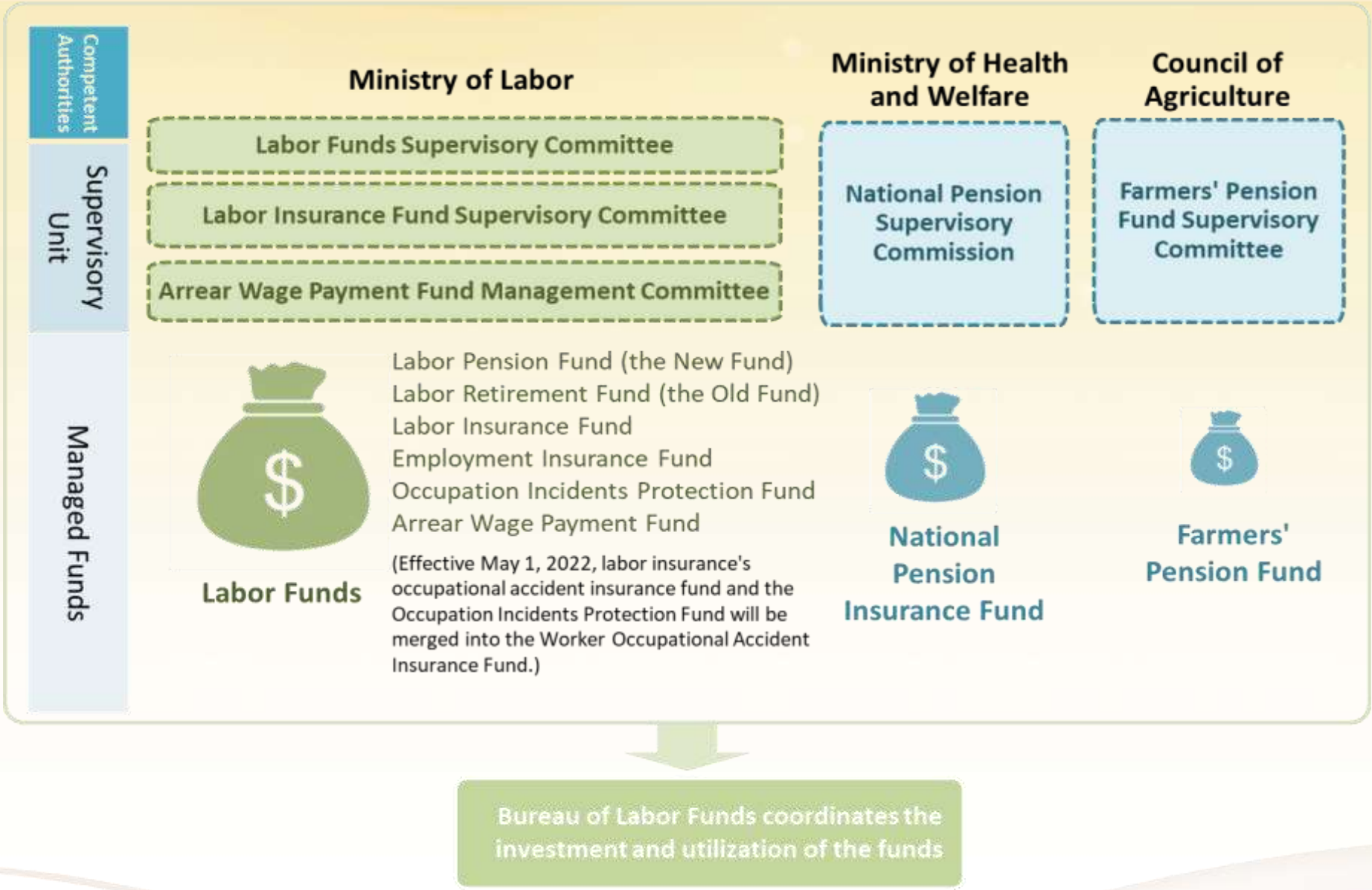
To integrate professional manpower and resources and enhance the efficiency of fund utilization, the Legislative Yuan passed the "Organization Act for the Bureau of Labor Funds of the Ministry of Labor" in January 2014. On February 17 of the same year, the Executive Yuan merged the "Labor Pension Fund Supervisory Committee" and the Bureau of Labor Insurance's Labor Insurance Fund Investment Team into the "Bureau of Labor Funds, Ministry of Labor" to coordinate the utilization of the labor funds under the Ministry of Labor. The Bureau of Labor Funds also manages the investment of the National Pension Insurance Fund as entrusted by the Ministry of Health and Welfare. When the Farmer Pension Act came into effect on January 1, 2021, the Bureau was once again entrusted with the responsibility of investing and utilizing the Farmers' Pension Fund.

II. Organizational Goals

The Bureau's primary mission is to pursue long-term stable income of the fund, follow the regulations of the investment policy book, weigh the attributes of each fund and regulatory restrictions, use the asset allocation simulation system to evaluate the overall economic and financial market situation, and draw up the most appropriate asset allocation and investment utilization plan that takes into account both reward and risk, based on which the Bureau will conduct various fund utilization operations, and uphold the principles of security, transparency, efficiency, and stability to seek long-term rational returns for the fund and enhance the well-being of workers' retirement life.

III. Supervision Delegation

The funds administered by the Bureau are under a segregated supervisory system, with each supervisory committee under the Ministry of Labor, the Ministry of Health and Welfare, and the Council of Agriculture, Executive Yuan overseeing the annual utilization plans and performance, asset allocation, and budgetary accounts of the funds under their jurisdiction, as well as conducting regular inspections of the financial accounts of the funds under their jurisdiction. The Bureau regularly attends the meetings of the supervisory committees and actively responds to the opinions of the expert members of the labor-management and financial parties. The recommendations are incorporated into the coordination and management in order to improve the operational efficiency of the funds.

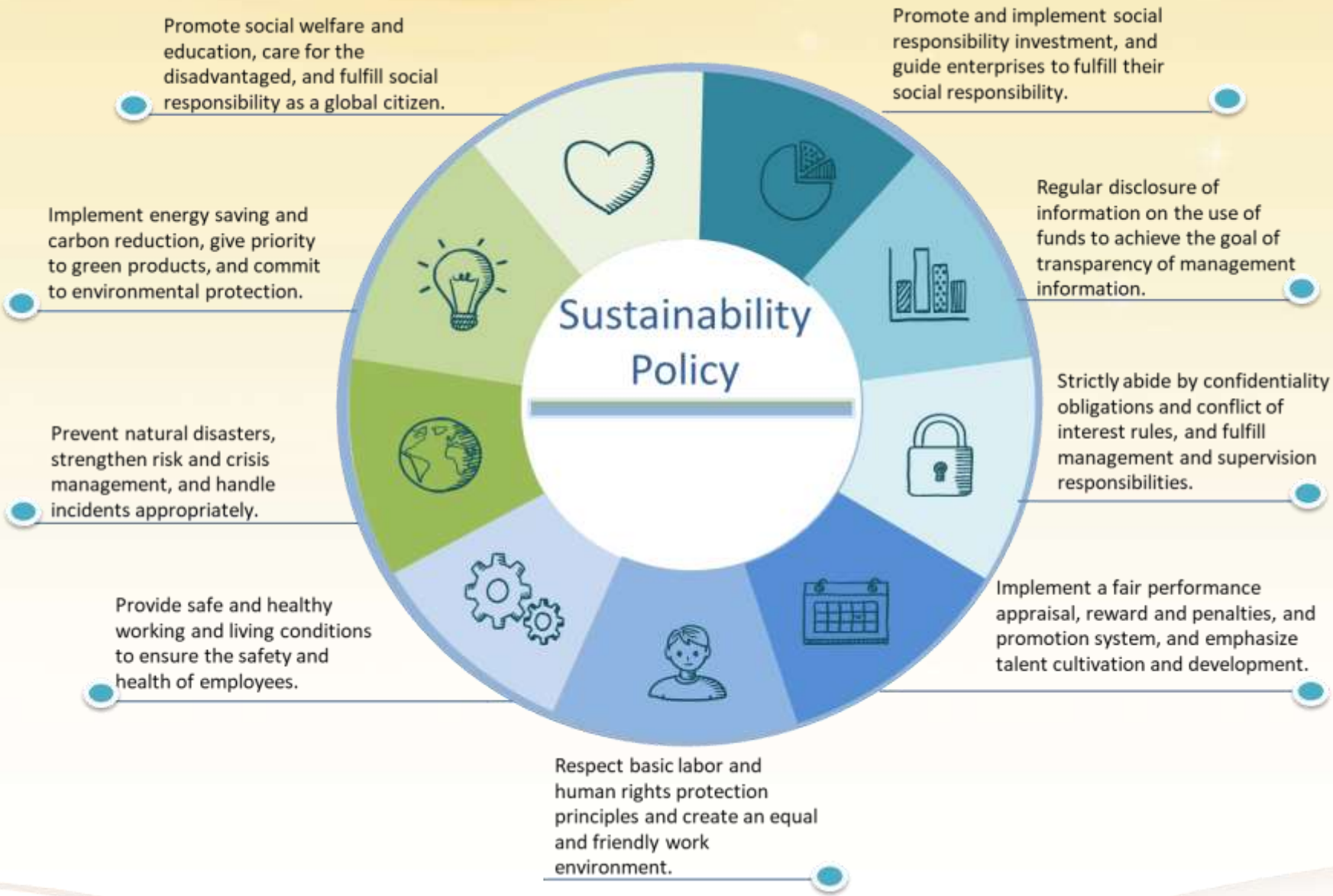

Competent Authorities
Supervisory Unit
Managed Funds
Ministry of Labor
Labor Funds Supervisory Committee
Labor Insurance Fund Supervisory Committee
Arrear Wage Payment Fund Management Committee
Ministry of Health and Welfare
National Pension Supervisory Commission
Council of Agriculture
Farmers' Pension Fund Supervisory Committee
Labor Pension Fund (the New Fund)
Labor Retirement Fund (the Old Fund)
Labor Insurance Fund
Employment Insurance Fund
Occupation Incidents Protection Fund
Arrear Wage Payment Fund
(Effective May 1, 2022, labor insurance's occupational accident insurance fund and the Occupation Incidents Protection Fund will be merged into the Worker Occupational Accident Insurance Fund.)
Labor Funds
National Pension Insurance Fund
Farmers' Pension Fund
Bureau of Labor Funds coordinates the investment and utilization of the funds

IV. Sustainability Policy

In the decision-making process of investment, the Bureau includes the implementation of social, labor rights, human rights, and environmental aspects of investee companies in order to determine the direction of investment and to utilize the power of the capital market to promote the fulfillment of social responsibility by investee companies, so as to achieve a win-win situation in terms of investment results and social and environmental sustainability.

In the operational guidelines of the fund, it is stated that "corporate social responsibility and ethics of the investment target should be taken into consideration while taking into account the profitability of the fund". In addition, the investment policy states that social responsibility components such as environmental, social, corporate governance, and information disclosure should be taken into consideration when making investments. 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.

In addition, we actively engage in shareholder actions such as communication with investee companies, participation in shareholders' meetings, and exercising of voting rights to further promote the sustainable development of investee companies. For companies that are in serious breach of social responsibility, no investment or additional investment will be made, depending on the circumstances, without affecting the fund's interests.


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



CH 5.

Stakeholder Engagement

CH 5. Stakeholder Engagement

- GRI: 102-9, 102-10, 102-15, 102-21, 102-29, 102-31, 102-33, 102-34, 102-37, 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-49, 103-1, 103-2, 103-3

The Bureau provides multiple channels of communication to obtain suggestions and feedback from stakeholders, which will serve as a reference for the Bureau's operational improvement. To take in the suggestions from all parties, we adjust our operation and management policies to fulfill our social responsibility and commitment to our stakeholders in order to meet the expectations of the public.

I. Stakeholder Identification

To ensure that the organization's operation and strategic planning better meet the needs and expectations of stakeholders, the Bureau follows the five principles of the AA1000Stakeholder Engagement Standard (AA1000SES): Impact, Responsiveness, Accountability, Reliance, and Inclusivity. Stakeholders can be classified into eight categories: fund beneficiaries, trade counterparties, competent authorities, media, employees, suppliers, community, and research institutions and academia.



In accordance with the GRI standard, 13 sustainability issues were identified, including corporate governance, financial sustainability, environmental sustainability, and social responsibility. Ratings and opinions were collected from various departments within the Bureau and relevant stakeholders through questionnaires, in order to understand the issues of concern to stakeholders, which will serve as a direction for the Bureau to review and revise its management policies and the information disclosed in this report.

➢ **Communication Channels and Issues of Concern for Stakeholders**

Stakeholders	Topics of Concern	Communication Channels
Fund Beneficiaries	● Business performance ● Ethical corporate management ● Management mechanisms ● Information disclosure ● Regulatory compliance ● Risk management	● Daily publication of domestic net operating value ● Daily, monthly, semi-annual publication of fund utilization information on the official website ● Monthly emails on fund utilization to union groups ● Monthly release of fund information using images and official Youtube channel videos on financial investment and labor fund issues ● Monthly release of statistics on fund management, fund income and expenses, fund investment and utilization, and domestic investment stocks ● Annual reports, budgetary documents, and financial statements are released annually ● Periodic publication of sustainability reports

➢ Communication Channels and Issues of Concern for Stakeholders

Stakeholders	Topics of Concern	Communication Channels
	● Professionals	
Trade Counterparties	● Business performance ● Ethical corporate management ● Regulatory compliance ● Management mechanisms	● The "Directions of Mandated Management for the Labor Funds" have been established and published on the official website. ● The selection process of domestic and foreign entrusted organizations is uploaded on the official website. ● Announcement of appointment plan and public evaluation from time to time ● Organizing seminars on ethical behavior promotion from time to time
Competent Authorities	● Business performance ● Ethical corporate management ● Management mechanisms ● Regulatory compliance ● Risk management ● Professionals	● Monthly report on the use of each fund ● Monthly participation in the Labor Funds Supervisory Committee, the National Pension Supervisory Commission, the Farmers' Pension Fund Supervisory Committee, the Labor Insurance Supervisory Committee, and the Arrear Wage Payment Fund Management Committee to explain to members the investment and utilization of funds. ● Annual report on the annual governance plan, annual asset allocation plan and budget ● Annual audits by the Ministry of Labor, the Ministry of Health and Welfare, and the Council of Agriculture, Executive Yuan ● Occasional audits and reviews by the Legislative Yuan, the Control Yuan, and the National Audit Office

➢ Communication Channels and Issues of Concern for Stakeholders

Stakeholders	Topics of Concern	Communication Channels
	● Labor rights promotion	
Media	● Business performance ● Ethical corporate management ● Information disclosure ● Regulatory compliance	● Daily, monthly, semi-annual publication of fund utilization information on the official website ● Setting up a press and media contact window ● Organizing at least 2 press conferences per quarter ● Occasional media interviews, responses, and press releases
Employees	● Business performance ● Ethical corporate management ● Professionals ● Friendly workplace	● Establishing the "Sexual Harassment Complaint Council" ● Weekly supervisory meetings ● Annual employee training program and tuition subsidy to encourage employees to pursue on-the-job training ● Annual employee assistance program and health check-ups ● Convening annual performance appraisal committee ● Occasional organizing of events and activities (birthday parties, environmental education, folk celebrations)

➢ Communication Channels and Issues of Concern for Stakeholders

Stakeholders	Topics of Concern	Communication Channels
		● Review of the performance bonus system from time to time
Suppliers	● Green procurement ● Regulatory compliance	● Compliance with the government procurement laws and regulations ● Public announcement of procurement contents and open tender from time to time
Communities	● Social care ● Energy-saving and carbon reduction	● Monthly recycling operation ● Occasional donation drive of second-hand goods
Research institutions/Academia	● Business performance ● Sustainable Investment	● Daily, monthly, semi-annual publication of fund utilization information on the official website ● Periodic publication of sustainability reports ● Feedback on sustainable investments from time to time

II. Analysis of Material Issues

Based on the GRI materiality principle, the Bureau conducted a questionnaire survey on the concerns and impact of each material issue. The scoring result matrix is as follows:



➢ The matrix of the rating results is as follows:

Material Issues	Key Risks and Opportunities	Specific Corresponding GRI Topics	Management Approach (corresponding chapters)	Boundaries of Impact and Levels of Involvement							
				Bureau of Labor Funds	Fund Beneficiaries	Trade Counterparties	Competent Authorities	Media	Suppliers	Communities	Research Institutions
Business performance	The funds' performance is the focus of public attention, and we are committed to generating stable returns for the fund.	GRI 201 Economic Performance	Sustainable Investment	●	●	●	●	○			○
Ethical Corporate Management	The fund is managed with integrity to protect the rights and interests of workers.	GRI 102 Ethics and Integrity GRI 205 Anti-Corruption	Organizational Governance	●	●	●	●	○			
Management Mechanisms	The implementation of internal control practices affects the effectiveness of organizational management.	GRI 103 Management Approach	Organizational Governance	●	○	○	○				

➢ The matrix of the rating results is as follows:

