V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Business Scope

Business Scope	Sales %
Electrification and Automation Products	53.0%
Home Appliances and Air Conditioners	13.2%
Mechatronic Engineering and Electrical Equipment	11.1%
Others	22.7%
Total	100%

B. Products and service nowadays

a. Electrification and Automation Products

- Medium to large voltage motor (125-60,000 HP)
- Low voltage permanent-magnet motor (1-400HP) & Induction motor (1/4-500HP)
- Motor and drive products for electric vehicle power system (50-250 kW)
- Gear reducer
- Medium to large voltage inverter (200-12,000HP)
- Low voltage inverter (0.25-800HP)
- Explosion proof motor
- AC SVO
- Motion control and Programmable Logic Controller (PLC)
- Human Machine Interface (HMI)
- AGV (automated guided vehicle) smart platform
- Industrial Motor Drive Products (Inverter/Servo Drive)

b. Home appliance and air conditioner

- Air-conditioning (residential air conditioner, commercial air conditioners, multiple inverters, machine room air conditioners, chiller, energy saving system solution)
- Air conditioning engineering (provide project management, design, construction and maintenance services)
- Large size home appliance (fridge, washer, TV)
- Small size home appliance (inverter DC fan, air purifier, vacuum, blender, microwave, oven)
- Refrigeration products (inverter condensing unit, evaporator unit, brine unit)

c. Mechatronic Engineering and Electrical Equipment

- Electrical and mechanical engineering (provide project management, design, procurement, construction and mantenance service), including the construction of IDC, renewable energy (including offshore wind power and energy storage system, omprehensive development projects, civic engineering and traffic engineering, medical biotechnology and factory buildings, etc
- Electric equipment (switchboard, generator set, power distribution equipment, design and construction service for energy distribution system)
- Appliance products (electromagnetic switches, non-fuse circuit breakers, leakage circuit breakers)

d. Other

- Home delivery and other professional logistics and distribution services

- Design, development, production and sales of communication products
- Information software, data processing and electronic information supply business
- Real estate lease
- Manpower dispatch
- Residential and building development and rental and sales business
- Financial commodity investment

C. New products development

a. Electrification and Automation Products:

In response to the development trend of industrial applications in the industry, and adhering to TECO's core values of "energy conservation, emission reduction, intelligence, and automation", it plans to develop the following new products: MW-grade 2 pole inverter duty motor, motor for vertical circulating pump in power plant, high and low-voltage low-speed direct-drive permanent magnet motors, IE5 ultra high efficiency permanent magnet motor, traction motors for rail vehicles, motor and drive power system for electric bus, compact industrial inverter, next-generation high-end servo drive, MV510 medium voltage inverter multi-mode control, MV510 engineering inverter. In response to the industry development trend, we actively invest in the development of related technologies for system energy saving and green energy development: ultra-low-speed high-torque direct drive motors & drive technology, offshore wind turbine technology, new-generation insulation system, and power-assist motor system for two-wheeled vehicles, etc.

b. Air conditioner and home appliance:

To meet consumers' demand for clean air, forge series of smart energy-conserving air conditioners, taking into account the indicators of temperature, humidity, and cleanness. Integrate ceiled-concealed ventilation with energy recovery, energy recovery ventilation (ERV), dehumidifier, and warm-air machine, for coupling with multiple-split energy-conserving air conditioners, with APP central control, thereby forming a cozy anti-epidemic residential air-quality solution.

I. All variable-frequency home appliance attain the government's grade-1 CSPF in air-conditioning seasonal performance factor and employs high-performance energy-saving R32 refrigerant, enhancing performance and lowering carbon emission, to contribute to slowdown of global warming. Production of energy-saving and environment-friendly products via clean manufacturing and the use of green materials for continuing contribution to energy conservation and emission reduction. Using big data analysis and AI intelligence to provide energy management and preventive maintenance diagnosis and other services, provide the best energy saving and early warning and other solutions

II. For refrigerators and washing machines, we have launched miniaturized, first-class inverter products, in response to the trend of urban life, energy saving and carbon reduction. In addition, for 600L refrigerators, the patented function of freezing and refrigeration switching is introduced. TV products also launched GOOGLE Android 9.0 TV in response to the trend of intelligence.

III. R&D on VRF (variable refrigerant flow) system for parallel-connection variable-frequency external unit, with entire series conforming to grade-1 CSPF energy performance, meeting the demands of green buildings and high-class business offices.

IV. With high IPLV design with multi-pressure single system, to develope 90-600RT magnetic levitation centrifugal ice water machine, which is capable of stable operation even at 10% partial load, thereby attaining cool-air output and constant temperature, as well as optimal energy conservation, especially venues with around-the-clock demand for cool air and large load fluctuation, such as hospitals and restaurants.

