2024

Stewardship Report

勞動基金運用局
BUREAU of LABOR FUNDS

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Chapter I. Implementing Sustainable Investment

I. Targets

The Bureau of Labor Funds (hereafter referred to as the "Bureau") is responsible for the investments of labor funds. Furthermore, the Bureau is entrusted by the Ministry of Health and Welfare and the Ministry of Agriculture with the investments of the National Pension Insurance Fund and the Farmers' Pension Fund. As of the end of 2024, the scale of assets was nearly NT$7.7 trillion, with stable annual growth exceeding NT$100 billion.

Funds managed by the Bureau are from workers and citizens. As an institutional investor and large government pension fund, utilization of the funds significantly impacts the market and investee companies, and various measures have attracted public attention. The Bureau upholds the principles of safety, transparency, and efficiency for the benefit of fund beneficiaries and pursues long-term steady performance. While seeking returns, the investment process incorporates considerations for social welfare, labor rights, human rights, and environmental concerns to encourage companies to practice sustainability. Besides implementing these principles in the operational guidelines of each fund, the Bureau is constantly expanding its ESG investment strategy and stepping up shareholder activism to exert its influence as an institutional investor.

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

(Unit: NT$100 million, as of the end of 2024)

Labor Pension Fund (the New Fund)	46,583
Labor Retirement Fund (the Old Fund)	10,651
Labor Insurance Fund	10,919
Employment Insurance Fund	1,756
Labor Occupational Accident Insurance Fund	375
Arrear Wage Payment Fund	196
National Pension Insurance Fund	6,177
Farmers' Pension Fund	203
Total	**76,859**

II. Resources input in stewardship

The rising awareness of sustainable investment worldwide has affected business models and the assessment of investment value. Institutional investors play a role of utmost importance in sustainable investment. The Bureau manages labor funds and has an unshrinkable responsibility to promote sustainable investment. To implement the concept of sustainable investment and step up sustainable investment research and measures, the Bureau established the "Sustainable Committee of the Bureau of Labor Funds, Ministry of Labor" and the "Sustainable Investment Working Group of the Bureau of Labor Funds" in 2023 and 2022, respectively.

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

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

Sustainability-related measures	Responsible department
Research on relevant issues such as climate change and sustainable finance	Sustainable Investment Working Group (cross-departmental organization)
Participation in international initiatives	Domestic Investment Division Foreign Investment Division
Sustainable investment strategies and investment decision evaluation	Domestic Investment Division Foreign Investment Division
Interaction and engagement with investee companies, analysis and execution of shareholder meeting voting, and preparation of stewardship reporting	Domestic Investment Division
Sustainable investment mandate strategies, indicators, and supervision	Domestic Investment Division Foreign Investment Division
Sustainability report and other sustainability-related practices	Planning and Audit Division

The Sustainable Investment Working Group of the Bureau of Labor Funds convened a total of 5 meetings in 2024. Working group members studied and analyzed development trends in topics and then shared their findings during the meetings, which discussed a total of 6 topics:

Date	Meeting topics
January 18	Latest Developments in the U.S. ESG
June 20	Discussion on incorporating climate change risk items into the monthly risk control report
June 25	Introducing climate databases to assess climate risks in foreign investment positions
September 19	Introduction to the PCAF financial carbon accounting standards and implementation by financial institutions
October 4	The three carbon fee regulations are here! Welcome to the era of "putting a price on carbon"
November 11	Current Status and Outlook of Renewable Energy Development in Taiwan

Furthermore, to raise employees' sustainable investment awareness and incorporate sustainable investment topics into investment assessments, the Bureau combined internal and external resources and invited experts to jointly discuss related topics. A total of 19 training sessions on related topics were held in 2024:

Date	Meeting topics
January 10	Introduction to Carbon Reduction and Climate Index Series
March 8	Global Sustainable Investment Trends and ESG Outlook
March 8	Carbon Credit Opportunities and the Complete Carbon Knowledge Journey
March 18	Low-Carbon Infrastructure Training
March 20	Introduction to Sustainability and Low-Carbon Indices
April 10	Introduction to Real Estate ESG-Related Indices
April 22	Global Energy Transition Equity Investment Training
May 24	Sharing Experiences in Integrating Quantitative and Sustainable Investment
June 4	Investment Stewardship and Engagement Training
June 21	Introduction to Standard and Climate Change Indices
July 29	Comparison of Climate-Related Indices
July 30	Climate Engagement by Investment Companies
August 1	Introduction to the Compilation of the Labor Rights and High Compensation Indices
September 6	Sustainability and Resilience Challenges Facing the Petrochemical Industry
October 11	Introduction to European Sustain Paris Aligned Funds
November 7	Introduction to the IR Engagement Platform
November 15	Introduction to Climate Transition Credit Bond Strategies
December 24	Analysis of the Current Development of International Carbon Credits and Trading Mechanisms
December 30	How to Use AI to Analyze ESG Data

To jointly expand and enhance the influence of institutional investors, the Bureau continues to strengthen cooperation with other institutional investors and enhance communication with international initiatives.

In November 2023, the Bureau pledged its support for the Task Force on Climate-related Financial Disclosures (TCFD), demonstrating its commitment to addressing climate risks. “The 2022–2023 Sustainability Report”, released in 2024, referenced the TCFD's recommended framework for the first time, disclosing key management strategies and implementation actions across four core aspects.

The Asia Corporate Governance Association (ACGA) visited the Bureau in March 2024. In November, the Bureau sent representatives to attend the association's annual conference to exchange and share our views or insights with global experts, scholars, and institutional investors on the latest developments and future trends in corporate governance across Asia. In May 2025, the Bureau officially became a member of the ACGA and actively participated in quarterly investor discussion groups and other activities to exchange views on the development of corporate governance regulations and market conditions in various countries.

In April 2025, the Bureau joined the Asia Investor Group on Climate Change (AIGCC) as an observer and became an official member in July. Through participation in monthly member meetings, working groups for asset owner institutions, and the Taiwan Investor Roundtable, the Bureau engages in case studies and project discussions to exchange practices and experiences related to climate change investment among institutional investors.

「機構投資人盡職治理守則」遵循聲明

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

原則一 盡職治理政策

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

原則二 利益衝突管理政策

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

原則三 持續關注被投資公司

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

原則四 適當與被投資公司對話及互動

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

原則五 投票政策與揭露投票情形

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

原則六 定期揭露履行盡職治理之情形

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

簽署人 勞動部勞動基金運用局 109年9月1日更新

After the Taiwan Stock Exchange announced the "Stewardship Principles for Institutional Investors" on June 30, 2016, the Bureau promptly became one of the first signatories and urged domestic investment trust companies entrusted with managing the Bureau's funds to follow suit. Following the Taiwan Stock Exchange's revision of the Stewardship Principles in August 2020, the Bureau reviewed, updated, and strengthened the content of its statement of compliance accordingly. A review of the Bureau's implementation of stewardship practices in 2024 found no instances of non-compliance with the "Stewardship Principles for Institutional Investors."

Since 2016, the Bureau has published an annual report on the implementation of stewardship practices. The Bureau's stewardship report is reviewed by the internal audit department and approved by the Director General. The assessment found that the Bureau's stewardship policies and plans for 2024 had been effectively implemented. Details are provided in the relevant sections of this report.

Chapter III. Sustainability Policy

To fulfill sustainability responsibility and management responsibility to fund beneficiaries, the competent authority, mandated institutions, communities, employees, and suppliers, the Bureau established the sustainability policy to protect labor rights, attach importance to employee development, and implement environmental protection concepts, jointly maintaining an ideal society and friendly workplace with all employees to pursue a sustainable future.

The Bureau strengthens communication with stakeholders and the general public through the publication of sustainability reports, facilitating the public to understand the Bureau's ideals and efforts to implement sustainable investment, improve the well-being of laborers, and realize decent work. The Bureau's sustainability report is periodically disclosed in the Sustainability section of the Bureau's website.

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

Information on the Bureau's sustainability policy and sustainable investments are disclosed in the Sustainability section of its website (Home/Sustainability; website: https://www.blf.gov.tw/86195/86196/86301/normalnodelist).

Bureau of Labor Funds Sustainability Policy

1. Promote and implement sustainable investment to guide enterprises in practicing sustainable development.
2. Regularly disclose fund utilization information to achieve the goal of operational transparency.
3. Strictly adhere to confidentiality obligations and conflict-of-interest avoidance rules, fulfilling the duties of management and supervision.
4. Implement energy conservation and carbon reduction, prioritize the use of green products, and commit to environmental protection.
5. Promote social welfare and education, care for the underprivileged, and fulfill corporate social responsibility as a global citizen.
6. Enhance disaster prevention and preparedness, strengthen risk and crisis management, and ensure appropriate adaptation and response.
7. Respect the fundamental principles of labor rights protection and foster an equal and friendly workplace environment.
8. Implement a fair system for performance evaluation, rewards, and promotions, and value talent cultivation and development.
9. Provide safe and hygienic working and living conditions to ensure employee safety and health.