Material Issues	Key Risks and Opportunities	Specific Corresponding GRI Topics	Management Approach (corresponding chapters)	Boundaries of Impact and Levels of Involvement							
				Bureau of Labor Funds	Fund Beneficiaries	Trade Counterparties	Competent Authorities	Media	Suppliers	Communities	Research Institutions
Risk Management	Implement investment risk control and raise employees' information risk awareness to effectively reduce investment and operational risks.	GRI 102 Strategy	Sustainable Investment	●	○		○				
Regulatory Compliance	The fund investments and organization of operations are in accordance with the law to ensure compliance with regulatory requirements and to protect the rights and interests of the funds.	GRI 419 Socioeconomic Compliance	Organizational Governance	●	○	○	●	○			
Professionals	Implementation of employee training and career development, to enhance the functions and talents of employees so as to achieve stable growth in business performance.	GRI 401 Employment GRI 404 Training and Education	Organizational Governance Friendly Workplace	●	○		○				

➢ The matrix of the rating results is as follows:

Material Issues	Key Risks and Opportunities	Specific Corresponding GRI Topics	Management Approach (corresponding chapters)	Boundaries of Impact and Levels of Involvement							
				Bureau of Labor Funds	Fund Beneficiaries	Trade Counterparties	Competent Authorities	Media	Suppliers	Communities	Research Institutions
Information Disclosure	Regular disclosure of fund utilization or press conferences are beneficial to policy promotion and communication.	GRI 102 Reporting Practice	Organizational Governance	●	●			●			
Sustainable Investment	The funds' investment policy includes sustainable investment and incorporates ESG practices of the investee companies into the investment process, thereby influencing the public to pay attention to environmental sustainability.	GRI 102 Strategy	Sustainable Investment	●							○
Friendly Workplace	Employees are important assets of an organization. Creating a friendly workplace environment can enhance incentives for talent recruitment and retention, which in turn increases the stability of business performance.	GRI 102 Organizational Profile GRI 405 Diversity and Equal Opportunity	Organizational Governance Friendly Workplace	●			○				

➢ The matrix of the rating results is as follows:

Material Issues	Key Risks and Opportunities	Specific Corresponding GRI Topics	Management Approach (corresponding chapters)	Boundaries of Impact and Levels of Involvement							
				Bureau of Labor Funds	Fund Beneficiaries	Trade Counterparties	Competent Authorities	Media	Suppliers	Communities	Research Institutions
Labor Rights Promotion	The funds are an asset of the workers, and through the influence of the funds' investment, the investee companies are guided to value workers' rights and interests.	GRI 402 Labor/Management Relations	Mutual Prosperity in Society	●			○				
Social Care	In addition to focusing on our core business, we also give back to society and encourage our employees to participate in different social contribution activities every year.	GRI 413 Local Communities	Mutual Prosperity in Society	●						●	
Energy-Saving and Carbon Reduction	We monitor resources and energy consumption on a monthly basis, and take concrete actions to contribute to the sustainability of the earth.	GRI 302 Energy	Sustainable Operations	●					●	○	

Stakeholders' Degree of Concern: ● Direct impacts ○Impacts resulting from benefits, supervision, business relationships



CH 6.

Organizational Governance

CH 6. Organizational Governance

- GRI: 102-7, 102-8, 102-9, 102-16, 102-17, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-30, 102-33, 202-1, 202-2, 205-1, 205-2, 205-3, 207-1, 207-2, 207-3, 207-4, 401-1, 405-1

I. Organizational Profile

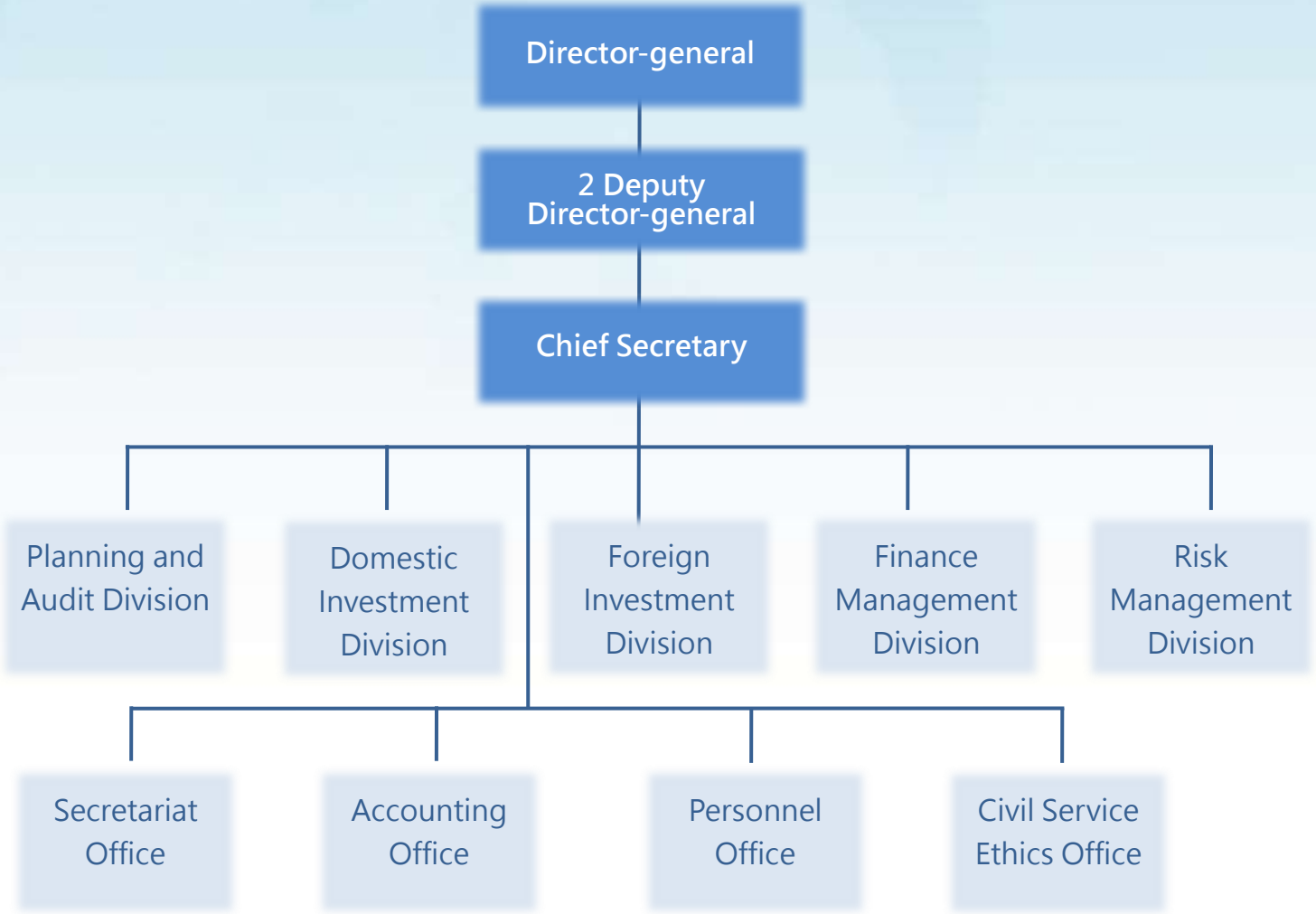
The investment and utilization of the funds is dependent on the close cooperation of a professional team. Through the appropriate division of duties and the establishment of a sound management system, the Bureau can effectively promote the organization's business to ensure the smooth execution of the work. In addition, establish a diversified and smooth communication channel externally to ensure that stakeholders are fully informed of important information and to protect relevant rights and interests.

(I) Organization Structure

The Bureau is headed by the Director General, who is assisted by two Deputy Directors General and a Chief Secretary. The Bureau comprises five divisions and four offices. These include the Domestic Investment Division, Foreign Investment Division, Finance Management Division, Risk Management Division, Planning and Audit Division, Secretariat Office, Personnel Office, Civil Service Ethics Office, and Accounting Office.

(II) Business Responsibilities

The Bureau handles the investment business of each fund. The Domestic Investment Division and Foreign Investment Division perform front-end investment analysis and execution, the Risk Management Division performs middle-end risk control operations, the Finance Management Division is responsible for back-end fund allocation and delivery and custody, and the Planning and Audit Division handles internal and external audits of fund investments, in order to divide responsibilities and operate professionally. In addition to the continuous promotion of the business in accordance with the relevant laws and regulations and the division of duties among the units, the Bureau also holds regular meetings with supervisors, and has set up an Investment Strategy Team and a Risk Control and Management Team to regularly convene internal units to discuss investment strategies and control operational risks. We also regularly submit monthly reports to the supervisory units such as the Ministry of Labor, the Ministry of Health and Welfare, and the Council of Agriculture, Executive Yuan, on the use of the fund and major issues.


Director-general
2 Deputy Director-general
Chief Secretary
Planning and Audit Division
Domestic Investment Division
Foreign Investment Division
Finance Management Division
Risk Management Division
Secretariat Office
Accounting Office
Personnel Office
Civil Service Ethics Office

➢ Responsibilities of Each Unit

Planning and Audit Division	● The planning, execution, and management of administrative plans, business promotion, and comprehensive issues. ● Research on fund management system and liaison and exchange with international organizations. ● Development, implementation, and revision of annual audit plans, audit regulations, and systems. ● Internal auditing and external auditing of fund operations, implementation, follow-up, and evaluation. ● Policy planning, development, implementation, and management of congressional liaison and media public relations affairs. ● Research and development, progress control, and regulatory consultation for the legal industry. ● Other related planning and auditing matters.

Domestic Investment Division	● Research, analysis, and application of domestic investments. ● Drafting of various domestic discretionary investment plans. ● Drafting, implementing, amending and interpreting domestic investment management laws and regulations and operational regulations. ● Drafting, execution, and supervision and evaluation of mandated domestic asset management institutions. ● Other matters related to domestic investments.

➢ Responsibilities of Each Unit

Foreign Investment Division	● Research, analysis, and application of foreign investments. ● Drafting of various foreign discretionary investment plans. ● Drafting, implementing, amending and interpreting the funds' foreign investment management laws and regulations and operational regulations. ● Drafting, execution, and supervision and evaluation of the plans of mandated foreign asset management institutions. ● Other matters related to foreign investments.

Finance Management Division	● Management of fund income and expenses, custody, and liquidity. ● Drafting, execution, and supervision and evaluation of the plans of mandated custodians. ● Fund investment funding allocation and control. ● Allocation, custody, and reconciliation of fund investment use. ● Certifying the funds' various bookkeeping certificates. ● Drafting, implementing, amending and interpreting the funds' financial management laws and regulations. ● Compilation and analysis of financial and labor statistics and other statistical information. ● Other matters related to financial management.

➢ Responsibilities of Each Unit

Risk Management Division	● Planning of investment policy, asset allocation and annual utilization plans for the Funds. ● Establishment of risk budgets and compilation of periodic risk reports and analysis. ● Calculation, measurement, and control of overall portfolio risk indicators. ● Compliance with risk management policies and follow-up of implementation. ● Drafting, implementing, amending and interpreting risk management laws and regulations. ● Overall planning and promotion of the funds' risk management information system. ● Other matters related to risk control.

Secretariat Office	● Safekeeping of official stamps and seals, as well as management of documents and files. ● Management of business affairs, cashier, finance, operation, procurement and other affairs. ● Acquisition and management of real estate such as offices and dormitories of the Bureau. ● Review, coordination, and supervision of new construction, expansion, and relocation of the Bureau's office and dormitory buildings. ● Supervision and assessment, as well as construction reviews of the management of offices, dormitories, files, property, and vehicles of the Bureau.

	● Management of maintenance staff (including technicians and drivers). ● Contact and safety protection for the Bureau's disaster prevention and rescue. ● Other matters that do not fall under other divisions and offices.
Personnel Office	● Personnel matters of the Bureau.
Civil Service Ethics Office	● Ethical affairs and matters of the Bureau.
Accounting Office	● The Bureau's annual accounting, general accounting, and statistical matters.

➢ Periodically Convene Meetings

Ministerial Affairs Supervisory Meeting	To promote the annual policy plan successfully, the Bureau attends the monthly Ministry of Labor Affairs Meeting to report the business operation on a regular basis. In addition, a weekly supervisory meeting is held regularly, chaired by the Director General and attended by the Deputy Directors General, the Chief Secretary and all unit supervisors, where they discuss important issues of the week, review the work execution by each division/office, and the key points for future work.
Investment Strategy Team Meeting	To establish a mechanism for major investment and decision-making for the management of the fund, the Investment Strategy Team of the Bureau of Labor Funds was established. There are 9 members, with the Director General as the convener. The Team meets twice a month in principle, and may hold ad hoc meetings from time to time as needed. This Team mainly reviews the funds' annual asset allocation planning, as well as the investment planning and review of various financial instruments and mandated operations.
Risk Control and Management Team Meeting	To effectively control and manage the risks of each fund operation, a Risk Control and Management Team is established with 9 members and the Deputy Director General as the convener. Regular meetings are held once every four months, and ad hoc meetings may be held from time to time as needed. The main duties of this Team are to screen major risk management items in the fund operations. In addition, they establish risk control mechanisms, review the standard operating procedures and solutions of various handling mechanisms, conduct regular assessment of the effectiveness of various solutions, and conduct risk control audits from time to time.

➢ Periodically Convene Meetings

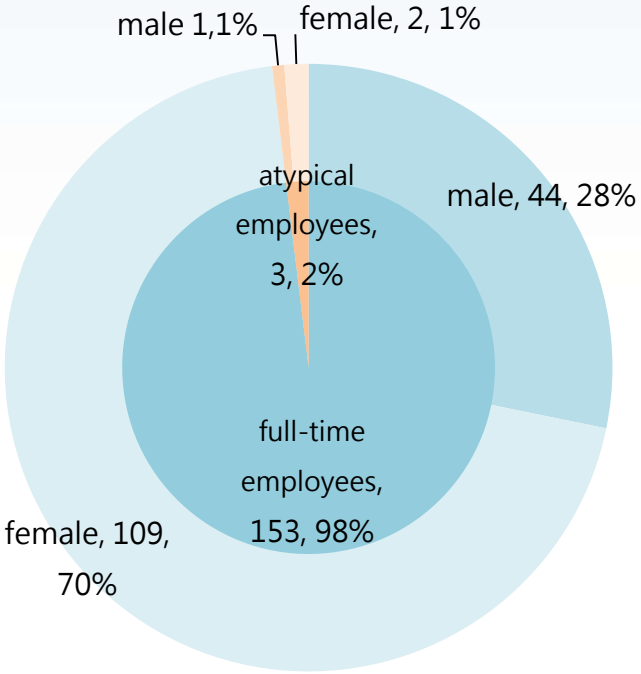
Fund Supervisory Committee Meeting Report	To enhance the effectiveness of fund operations, the Bureau not only regularly reports information on the use of the labor funds, but also attends the monthly meetings of the Labor Funds Supervisory Committee, the National Pension Supervisory Commission, and the Farmers' Pension Fund Supervisory Committee to report on the use of the fund and major issues. The Bureau also attends the Labor Insurance Supervisory Committee and the Arrear Wage Payment Fund Management Committee, and actively responds to the valuable suggestions made by the expert members of labor-management, political, and academic circles, which are incorporated into the reference for the operation of each fund.

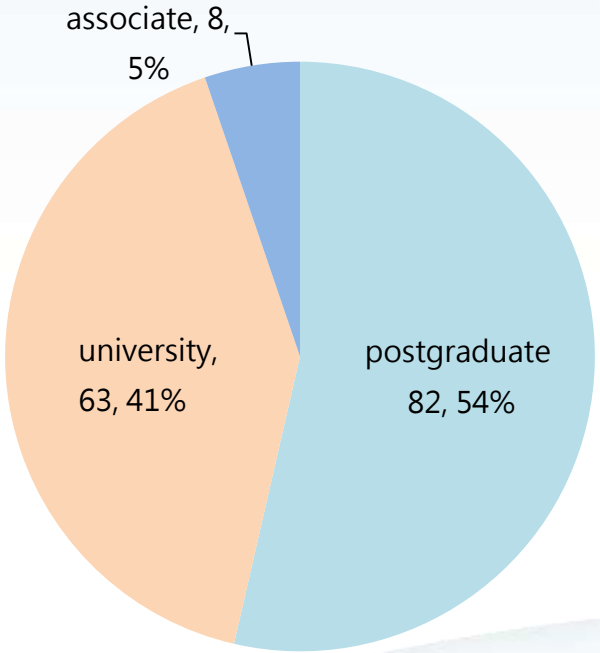
(III) Member Composition

As of December 31, 2021, the Bureau has 153 full-time employees (including technicians, maintenance staff, and drivers) and 3 atypical employees (assisting with business of a general nature and not involving public authority).

Among the current 153 staff, there are 109 female and 44 male employees. Of the 3 atypical employees, 2 are female and 1 is male, with the atypical manpower accounting for 1.9% of the full-time workforce.