V. Developed 15RT and 20RT DC frequency conversion water-cooled box machines, becoming the only model in the industry that achieves CSPF level 1 energy efficiency, and has won the Taiwan Excellence Award. It is the best choice for small and medium-sized central air conditioners such as factories and restaurants.

VI. Rollout of IPLV (integrated part load value) chiller, centralized control of main engines via central controller, automatic adjustment and control system capable of integrating efficiency curve of main engines, automatic adjustment of the operating units of main engines according to load of the system, coordination of the launch and stoppage of cooling tower and chiller, materialization of system optimization, and attainment of optimized IPLV operating efficiency of the system. In addition to high energy performance of product, provide check of product health and one-stop integrated service for air conditioning systems via various management and control systems, including visualized power-consumption management and monitoring of indoor air quality.

c. Mechatronic Engineering and Electrical Equipment

In order to integrate the diversified industrial products within the group and maximize the comprehensive benefits, the Company will vigorously promote the expansion of smart energy products. The planned items are as follows:

I. In response to the demand for imported products in the market, TECO signed an agency agreement with Schneider Electric, focusing on mid-level products; in order to enhance the diversity of our product line and show TECO's ambition to expand the market through strategic alliances.

II. In the green energy industry, solar DC products and power conditioners for energy storage systems are launched to realize bidirectional conversion and connection of AC and DC power. It is suitable for the energy exchange of solar power generation to charge and discharge the energy storage battery, and to control and manage the charge and discharge of the battery.

III. Continue to improve industrial energy conservation and intelligence, launch remote control switches (RCS). Continue to add growth momentum to the Intelligence Energy business group and actively integrate the group's resources, focusing on new opportunities in the energy industry.

5.1.2 Industry Overview

A. Industrial status and development and association among industrial upstream, midstream, and downstream sectors

(a) Electromechanical system and automation

Upstream	Silicon steel sheet, copper wire, aluminum, insulating material, power crystal, etc.
Midstream	Electromechanical system and automation equipment manufacturers Status and major manufacturers: TECO, Tatung, Shihlin, Fortune, ABB, SIEMENS, WEG, Delta, Yasgawa, Omron
Downstream	Corporate customers: Power plant, steelmaking plant, petrochemical, metallurgy, water treatment, automation equipment

(b) Air conditioners and home appliances

Upstream	Copper, aluminum, steel, electronic substrate, motor, compressor
Midstream	Air conditioner and home appliances manufacturers Status and major manufacturers: TECO, Tatung, Sampo, Matsushita, Hitachi, LG LG。
Downstream	Dealers, mass merchandisers, end customers, enterprises, government agencies, construction firms

(c) Electromechanical engineering

Upstream	Design & consulting, electromechanical materials, equipment suppliers, integrated software suppliers, installation firms
Midstream	Electromechanical engineering & electric equipment firms
Downstream	Status and major enterprises: TECO, Fortune, Tatung, Star Energy, CTCI, L & K, Acter

B. Product development trends and competition

(a) Electrification Product Industry

Development trend for motor is in the direction of high energy performance, energy conservation, and carbon abatement. Therefore, under the trend of energy saving and carbon reduction, governments around the world have set specifications for motor efficiency and gradually replaced low-efficiency products with high-efficiency motors. The EU will take the lead in increasing the energy efficiency of motors to IE4 in 2023, it is expected that there will be a wave of replacements worldwide. Not only the demand for efficiency improvement, but also in response to the demand for networking and manufacturing reforms. Climate change has become the major threat for global sustainable development and zero net carbon emission has become the world's common vision.

As a leading branded manufacturer of electromechanical systems, TECO has been actively pushing "green products," integrating ultra high-efficiency motor, speed reducer, medium- and low-voltage inverter, permanent-magnet direct-drive system, and servo system, for the provision of complete power driven systems and related services, helping customers attain the goal of "safety and stability, high performance, and carbon neutrality." In the process of Global Industry 4.0, the key technologies invested by various advanced manufacturing companies such as ABB and Siemens have similarities. From the analysis of big data to the Industrial Internet of Things (IIoT) and artificial intelligence to break through the current manufacturing bottleneck and provide more complete software plus hardware engineering solutions. It mostly expands its product portfolio and services through mergers and acquisitions to increase the added value of key equipment components such as motors. TECO also provides solutions to monitor plant equipment through the Internet of Things in conjunction with its affiliated companies, to achieve machine predictive maintenance, production line mechanical and electrical energy saving and other functions. It can also provide interactive diagnosis and intelligent automatic dispatch. In response to Industry 4.0, we provide customers with one-stop services, including the key components of power systems such as motors, inverters, and reducers that are required by general factories, which can be tailored for customer plants and upgraded to smart factories. With R&D centers set up in Taiwan, the U.S., and mainland China, the company is capable of producing a complete range of motors, including 1/4HP-100,000 HP low- and medium-voltage motors and 14.5 kV ultra-high voltage motors, which have passed multiple energy-performance accreditation, such as NVLAP (200378-0), TAF, and CSA. Moreover, TECO is the only Taiwanese company capable of providing integrated full-load motor + driver test. In addition, the development of automotive electric motors has also become the target of attention of global motor manufacturers, as countries and automakers around the world have announced the end of production schedules for pure oil vehicles. With the rise of green energy, TECO is not absent. From large generator technology to small yaw motor, TECO actively invests in and ranks among the suppliers of offshore wind turbines through its excellent design and manufacturing technology of rotating electrical machines.