勞動基金運用局
BUREAU of LABOR FUNDS

Chapter IV. Measures for Fulfilling Stewardship Responsibilities

I. Stewardship Policy

The Bureau aims to maximize beneficiaries' benefits through fund investments and utilization, as set forth in the Utilization Directions for the Labor Funds: "Without sacrificing the income of the Funds and to practice sustainable investment, the sustainable development of investment targets shall be taken into consideration." To achieve this goal, the Bureau established the Investment Policy Statement, which includes investment purpose and goals, investment philosophy, investment decision-making procedures, asset allocation policy, risk management policy, sustainable investment policy, information disclosure, and ethics policy. Please see the Investment Policy Statement for details: https://www.blf.gov.tw/86195/86196/86314/86316/90056/post

Regarding the sustainable investment policy, the Bureau gradually adopts related strategies based on the development of sustainable investments under the premise of being profitable, which improves labor rights and drives enterprises to practice sustainable development.

When making investments, besides considering environmental, social, and governance factors, information disclosure, and other aspects of sustainable development, we also evaluate the investing ability and representativeness of the relevant sustainability indices as indicators for discretionary management. In addition, mandated investment institutions are required to include sustainability considerations in the investment strategies of their business plan proposals as a reference for selection. The Bureau will not invest in or not increase its investment in companies that severely violate their sustainability, provided it does not affect the fund's interests.

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

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

II. Conflicts of interest management

(I) Conflicts of interest management regulations

To ensure that the Bureau engages in operations in the best interest of beneficiaries, the Investment Policy Statement sets forth the ethics policy to manage conflicts of interest of the Bureau's personnel in the investment process, including prohibiting insider trading and influence-peddling, and requiring personnel to abide by the Act on Property Declaration of Public Servants and laws and regulations related to conflicts of interest.

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

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

(II) Conflicts of interest management method

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

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

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

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

(IV) Description of conflicts of interest patterns

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

III. Diverse sustainable investments

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

To ensure adequate and effective information is obtained to provide a good foundation for making investment decisions, the Bureau continues to follow investee companies' news, financial performance, industry overview, business strategies, environmental protection measures, social responsibility, labor rights, corporate governance, and net zero emissions, etc., to understand investee companies' sustainable development strategies and related risks.

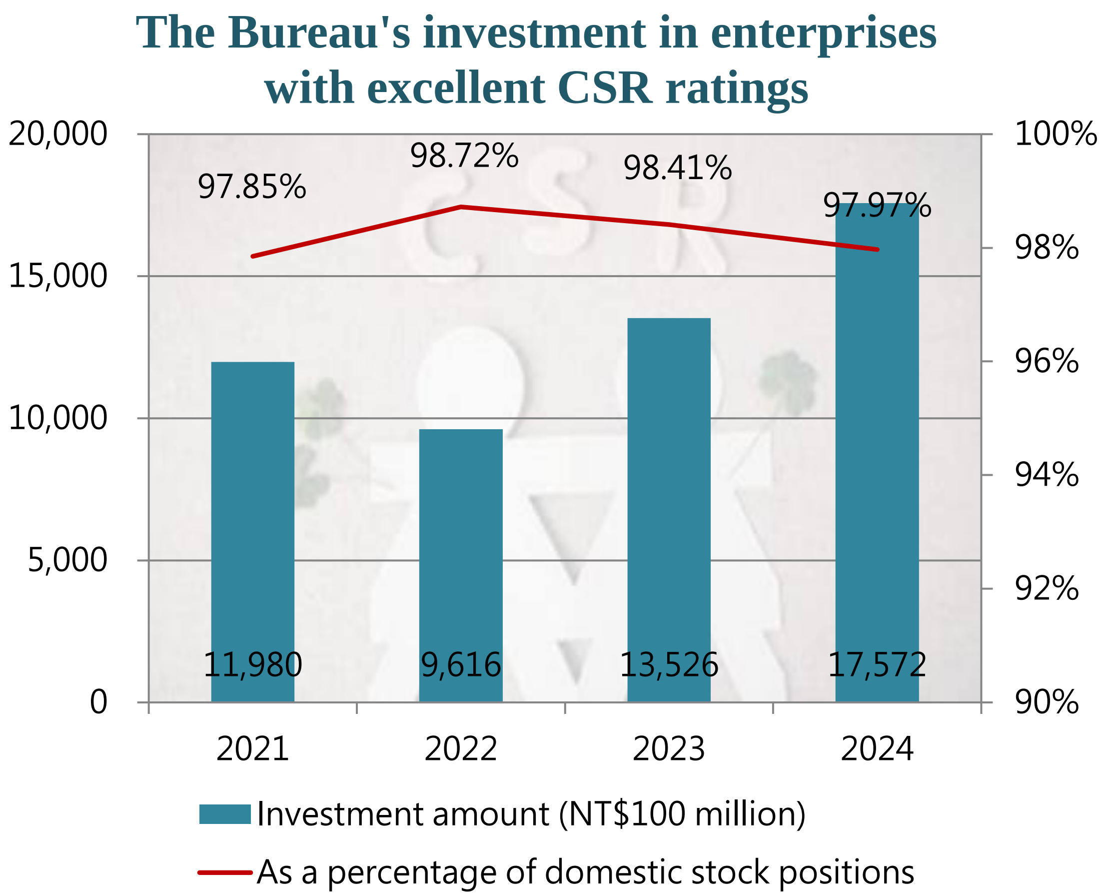
(I) Incorporating sustainability assessments into the investment process and considering relevant evaluations for in-house investments

To practice sustainable investment, when adding new in-house stock investment targets, the Bureau, in addition to the prerequisites of long-term stable profits, good dividends, high liquidity, and positive industry outlook, evaluates sustainability-related risks and opportunities with financial materiality and incorporates them into investment decision-making. This includes reviewing the companies' sustainability-related actions, sustainability report preparation, salary adjustment policies, and carbon emission policies and status. The Bureau further considers multiple sustainability evaluations conducted by independent institutions with professionalism and credibility. Recently, we included climate risk into overall risk considerations. In alignment with the Financial Supervisory Commission (hereinafter referred to as the FSC)'s "Sustainable Development Guide Map for TWSE- and TPEx-Listed Companies ", the Bureau is planning the schedule for GHG inventories and assurances for all listed companies. This approach enables continued monitoring of the carbon emissions of investee companies and the investment portfolio, using this information as a reference for investment strategy adjustments or engagement with investee companies.

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

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

As of the end of 2024, the managed funds invested NT$(applies to all subsequent figures below)1.7572 trillion in 337 high-quality companies that meet our evaluation criteria, accounting for 98% of the domestic stock position, which is consistent with the proportion in previous years.



The Bureau conducts domestic bond investments based on the principle of balancing fund returns and social responsibility. To implement responsible investment, when evaluating bond issuers, the Bureau, in addition to reviewing their sustainability reports, corporate social responsibility awards, corporate governance evaluation rankings, or inclusion in various CSR indices, also takes into account their strategies and actions in response to climate risks and in achieving net-zero emissions targets as important references for investment decisions, in order to build a more sustainably resilient investment portfolio.

In addition to establishing the above-mentioned sustainability-related investment evaluation mechanisms for bond issuers, the Bureau actively invests in sustainability bonds with sustainability themes to enhance its influence on sustainable finance. As of the end of 2024, the number of domestic sustainability bond investments increased from 16 at the end of 2023 to 25, with the investment amount rising by NT$4.05 billion to a total of NT$17.38 billion, demonstrating the Bureau's continued active expansion of such investments.