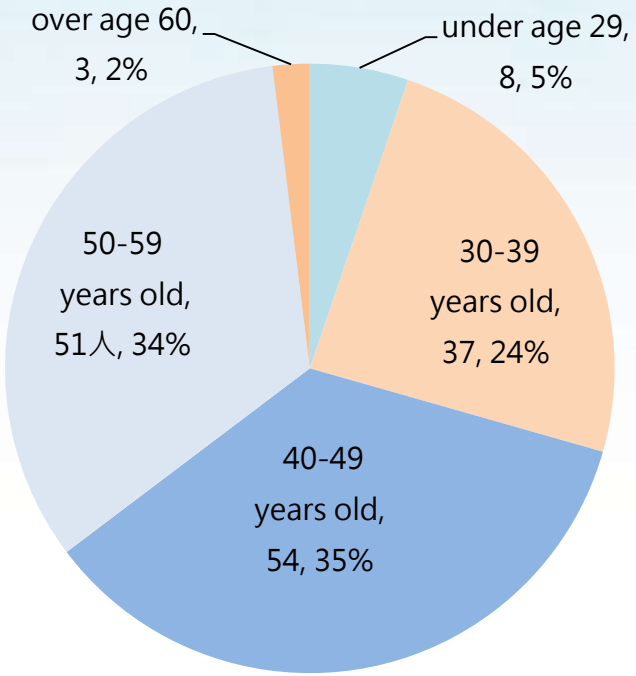
In terms of education, there were 82 postgraduates, 63 university graduates, and 8 with associate degrees.

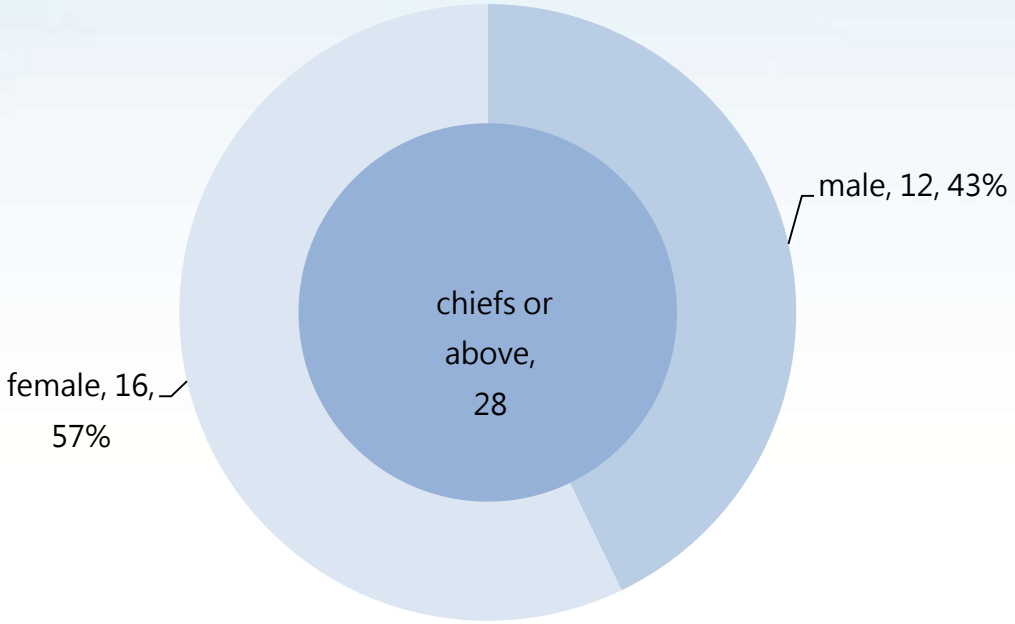




In terms of age distribution, there were 8 people under age 29, 37 people between age 30-39, 54 people between age 40-49 years old, 51 people between age 50-59 years old, and 3 people over age 60.

There were 28 male and female supervisors in total, including 16 female and 12 male section chiefs or above.

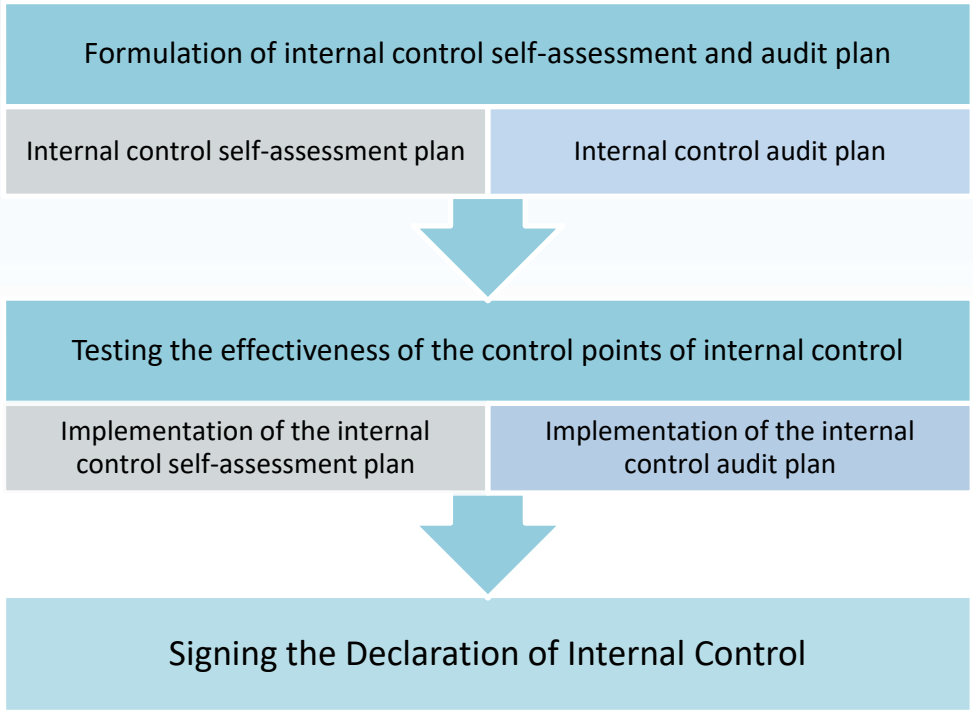




II. Internal Control and Information Security

(I) Internal Control Mechanism

In accordance with the "Implementation Plan for Sound Internal Control" of the Executive Yuan, the "Internal Control (Promotion) Team" was established on February 15, 2012. It conducted risk identification and assessment in accordance with the "Principles of Internal Control System Design", in order to design the Bureau's control mechanism and formulate the internal control system. Based on the results of the risk assessment, internal control practices were selected and classified into common and individual items. In addition, we conduct self-assessment and audit of internal control practices in accordance with the "Governmental Internal Control Oversight Practice Guidelines" to understand the operation and implementation of internal control and provide timely suggestions for improvement. In addition, to strengthen internal control practices, the frequency of audits has been



set according to the residual risk value of each control operation from 2020, where the frequency of audits will be increased if the residual risk value is higher.

Since January 2021, risk management (including internal control) practices have been conducted in accordance with the "Principles of Risk Management and Crisis Management Operations of the Executive Yuan and Affiliated Agencies". By identifying and assessing risks, we adopt internal control or other handling mechanisms to reasonably ensure the achievement of governance objectives. We also convene internal control meetings to review and strengthen internal control practices and review revisions to the internal control system. Each year, in accordance with the "Governmental Declaration of Internal Control Practice Guidelines", the Director General of the Bureau and the conveners of internal control operations sign the internal control declaration based on the results of the internal control self-assessment and audit operations for the year. This information is available on the Bureau's website.

(II) External Audit Mechanism

The Bureau inspects the investments, transaction process, performance control, risk control mechanism, audit execution, and custodian services of domestic and overseas mandated institutions and custodian banks according to the annual audit plan. In addition, the mandated institutions' investment and risk control systems are checked on a sample basis to confirm their compliance with contractual requirements to ensure the safety of assets. To enhance

the credibility and effectiveness of audit operations, we have added a number of new auditing items, such as short-term stock trading, investment process record review, and stock trading liquidity risk control, to address the major violations and breaches of law committed by domestic mandated investment companies and their managers in recent years. We will increase the number of audit items and audit frequency for investment projects with high risk level and key auditing operations, and establish risk-oriented auditing operations.



In response to the impact of the COVID-19 pandemic and the inability to conduct on-site audits or overseas visits, in addition to written due diligence checks and video conferences to test the investment system, foreign mandated

institutions are required to submit questionnaires stating compliance with contracts and investment policies and external audits of internal controls to ensure the safety of the assets entrusted to them.

(III) Follow-up and Control Mechanism

We carefully monitor the management of the funds' practices and compliance with contracts. If any irregularities are detected in the audited funds, we will request for improvement within a certain period of time and arrange for follow-up review. If there is any suspicion of irregularities, we will conduct special inspections depending on the circumstances and, if necessary, refer the matter to the FSC for assistance in investigation or processing in accordance with the contract, so as to protect the rights and interests of the funds. In addition, in order to strengthen the auditing operation, we continue to implement risk-oriented auditing operation management. We identify and categorize the risk attributes and assess the degree of impact of the audit results and deficiencies of the domestic mandate institutions, and provide differentiated management as the basis for annual auditing management. It is also used as an important reference for the domestic mandate evaluation and performance assessment. Every year, we also compile the deficiencies annually in official letters to the mandated institutions for their review and improvement. Furthermore, we notify the Financial Supervisory Commission and the Securities Investment Trust & Consulting Association of the R.O.C. (SITCA) for supervision on improvements. In the future, in

addition to the continuous improvement of various investment utilization mechanisms, we will adopt rolling reviews and adjustments to strengthen auditing and risk management measures, so that the internal control and fraud prevention mechanism of fund investment will be more comprehensive and perfect.

(IV) Personal Information Protection

The Bureau has established the "Personal Information Protection Management Guidelines of the Bureau of Labor Funds, Ministry of Labor" and a Personal Data Protection Management Implementation Team. Depending on the needs of business operations, meetings are held from time to time to consider matters related to the Bureau's personal data protection policy and system planning.

Since 2017, the Bureau's personal information management and protection operations have been included in the internal control system inspection items. Each unit is required to regularly review the personal information control mechanism, take inventory of personal data and files, assess potential risks, formulate appropriate countermeasures, and arrange for the Risk Management Division to conduct information security inspections to ensure the security of personal information.

(V) Specific Measures for Information Security Maintenance

The Bureau actively established an information security protection platform to strengthen intrusion detection and prevention, computer virus and malware defenses, and spam and malicious website filtering. At the same time, the incident records are compiled and sent to the external information security monitoring center for correlation analysis and immediate alert and notification processing.

We regularly conduct information security education and training, e-mail social engineering drills, and internal and external audits of information security. We hold information security task force meetings to review and improve the implementation of information security management. We have obtained ISO 27001 certification for the information security management system to ensure the security of data.

In 2020 and 2021, all employees of the Bureau have completed 3 hours to 12 hours of information security education training and passed the examinations. As for the email social engineering drills, the email open and click rate did not reach 6% and 4%, which also met the standard.

	Cyber Security Education and Training	Email Social Engineering Drill	Cyber Security Audit
Implementation	All employees of the Bureau have completed the training and passed the examinations.	Results of the e-mail social engineering drills met the standards.	All items found in the internal and external audits of information security are continuously improved.
Number of Sessions	6 sessions in total	4 sessions in total	2 sessions in total
Qualification Standards	● Information Security Professionals: Receive at least 12 hours of professional security training per year ● IT Personnel: Receive at least 3 hours of professional training in information security every 2 years, and at least 3 hours of general training every year ● General Users and Supervisors: Receive at least 3 hours of general security training per year	The Bureau has set the following target values: ● Email open rate (number of opened test emails/total number of people) <=6% ● Email click rate (number of clicked links or files in test emails/total number of people) <= 4%.	Analyze the causes of deficiencies, develop preventive measures, and follow up and complete improvement operations.

III. Strengthening Internal Control

In 2020, a director of the investment department was suspected to be involved in illegal activities. After actively seeking compensation, all three investment trusts involved in the case have reimbursed the fund loss without damaging the rights and interests of workers, and the personnel involved in the case has been dismissed.

The discretionary investment contracts of the Bureau have specified that the mandated institution shall be liable for damages if the mandated institution violates the relevant laws or contracts and damages the mandated assets. The mandated institution shall also be jointly and severally liable for any intentional or negligent performance of the obligations of its managers and employees.

The Bureau has reviewed the operation regulations, investment process, supervision and control, and integrity measures to strengthen the control of labor funds and personnel. The Bureau, through the Ministry of Labor, submitted the "Report on Strengthening the Internal Control Mechanism of the Bureau of Labor Funds, Ministry of Labor" to the 2nd Session of the 10th Legislative Yuan Social Welfare and Environmental Hygiene Committee on December 23, 2020. The Bureau will continue to strengthen the internal control and internal management, and report regularly to the Labor Funds Supervisory Committee of the Ministry of Labor on the status of the process.

(I) Operational regulations

1. Revision of the rules on trading room management

With regards to domestic equity securities, the trading room management regulations were revised to strictly restrict access to the trading room to traders during trading hours. The trading room is fully recorded and video-taped, and the personal communication devices of those who participate in investment decision discussions and execute trades on the same day must be centrally stored during trading hours, while access records must be kept in a register to strengthen communication control.

2. Strengthening securities-related trading regulations

To strengthen the integrity of securities brokers, they are required to conduct securities investment transactions and delivery according to the law, and to execute the contracts in accordance with the contents of the contracts. They cannot engage in any direct or indirect gifting, banquets, solicitations, or other improper dealings involving integrity unrelated to business.

3. Reinforcement of regulations

We issued official letters to the mandated asset management institutes and securities brokers on an annual basis to request them to issue declarations on whether there are internal or external personnel with intentions of

interfering with, manipulating, or directing the use of funds or other matters that are detrimental to the interests of the mandated assets, in order to strengthen the prevention of illegal occurrences. In addition, in order to strengthen the awareness of compliance with laws and regulations among the mandated institutions and counterparties, the mandated institutions are required to comply with the laws and discretionary investment agreements. The Bureau also urges all parties involved to immediately notify the Bureau if they discover anything detrimental to the interests of the mandated assets. Furthermore, establish a whistleblower reporting system by providing the telephone number and email address of the governmental affairs unit for reporting, so as to avoid ethical risks to the relevant external counterparties.

Operational Regulations		
Revision of the rules on trading room management	Strengthening securities-related trading regulations	Reinforcement of regulations
● Restrict access to the trading room ● Trading room is fully recorded and video-taped ● Personal communication devices will be centrally stored	● Strengthen the integrity of securities traders ● Trade according to the law and contract ● Improper dealings are not allowed	● Regularly issue official letters to the mandated institutions and securities traders ● Request the mandated institutions and securities traders to issue declarations ● Establish a whistleblower reporting system

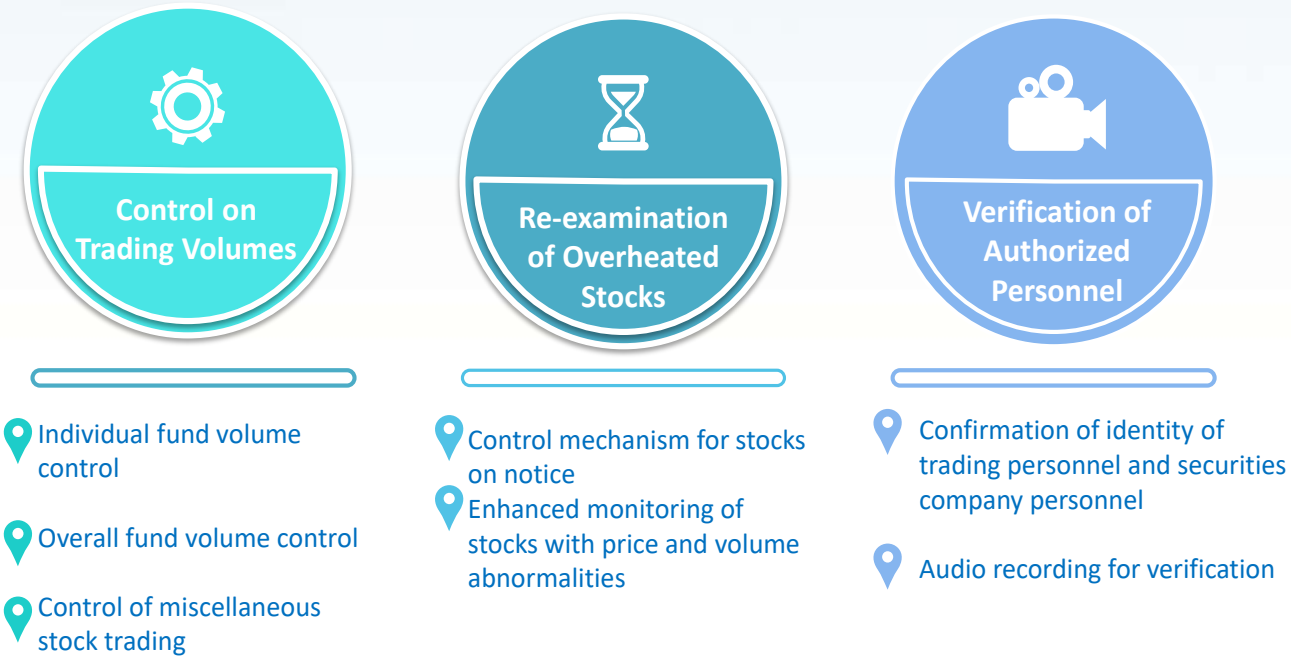
(II) Investment process

1. Additional control on trading volume of individual stocks

The Bureau added a restriction that the daily trading volume of a single stock must be less 30% and 45% of 20 days of average market volume for individual funds and all funds. We also required that the average volume in the latest 60 days of the new investment target must be greater than 100.