In terms of system automation, due to energy saving and carbon reduction, green environmental protection and other world development trends, and the global industrial development of automated production as the mainstream trend, we will combine the advantages of motor and inverter research and development to provide system integration solutions to supply high-efficiency, energy-saving and the products requiring system control accuracy are the focus of the development of the electric control business. Under the global trend towards industry 4.0 production: the supply of products that increase efficiency, save energy and require control accuracy of mechanical systems is the focus of the electronic control business. Roll out new inverter capable of automatic adjustment, high-speed communication, safety production, and anti-noise jamming, which has been applied in the fields of intelligence and automation extensively. The new

generation of servo products combined with EtherCAT communication products will be promoted to new applications of robot arms. In recent years, in addition to the application of AC servo products to the factory applications of Industry 4.0, DC servo has been actively applied to the research and development of AGV and smart logistics visual sensor control technology, using experience as the driving force for development and creating better products. This year we launched the more powerful F-series intelligent follower vehicle & X-series follower drive module, which are more powerful and widely used in logistics and warehousing and handling automation, to provide global customers with advanced solutions and customized application options. Bucking the sluggish global auto market, due to chronic chip shortage, the e-vehicle market has scored phenomenal growth, thanks to a number of factors, carbon-abatement policy and subsidy of various government, enhancement of e-vehicle performance, and dropping manufacturing cost, notably batter, and expanding charging facilities.

(b) Air conditioner and home appliances industry

In line with the global current of energy conservation and carbon abatement, the Taiwanese government has become increasingly demanding in products' energy performance, prompting various brands to roll out high energy-performance products, a trend which tests the variable-frequency technological strength of enterprises in the field. Meanwhile, In order to cope with increasing costs from supply chain, companies have to raise product value to raise sales prices and alleviate shrinking margin. Taiwanese enterprises are confronted with increasing competition from Japanese firms, market leader with over 50% share whose prices are approaching local counterparts, on one hand, and low-price braded China-made products, on the other hand. Consequently, TECO has spare no effort in developing technology-intensive products, such as smart air conditioner, patented UVC module, and air management system, in order to boos brand value and product competitiveness.

In line with market trend, Air & Intelligent Life business group has integrate the group's resources in R&D, logistics, and information technology for development of smart, energy-conserving, healthy, and environment-friendly freezing, refrigerating, and air-conditioning solutions. In an reorganization in 2021, the company set up " Air & Intelligent Life business group, dedicated to the development of smart life-related products. The company has developed whole series of energy-conserving air conditioners, with energy performance topping government's grade 1 standards, on top of collaboration with government-sponsored research bodies in developing new energy-conservation technologies for application in technology innovation, merchandise innovation, and service innovation, so as to augment Taiwanese brands' international competitiveness.

(c) Mechatronic engineering and electrical equipment industry

In line with the green-energy trend for electromechanical engineering and electric equipment industry and the government's renewable-energy policy, the company has been engaged in the development of offshore wind farm, PV power-related energy storage systems and micro-grids, and turn-key engineering project for onshore substations of offshore wind power, which are carried out in collaboration with medium- and downstream-suppliers, with use of TECO-made major electric equipment.

In the aspect of energy and electric equipment, the traditional market of switchboards and generators, mainly sold to customers in construction, electronics, and steelmaking, has become saturated, vulnerable to change in economic environment and price competition. Therefore, the company has spared no effort in developing smart new-energy products, to meet emerging market demands for high-quality smart green-energy products. In devices, the company has developed control components for power consumption and as accessory to motors for use in machinery industry, as well as low-voltage devices for automatic-control industry, meeting the needs of smart green-energy market, on top of developing automation and energy-conserving products. Face with competition from peers, in addition to product improvement, grasp of competitors' tendency and government's policy direction is essential.