(II) Expanding the adoption of sustainability indices for mandates

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

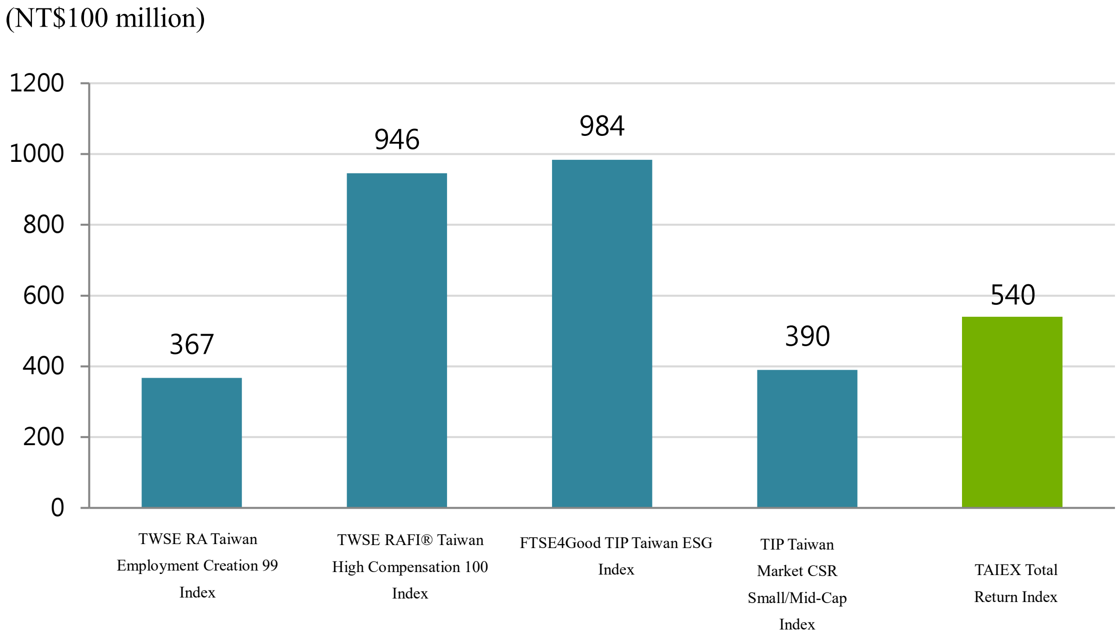
1. Domestic discretionary mandates

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

Furthermore, to strengthen sustainable investment, the Bureau has, for the first time, required that the investment targets under the absolute return mandates set up in March 2020 included only listed companies with sustainability reports. This requirement was subsequently expanded to include all domestic mandate accounts. Since October 2022, renewed accounts have been required to invest in listed companies that prepare sustainability reports, while for non-renewed existing accounts, this requirement has been gradually applied since 2023. By May 2024, all investment targets of domestic mandate accounts had disclosed sustainability reports.

As of the end of 2024, the domestic relative-return mandates tracked the following benchmark indices: "TWSE RA Taiwan Employment Creation 99 Index," "TWSE RAFI® Taiwan High Compensation 100 Index," "FTSE4Good TIP Taiwan ESG Index," "TIP Taiwan Market CSR Small/Mid-Cap Index," and the "TAIEX Total Return Index." The investment targets are limited to TWSE-listed and TPEx- listed companies that prepare sustainability reports. The total scale of relative-return mandates amounted to approximately NT$322.7 billion (as shown in the figure below), while the total scale of absolute-return mandates amounted to approximately NT$650.8 billion, bringing the total scale of domestic sustainability-related mandates under the Bureau's management to about NT$973.5 billion.

Domestic sustainability-related relative return discretionary mandates' assets under management (AUM) at year-end 2024.



2. Overseas discretionary mandates

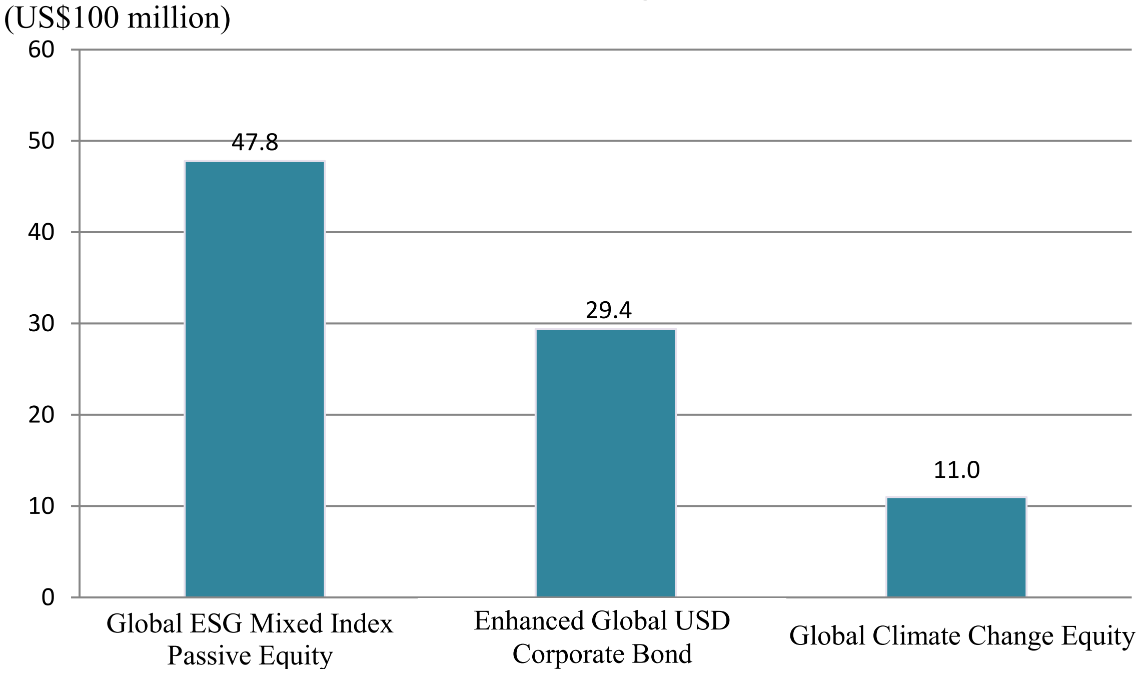
The Bureau's overseas sustainability investments include the "2017 Global ESG Mixed Index Passive Equity," the "2020 Enhanced Global USD Corporate Bond," and the "2022 Global Climate Change Equity," which had a total scale of approximately US$8.8 billion as of the end of 2024 (as shown in the figure below). The abovementioned ESG equity mandate uses negative screening and the methodology of stock selection within the corresponding industry, incorporating ESG as a primary screening factor and excluding specific controversial industries (including tobacco, liquor, arms, gambling, and adult entertainment), as well as companies involved in significant environmental, customer, human rights, and labor rights disputes. The fixed-income mandate uses a negative screening strategy for ESG investments, and clearly prohibits investments in bonds issued by companies in the abovementioned controversial industries or revenue from the controversial industries reaching a certain percentage (currently 60%).

In light of the growingly severe damage and impact of climate change on the global environment, the world is working to reduce greenhouse gas emissions. The Bureau set up the Global Climate Change Equity Mandate Investment that references the Climate Paris Aligned Index in 2022. The index significantly reduced overall carbon emissions, fossil fuel reserves, and financial losses caused by extreme climate. The average weighted carbon intensity (WACI) was approximately 72% lower than that of the MSCI ACWI Index. In addition, the implied temperature rise of the reference index before the end of this century is 1.7°C, significantly lower than the 2.4°C of the MSCI ACWI Index, indicating that the Bureau's climate-related investment initiatives have begun to yield results. The mandate amounted to US$2.3 billion and US$1.1 billion was funded in 2024, hoping to encourage companies to move towards a green economy through discretionary investment.

Considering that sustainable real estate investment has become a major market trend in recent years, allocating to real estate investment trusts (REITs) would enhance the depth and breadth of the overall investment portfolio, achieving diversification and risk dispersion effects. In 2024, the Bureau announced the "Global Sustainable Real Estate Securities" foreign investment mandate selection project, with a total mandate amount of US$ 1.6 billion. As one of the world's first large-scale pension funds to adopt the FTSE Developed Market Real Estate Green Index as a benchmark index, the Bureau aims to obtain stable returns from foreign alternative investments while continuing to lead other institutional investors in placing emphasis on sustainability issues, thereby fulfilling its sustainable investment philosophy.

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

Overseas sustainability-related relative return discretionary mandates' assets under management (AUM) at year-end 2024



IV. Dialogue and interaction with investee companies

We engage in suitable dialogue and interaction with investee companies to further understand and communicate the industry's risks and strategies with management, and strive to reach an agreement with investee companies on long-term value creation.

We communicate with the management of investee companies through conference calls, face-to-face communication with management, participation in investors' conferences, and attendance at general or extraordinary shareholder meetings. The Bureau participated in the investor conferences, forums, or visits of 484 companies in 2024.

To provide a basis for the implementation of shareholder activism, the Bureau established the "Bureau of Labor Funds Regulations on Fulfillment of Shareholder Action" in 2018 and revised it in 2025. For domestic TWSE- and TPEx-listed companies directly invested by the Bureau, if major illegal acts or significant environmental, social, or governance (ESG) controversies occur, the Bureau may take the following actions and require external entrusted institutions to articulate their expectations in a timely manner, jointly leveraging the influence of institutional investors:

(I) Communicate directly with the company in writing or verbally to understand the cause of the incident and how the company is addressing it, conveying the Bureau's concern and the importance it attaches to the matter, and urging the company to handle it properly and promptly.

(II) Depending on the nature and severity of the controversy, if professional judgment is required in handling the matter, recommend or request that the company engage an independent third-party professional institution to conduct an investigation to clarify the facts and enhance its governance credibility.