2. New mechanism for re-examination of overheated stocks

The Bureau added the stock control mechanism of the stocks on notice announced daily by the stock exchange. It focuses on strengthening the examining of stocks with price and volume abnormalities in the stock pool.



3. Strengthening the verification of authorized personnel

To strengthen the verification and notification of authorized personnel, trading personnel and securities company personnel must confirm that they are both contracted authorized traders before placing orders and recording them for verification, so as to avoid inconsistencies in the rights and responsibilities of trading counterparties.

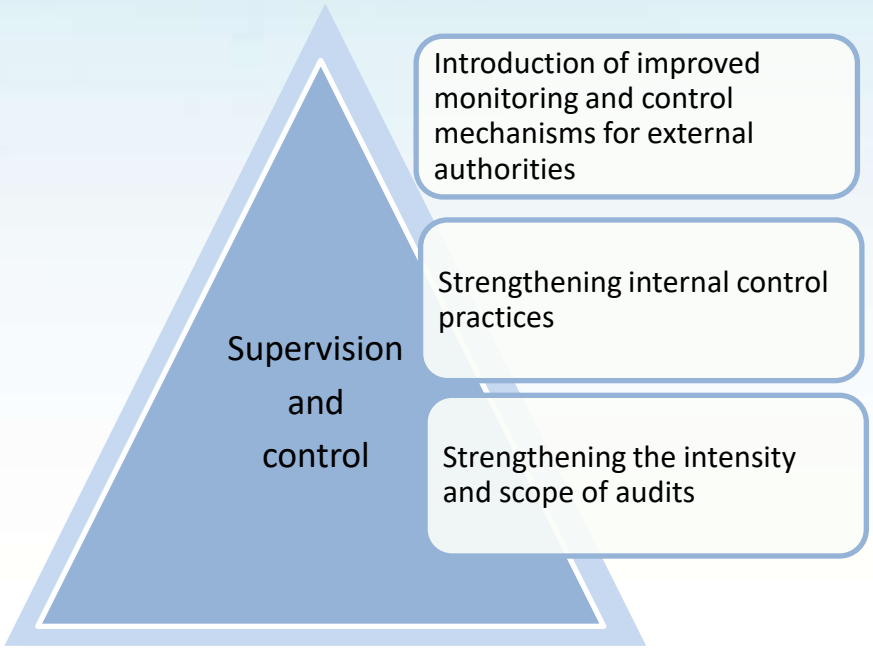
(III) Supervision and control

1. Introduction of improved monitoring and control mechanisms for external authorities

To control the compliance risk of the internal staff members of the Bureau, the Financial Supervisory Commission has been requested to assist in the use of the "Public Information Observation Platform Electronic Authentication Reporting System", whereby the Taiwan Stock Exchange and Taipei Exchange provide the trading information of investment-related staff, their spouses and underage children for the Bureau to check their stock investments. The audit is conducted with the check rate of 100%, namely full checks.

2. Strengthening internal control practices

The Bureau re-examined all investment processes, operational standards, and ethics measures to improve the monitoring mechanism of fund utilization and management, focusing on businesses with higher risk levels, such as domestic discretionary operations, domestic stock investment, and civil service integrity operations. Afterward, the Bureau introduced control enhancement procedures and increased the frequency and number of checks for businesses of higher risk levels. Furthermore, the Bureau will hold ad hoc meetings and continue a rolling review on the design and implementation of internal control to ensure the effectiveness of all control procedures.



3. Strengthening the intensity and scope of audits

To enhance the reliability and effectiveness of internal and external audits, the Bureau has added 32 new auditing items, including short-term trading and non-core shareholding detection, and increased the frequency of

audits on key items. In addition, in order to reduce the risks of investment operations and integrity, the mandated institutions are required to enforce the rule of law, strengthen the control of personal information and communication devices, and carry out fair treatment of accounts. The mandated institutions are also required to issue a declaration that they will not be subject to any interference, manipulation, or direction by internal or external personnel in the use of the funds, to serve as a reminder of the value of ethical management and compliance with laws and contracts, and to ensure that securities investment transactions are conducted in accordance with the law.

(IV) Ethics measures

1. Amending the self-regulation agreement signed by the staff directly involved in investment

To strengthen the protection on the safety of fund use, prevent misconduct, and establish a higher standard of integrity for employees, the Bureau has amended the "Rules Governing Conflict of Interest and Confidentiality" and "Self-Regulation Agreement Signed by the Staff Directly Involved in Investment". The amendment mainly requires that the employees, their spouses and underage children, and anyone in whose name that person transacts, shall not engage in the trading of stocks of domestic listed, over-the-counter, or emerging companies, equity derivatives, and individual stock subscription transactions, in order to eliminate the opportunity to abuse their positions, and to include them in the internal control system of the authorities.

2. Establishing a whistle-blower system and rewards and protection system for the Bureau

To encourage ethical behavior, eliminate corruption, and promote a culture of integrity in the Bureau, ethics institutions will take the initiative to detect and deal with corruption and administrative violations by employees, so that employees are "unwilling, find it unnecessary, unable, and afraid to be corrupt", thereby reducing investment risks. We want the public to perceive the Bureau's image of integrity and honesty. We have established a "Whistleblower System and Rewards and Protection System" that has been incorporated into the internal control system to strengthen the control management and to promote it to the internal staff.

3. Auditing the self-regulation agreement of the Bureau

The rate of self-regulation agreement audits for the Bureau's fund investment personnel was increased from 10% to 100%. This year, 259 persons (including dependents) have been audited and no irregularities have been found so far.

4. Due diligence checks on property declaration of public servants (including the checks of specific individuals)

The Bureau has opened a random draw to conduct due diligence checks on two and three specific individuals in 2020-2021, and has also drawn one other person to conduct the comparison between the previous and subsequent years. No intentional misrepresentation or other matters have been reported as a result of the relevant audits. The Bureau also initiated due diligence checks on specific individuals at risk under Paragraph 1, Article 11 of the "Act on Property Declaration of Public Servants", and Paragraph 1 (3), Article 7 of the "Regulations Governing Review and Inspection of Materials of Property-Declaration by Public Servants".

IV. Information Disclosure

(I) External Communication Channels

The Bureau has established a variety of information disclosure platforms and regularly releases relevant information for public viewing through the convenience and real-time nature of the Internet. The Bureau also proactively organizes press conferences to explain the use of the labor funds and the promotion of related policies to the public, so as to realize the openness and transparency of fund information.

➢ **List of Disclosure Channels**

Disclosure Channels	Information Content	Disclosure Channels	Information Content
Official Website	● Currently, we regularly disclose information on the scope of the fund, investment performance, asset allocation, and domestic and international in-house and mandated performance statistics. ● In addition to the above-mentioned information, we also disclose information or issue press releases from time to time regarding the use of the fund and major events, so that the public can quickly understand the most current situation of the fund.	**Social Media (Youtube, Facebook)**	● The Web 2.0 website has been launched, and videos on the funds' use are regularly released through the YouTube video platform. ● We also upload fund information posts on the Ministry of Labor's Facebook page as needed to provide a variety of convenient, real-time, and diversified fund information through social media to enhance communication with the public.

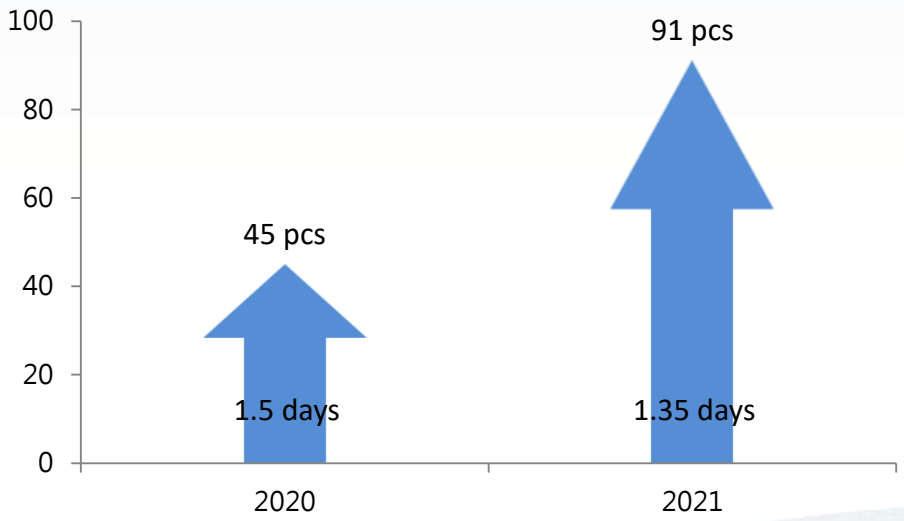
➢ **List of Disclosure Channels**

English Information Website	● To enable international visitors to gain an understanding of the labor funds and enhance international visibility, an English-language information website has been set up to publish information on labor fund regulations, fund utilization, important news, and external tenders that have been translated into English for reference by all sectors.	**Organizing Press Conferences**	● Through other channels such as press releases, press conferences, and media interviews, we provide workers and the public with the latest information on the use of the funds, and offer timely explanations on issues of concern to the public regarding the use of the funds.

(II) Public Comments and Response

The Bureau has established rules and regulations for all its operations, and we require our employees to adhere to the highest professional ethical standards and to uphold integrity and reputation. In addition to internal management in accordance with anti-corruption regulations, we also have an external monitoring mechanism that provides a telephone

Citizen petition cases average number of processing days



reporting line, e-mail, and fax for the public to report corruption and abuse. On January 29, 2021, we established a whistleblower system and a reward and protection mechanism to maintain the integrity of the Bureau.

According to the statistics, the number of petition cases received in 2020 and 2021 were 45 and 91 respectively, and the average processing time was about 1.5 and 1.35 days respectively.

V. COVID-19 Pandemic Prevention Measures

(I) Contingency Planning

To prevent the spread of the COVID-19 pandemic and the occurrence of cluster infections, the Bureau established the "COVID-19 Pandemic Prevention Plan for the Bureau of Labor Funds, Ministry of Labor" on March 20, 2020. We set up the "COVID-19 Pandemic Prevention Response Team" with the Director General as the commander, the Deputy Directors General as the deputy commanders, the Chief Secretary as the executive secretary, and the heads of each division as members of the team, and allocated specific tasks according to the scope of their duties.

From March 2020 to July 2021, nine pandemic prevention meetings were held. We implemented specific measures such as rotational work based on zones, launching the work-from-home mechanism, an online approval process for official documents, and disinfection and pandemic prevention. We also held daily working meetings during the Level 3 Alert period.

The Bureau implemented the contingency plan, task allocation, office area zoning, manpower deployment, procurement of IT equipment and pandemic prevention supplies. We also launched video conferencing to enable smooth business operations during the Level 3 Alert period and effectively prevented the spread of the virus.

(II) Creating a Safe and Healthy Work Environment

In response to the COVID-19 pandemic and in consideration of public health during the pandemic, the Bureau adjusted the office space and implemented relevant pandemic prevention measures to ensure the health of employees, as well as the hygiene and safety of the office environment, in order to prevent the spread of the virus.

1. Extended Flexible Work Hours and Online Clock-in/Clock-out

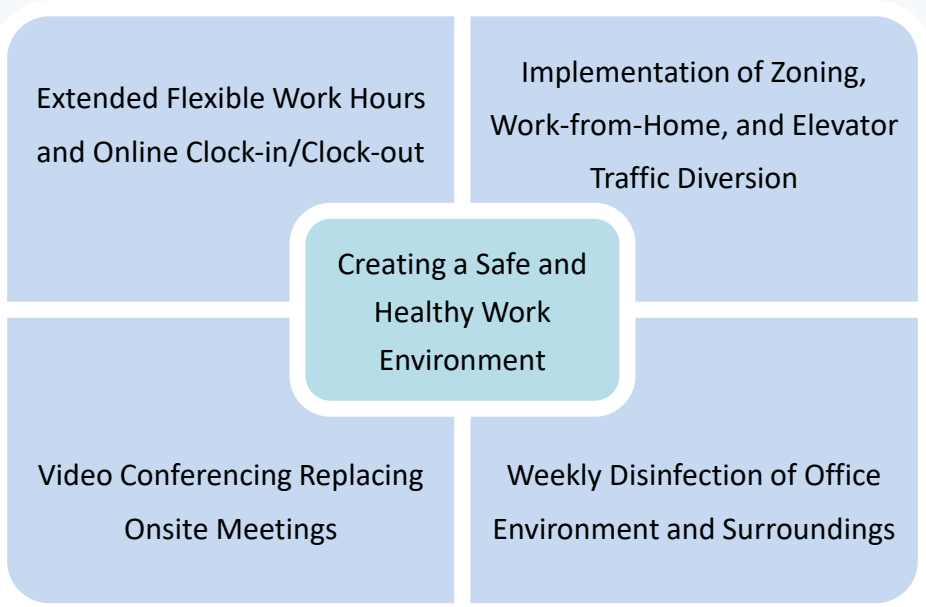
To facilitate the diversion of work commute traffic and reduce the chance of close contact, the original flexible work clock-in/clock-out hours of 8:00 a.m. to 9:00 a.m. and 5:00 p.m. to 6:00 p.m. have been adjusted to 7:30 a.m. to 9:30 a.m. and 4:30 p.m. to 6:30 p.m. Online and hand-punch time clocks for clock-in/clock-out have also been implemented.

2. Implementation of Zoning, Work-from-Home, and Elevator Traffic Diversion

During the pandemic period, the office was divided into Zone A and B, and work-from-home was implemented. A skeleton crew would work from the office of the Bureau on a rotational basis, ensuring that the business operations could be completed independently, and the rotation was carried out in such a way that each zone could still operate independently if there was a reduction in manpower, so that the work could be carried out smoothly. We also cooperated with Yangde Building Management Committee and adopted measures to divert the use of elevators to avoid staff contact on different floors.

3. Video Conferencing Replacing Onsite Meetings

To reduce indoor crowding, and in response to the zoning and work-from-home operations, we purchased online video conferencing software (Cisco Webex Meetings),and all originally-scheduled onsite meetings during the pandemic were held online, with 409 video conferences held.



4. Weekly Disinfection of Office Environment and Surroundings

To stop the possible transmission of the virus, a disinfection company is regularly commissioned to disinfect the office environment and surroundings on a weekly basis to properly implement the pandemic preparedness plan. A total of 19 office disinfection sessions have been carried out to prevent the spread of the COVID-19 pandemic.

(III) Adjustment of Trading Mechanism

During the pandemic, in line with the Bureau's work-from-home measures, the basic manpower required for domestic stock exchanges will remain in the Bureau's office and discuss daily investment decisions by means of online meetings in order to avoid staff contact infections. In addition, due to information security concerns, trading staff will remain in the trading room to place orders. To avoid cross-infection, trading staff will be rotated to work from home for an extended period of time. If the pandemic is severe enough to cause mandatory quarantine or special infections, investment trading will cease.

VI. Taxes

(I) Taxation Policy

Taxation is the basis for the government to provide public services and is an important source of funding to support the local government for optimizing public facilities and promote sustainable development in the local area. To meet the international trend of tax governance, effectively control tax risks, and implement sustainable social development, the Bureau follows the tax laws and regulations of various domestic and overseas investment markets, and files and pays taxes on time. We pay taxes legally and in compliance with the local market to contribute to society, and make good use of international tax agreements and tax incentives of various countries, while also taking into account both investment return and social responsibility.

Taxation Policy		
Regulatory Compliance	Legal Tax Reduction	Risk Control and Management
Comply with tax regulations, calculate tax liabilities, and file tax returns.	Follow the principles of lawfulness and compliance, and adopt tax reduction methods in accordance with the legislative intent.	We keep abreast of the tax regulations of each country, their changes and trends, and rely on the assistance of external professional organizations to carefully assess tax risks and strengthen internal control mechanisms to control tax risks.

(II) Taxation Policy Implementation and Control

1. Legal Tax Exemption for Domestic Investments and Fulfill Withholding Obligations

In accordance with the regulations of each fund, the funds operated by the Bureau domestically are exempt from taxation. We ensure fulfilment of tax exemptions to secure the rights and benefits of the funds. In addition, it is the responsibility of fund investment management for the payment of salaries or remuneration to lawyers, accountants, and notaries, or remuneration to foreign investment managers for the execution of business, we are obligated to declare and withhold income tax on their behalf, so as to increase the national tax revenue.

2. Foreign Investments Make Proper Use of Tax Agreements and Pay Local Taxes

The Bureau's investment tax work involves the tax laws of overseas countries. In addition to following the local laws and regulations and the spirit of legislation to ensure the funds' income and contribution to the local community, the Bureau also engages international tax professional custodian banks and tax consultants to assist in overseas income tax filings and payments in order to improve the efficiency of filing and to obtain the best tax conditions.

For overseas fund investments in countries that have signed bilateral tax agreements with Taiwan, the income from the investment in that country should be supported by a certificate of residency from the Branch Offices of

the National Taxation Bureau of Taipei, Ministry of Finance. The custodian bank will then handle the tax source deduction or refund application and pay the reasonable tax according to the tax agreement rate.