(III) Recommend that the company enhance information transparency and strengthen stakeholder communication, particularly by engaging directly with stakeholders who have raised objections to understand their concerns, and urge it to respond proactively to public attention.

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

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

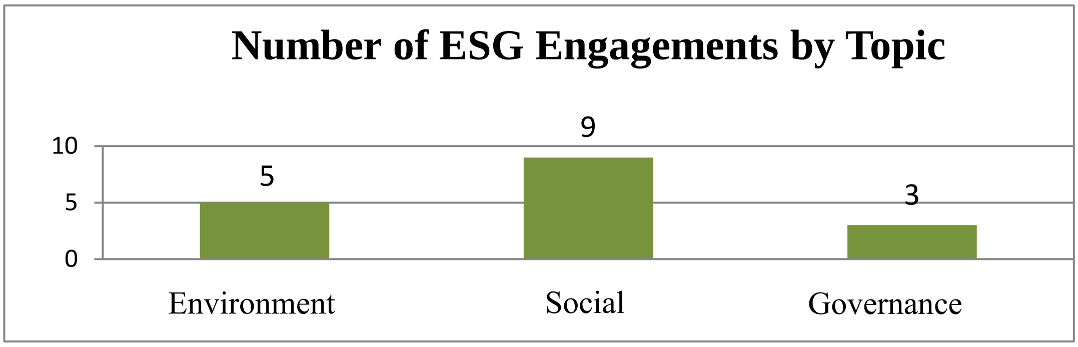
To fulfill the stewardship responsibilities of an institutional investor, the Bureau encourages labor funds mandated investment institutions and investee companies to take sustainability more seriously and requires tenderers for domestic and overseas discretionary investment to depict how they will incorporate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

(II) Gradually Deepen Engagement Action

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

(III) Engagement records in the past 2 years (2024, and 2025 to date)

The assessment shows that the Bureau's shareholder engagement activities in 2024 were consistent with its stewardship policy, as detailed below.



Engagement Progress Milestones	Number of companies	Proportion of total domestic equity assets	Proportion of total domestic bond assets
Phase I – Proposing engagement topics to investee companies	3	0.868%	0.264%
Phase II – Investee companies acknowledging the existence of the engagement topic	0	0.000%	0.000%
Phase III – Investee companies developing response strategies for the engagement topic	5	1.126%	0.980%
Phase IV – Investee companies taking concrete actions to achieve the engagement objectives	2	0.912%	0.577%
Total	10	2.906%	1.821%

Note: The number of companies listed under each milestone is calculated based on the best progress achieved across different topics for the same company.

Background event	
➢ **Social (S)** Companies should hire a certain percentage of persons with disabilities, as required by the regulations, to ensure and increase the employment of persons with disabilities. The Ministry of Labor announces companies that do not meet the quota monthly.	
Asset class	Equities, Bonds
Engagement and exchanges	Starting in 2011, the Bureau has continued to send letters to the top 10 companies that do not meet the quota for hiring persons with disabilities each year and sent letters to 7 investee companies in 2024.
Level of dialogue	Official correspondence
Fulfillment of predetermined goals through interaction/engagement	From 2011 to the end of 2024, the Bureau has sent letters to a cumulative total of 45 investee companies, with continuous monitoring of their hiring practices. The total number of persons with disabilities hired increased by 1,284, meeting the Bureau's intended goal.
Anticipated follow-up actions or action planning	The Bureau will continue to track investee companies that do not meet the quota each month and periodically send letters to companies that fail to make improvements.
Impact on the investee company, its stakeholders, and future investment decisions	Most companies have improved their compliance with the legal employment requirements for persons with disabilities. Therefore, the Bureau will maintain its current investment positions in these companies, with no immediate changes to investment decisions.

Background event	
➢ **Governance (G)** In the ranking of the 2022 Corporate Governance Evaluation announced in 2023, Company A's rank declined compared to 2021. In the 2023 ranking announced in 2024, it continued to lag behind, showing no improvement.	
Asset class	Equities
Engagement and exchanges	When the Bureau visited Company A in 2023, the Bureau recommended that the company improve its corporate governance and fulfill its responsibilities as a business operator. Continuous monitoring revealed that the company continued to lag being in the ranking in 2024. As a result, the Bureau once again reminded the company to focus on improvements.
Level of dialogue	Research personnel from the Bureau Company A's Chief Financial Officer, Director of Corporate Planning, and Project Manager
Fulfillment of predetermined goals through interaction/engagement	Company A responded that its board of directors also places great importance on this matter. In 2024, the board appointed a director to oversee the issue, while the president instructed a dedicated unit to coordinate efforts. The company plans to address the unscored items from the 2023 evaluation by categorizing them into those that can be quickly improved and those that require assessment of practical and policy-related timeline issues. A clear timetable for completion has been established to implement improvements, with the expectation of better results in the next Corporate Governance Evaluation. Through continuous communication between the Bureau and Company A, the company acknowledged the existing engagement issues and has actively developed response strategies, raising the level of oversight and strengthening the implementation of improvement measures across various units. The company's ranking in the 2024 Corporate Governance Evaluation, announced in 2025, has shown a significant improvement, meeting the Bureau's established objectives.
Anticipated follow-up actions or action planning	The Bureau will continue to track the company's subsequent corporate governance evaluation rankings.
Impact on the investee company, its stakeholders, and future investment decisions	Through the Bureau's continued engagement, Company A has strengthened its focus on corporate governance. Its ranking in the 2024 Corporate Governance Evaluation, announced in 2025, has shown a significant improvement. The Bureau will maintain its holdings in Company A and has not adjusted its investment decision for the time being.

Background event	
➢ **Governance (G)** In the 2024 Corporate Governance Evaluation announced in 2025, Company B's ranking declined compared with 2023.	
Asset class	Equities
Engagement and exchanges	Given the decline in Company B's ranking in the 2024 Corporate Governance Evaluation announced in 2025, the Bureau reminded the company to strengthen and improve its practices.
Level of dialogue	Research personnel from the Bureau Company B's acting Investor Relations spokesperson
Fulfillment of predetermined goals through interaction/engagement	Company B responded that its score in the 2024 Corporate Governance Evaluation was about the same as the previous year. In the detailed sub-items, there were no significant differences in the scoring rates of each indicator category (enhancing information transparency, protecting shareholders' rights and equitable treatment of shareholders, strengthening board structure and operations, and promoting sustainable development). However, the company stated that it will plan corresponding response measures for items that did not receive scores. For the 2025 Corporate Governance Evaluation, the company has planned to establish board-level Sustainable Development and Risk Management Committees and will continue to make efforts to improve corporate governance. Through continued communication and feedback with Company B, the company acknowledged the existence of the engagement topic and has actively formulated response strategies, thereby meeting the Bureau's established objectives for the current stage.
Anticipated follow-up actions or action planning	The Bureau will continue to track the company's subsequent corporate governance evaluation rankings.
Impact on the investee company, its stakeholders, and future investment decisions	Through the Bureau's continued engagement, Company B has strengthened its focus on corporate governance. The Bureau will maintain its holdings in Company B and has not adjusted its investment decision for the time being.

Background event	
➢ **Governance (G)** In the 2024 Corporate Governance Evaluation announced in 2025, Company C's ranking declined compared with 2023.	
Asset class	Equities
Engagement and exchanges	Given the decline in Company C's ranking in the 2024 Corporate Governance Evaluation announced in 2025, the Bureau reminded the company to strengthen and improve its practices.
Level of dialogue	Research personnel from the Bureau Company C's acting Investor Relations spokesperson
Fulfillment of predetermined goals through interaction/engagement	Company C responded that its improvement directions for the 2024 Corporate Governance Evaluation results include enhancing items that should have received scores, strengthening subsequent areas for improvement, and adding new items, such as establishing employee training and development plans, formulating personal data protection policies, implementing concrete measures to enhance corporate value, setting up functional committees beyond those required by law, and improving disclosures in the annual report, on the company's website, and on the Market Observation Post System. Through continued communication and feedback with Company B, the company acknowledged the existence of the engagement topic and has actively formulated response strategies, thereby meeting the Bureau's established objectives for the current stage.
Anticipated follow-up actions or action planning	The Bureau will continue to track the company's subsequent corporate governance evaluation rankings.
Impact on the investee company, its stakeholders, and future investment decisions	Through the Bureau's continued engagement, Company C has strengthened its focus on corporate governance. The Bureau will maintain its holdings in Company C and has not adjusted its investment decision for the time being.