3. Striving for Overseas Tax-Exempt Status

We actively ask our tax advisors and custodian banks to review the tax laws of foreign countries and seek countries that provide tax exemptions for retirement funds or social insurance funds, so that we can apply for tax-exempt status. We strive for tax savings or tax exemptions in accordance with the provisions and spirit of local tax laws, in order to ensure the rights of the funds, as well as comply with the spirit of local legislation and contribute to local investment to create bilateral benefits. Currently, the Labor Pension Fund (the New Fund), Labor Retirement Fund (the Old Fund), Labor Insurance Fund and National Pension Insurance Fund enjoy tax exemptions in France. We also continue to actively apply for tax exemptions in other countries.

4. Tax Risk Control and Management

For the prevention of tax disputes, in addition to appointing international professional custodian banks to handle regular tax operations, we also appointed tax advisors to assist in the careful assessment of tax risks. They additionally provide professional consultation when new investment markets are involved or when faced with new tax regulations and changes, so as to effectively control risks.



CH 7.

Sustainable Investment

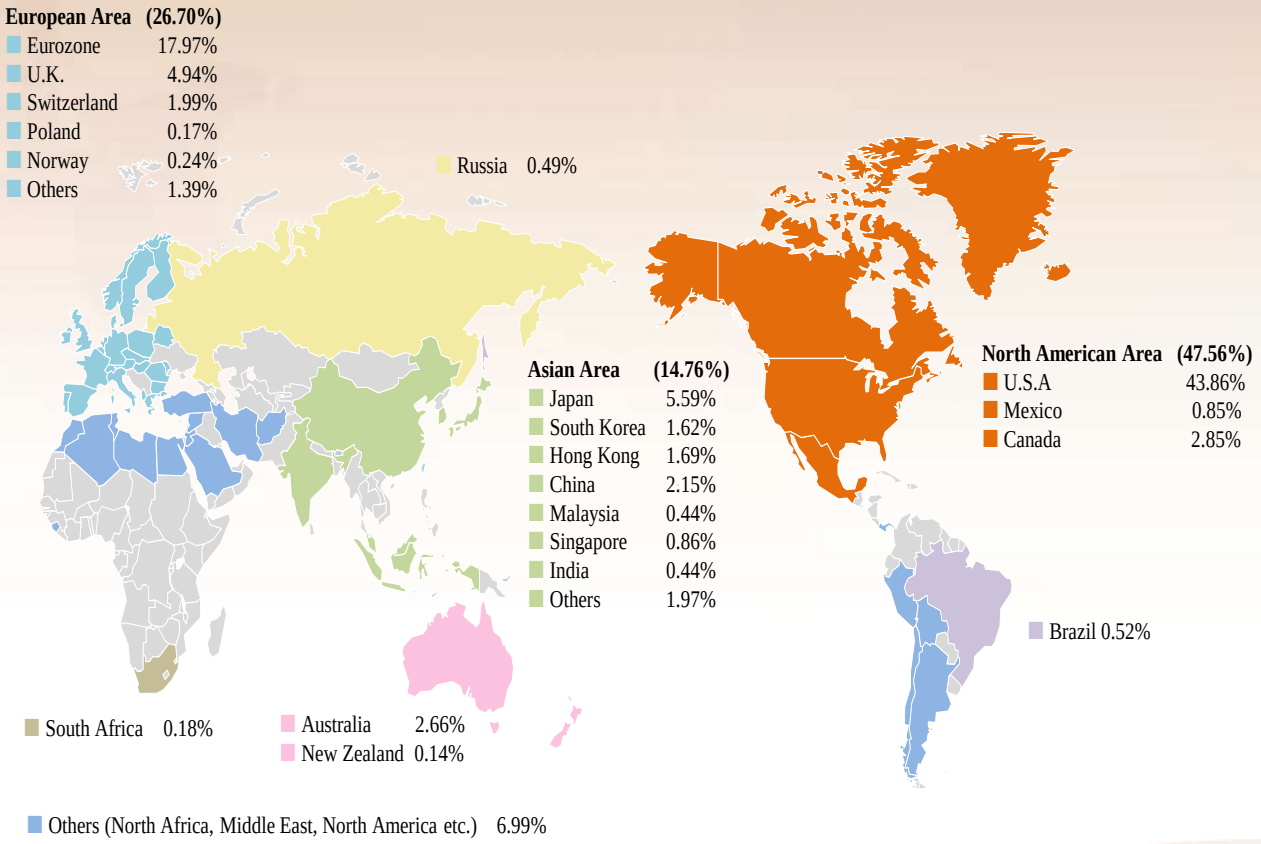
CH 7. Sustainable Investment

➢ GRI: 102-11, 102-12, 102-45, 201-1, 201-2, 412-3

I. Effectiveness of Diversified Investment and Fund Performance

(I) Global Diversified Investment Allocation

Regarding the global dynamics, we have observed that the economic cycles vary from country to country, and the monetary policies, fiscal policies, and economic issues also differ from one country to another. In addition, the direction and magnitude of investment evaluations and price changes among financial asset classes are also affected by the capital flows of global investors. Therefore, global diversified allocation among different



regions and asset class diversification will help to create investment opportunities. In addition to the global equity, global fixed income, global emerging market equity, global emerging market debt, and Asia-Pacific mixed equity, portfolios; the Bureau also has built a diversified portfolio of absolute return type mandates, such as global multi-asset, absolute return fixed income and absolute return equity mandate, to effectively diversify market risk.

In light of the increasingly volatile financial environment, the Bureau will continue to monitor the financial situation, adjust the investment portfolio prudently and dynamically, and continue to diversify our global portfolio to reduce the impact of market uncertainty and enhance the long-term stable returns of the funds. As of the end of December 2021, the total overseas investment of the labor funds reached US$100.5 billion and invested across 76 countries.

(II) Fund Performance

The effectiveness of the labor funds' investment activities includes enhancing the well-being of workers, protecting the workers' financial status after retirement, and reducing the government's financial burden, which have a wide and significant impact. The funds' investment targets are not only based on corporate financial reports, but also environmental, social, and corporate governance (ESG) targets in stock selection, with the hope of bringing positive impacts to society and benefiting stakeholders of the funds' investments.

1. Scale and Performance of the Funds Managed by the Bureau in the Past Two Years

The Bureau coordinates the investment operation of various labor funds and has a diversified portfolio of global equities, bonds, and alternative investments. In the past two years, the financial markets have been subject to rapid changes due to the global pandemic, political and economic factors, which have made it more difficult for the funds to be invested and utilized. In view of the challenging investment environment, the Bureau is actively monitoring the financial market trend and making adjustments in the investment layout dynamically and flexibly. In 2020, the scale of the Bureau's managed funds reached NT$4.9845 trillion, with a return of NT$348.4 billion and a return rate of 7.46%. In 2021, the scale of the fund grew to NT$5.5823 trillion, with a return of NT$491.5 billion and a rate of return of 9.67%.

2. Short-, Medium-, and Long-term Performance of Funds Managed by the Bureau

The objective of the funds managed by the Bureau is the long-term stable investment income. We continue to strengthen asset allocation, enhance diversified investment, and pay attention to corporate social responsibility.

The asset allocation and annual utilization plans vary depending on the nature, legal regulations, and size of each managed fund. Among them, the Employment Insurance Fund and the Occupation Incidents Protection Fund can only be allocated to fixed-income instruments, such as deposits and bonds, Therefore, investment returns are different. Statistics of the short-, medium-, and long-term performance of the New Fund, Old Fund, and Labor Insurance Fund with greater fund size show that the rate of return is about 6% in the past 10 years,

about 7% in the past 5 years, and about 10% in the past 3 years. The short-, medium-, and long-term usage of the funds shows stable long-term performance.

Short-, medium-, and long-term performance of funds

Types of Funds	10 years 2012-2021	5 years 2017-2021	3 years 2019-2021
Labor Pension Fund (the New Fund)	5.95%	7.09%	9.30%
Labor Retirement Fund (the Old Fund)	6.34%	7.80%	11.06%
Labor Insurance Fund	5.97%	7.49%	10.54%
Employment Insurance Fund	1.18%	1.20%	1.03%
Occupation Incidents Protection Fund	0.90%	0.87%	0.82%
Arrear Wage Payment Fund	2.88%	3.55%	4.52%
National Pension Insurance Fund	6.16%	7.56%	10.14%
Farmers' Pension Fund	-	-	-

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

Scale and performance of the funds managed by the Bureau in the past two years

Types of Funds	2020			2021		
	Scale (NT$100 million)	Return (NT$100 million)	Guaranteed Rate of Return (%)	Scale (NT$100 million)	Return (NT$100 million)	Guaranteed Rate of Return (%)
Labor Pension Fund (the New Fund)	27,225	1,782	6.94	31,458	2,837	9.66
Labor Retirement Fund (the Old Fund)	8,975	722	8.50	9,475	921	11.22
Labor Insurance Fund	7,851	644	8.83	8,447	730	9.71
Employment Insurance Fund	1,370	8.9	0.66	1,442	15.1	1.07
Occupation Incidents Protection Fund	110	0.9	0.80	104	0.8	0.74
Arrear Wage Payment Fund	137	6.7	5.15	149	6.9	5.18
Labor Funds Subtotal	45,668	3,164	7.35	51,075	4,511	9.65
National Pension Insurance Fund	4,177	320	8.76	4,717	404	9.88
Farmers' Pension Fund	-			31	0.2	1.97
Managed Funds Total	49,845	3,484	7.46	55,823	4,915	9.67

Note: The Farmers' Pension Fund was established in January 2021 and investment began in March of the same year.

II. Risk Management

(I) Investment Risk Management

1. Regulations and Procedures for Risk Control and Management

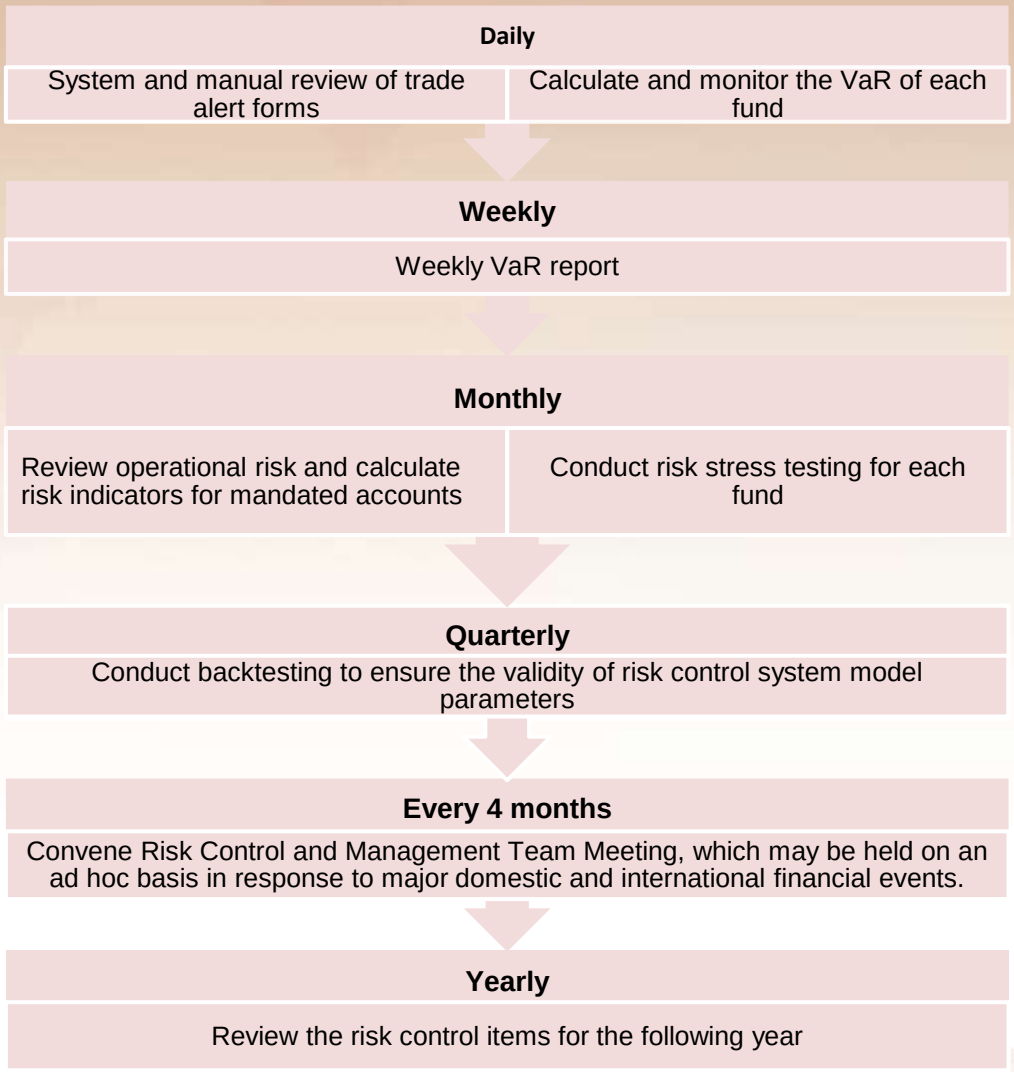
The Bureau has established the "Bureau of Labor Funds Risk Management Guidelines for Managed Funds", in order to set up a complete risk management system by identifying, measuring, monitoring, and reporting the risks of each fund. Through the establishment of an effective risk management mechanism, the Bureau assists in the investment of financial instruments and ensures the stable growth of each fund.

To promote the effective use of capital and maintain the safety of the funds, we have established risk control operations and procedures as the basis for implementing the risk control of each managed fund. The related controlled items include market, credit, liquidity, legal and operational risks, which are managed on a daily, weekly, monthly, and quarterly basis.

The Bureau has established a comprehensive risk control mechanism and created an organizational culture that emphasizes risk management and follows the internal risk management mechanism, which is applied to all managed funds and kept up to date.

2. Risk Assessment Mechanism and Frequency

The Bureau has established risk control operation items and procedures as the basis for implementing the risk control of each managed fund. The daily risk control system calculates the risk value of each fund, including the risk value of individual investment positions and components, to keep track of risk changes and monitor the areas within the risk budget, which is regularly reviewed on a weekly basis. The system also generates a daily summary of trade alerts, which are then manually reviewed to take timely action. We review and report the market, liquidity, credit, legal and operational risks of each fund, conduct stress tests for each fund, and calculate risk indicators for the funds' mandated accounts



on a monthly basis. Quarterly backtesting of the risk control system is conducted to verify the effectiveness of the model parameters of the risk control system.

(II) Response Strategy for Major Unexpected Risk Events

To effectively respond to unexpected major risk events, the Bureau has established the "Bureau of Labor Funds Risk Control and Management Team Practice Guidelines" to review the VaR of each fund on a regular and ad hoc basis. We review the various mechanisms and solutions for handling significant risk management items of the funds and their effectiveness. For the major risk management items of the funds, including the occurrence of drastic fluctuations in the value-at-risk of the investment positions of the managed funds, natural disasters, as well as the occurrence of emptying, bankruptcy, massive redemptions, run-ins, requests for contract termination, or other major operational crises of the mandate institutions or custodians, standard operating procedures and solutions are established to ensure the timely and effective handling the events. In case of major financial and economic events, we will convene ad hoc Risk Control and Management Team meetings to draft the relevant countermeasures.

In mid-July 2021, the Bureau also simulated a major pandemic risk event, assuming that Taiwan, which had already brought the COVID-19 pandemic under control, was inundated by the Delta virus variant from India, triggering several waves of spread, and with the Central Epidemic Command Center announcing that the nationwide alert would be raised to Level 4. The exercise was conducted in accordance with the procedures and solutions set forth in the "Bureau of Labor Funds Risk Control and Management Team Practice Guidelines".

III. Stewardship

(I) Signing the Stewardship Principles for Institutional Investors

On June 30, 2016, the Taiwan Stock Exchange released the "Stewardship Principles for Institutional Investors", and the Bureau was the first to sign. The Principles aim to encourage institutional investors to use their expertise and influence to enhance the value of their investments through the process of showing concern, dialogue, and interaction with their investee companies. This encourages the investee companies to improve their corporate governance and promote the sound development of industry, economy, and society as a whole. After the Taiwan Stock Exchange announced the revised Principles in August 2020, the Bureau immediately cooperated with the review to update and strengthen the content of the compliance statement.

To urge the domestic mandate institutions entrusted with the management of the funds managed by the Bureau to fulfill their responsibilities as institutional investors, the Bureau issued official letters requesting these mandate institutions to jointly respond to the Stewardship Principles for Institutional Investors, and all of these institutions have signed it. The purpose is to guide the domestic mandate institutions to adhere to the spirit of due diligence, pay continuous attention to the companies they invest in, and strengthen the communication and dialogue with the companies, as well as call on listed companies to internalize ESG into their corporate culture, strengthen corporate governance, and fulfill their corporate social responsibility.