Background event	
➢ Environment(E) Since 2023, the Bureau has gradually conducted in-depth reviews of investee companies' short-, medium-, and long-term climate commitments, including the comprehensiveness of such commitments, their carbon reduction pathways, and specific outcomes. Priority for engagement has been given to companies in which the Bureau holds larger shareholdings and that operate in high carbon-emitting industries. From 2023 to date, the Bureau has conducted engagements with 4 companies.	
Asset class	Equities, Bonds
Engagement and exchanges	In 2024, the Bureau held an online meeting with Company D to gain an in-depth understanding of its SBTi target-setting plans, the carbon reduction potential of various low-carbon production technologies, R&D progress, and the disclosure of capital expenditures for low-carbon transition. The Bureau also provided Company D with data on the carbon emission intensity per unit of product of its industry peers and requested the company to explain the reasons for the discrepancies.
Level of dialogue	Investment officers and research personnel from the Bureau Company D's Chief Financial Officer
Fulfillment of predetermined goals through interaction/ engagement	Company D stated that, due to SBTi's target-setting framework, the scenario has shifted from the former "below 2°C" pathway to the more stringent "below 1.5°C" pathway. Under this standard, most international peers remain unable to achieve the required annual carbon reduction rate for the industry However, Company D also stated that it will continue its internal R&D efforts and monitor international developments in carbon reduction technologies, moving toward achieving the level of carbon reduction required under the "below 1.5°C global warming" scenario. The company also explained that the main reason its carbon intensity is significantly higher than most of its peers is primarily attributable to differences in calculation basis. Through interactions and communications with Company D, the Bureau gained an understanding of the challenges currently faced by the company's industry in the carbon reduction process, as well as the carbon reduction strategies adopted under varying levels of technological development, and will continue to conduct research and engagement on the matter. Considering that Company D continues to devote resources to research on low-carbon technologies, this aligns with the Bureau's established objectives.
Anticipated follow-up actions or action planning	The Bureau continues to maintain communication with Company D, sharing international organizations' focus areas as appropriate, and tracking the company's progress in SBTi-aligned target-setting plans and in the disclosure of planned capital expenditures for its low-carbon transition.
Impact on the investee company, its stakeholders, and future investment decisions	Company D has established a clear net-zero pathway and has disclosed the projected capital expenditures to be invested in its four major mid-term carbon reduction pathways for 2025–2030. In view of this, the Bureau continues to hold its position in the company and has not adjusted its investment decision for the time being.

Background event	
➢ **Environment(E)** Since 2023, the Bureau has gradually conducted in-depth reviews of investee companies' short-, medium-, and long-term climate commitments, including the comprehensiveness of such commitments, their carbon reduction pathways, and specific outcomes. Priority for engagement has been given to companies in which the Bureau holds larger shareholdings and that operate in high carbon-emitting industries. From 2023 to date, the Bureau has conducted engagements with 4 companies.	
Asset class	Equities, Bonds
Engagement and exchanges	In 2024, the Bureau held an online meeting with Company E to gain an in-depth understanding of its long-term SBTi target-setting plans, as well as the development of low-energy hydrogen production and carbon capture technologies. The Bureau reminded the company that the expected emission reductions under its current carbon reduction strategies still fall considerably short of the 2050 net-zero target, and requested the company to explain how it plans to close this gap.
Level of dialogue	Investment officers and research personnel from the Bureau Company E's spokesperson and senior engineers
Fulfillment of predetermined goals through interaction/engagement	Company E stated that the carbon reduction technologies required beyond 2030 remain uncertain, and therefore, significant R&D investment is still needed for long-term de-carbonization. The company added that once the R&D outcomes become clearer, it will seek to obtain SBTi certification for its long-term carbon reduction targets. The gap between the currently planned carbon reduction strategies and the 2050 net-zero target is expected to be bridged through the development of low-energy hydrogen and carbon capture technologies, with continued investment in related R&D. Following engagement and discussions with Company E, the Bureau learned that the company had invested in low-energy hydrogen technology R&D many years ago. In addition to achieving its short-term carbon reduction targets through energy transition, the company will continue to devote resources to developing low-carbon technologies to bridge the gap between its current carbon reduction results and the 2050 net-zero target. It also plans to seek SBTi certification for its long-term carbon reduction targets. Considering that Company E continues to conduct R&D on low-carbon technologies, this aligns with the Bureau's established objectives.
Anticipated follow-up actions or action planning	The Bureau continues to maintain communication with Company E, sharing key focus areas of international organizations as appropriate, and tracking the company's progress in setting long-term SBTi targets and developing various carbon reduction technologies.
Impact on the investee company, its stakeholders, and future investment decisions	Company E has established a clear net-zero pathway, disclosed four major short-, medium-, and long-term carbon neutrality strategies, and continues to invest resources in carbon reduction technology R&D. Accordingly, the Bureau continues to hold its position in the company and has not adjusted its investment decision for the time being.

Background event	
➢ Environment(E) Since 2023, the Bureau has gradually conducted in-depth reviews of investee companies' short-, medium-, and long-term climate commitments, including the comprehensiveness of such commitments, their carbon reduction pathways, and specific outcomes. Priority for engagement has been given to companies in which the Bureau holds larger shareholdings and that operate in high carbon-emitting industries. From 2023 to date, the Bureau has conducted engagements with 4 companies.	
Asset class	Equities
Engagement and exchanges	In 2025, the Bureau held an online meeting with Company F to remind the company that certain aspects, such as setting the base year for its greenhouse gas reduction targets and planning for Scope 3 emission reductions, still require improvement, and requested the company to clarify the underlying reasons. The Bureau also gained an in-depth understanding of the company's key sustainable product development as well as the planning and progress of its long-term carbon reduction technologies.
Level of dialogue	Investment officers and research personnel from the Bureau Company F's senior administrator
Fulfillment of predetermined goals through interaction/engagement	Company F stated that, with regard to the setting of the base year and the planning for Scope 3 emission reductions, due to the characteristics of its industry, international standards such as those established by the SBTi have not yet defined sector-specific guidelines to follow, and it is also difficult for the company to influence the end customers' usage demand. In addition to continuously investing in energy efficiency improvement measures for existing processes, as well as in solar, wind, and small hydropower generation, the company has actively responded to government policies for highly feasible sustainable products by signing a memorandum of understanding with customers to expand production capacity year by year in line with growing demand. The transition to alternative fuels or natural gas to reduce coal consumption is also being gradually phased in. Considering that Company F continues to conduct R&D on sustainable products and low-carbon technologies, this aligns with the Bureau's established objectives.
Anticipated follow-up actions or action planning	The Bureau continues to maintain communication with Company F, sharing key focus areas of international organizations as appropriate, and tracking the company's progress in setting carbon reduction targets and developing various long-term carbon reduction technologies.
Impact on the investee company, its stakeholders, and future investment decisions	Company F has set three green targets and disclosed its planned capital expenditures and schedules for process energy-efficiency improvements, sustainable products, and renewable energy generation. Accordingly, the Bureau continues to hold its position in the company and has not adjusted its investment decision for the time being.

Background event	
➢ **Environment(E)** Company G has continued to face public concern due to a pollution incident involving one of its overseas subsidiaries in the past.	
Asset class	Equities, Bonds
Engagement and exchanges	1. The Bureau contacted Company G to request an explanation regarding the development and follow-up actions related to the incident. In 2023, the Bureau also sent an official letter to the company, urging it to promptly address issues of public concern or controversy, respond appropriately to stakeholder expectations, safeguard the rights and interests of relevant stakeholders, and enhance its sustainability value. 2. Subsequently, the Bureau closely monitored the progress of the incident during legal briefings and shareholders' meetings. At the shareholders' meeting and other related sessions, Company G responded that the pollution incident involving its subsidiary in the past had been properly handled in accordance with local government regulations. 3. As Company G continued to face public concern over the related incident, the Bureau sent another official letter in 2024, urging the company to strengthen its attention to the matter and communicate appropriately with stakeholders. 4. To fulfill its shareholder activism responsibilities, the Bureau also made a statement at Company G's 2024 shareholders' meeting, recommending that the company engage in thorough communication with its stakeholders.
Level of dialogue	Official correspondence; Bureau's investment officers and research personnel attended the shareholders' meeting Company G's Chairman and other members of the management team attended the shareholders' meeting.
Fulfillment of predetermined goals through interaction/engagement	Company G has publicly addressed media reports concerning a pollution incident involving one of its overseas subsidiaries in the past, stating that all matters have been properly handled in accordance with local government regulations. In response to the Bureau's suggestion at the shareholders' meeting that the company strengthen communication with stakeholders, Company G pledged to take active action. Considering that Company G has provided explanations regarding its handling of the matter, this aligns with the Bureau's established objectives for the current stage.

Anticipated follow-up actions or action planning	Continue to monitor Company G's communication and response to stakeholders, and urge the company to engage and respond appropriately as needed**.**
Impact on the investee company, its stakeholders, and future investment decisions	Considering that Company G has continued to strengthen its communication with stakeholders, the Bureau will maintain its holdings in the company and has not adjusted its investment decision for the time being.