(II) Shareholders' Activism

➢ **Practice shareholders' activism**

Establishing compliance guidelines	We have established the "Bureau of Labor Funds Regulations on Fulfillment of Shareholder Action". The Regulations were established to clarify the procedures for handling major violations of laws or disputes by domestic listed companies involved in discretionary investments, and to improve the guidelines for implementing shareholder actions.
Communication with the management of investee companies	We communicate with the management of investee companies through conference calls, face-to-face meetings, participation in investors' conferences, and attendance at shareholders' meetings or major shareholders' meetings to understand the risks and strategies of corporate operations and to reach long-term value-oriented consensus.
Exercising voting rights	We actively participate in voting on various motions at shareholders' meetings. Before exercising the voting rights, we will carefully analyze the content and impact of each motion. 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, and if necessary, to understand and communicate with the management of the investee company before the shareholders' meeting. From 2020 to 2021, we participated in 712 shareholders' meetings, with a 100% voting ratio.
Urging investee companies to pay attention to labor rights	● When an investee company is involved in significant labor rights, environmental protection, and corporate governance incidents, or when there is a risk of harm to the beneficiaries of the fund, we will communicate with the management of the investee company and ask them about the situation in order to protect the rights and interests of the fund. ● In addition, in order to make the best use of the talents of people with disabilities, we appeal to the companies as a shareholder to provide employment opportunities for companies that do not employ

➢ **Practice shareholders' activism**

	sufficient people with disabilities. A total of 25 investee companies were issued official letters from 2020 to 2021. ● In 2021, official letters were sent to 2 companies with major labor safety and health incidents, urging them to strengthen workplace safety and health and attach importance to labor rights and interests. We also urged the investee companies to strengthen their corporate governance mechanisms with reference to the newly revised "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", official letters were issued to 62 companies in total.

(III) Implementation of Stewardship

In accordance with the Stewardship Principles for Institutional Investors, the Bureau continues to implement and refine six principles, including stewardship policy, conflict of interest management policy, continuous attention to investee companies, dialogue and interaction with investee companies, voting policy and disclosure of voting status, and regular disclosure of due diligence performance. We publish our due diligence and voting status annually on our website. In addition, during the selection process of the domestic mandate institutions, the bidders are required to explain the implementation of their due diligence governance for the reference of the evaluation committee to guide the investment trusts to pay attention to ESG.

2020	2021
An official letter was sent to an industry leader investee company, requesting it to enhance the depth and scope of its CSR report and to report it on the Public Information Observation Platform so that stakeholders could have access to the information. The company then filed its social responsibility report in 2021.	We visited a company and recommended that the company disclose its renewable energy plans and future goals in its social responsibility report in response to customer demand for renewable energy in the supply chain, so that shareholders can understand the company's long-term policy.
We exercised the shareholders' right to propose to an investee company to increase cash dividends and strengthen its financial strategy. Although the proposal was not approved by the board of directors of the company, it was included in the report of the shareholders' meeting, demonstrating that the Bureau is committed to the principle of shareholder activism and will continue to actively protect shareholders' rights in the future.	During a visit to a company with a relatively poor corporate governance rating (51%-65%), we suggested that corporate governance should be improved, and the company responded that it had asked for counseling from an accounting firm and would strengthen the relevant disclosures with a view to making improvements.
At a company's investors' conference where it emphasized sustainable environmental protection as the core of its future development, the Bureau expressed its attention and concern. After the conference, we were invited to attend an in-depth presentation and exchange with the company's management on its low-carbon operation plan and achievements in 2021. The company's carbon reduction blueprint was presented at the 2021 investors' conference, aiming to achieve carbon neutrality by 2050.	Official letters were issued to the mandate institutions to provide information on the implementation of socially responsible investment by the company. In addition to understanding the ESG-related strategies of the mandate institutions, we also encouraged mandate institutions and investee companies to pay attention to ESG and its promotion, so as to implement corporate investor stewardship.

IV. Socially Responsible Investment

Socially Responsible Investment (SRI) refers to the integration of environmental, social, and corporate governance considerations into the investment process in order to balance investment returns with corporate social responsibility. The investment of the funds is related to labor rights and interests. Under the premise of income, we will gradually adopt relevant socially responsible investment strategies, which will not only enhance labor rights, but also encourage enterprises to pay attention to the fulfillment of social responsibility, so that the whole society can benefit and achieve a win-win situation.

To carry out our sustainable investment philosophy, implement social responsibility, and protect the interests of the funds, we use the power of the capital market to guide enterprises to pay attention to the issue of sustainable investment. In July 2007, when the "Labor Pension Fund Supervisory Committee", the predecessor of the Board, was established, it was explicitly stated in the regulations on the use of funds that corporate social responsibility would be taken into consideration in the investment, while taking into account the profitability of the fund. A social responsibility investment strategy was developed in 2008 and included in the investment policy in 2009. After the establishment of the Bureau in 2014, the regulations and policies on socially responsible investment were further expanded to include labor funds and National Pension Insurance Fund. These are specified in the operational guidelines of the labor funds, the management and operational guidelines of the National Pension Insurance Fund, and the investment policy of each fund.

(I) ESG In-House Investment

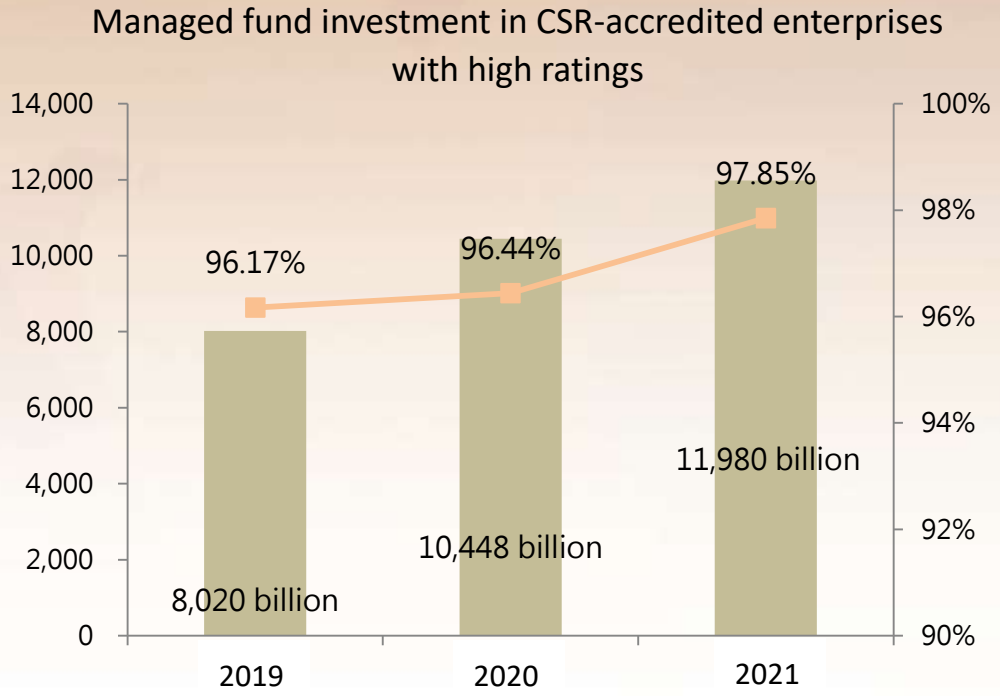
1. Domestic Investment

With regards to domestic investments, in addition to taking into consideration whether or not a company has prepared a sustainability report, the Bureau refers to the evaluations by independent institutions of professional competence and prestige as the basis for domestic in-house investment and stock selection. We also continuously review the performance of our investments in ESG-related assessments with the following key references:

A. Received the National Enterprises Environmental Protection Award from the Environmental Protection Administration, Executive Yuan.
B. Passed the Corporate Governance System Assessment organized by the Taiwan Corporate Governance Association.
C. In the top 50% ranking in TWSE's Corporate Governance Evaluation.
D. 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.

As of the end of 2021, the Bureau's managed funds invested in 255 CSR-accredited companies with high ratings, totaling NT$1,198 billion, accounting for 98% of the domestic stock market.

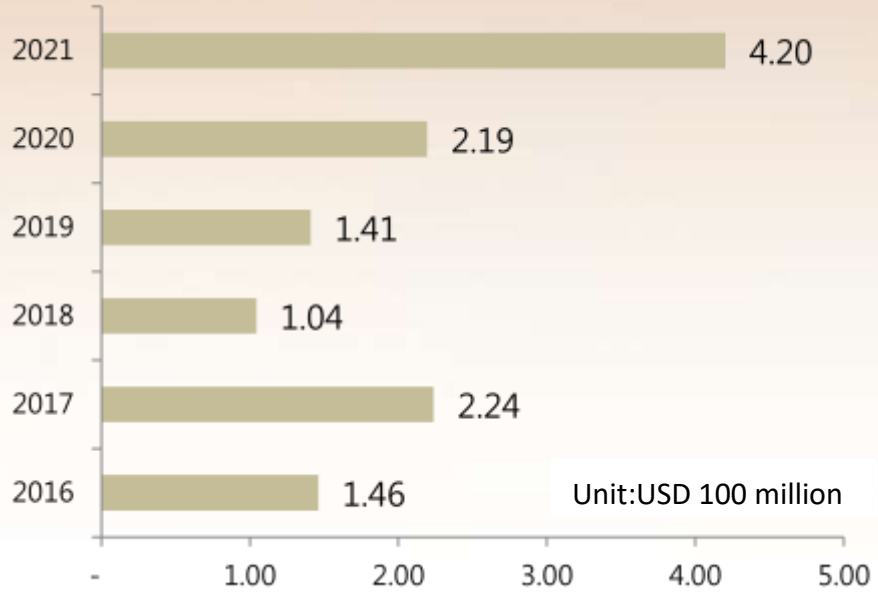
In addition, investments in domestic bonds are based on the fulfillment of social responsibility by the bond-issuing institutions. In addition to the profitability of the fund, the social responsibility of enterprises is taken into account in the investment, so as to urge enterprises to strengthen corporate governance and fulfill their social responsibility. Furthermore, we have actively focused on the development of the green finance industry and participated in green bond investment in recent years. As of the end of 2021, the managed funds have invested NT$4.3 billion in green bonds and will continue to participate in related investment opportunities to help promote and revitalize the domestic green bond market and facilitate the diversification of domestic bond investment.



2. Foreign Investment

For foreign in-house team, we have been studying ESG-related investment topics since the second half of 2016. As a result, we have gradually allocated Labor Funds' asset to ESG-related funds and ETFs since then. At the beginning, the ESG-related categories included water resources, low carbon, climate change, and solar energy. However, due to the small size of the funds and liquidity risk, the initial investment is mainly in ETFs. In the past two years, as the size of Labor Funds increased significantly, we have also added active mutual funds to the in-house portfolio.

Foreign in-house ESG investment situation



In response to the rising awareness of environmental protection in the market, ESG has become the mainstream of investment. In fact, not only the scale of ESG investment is growing rapidly, but also the categories covered are increasing, providing investors with more diversified choices. The ESG investment targets of in-house team include investments in U.S. companies with proactive environmental themes, social responsibility, excellent governance,

commitment to reducing or adapting to climate change, and active exclusion of companies with significant fossil fuel revenue to provide capital appreciation. The other diversified assets combine ESG and sustainable development investment perspectives, adding new investment targets to the traditional equity and debt asset allocation.

As of the end of 2021, the Bureau's total foreign in-house ESG investment amounted to US$420 million, and the total ESG investment amount accounted for 6.25% of the in-house equity portfolio.

(II) ESG Mandated Investment

1. Domestic Investment

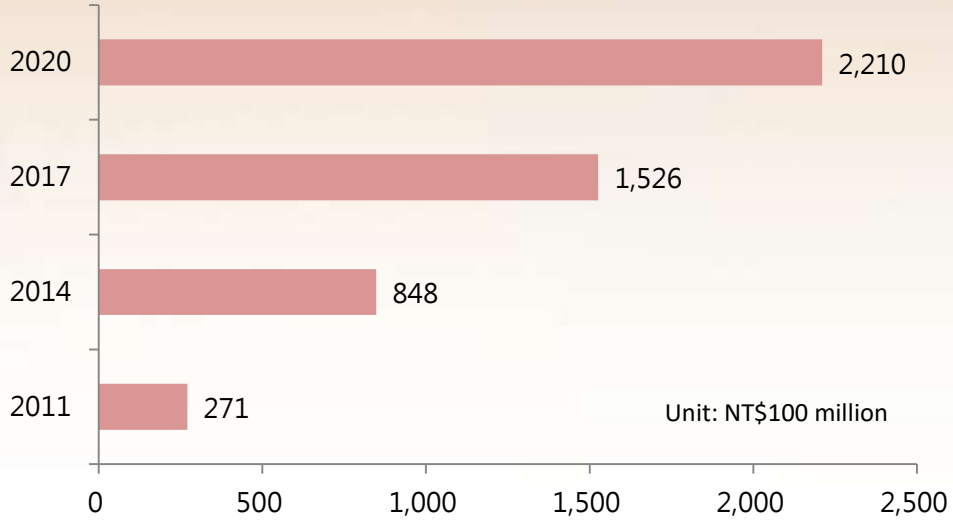
Due to its limited manpower and resources, the Bureau actively utilizes external resources, including the use of social responsibility-related indices as indicators for outsourced operations. In 2011 and 2014, the "TWSE RA Taiwan Employment Creation 99 Index" and "Taiwan High Compensation 100 Index" 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. In view of the fact that 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.

The FTSE4Good TIP TW ESG Index was jointly compiled by Taiwan Index Plus Corporation and FTSE on December 18, 2017. The index combines environmental, social, and corporate governance aspects and covers a wide range of topics. The Labor Pension Fund adopted it as an investment indicator in 2018 when handling domestic mixed equity return-type discretionary operations.

To strengthen the social responsibility investment, the absolute return mandate was set up in March 2020. For the first time, it included listed companies that compile CSR reports as the main investment scope. In addition, in order 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

Scale of domestic ESG investment mandate



2020. The Bureau will continue to refine the diversity of mandate investments to guide enterprises to fulfill their social responsibilities and promote sustainable development.

Currently, the Bureau has handled six ESG-related domestic mandates, of which two are of the absolute return type, with listed companies that compile CSR reports as the main investment scope. As of the end of 2021, the sizes were NT$44.2 billion and NT$24.2 billion respectively. The remaining four are mixed equity types, where the tracking indices are "TWSE RA Taiwan Employment Creation 99 Index", "Taiwan High Compensation 100 Index", and "FTSE4Good TIP Taiwan ESG Index". As of the end of 2021, the sizes of the three mandates were NT$27.1 billion, NT$57.7 billion and NT$67.8 billion respectively, while funding for the mandate tracking the "TIP Taiwan Market CSR Small/Mid-Cap Index" has not yet been allocated. As of the end of 2021, the total amount of domestic ESG-related mandate was NT$221 billion.

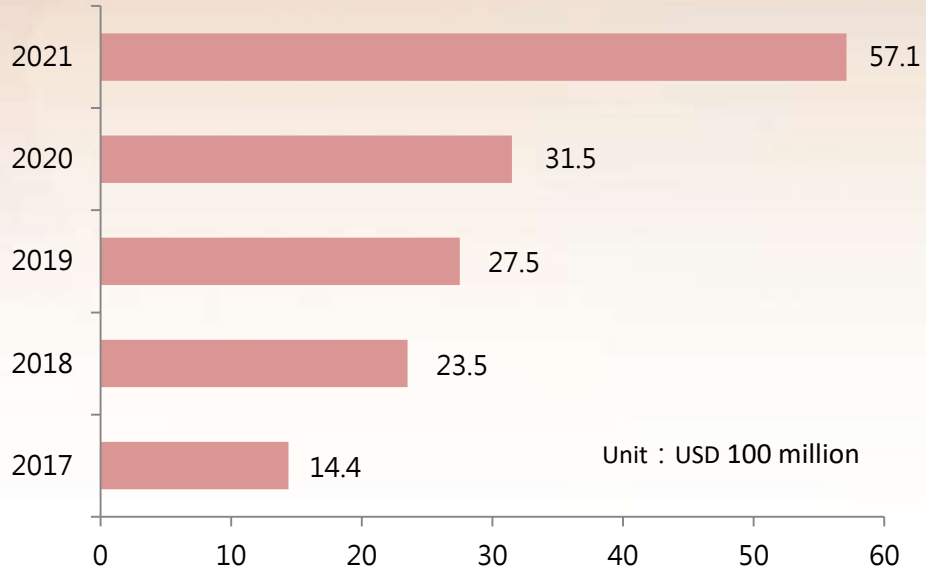
2. Foreign Investment

To urge enterprises to take social responsibility seriously, the Bureau issued an official letter on April 21, 2016 to inform the mandate institutions not to invest in funds that violate corporate social responsibility when using the accounts entrusted by the Bureau. In addition, any violation will result in a reduction of the mandated amount or termination of the contract depending on the severity of the case. The Bureau also hired an external

consultant to conduct quarterly evaluations and provide ESG ratings of the mandated investment managers. For those with poor ratings, the mandated institutions are requested to make improvements, while ESG performance is included as a reference for contract renewal and addition/reduction of funding.