Background event	
➢ **Social (S)** Company H has faced public concern due to suspected violations of labor rights at one of its overseas factories.	
Asset class	Equities, Bonds
Engagement and exchanges	1. In January 2025, the Bureau sent an official letter to the company, requesting that it shall strengthen communication with stakeholders in response to the continued public attention surrounding the incident. In its reply to the Bureau, Company H stated that it strictly adheres to its group's corporate social responsibility policies and relevant local labor regulations. It further explained that, based on its internal review, it has not received any official notice from the local government regarding labor violations. 2. In February 2025, the Bureau forwarded to Company H the concerns raised by an external organization regarding the incident, requesting the company to handle and respond to the matter appropriately. In its reply to the Bureau, Company H stated that it disagreed with the report issued by the external organization and would commission a third-party audit firm to conduct a verification audit of the plant in question. The company further explained that it had not received any official notification from the local government regarding violations of labor laws. 3. Between May and June 2025, the Bureau held multiple email and telephone discussions with Company H regarding the progress of the audit report. According to the audit report provided by Company H, the plant met the requirements of the Responsible Business Alliance (RBA) Code of Conduct in areas including labor management, working hours and wages, and occupational health and safety.
Level of dialogue	Official correspondence; research personnel from the Bureau Company H's Assistant Manager and Acting Spokesperson
Fulfillment of predetermined goals through interaction/engagement	According to the audit report issued by the third-party audit firm commissioned by Company H, the plant was found not to have violated labor rights and has actively communicated with the Bureau and relevant stakeholders. Accordingly, this aligns with the Bureau's established objectives for the current stage.
Anticipated follow-up actions or action planning	Continue to monitor Company H's communication and response to stakeholders, and urge the company to engage and respond appropriately as needed.
Impact on the investee company, its stakeholders, and future investment decisions	The Bureau has actively facilitated communication between the stakeholders concerned about the incident and Company H to convey both parties' views. Considering that the third-party audit report indicated no such violations and that Company H has continued to strengthen its stakeholder communication, the Bureau will maintain its holdings in the company and has not adjusted its investment decision for the time being.

V. Voting Policy and Voting Situation

(I) Voting Policy

The Bureau established the "Bureau of Labor Funds Regulations on the Exercise of Equity in Listed (Over-the-Counter) Companies" to provide the basis for the exercise of equity by funds under the Bureau's management.

To maximize benefits for beneficiaries, the Bureau casts votes electronically on agenda items during domestic equity shareholder meetings. The Bureau's internal research team conducts its own voting and therefore does not use proxy research or proxy voting services. Besides electronic voting, if an agenda item is determined to have a material impact and involve the fund's interests, the Bureau will attend in person and speak when necessary or take further shareholders' action.

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

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

1. Approval of business and financial reports: generally, in favor, unless there are concerns about the completeness of the reports or the opinion expressed in the independent auditors' report.
2. Distribution of earnings or offsetting of losses: generally in favor, with an assessment of whether the dividend payout ratio aligns with shareholders' interests.
3. Amendments to articles of incorporation or operating procedures: generally, in favor, with an assessment of whether the changes violate relevant laws or, without reasonable explanation, expand financial authority or increase operational and financial risks that may affect shareholders' interests.
4. Director and supervisor: Considering that the investment of funds managed by the Bureau is financial in nature, the Bureau abstains from voting in director and supervisor elections, dismissal as a principle and also abstains from voting on proposals to lift the non-compete clause for directors.
5. Employee stock-based compensation: generally in favor, with an assessment of whether the incentive targets are appropriately set to motivate employees and whether such plans may affect existing shareholders' rights.
6. Company dissolution, merger, acquisition, share conversion or split, capital increase, private placement of securities, capital reduction, exercise of disgorgement rights, or other matters: determined on a case-by-case basis, with an assessment of the impact on the company's operations and the rights of existing shareholders.

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

1. Detrimental to corporate governance or sustainability.
2. Has a material impact on the company's financial stability and business development.
3. May damage shareholders' long-term interests.

If the Bureau is dissatisfied with the outcome of any material proposal, subsequent actions will be determined on a case-by-case basis. The Bureau will communicate and express its position to the company through various engagement methods, such as phone calls, meetings, or official correspondence.

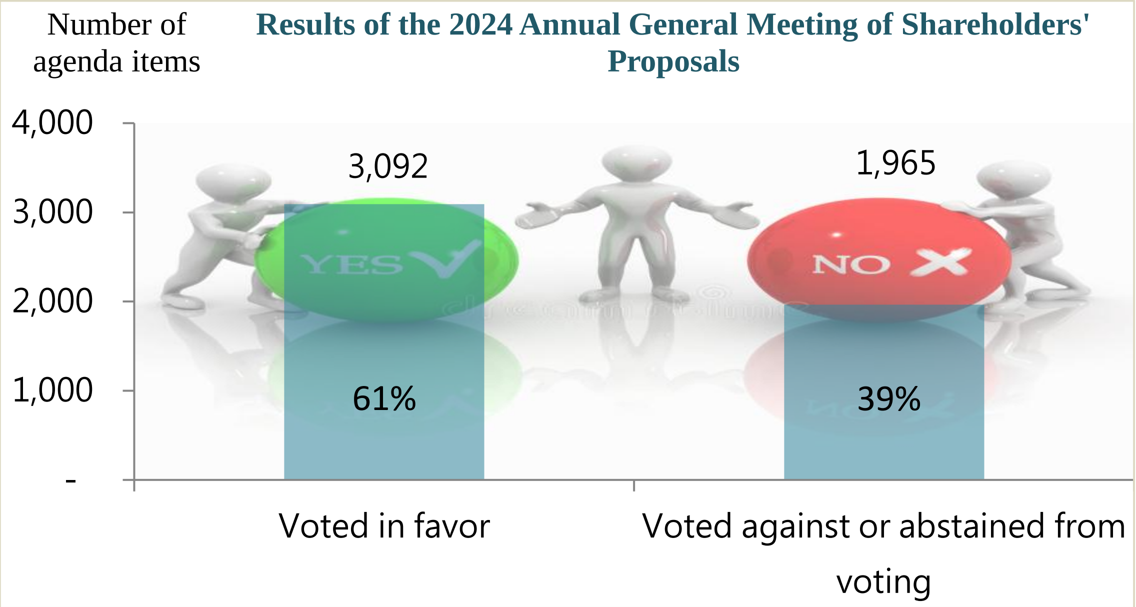
(II) Voting Situation

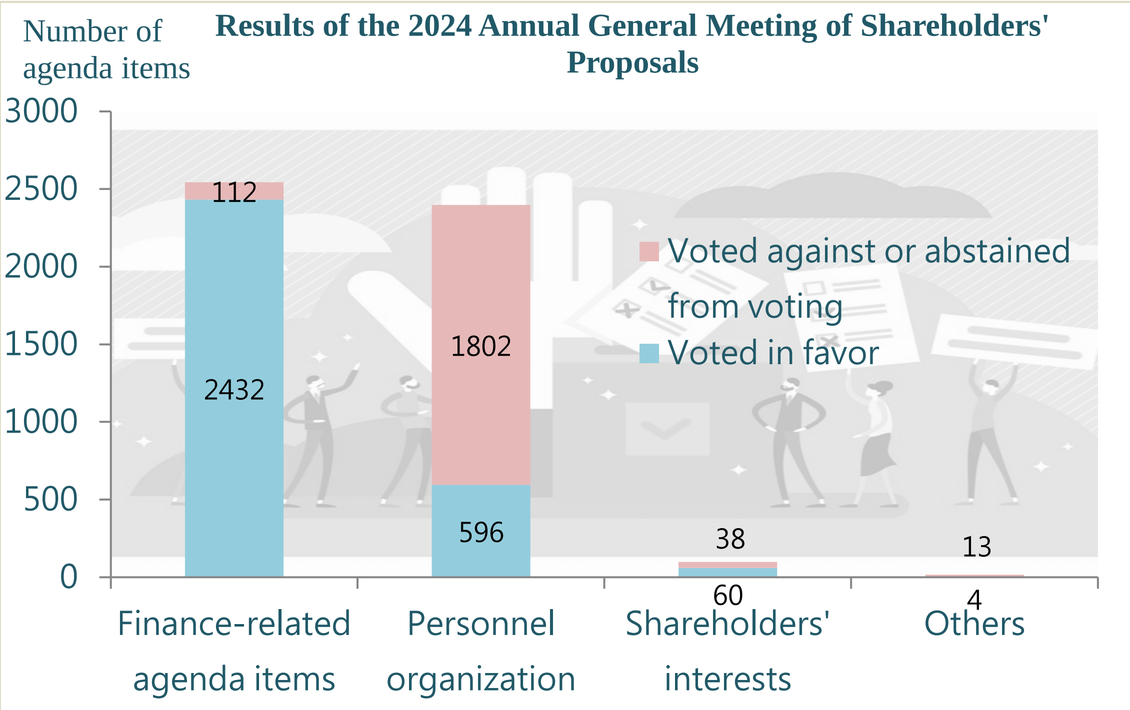
Since 2018, the Bureau voted electronically on 100% of agenda items during shareholder meetings.