To continue to implement corporate social responsibility and to ensure the returns of Labor Funds, the Bureau launched Global ESG (Environmental, Social and Corporate Governance) Quality Mix Equity Indexation equity foreign investment mandate in 2017. The mandate was based on the MSCI ACWI ESG Index, which is a global equity-based investment. Companies with the top environmental, social, and corporate governance were included, while companies in related vice industries and those with major environmental, customer and human rights controversies were excluded. In addition, to further enhance the performance of the portfolio, strategic factors including "high quality", "low volatility", and "enhanced value" are used to construct the index to

Scale of overseas ESG investment mandate



strengthen downside risk protection, and to ensure both social responsibility and investment returns. The total amount of the original mandate was US$2.4 billion, and the total amount of the mandate increased year by year and reached to US$3.41 billion currently.

Regarding fixed-income investments, the Bureau launched Enhanced Global USD Corporate Bond foreign investment mandate in 2020. The mandate was based on the Bloomberg Barclays Global-Aggregate Index, which uses a negative screening strategy to exclude bonds issued by companies in vice industries (e.g., tobacco, alcohol, gaming, and adult entertainment). In addition, to further enhance the performance of the portfolio, the Bureau appoints active bond managers to incorporate ESG concepts into the investment process and related strategies through thematic, filtering, and process integration, with the goal of enhancing returns, diversifying risks, and meeting social responsibility. The total amount of the mandate was US$2.3 billion, and all the funding has been completed.

As of the end of 2021, the total amount of the Bureau's investments directly using the sustainability index for the overseas mandate indicators was US$5.71 billion. Among the US$45.493 billion in foreign equity mandate positions, more than 70% are constituent stocks of the sustainability index.

(III) Promoting Socially Responsible Investment

In 2015, the United Nations launched the 2030 Sustainable Development Goals (SDGs), which set out 17 goals for governments and enterprises around the world to work together toward sustainable development, demonstrating the importance placed on sustainable development. The outbreak of COVID-19 pandemic in 2020 has led to increased attention to social responsibility and governance issues, accelerating the international trend toward sustainable development investments. According to the Global Risks Report of 2021 released by Mercer in collaboration with the World Economic Forum (WEF), climate related risks have ranked among the top five global risks in terms of possibility over the past five years. In addition, at the COP26 of the United Nations Framework Convention on Climate Change (UNFCCC) in 2021, nearly 200 countries adopted the "Glasgow Climate Pact" to combat climate change, highlighting that climate change has become the most important issue for investors in sustainable development.

To keep abreast of the latest development trends in socially responsible investment, the Bureau regularly holds discussions with the mandate institutions on social responsible investment issues, including the use of ESG investment and development trends. Discussions are also held on the impact of the pandemic on ESG investment in light of the development of the pandemic. We also invited index companies to explain in detail with regards to the

application of climate related indices to the investment in view of the importance of global climate change to investors. Through conferences and educational training, The Bureau will be able to understand the development of ESG and climate change issues, so that we can actively consider the appropriate type of mandate and implement the Bureau's sustainable investment philosophy. For the in-house investments, we will also continue to increase our ESG-related investment portfolio and take into account the EU SFDR guidelines as appropriate, and indirectly participate in corporate governance through our funds.

To promote the concept of socially responsible investment, the Bureau has participated in several seminars as a panelist and keynote speaker. These include the "Taiwan Sustainable Investment Trends Seminar" co-organized by Taiwan Index Plus Corporation and FTSE Russell on August 25, 2020; "Corporate Governance 3.0 - Sustainable

Year	Organizer	Name
2020	Taiwan Index Plus Corporation, FTSE Russell	Taiwan Sustainable Investment Trends Seminar
	Taiwan Stock Exchange Corporation, Taipei Exchange	Corporate Governance 3.0 - Sustainable Development Blueprint Summit
	Cathay Financial Holdings Co., Ltd.	Cathay Sustainable Finance and Climate Change Summit
2021	Taiwan Stock Exchange Corporation Corporate Governance Center	The 13th Taipei Corporate Governance Forum
	SinoPac Securities	SinoPac Securities Investment Service Corporation Introduction of ESG Assessment
	National Pension Supervisory Commission, Ministry of Health and Welfare	Global ESG Investment Conference for Retirement and Government Funds

Development Blueprint Summit" organized by Taiwan Stock Exchange Corporation and Taipei Exchange on September 21, 2020; the "2020 Cathay Sustainable Finance and Climate Change Summit" organized by Cathay Financial Holdings on December 10, 2020; the "13th Taipei Corporate Governance Forum" organized by the Taiwan Stock Exchange Corporation Corporate Governance Center on September 1, 2021; and the "Global ESG Investment Conference for Retirement and Government Funds" organized by the National Pension Supervisory Commission, Ministry of Health and Welfare on December 21, 2021. Experts and scholars discussed important issues such as the trends in sustainable investment, responses to environmental changes, and corporate governance. Through joint exchanges and experience sharing, participants gained a better understanding of the importance of socially responsible investment and sustainable development.

In addition, a "Socially Responsible Investment" section is set up on the Bureau's website to reveal the important strategies and achievements of our social responsibility targets, which is conducive to the public's understanding of the concept of socially responsible investment and its promotion. In addition to the introduction of the Bureau's social responsibility investment policy, the effectiveness of promotion, the ratio of social responsibility investment, and the fulfillment of due diligence governance, there are also links to related activities and websites in Taiwan and abroad to help people keep track of the development trend of social responsibility investment.



CH 8.

Sustainable Operations

CH 8. Sustainable Operations

➢ GRI: 201-2, 204-1, 302-1, 302-2, 302-3, 302-4, 302-5, 303-2, 303-5, 305-5, 308-1, 408-1, 409-1, 414-1

I. Green Procurement

To facilitate the sustainable use of resources, the Bureau gives priority to the use of green products and environmentally friendly products when conducting procurement tenders, and actively promotes green procurement. The procurement amount of green products as designated by the Environmental Protection Administration, Executive Yuan, was NT$2,163,364 in 2020, while the procurement amount of green products as designated by the Environmental Protection Administration, Executive Yuan, was NT$2,455,803 in 2021. The achievement rate of the two-year green procurement target was 100%.

To implement the "Social Innovation Action Plan" of the Executive Yuan, in order to create an ecological environment conducive to social enterprises and introduce social enterprise products and services, we have given priority to social innovation enterprise product manufacturers that meet the needs of public service, and 100% administrative resources are provided to support manufacturers who apply for social innovation products under the Ministry of Economic Affairs. In 2020 and 2021, the company we were awarded the "Buying Power - Social Innovation Products and Services Procurement Award" by the Ministry of Economic Affairs as a participant and a supporter respectively.

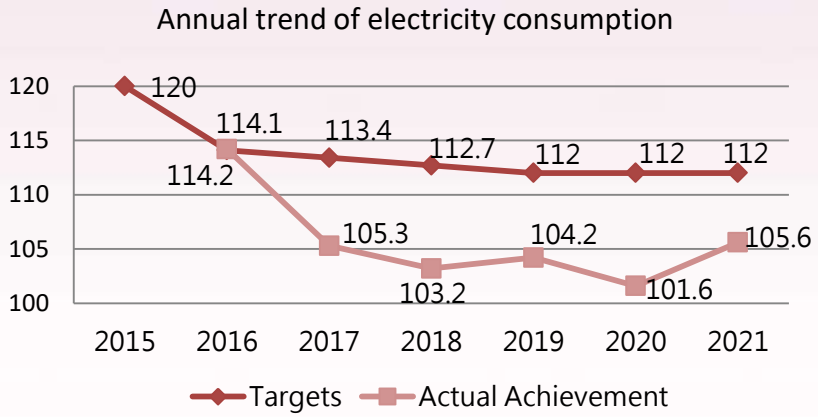
II. Energy-Saving and Carbon Reduction

To comply with the "Energy Conservation Action Plan for Government Agencies and Schools" promulgated by the Executive Yuan, the specific measures for energy conservation in 2020 and 2021 were as follows:

(I) Water, Electricity, and Fuel Saving Measures

Replaced all water faucets in the office pantries with water-saving faucets and installed water-saving gaskets. Toilet bowls equipped with water-saving devices and water bottles are placed inside the cisterns to reduce water use in the cisterns.

We used Chunghwa Telecom's Intelligent Energy Network (IEN) energy-saving platform to control air conditioning and power on/off times, while office lighting was reduced in quantity according to usage needs. By the end of 2020, all lighting in office halls were replaced with LED bulbs, and LED lighting are used in hallways and emergency escape signs. Furthermore, timers for lights have been installed in pantries to save electricity. The air



conditioning system is managed according to zones to control the temperature in offices and meeting rooms, with the ambient temperature set at 26°C to 28°C. Every year, maintenance companies or maintenance personnel are requested to check the refrigerant quantity of the central air conditioning unit and to make a refill if it is insufficient to maintain the efficiency of the central air conditioning unit. The electricity consumption in 2020 and 2021 was about 15,231 kWh.

Regular maintenance and inspection of company vehicles are conducted to maintain vehicle efficiency, improve fuel consumption, and not idling while waiting to reduce carbon emissions.

(II) Paperless Official Documents and Meetings

Except for physical contracts, confidential documents, or complicated cases that require physical attachments to be received in paper form, all other documents are filed electronically. Meeting information is placed in the public section of the Bureau for download on demand, and no more paper copies are printed.

III. Natural Disaster Response Mechanism

(I) Fire Drills

In Taiwan, fires and earthquakes occur frequently, and we endeavor to reduce the loss of life and property caused by disasters. To effectively prevent unexpected disasters and to immediately mobilize personnel for self-defense and

timely emergency rescue to reduce casualties and property losses, the Bureau conducts disaster prevention drills in accordance with the Fire Services Act.

Every year, the Bureau conducts annual "Fire Safety Equipment Inspection and Reporting Practice" in accordance with the Fire Services Act and its enforcement regulations, and we have passed the on-site inspection carried out by the Taipei City Government Fire Department. Each office area is equipped with an emergency escape route map, escape direction instructions, and emergency exit lights. The emergency exits and escape routes are kept open and unobstructed, and emergency lighting has been installed. Disaster prevention education and task group training are conducted annually, once in the first half of the year and once in the second half of the year, to strengthen the awareness of personnel in case of unexpected disasters.





(II) Pandemic Response

If the COVID-19 pandemic alert is raised to Level 3 or 4, the guidelines from the Central Epidemic Command Center are to reduce the number of personnel going out unnecessarily and to reduce interpersonal contact and communication. But due to the limited office space, it is difficult to implement the relocation of personnel to work in different places. To reduce interpersonal contact between personnel in various units, the Bureau developed a "majority work from home, minority work at the Bureau" pandemic prevention plan. We also established the "COVID-19 Pandemic Prevention Contingency Measures for Working from Home of the Bureau of Labor Funds, Ministry of Labor" to facilitate compliance,

In terms of employee work attendance management, those working from home are still required to clock in and out online, and we maintain online applications for overtime work. Personnel working from home are required to fill out working-from-home logs. In case of overtime work, the supervisor of each unit shall approve it according to the authority and responsibility. During the working-from-home period, personnel are required to fill in the "work log" and report to their unit supervisor regularly.



CH 9.

Friendly Workplace

CH 9. Friendly Workplace

- GRI: 102-35, 102-36 102-37 102-38, 102-39, 201-3, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1, 404-2, 404-3, 412-1, 412-2

I. Appraisal, Reward and Penalties, and Gender Equality

(I) Appraisal, Reward and Penalties, and Promotion System

1. Remuneration Policy

In accordance with the Public Service Salaries Act and the Regulations on the Bonus Payment of Public Service Salaries, the salaries, professional bonus, and supervisor's bonus of the Bureau's public employees are paid according to the grade conditions and the professional degree and responsibilities of each position as determined by the Ministry of Civil Service. In consideration of the professional and challenging nature of the Bureau's business and the benefits of recruiting the necessary talents to create investment performance, the Executive Yuan agreed that the Bureau's business personnel should be paid professional bonuses according to the "Schedule of Professional Additional Pay for Public Employees (17)" starting from January 1, 2021. In addition, the salaries of the military and public education employees in 2022 have been increased by 4% as approved by the Executive Yuan.

2. Implementation of Regular Performance Appraisal

In accordance with the "Regular Performance Appraisal Guidelines for Public Employees of Executive Yuan and Affiliated Agencies", the Bureau conducts the regular appraisal of each unit's employees for their performance for January to April in late April and for May to August in late August of each year. The supervisors at each level will assess the appraisal results of their personnel according to the appraisal level of each appraisal item in the appraisal record sheet in accordance with the principles of the Regular Performance Appraisal. The appraisal record sheet will be confidentially submitted to the Director General for review, and will be used as a reference for year-end appraisal, as well as for promotion and reassignment.

3. Appraisal Performance

In accordance with Article 2 of the Public Service Appraisal Law, the year-end appraisal of personnel is conducted with the purpose of carrying out a comprehensive verification of the facts, reward and punishment. An accurate and objective assessment will be carried out with reference to the regular appraisal performance.

4. Rewards and Penalties

The Bureau adheres to the principles of immediate disbursement of rewards, verification of rewards, and no abuse of rewards. We reward according to specific reasons of merit and properly apply the reward mechanism to reward meritorious personnel, in order to boost staff morale.

5. Equitable Promotion System

The promotion of the Bureau's employees is based on the Public Service Promotion Act and its implementation rules, as well as the Bureau's Promotion List and Public Service Promotion Rating Scale. Among the personnel transferred from the Bureau of Labor Insurance to the Bureau of Labor Funds, some of them are recruited by the Bureau of Labor Insurance itself and do not qualify for public service appointments (referred to as "retained personnel"). In consideration of providing motivation for the career development and morale of these personnel, in accordance with the principle of equity, the "Supplementary Regulations on Promotion Assessment for Retained Personnel" have been formulated to establish a sound promotion system.

In response to the generational change and to strengthen the intensity and scope of human resources, three internal promotion cases and four external replacement cases have been processed in 2021 in response to business needs, in order to motivate employees and create more value.

6. Implementation of Job Rotation System

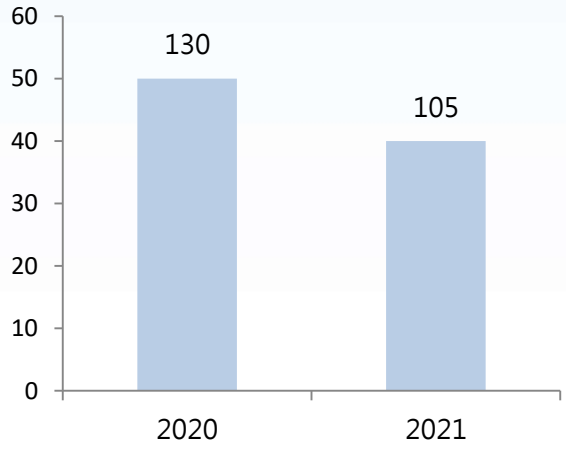
In accordance with the Public Service Promotion Act and the Ministry of Labor's guidelines for promotion, the Bureau's guidelines for the implementation of promotion have been revised. It specifies that employees may apply for voluntary rotation if they have served for more than three consecutive years in the same ranking position in the same unit; while employees who have served for one consecutive period in the same ranking position as a section chief or supervisor should undergo job rotation. The Bureau's personnel policy of promoting the rotation of public service employees is implemented to effectively cultivate talents and create forward-looking manpower.

(II) Protection of Human Rights and Elimination of Discrimination

The "International Covenant on Civil and Political Rights" and "International Covenant on Economic, Social and Cultural Rights" (hereafter referred to as the "Covenants") are important international human rights codes. To implement the Ministry of Justice's "Human Rights Education and Training and Evaluation of the Effectiveness of the Covenants", the Bureau actively conducts human rights education and training courses to promote personnel's understanding of the provisions of the Covenants, general opinions, and their relevance to the business they are responsible for, thereby helping employees learn to apply the Covenants in their work. The Covenants are also used

as a reference framework for the development, planning, implementation, and evaluation of policies, laws and measures. To promote human rights protection, the Bureau conducts training courses such as "Human Rights Education Training and Case Studies on the Covenants" and "Human Rights Visits to the National 228 Memorial Museum" to actively promote the implementation of human rights. In 2020 and 2021, 130 and 105 Bureau employees respectively received human rights policy-related training, accounting for 87% and 69% of the total number of employees, respectively. The total number of hours of human rights training was 2 hours per year.

The Bureau is actively implementing gender mainstreaming, promoting gender equality, creating a gender-balanced work environment, and actively promoting women to be mid- and senior-level executives and to participate in important decision-making. In 2020 and 2021, the proportion of women among the senior rank staff was more than 50%. In addition, in order to provide employees with an understanding of gender equality policies and strategies for the use of gender mainstreaming-related tools, we have set up a gender mainstreaming section on our website. We also provide regular professional training on gender equality and hold gender equality group meetings. In addition, a CEDAW Education and Training Workshop was held to explore the relevance of the funds' business to CEDAW and to discuss its integration into business planning. We hope to eliminate gender discrimination and achieve the goal of substantive gender equality.



II. Employee Care and Security Maintenance

Remuneration for employees at all levels is handled in accordance with the "Public Service Salaries Act" and its implementation rules, as well as the "Wage Guidelines for Employees in the National Military, Public Service, and Educational Institutions", and other laws and regulations of the Executive Yuan. Remuneration does not differ based on gender. In addition to paying statutory payments to employees on a regular basis, we also provide welfare measures in conjunction with private resources to create a healthy workplace environment.

(I) Caring for Employee Health

1. Insurance for Public Employees

To ensure the living stability of employees in the Bureau, all employees are insured under the Public Service Insurance Act, which provides six types of insurance coverage, including disability, retirement, death, funeral of dependents, maternity, and childcare without pay.

2. New Lifestyle for Health and Pandemic Prevention Seminars

To improve the health of employees and promote a new lifestyle of pandemic prevention, courses on nutrition, medication safety, eye health, and physical exercise courses are organized.

3. Employee Assistance Program

Since 2010, we have joined the Employee Assistance Program coordinated by the Ministry of Labor, and our staff, contract employees, maintenance staff (including technicians and drivers), temporary workers, and their second degree relatives are our service targets. We have commissioned the Teacher Chang Foundation as a service provider through the external service model, where professional counselors provide psychological counseling services, group counseling, and bureau on-site services to employees. The counseling services are kept confidential.

4. Safety and Health Protection Measures

In accordance with the Civil Service Protection Act and the Regulations Governing Safety and Sanitary Protection of Civil Service, necessary precautionary and protective measures shall be taken based on the life, physical, and health hazards that may arise from the status and duties of the employees.

(II) Family and Work Balance

In accordance with the "Public Service Unpaid Leave Act", both female and male employees may apply for unpaid leave for childcare and reinstatement of their job upon completion of the leave, with priority given to the original position and duties in the same unit. In 2020 and 2021, the number of female employees on unpaid leave was 5, and the job reinstatement rate was 100%.

(III) Employee Care

1. Breastfeeding Room

To create a friendly and approachable breastfeeding room space, increase the utilization rate of employees, and maintain the privacy and safety of the breastfeeding room environment, the breastfeeding room has a comprehensive nursing space and facilities that include a washstand, makeup mirror, hand towels, bottle sterilizer, refrigerator, air purifier, and breastfeeding couch. The room is cleaned daily.

2. Children's Education Subsidies

The Bureau provides tuition subsidies for employees' children to attend local public and private schools from the elementary school level up to the tertiary level and elementary school level. In 2020 and 2021, 24 and 32 employees applied for child education subsidies respectively.

3. Family Care Leave

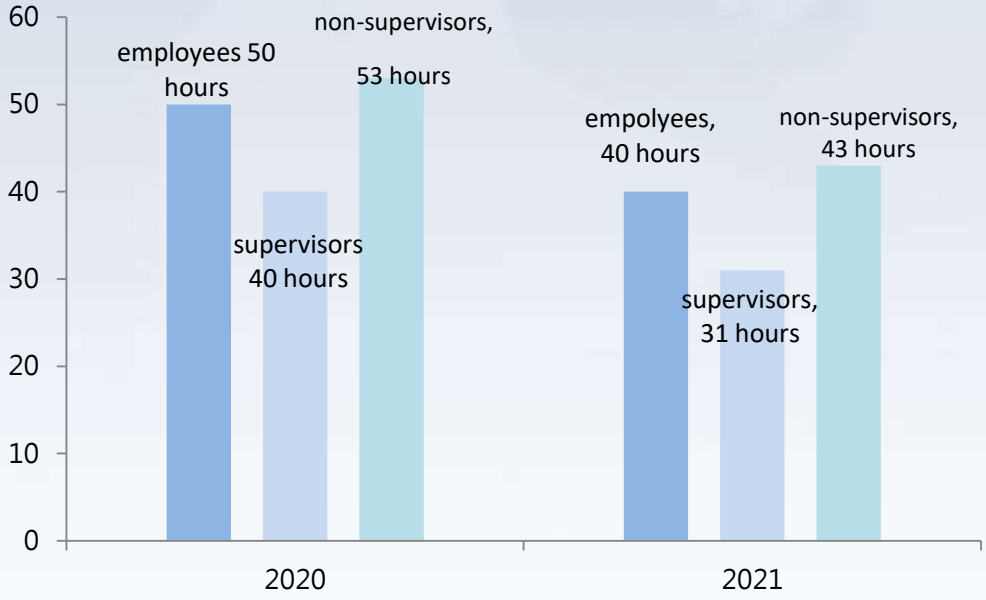
In accordance with the leave rules for public employees, when employees' family members receive vaccination, are severely ill, or experience a major accident and require personal care, the employee may take family care leave. Up to seven days are allowed per year, and the number of leave days taken is included in the calculation of personal leave. If the number of leave days exceeds the prescribed number of days, the salary shall be deducted on a daily basis.

III. Talent Training and Employee Development

To enhance the ability of our employees to carry out their duties and to promote important policies, we set up training and further education programs every year on a rolling basis to enhance the functions of our employees and to cultivate lifelong learning habits. The training is divided into specialized training, general management training, new employee training and other related training. The training takes place through physical courses and online courses to help employees expand their horizons and broaden their perspectives. Details of the training courses are listed below.

New Employee Training	Administrative Management Skills Training	Specialized Training	Others
To help new employees quickly understand the organizational structure, job descriptions, and official document writing.	To coordinate with the annual policy education and training programs scheduled by the Directorate-General of Personnel Administration, Executive Yuan.	To provide practical training courses on the professional knowledge and concepts of specialization for staff at all levels	Training courses are planned and conducted according to individual business needs.

The average training hours for all employees was 50 hours in 2020 and 40 hours in 2021. The average training hours for supervisors was 40 hours in 2020 and 31 hours in 2021, and the average training hours for non-supervisors was 53 hours in 2020 and 43 hours in 2021.





CH 10.

Mutual Prosperity in Society

CH 10. Mutual Prosperity in Society

- GRI: 203-2, 306-2, 306-4, 413-1

I. Creating Job Opportunities

- **Issued an official letter to investee companies to increase the employment of people with disabilities:** By the end of 2021, in the 10 years since the letter was issued to these companies, a total of 877 additional people with disabilities were employed.
- **Adopted the TWSE RA Taiwan Employment Creation 99 Index as an indicator for mandates:** By the end of 2021, the scale of domestic mandated operations using the Index as an indicator reached NT$27.1 billion, and the number of people employed by the index constituents has increased by nearly 130,000 since its adoption 10 years ago.
- **Expansion of technological exchange in local trading:** In the past two years, the bond trading volume of foreign in-house team totaled US$2.414 billion, all of which were traded through domestic or foreign branches in Taiwan, while the ETF trading volume of foreign in-house team was US$6.438 billion, all of which were placed through domestic brokers.
- **Requirement for the applicant to establish a local service team in Taiwan:** When processing overseas discretionary investments, applicants are required to establish a local service team in the R.O.C. and this is one of the key considerations in the selection process. For example, regarding the 2020 Global Infrastructure Securities

mandate, the 21 overseas bidders used 13 domestic asset management companies as their local service team. As for the Global Multi-Asset mandate, the 50 overseas bidders used 30 domestic asset management companies as their bases in Taiwan.

II. Social Care and Practice

In November 2020, the "Care for Broken-Winged Angels, Toys and Books Collection Campaign" was held to collect new or almost-new dolls and books from employees' homes (no dirt or damage) to be given to those with disabilities. The 60 dolls and 80 books collected from this campaign were all donated to the Saint Joseph Social Welfare Foundation.

In November 2021, a Christmas gift drive was held, calling on employees to pledge new or almost-new gifts, priced from NT$350 to NT$500 per item, to the Mustard Seed Mission, so that disadvantaged children can also feel love and warmth in the winter.

2020 Care for Broken-Winged Angels, Toys and Books Collection Campaign



2021 Christmas Gift Drive

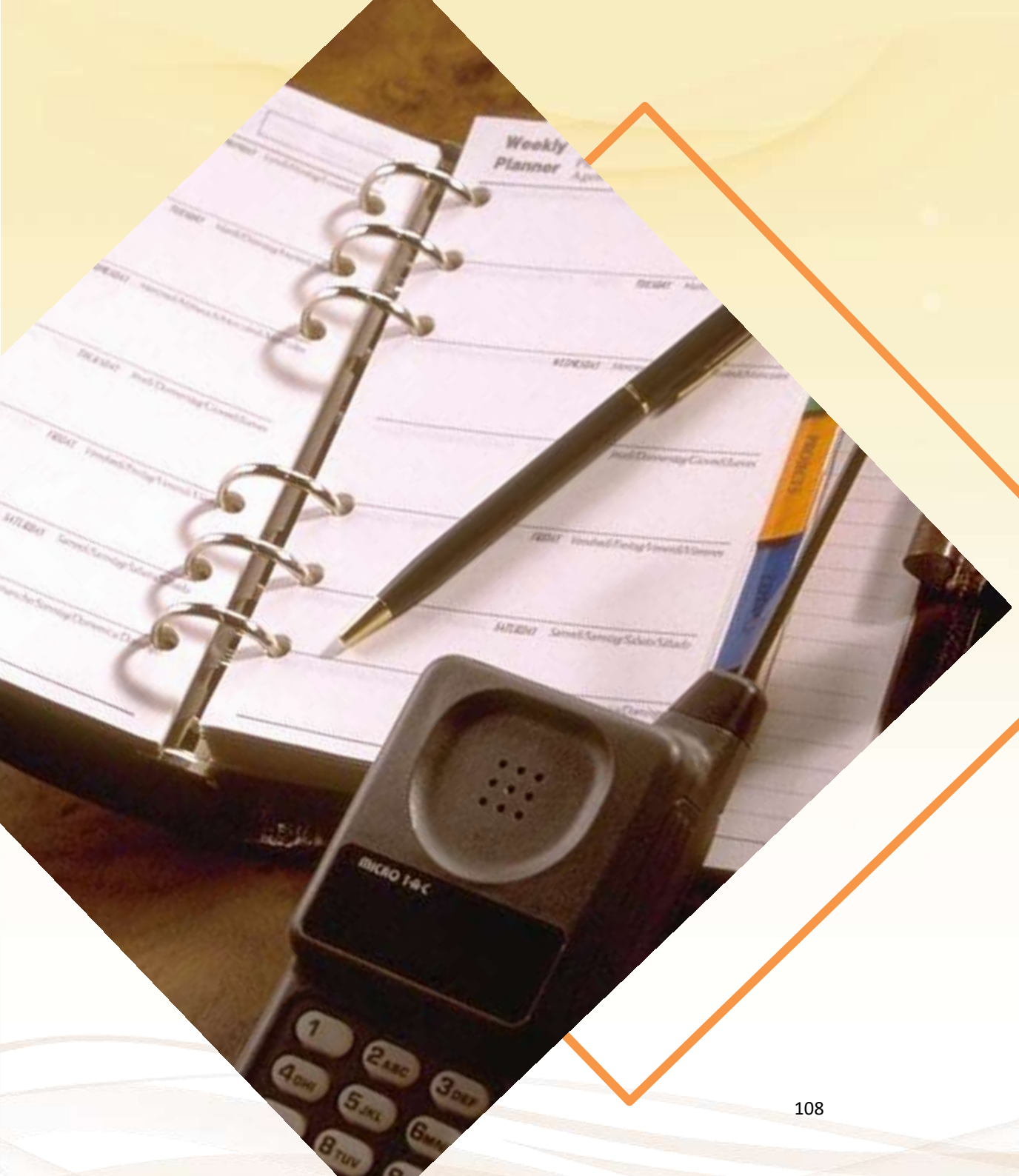


III. Environmental Education

To promote the sustainable use of resources and the recycling of materials, the Bureau applied the philosophy of spirituality, etiquette, life, and natural environment protection advocated by Dharma Drum Mountain,

where recyclable materials are handed over to the volunteers of Dharma Drum Mountain for centralized recycling. We also collaborate with the Yangde Building Management Committee to implement waste separation and recycling, and strive to reduce the amount of waste to achieve the goal of sustainable use of resources.

In addition, we are raising awareness towards environmental protection among our employees through digital learning. On top of exploring the issues of natural disasters and sustainable development, we also hold financial courses on zero carbon emissions, introduction to the MSCI Paris Agreement Climate Index and Low Carbon Target Index, and climate change and investment in conjunction with our investment business, so that employees can reflect on the air and environmental pollution and climate change issues brought about by the convenience of modern life. We hope our employees will do their part to protect the environment by practicing a low-carbon lifestyle after learning about these issues.



APPENDIX

GRI General Disclosures

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102-10	Significant changes to the organization and its supply chain	P21、P47-48
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102-27	Collective knowledge of highest governance body	P12-P13、P28-P30
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102-35	Remuneration policies	P94
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5. Stakeholder engagement		
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102-42	Identifying and selecting stakeholders	P17-P18
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6. Reporting practice		
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102-46	Defining report content and topic Boundaries	P17-P26
102-47	List of material topics	P22-P26
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102-49	Changes in reporting	P17-P26
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102-51	Date of most recent report	P2-P3
102-52	Reporting cycle	P2-P3
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Disclosure	Content	Page
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GRI Topic Standards

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	205-2	Communication and training about anti-corruption policies and procedures	P46-P53
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Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A
Tax	207-1	Approach to tax	P60-P62
	207-2	Tax governance, control, and risk management	P60-P62
	207-3	Stakeholder engagement and management of concerns related to tax	P60-P62
	207-4	Country-by-country reporting	P60-P62
Environmental Performance Index			
Materials	301-1	Materials used by weight or volume	N/A
	301-2	Recycled input materials used	N/A
	301-3	Reclaimed products and their packaging materials	N/A
Energy	302-1	Energy consumption within the organization	P88-P90
	302-2	Energy consumption outside of the organization	P88-P90
	302-3	Energy intensity	P88-P90
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Topic disclosures	GRI	Content	Page
Water and Effluents	303-1	Interactions with water as a shared resource	N/A
	303-2	Management of water discharge-related impacts	P89-P90
	303-3	Water withdrawal	N/A
	303-4	Water discharge	N/A
	303-5	Water consumption	P89-P90
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Bureau's office building is located in the metropolitan area and is not being developed or operated in any protected areas, habitats and hillsides.
	304-2	Significant impacts of activities, products and services on biodiversity	The Bureau's office building is located in the metropolitan area and is not being developed or operated in any protected areas, habitats and hillsides.
	304-3	Habitats protected or restored	The Bureau's office building is located in the metropolitan area and is not being developed or operated in any protected areas, habitats and hillsides.

Topic disclosures	GRI	Content	Page
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	The Bureau's office building is located in the metropolitan area and is not being developed or operated in any protected areas, habitats and hillsides.
Emissions	305-1	Direct (Scope 1) GHG emissions	N/A
	305-2	Energy indirect (Scope 2) GHG emissions	N/A
	305-3	Other indirect (Scope 3) GHG emissions	N/A
	305-4	GHG emissions intensity	N/A
	305-5	Reduction of GHG emissions	P89-P90
	305-6	Emissions of ozone-depleting substances (ODS)	N/A
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	N/A
Effluents and Waste	306-1	Water discharge by quality and destination	N/A
	306-2	Waste by type and disposal method	P106-P107
	306-3	Significant spills	N/A
	306-4	Transport of hazardous waste	P106-P107
	306-5	Water bodies affected by water discharges and/or runoff	N/A
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	No penalties for violation of environmental laws and regulations

Topic disclosures	GRI	Content	Page
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	P88
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Social Performance Index：human rights			
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P99-P101
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Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	No incidents of occupational injuries happened
Occupational Health and Safety	403-1	Occupational health and safety management system	P100
	403-2	Hazard identification, risk assessment, and incident investigation	P100
	403-3	Occupational health services	P100
	403-4	Worker participation, consultation, and communication on occupational health and safety	P100
	403-5	Worker training on occupational health and safety	P100
	403-6	Promotion of worker health	P99-P100
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P99-P100
	403-8	Workers covered by an occupational health and safety management system	P100
	403-9	Work-related injuries	P100
	403-10	Work-related ill health	P100

Topic disclosures	GRI	Content	Page
Training and Education	404-1	Average hours of training per year per employee	P97-P98、P102-P103
	404-2	Programs for upgrading employee skills and transition assistance programs	P99-P100
	404-3	Percentage of employees receiving regular performance and career development reviews	P94-P97
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	P37-P38
	405-2	Ratio of basic salary and remuneration of women to men	In accordance with the regulations of the Directorate-General of Personnel Administration, Executive Yuan
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No Incidents of discrimination happened
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	P88
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P88
Security Practices	410-1	Security personnel trained in human rights policies or procedures	N/A
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples

Topic disclosures	GRI	Content	Page
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	P97-P98
	412-2	Employee training on human rights policies or procedures	P97-P98
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	P14-P15、P75-P86
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	P105-P107
	413-2	Operations with significant actual and potential negative impacts on local communities	N/A
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	P88
	414-2	Negative social impacts in the supply chain and actions taken	N/A
Public Policy	415-1	Political contributions	N/A
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	N/A
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A
Marketing and Labeling	417-1	Requirements for product and service information and labeling	N/A
	417-2	Incidents of non-compliance concerning product and service information and labeling	N/A
	417-3	Incidents of non-compliance concerning marketing communications	N/A
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints of invasion of customer privacy or loss of customer information
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No violations of laws and regulations in the social and economic area

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