The Bureau voted on 5,057 agenda items of shareholder meetings of 369 companies in 2024. A total of 2,544 were finance-related agenda items (including acknowledgment of business reports and financial reports, earnings distribution or offsetting losses, capital increase, private placement of negotiable securities, and capital reduction), 2,398 were personnel organization-related agenda items (including amendments to the Articles of Incorporation or operating procedures, directors and supervisors elections, and lifting the non-compete clause for directors), 98 were shareholders' interests-related agenda items (including the issuance of restricted stock awards, issuance of employee stock warrants below market price, transfer of treasury shares to employees lower than average buyback price, and company share transfer or split), and 17 other agenda items. In the 5,057 agenda items above, the Bureau voted against or abstained from voting on 1,965 agenda items.

In addition to exercising all investee companies' voting rights through electronic voting, representatives were also appointed to attend in-person shareholder meetings of 22 companies and virtual shareholder meetings of 20 companies, with one representative speaking at a shareholder meeting, as detailed in the engagement record (Company G).

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


Number of agenda items
Results of the 2024 Annual General Meeting of Shareholders' Proposals
4,000
3,000
2,000
1,000
-
3,092
1,965
YES
NO
61%
39%
Voted in favor
Voted against or abstained from voting


Number of agenda items
Results of the 2024 Annual General Meeting of Shareholders' Proposals
3000
2500
2000
1500
1000
500
0
112
2432
1802
596
38
60
13
4
Voted against or abstained from voting
Voted in favor
Finance-related agenda items
Personnel organization
Shareholders' interests
Others

(III) Contents of agenda items that the Bureau voted against in the past 2 years (2024 and 2025 up to the end of June) and reason

1. The Bureau voted against 9 agenda items in 2024

Company	Content of agenda item	Reason for voting against
A	Amend the Procedures for Acquiring or Disposing of Assets to increase the total contract amount for derivative transactions and adjust the individual and overall loss limits.	Considering that the company's core business is not investment, any mismanagement of derivative hedging operations could result in significant losses, making it difficult to assess subsequent management and financial risks. Hence, the Bureau voted against the agenda item.
B	Amend the Procedures for Acquiring or Disposing of Assets to increase the company's limit on investments in negotiable securities.	Since investment is not the company's core business, increasing the limit could result in relatively high financial leverage, making it difficult to assess subsequent management and financial risks. Hence, the Bureau voted against the agenda item.
C	The Procedures for the Acquisition and Disposal of Assets were amended to raise the threshold amount requiring board authorization for securities investments, raise the overall limit on securities acquisitions, and change the approval requirement for real estate and intangible assets from case-by-case board authorization to only requiring board approval for transactions exceeding a specified amount.	As the company has significantly expanded the approval authority for asset acquisitions and lifted restrictions on the holding of non-current assets, this presents potential risks to the company's future operations and the rights and interests of shareholders. Therefore, this proposal was voted against.

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

Company	Content of agenda item	Reason for voting against
F	Amend the Procedures for Lending to Others by changing the loan approval authority from requiring approval by both the CEO and the chairman to requiring approval by the chairman alone.	Considering that the relaxation of authorization rules could make it difficult to assess subsequent financial risks, the Bureau voted against the agenda item.
G	Amend the Articles of Incorporation to remove the requirement that the business report and other documents be submitted to the Audit Committee for review at least 30 days before the annual general shareholder meeting.	Considering that removing the document submission timeline is inconsistent with regulatory requirements and could increase internal control risks, the Bureau voted against the agenda item.
H	Amend the Articles of Incorporation to change the minimum dividend distribution from 20% of annual distributable earnings to 50% of newly added distributable earnings for the current year.	Considering that this change in the dividend distribution policy could reduce the dividend amount, even when the company is profitable, due to a lack of profit growth—potentially harming shareholders' interests—the Bureau voted against the agenda item.
I	Amend the Articles of Incorporation to add retirement and severance pay for the chairman, in addition to the existing compensation standards for the chairman, directors, and independent directors, authorizing the board of directors to establish related procedures.	Although the company claimed that the amendment aims to formalize retirement and severance pay, it did not specify the principles for payment, resulting in insufficient transparency and making it difficult to assess the potential impact. Therefore, the Bureau voted against the agenda item.

2. The Bureau voted against agenda 15 items as of the end of June 2025

Company	Proposal content	Explanation of reasons for casting an opposing vote
A	Conduct a domestic cash capital increase, issue new shares for participation in the issuance of overseas depositary receipts, or privately place common shares or domestic/ overseas convertible bonds.	Considering that this proposal would result in a relatively high level of equity dilution and have a significant impact on existing shareholders' rights and interests, this proposal was voted against.
B	Revise the Procedures for the Acquisition and Disposal of Assets to raise the upper limit for individual long-term securities investments from 100% to 150% of net worth.	Although the overall investment cap remains unchanged under this proposal, the company has not clearly explained its future investment plans. In addition, the increased investment limit may heighten the company's investment risk and potentially impair shareholders' interests. Therefore, this proposal was voted against.
C	Revise the Procedures for Acquisition or Disposal of Assets to raise the total investment cap for securities from 60% to 110% of net worth.	Given that the company is significantly increasing the total investment cap for securities without providing detailed justification, the proposal may increase investment risks and adversely affect shareholders' interests. Therefore, this proposal was voted against.
D	Amend the Procedures for Lending Funds to Others by deleting the word "maximum" from the provision stating that "the interest rate for lending funds shall not be lower than the maximum short-term borrowing rate from financial institutions."	As peer companies have not made similar adjustments and the company has not provided a detailed explanation for the amendment, this proposal was voted against.

Company	Proposal content	Explanation of reasons for casting an opposing vote
E	Revise the Procedures for Lending Funds to Others to exempt loans between overseas subsidiaries in which the company directly or indirectly holds 100% of voting shares, or loans made by such overseas subsidiaries to the company, from the requirement to determine interest rates with reference to the company's funding costs or market interest rates.	As the proposal does not establish interest rate provisions in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," this proposal was voted against.
F	Revision of the Procedures for Lending Funds to Others: If local laws applicable to overseas subsidiaries prescribe different requirements for loan terms, such local regulations shall take precedence; however, the subsidiaries are still required to establish internal operating procedures specifying loan periods in accordance with the Regulations.	The shareholders' meeting handbook did not include the subsidiaries' procedures for lending funds to others, as required under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," for review. In addition, the proposal is inconsistent with the provisions of the said Regulations. Therefore, this proposal was voted against.
G	Revise the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees, amending the provision for extensions from "an extension shall not exceed one year and is limited to one time only" to "the term (duration) and number of extensions shall be authorized for determination by resolution of the Board of Directors."	As the proposal expands the extension authority for overdue claims and fails to specify restrictions on extension periods, it may contravene the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, which require that loan periods and interest calculation methods be clearly stated. Therefore, this proposal was voted against.

Company	Proposal content	Explanation of reasons for casting an opposing vote
H	Revise the Procedures for Handling Derivatives Transactions to change the highest-level executive responsible for such transactions from the General Manager to the Vice Chairman, and likewise to change the person designated by the Board of Directors to oversee and control transaction risks from the General Manager to the Vice Chairman.	The General Manager is a managerial officer as defined under the Securities and Exchange Act, while the Vice Chairman is a director under the Company Act and, within the corporate governance framework, serves as a responsible person. The two positions therefore differ in nature and authority. Furthermore, as the Board of Directors operates as a collegial body rather than through individual directors exercising authority independently, this proposal was voted against.
I	Amend the Articles of Incorporation to remove the restrictions on the amounts related to the Board of Directors' authority over financing, guarantees, capital expenditures, endorsements, guarantees, and contracts made in the company's name.	As it is difficult to assess the overall financial impact of the amendment, and there are no objective standards for defining "major" or "significant" matters, which would instead be handled under the Board-authorized "Internal Authorization Rules," the change lacks transparency and fairness. Furthermore, as the amendment is not made to align with any revisions to relevant regulations, it poses potential risks to the company's future operations and shareholders' rights. Therefore, this proposal was voted against.
J	Issue new restricted employee shares.	As the performance conditions set under this proposal are unclear and the issuance targets only full-time senior executives, this proposal was voted against.

Company	Proposal content	Explanation of reasons for casting an opposing vote
K	Issue new restricted employee shares.	As the allocation criteria, eligibility of recipients, and performance conditions are unclear, this proposal was voted against.
L	Issue new restricted employee shares.	As the performance conditions set under this proposal are unclear and the issuance price includes a substantial discount, this proposal was voted against.
M	Issue new restricted employee shares.	As the performance conditions set by the company are not specific, making it difficult to determine their reasonableness, this proposal was voted against.
N	Issue new restricted employee shares.	As the eligibility conditions set under this proposal are based solely on years of service, and although the allocation criteria take into account seniority, position, job performance, and overall contribution, the company has not specified concrete performance conditions, this proposal was voted against.
O	Issue new restricted employee shares.	As no financial performance indicators have been established for evaluation, this proposal was voted against.

VI. Information Disclosure

The Bureau regularly discloses information on the management and utilization status of its administered funds, as well as other material matters, on its official website. In addition, to enhance public understanding of the Bureau's promotion of sustainable investment and stewardship practices, a "Sustainability Section" has been established on the website to outline the Bureau's sustainability policies and disclose its sustainable investment implementation and sustainability reports. The websites also disclose the Bureau's Compliance Statement – Stewardship Principles for Institutional Investors, annual Stewardship Reports, and records of shareholder meeting voting. Furthermore, the English version of the website includes English translations of the Compliance Statement – Stewardship Principles for Institutional Investors. Through these disclosures, the Bureau aims to help those interested understand its commitment to practicing sustainable investment, improving workers' well-being, and realizing the principles of dignified labor.

Bureau of Labor Funds

Home
https://www.blf.gov.tw/86195/

Investment Policy Statement

Home/Investment Policy Statement
https://www.blf.gov.tw/86195/86196/86314/86316/90056/post/

Sustainability

Home / Sustainabilityhttps://www.blf.gov.tw/86195/86196/86301/normalnodelist/

Chapter V. Conclusion

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

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

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

Appendix

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
Between the Bureau and all employees	Using the power of their position, opportunities, or methods to directly or indirectly gain improper benefits for themselves or others.	Bureau of Labor Funds, Ministry of Labor Rules Governing Conflict of Interest and Confidentiality	Besides imposing strict administrative penalties, they will also bear civil and criminal liability. The same shall apply to supervisors at each level who are verified to have covered up for subordinates who engaged in the following conduct.
	Failing to maintain confidentiality and leaking business secrets learned while performing duties.		
	Publishing talks related to their position in the agency or their name without permission or authorization from the director-general.		
	Directly or indirectly benefiting themselves or related parties due to their action or inaction when performing duties.		
Between the Bureau and employees directly involved in investment	Failing to perform duties with integrity in accordance with the law, or using the power, opportunities, or information obtained through their position for profit.	Bureau of Labor Funds Employee Self-Regulation Agreement	Punish according to the Public Functionaries Discipline Act.
	Trading of domestic listed, OTC, and emerging stocks, equity derivatives, and individual stock subscriptions by employees who directly participate in investments, their spouses, underage children, and individuals making trades on behalf of employees. However, this does not apply to beneficiary certificates of securities investment trust funds, subscriptions to public drawings for listed stocks, and sale of shares already held.		

Parties involved in conflict of interest	**Conflict of interest patterns**	**Conflict of interest management regulations**	**Management measures**
Between the Bureau and personnel responsible for domestic and foreign investment management	Except for official business etiquette or other specific situations, proposing, offering, requesting, or accepting any form of bribery, or agreeing to or accepting gifts from individuals with a conflict of interest.	Code of Conduct for Investment Personnel of the Bureau of Labor Funds.	A penalty will be imposed according to regulations if a violation is verified to be true. Personnel will be referred to the judicial authority if involved in criminal offenses.
	Except for official business etiquette or other specific situations, being entertained by those with a conflict of interest with their position.		
	Improper contact with individuals who have a conflict of interest with their position without obtaining approval from their supervisor due to business needs or other justifiable causes.		
	Except for snacks, simple meals and accommodations, and transportation necessary to perform official duties, accepting wine and dining or other forms of entertainment from related agencies (institutions) during visits, audits, or when attending meetings.		
	Failing to carefully manage confidential information learned due to their position, or providing or leaking information not disclosed by the Bureau or not necessary to perform duties to others, or using the information for non-work-related purposes.		
	When engaging in individual investment or wealth management, failing to strictly comply with the principle of avoiding conflict of interest with their position and violating their confidential obligations.		
	Failing to comply with related principles and regulations when performing investment analysis.		

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
Between the Bureau and mandated institutions	Mandated institutions fail to ensure that their performance assistants exercise the duty of care and loyalty as good administrators based on their professional knowledge and experience in the industry or according to the responsibilities specified in the business plan proposal within the scope of investment defined in the investment contract.	Domestic discretionary investment contract	If a performance assistant is found in violation of the investment contract, it will be deemed to be intentional or negligent by the mandated institution, and the mandated institution shall compensate the Bureau for related losses.
	Mandated institutions failing to comply with the principle of avoiding conflict of interest, or not charging their representative, directors, supervisors, managers, employees, and performance assistants with the responsibility of loyally performing duties for the Bureau's interests, or seeking benefits for the mandated institution, themselves, or others.		The action will be deemed intentional or negligent by the mandated institution, and the Bureau may directly confiscate the performance bond as punitive damages.

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
	The personnel listed above using their position to unlawfully infringe on the mandated assets, regardless of whether they directly or actually manage the investment account with the mandated assets.		Mandated institutions shall be jointly liable for compensation relating to all accounts and personnel for managing investments using the mandated assets. The Bureau may directly confiscate the performance bond as punitive damages.
	Mandated institutions or their directors, supervisors, managers, salespersons, employees, and performance assistants violating the investment contract or related laws and regulations when handling discretionary investments for the Bureau, or using information obtained due to their position to trade negotiable securities for themselves or individuals other than the managed funds and discretionary investment management accounts.		Mandated institutions shall be jointly liable for compensating damages to the mandated assets, and the Bureau may directly confiscate the performance bond as punitive

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
	From the time the Bureau allocates funds according to the investment contract for the first time to the time that mandated assets no longer hold stocks and equity derivatives of a target company, the department head and investment managers at the discretionary investment department of mandated institutions, their spouse, underage children, and individuals making trades on behalf of them trade stocks or equity derivatives of the target company.		damages.
	Mandated institutions failing to maintain confidentiality or leaking information on mandated assets and investments to others, unless otherwise stipulated by the law or investment contract, or the disclosure or use by the mandated institution is approved by the Bureau in writing with the scope, method, and time approved for use specified. Mandated institutions failing to require their representative, directors, supervisors, managers, personnel participating in decision-making for the utilization of mandated assets, and other individuals who are aware of the abovementioned information to agree to abide by these regulations in writing or other methods, and failing to properly supervise the abovementioned personnel's compliance with this confidentiality clause.		Mandated institutions and the following personnel (representative, directors, etc.) shall be jointly liable for compensating damages, and the Bureau may directly confiscate the performance bond as punitive damages.

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
	Mandated institutions owe a debt to the Bureau due to failing to perform obligations specified in the investment contract, or failing to compensate the Bureau according to the investment agreement or other discretionary investment account agreements with the Bureau.		The Bureau may directly deduct the debt from the performance bond.
	During the discretionary investment period, the Bureau discovers that a mandated institution obtained qualifications by falsifying application documents or engaging in illegal conduct that was deemed to have affected the fairness of selection.		The Bureau may cancel or terminate the investment contract, recover all mandated assets, and directly confiscate the performance bond as punitive damages.
	Mandated institutions and securities or futures brokerages exchange orders, return orders, give gifts, or engage in other conduct for improper gains.		The Bureau may cancel or terminate the contract and recover all mandated assets.

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
	Mandated institutions or their performance assistants violating the law or investment contract, or failing to exercise the duty of care and duty of loyalty of a good administrator, and failing to make improvements within the time limit notified by the Bureau, or the conduct was clearly intentional or grossly negligent, and caused the mandated assets to sustain damages.		The Bureau may notify the mandated institution to immediately make improvements or take necessary measures, recover and no longer allocate mandated assets, terminate the investment contract or take other necessary measures, and directly confiscate the performance bond as punitive damages.
	Criminal offenses relating to investments using information obtained from their position that the representative, directors, supervisors, managers, employees, and performance assistants of mandated institutions were found guilty of.		The Bureau may seek punitive damages of up to double the performance bond from the mandated institution.

Parties involved in conflict of interest	Conflict of interest patterns	Conflict of interest management regulations	Management measures
	Transactions by mandated institutions using mandated assets violate the investment contract.		The mandated institution shall execute a reverse transaction and settle the profit or loss. Any surplus after settlement of profits and losses shall belong to the Bureau. If there is any shortfall, it shall be deemed to be in the scope of damages that mandated institutions are liable for compensating, and the mandated institution shall compensate the Bureau, unless the mandated institution proves that the shortfall was caused by a breach of contract not attributable to the mandated institution.