5.1.3 Research and Development

A. The company spent NT$1,112,911 thousand on R&D in 2021. R&D expense is booked as NT$268,354 thousand as of the end of March in 2022.

a. Industrial Motors Category

1. IE5 high efficiency permanent magnet motor
2. IE5 high efficiency explosion-proof permanent magnet motor
3. Cooling tower direct drive system
4. High efficiency synchronous reluctance motor and control
5. Large 2 pole inverter duty motor
6. Offshore wind turbine technology
7. Direct-drive motors and drive systems for electric vehicles

b. Automation and Intelligent System Category

1. Development of Dedicated servo drive products
2. Open industrial Ethernet Profinet high-speed communication card/module product development
3. Product development of compact and universal DC servo drive
4. Cobot Joint module (CJM) joint module product development
5. Development of frameless hollow shaft servo motor
6. Development of high-precision magnetic encoder
7. AGV unmanned guided vehicle control platform technology development
8. Development of next-generation servo drive
9. SLAM automatic navigation technology development
10. AMCL path positioning technology development
11. New generation power semiconductor SiC/GaN module drive technology
12. Development of smart mobile platform with low load (40kg)
13. Development of charging devices for smart mobile platforms
14. Follow-up cart product/module development

c. Renewable energy- green energy

1. Development of high-speed generator and drive for heat recovery system
2. Development of offshore wind generator technology
3. Development of traction motors for rail vehicles

d. Freezing and Air-Conditioning Category

1. Research and development of a full range of R32 window-type inverter cooling and heating machines
2. The first development of PM2.5 cleaning module for household inverter high-capacity air conditioners
3. TECO i-Air system development (An APP to integrate residential air conditioners / dehumidifiers / air cleaners to some One-Touch modes for customized scenarios)
4. Development of mobile Internet Home Inverter Air Conditioner Smart Diagnosis Service APP
5. Frequency conversion energy-saving refrigerator with free switching between fruits and vegetables

6. Research and development of high IPLV magnetic levitation centrifugal unit
7. HVAC energy saving solution for Green Building (high efficiency equipment + expertise management system)
8. High sensible heat air conditioners for data centers with high PUE requirement / raised floor configuration
9. Development of 3~8HP condensing units (refrigeration and refrigeration applications in supermarkets/supermarkets/farmers' associations)

e. Industrial Internet of Things:

1. WiFi application system development
2. Edge computing system application
3. Application field:
   a. Edge computing system application applied to VPI continuous furnace process monitoring and production history automation in Zhongli No. 1 Plant, and establish a traceability system
   b. WiFi system application applied to the digital management system of the assembly line of Chungli No. 1 Factory

5.1.4 Long-term and Short-term Development

1. Electrification and Automation Products

The long-term business development plan aims to be the top three in the global market share in the motor industry. The short-term business plan is to continue the global production and marketing layout, gradually expand the cultivation in mainland China, Turkey and India, and integrate the production resources of the two geographies in Penang, Malaysia and Dong Nai, Vietnam, and simultaneously develop emerging markets in the Middle East, India, Philippines, Turkey, Africa, Russia, etc. Strengthening manufacturing and cost control, accelerating the strategic alliance with mainland China, Europe, America, Japan and international manufacturers, and gradually increasing the global market share, especially in service sales is to provide one-stop service, through the establishment of rapid maintenance, provide customers with immediate maintenance, technical transformation, and services. In recent years, countries have strengthened the implementation of energy conservation policies, TECO will seize this business opportunity and use the high-efficiency motors introduced to further increase the overall sales and market share.

In sales, the company's high-efficiency motors and automation products are mainly for application in fluid machines, food-making machines, conveyance system, rubber and plastic machines, air compressor, petroleum/ natural gas, and other industrial machines, while medium-and high-voltage medium- and large-scale motors are meant for use in petrochemical, power, hydraulic power, and air-conditioning industries, as well as some emerging fields, such as e-bus, e-commercial and -official vehicles, ships, and rolling stock.

For service-oriented sales, offer integrated service with the establishment of rapid maintenance center, capable of offering customers instant maintenance, technological transformation, and replacement services. Under the global current of industrial automation, provide systematic products featuring high efficiency, energy conservation, and precision system control, so as to meet the demands for industrial power safety, automation, and energy conservation.

Given urgent need for energy transformation and industrial transformation of the manufacturing industry amid the trend of carbon neutrality and Industry 4.0, TECO has integrated the group's resources to offer customers complete low-carbon and smart manufacturing solutions. Taking improving the efficiency of motor drive systems as an example, TECO has solutions for high-efficiency motors and variable speed control, permanent magnet direct-drive systems to improve the efficiency of transmission systems, and digital solutions for motors and rotating equipment. To increase green power share, TECO, in addition to PV power and energy-storage systems, can help customers set up heat recovery system (HRS) with patented proprietary

technology, capable of recovering waste heat over 80℃ for power generation. Meanwhile, the company smart factory solution contains key modules and products for meeting the needs of end customers and automation equipment suppliers, especially in the fields of smart logistics and smart transportation.

2. Air Conditioner and Home Appliance Products

In long-term business development plan, the company aims to become the primary air conditioner and home appliances in Taiwan and vigorously taps overseas markets.

Development of air conditioners and home appliances is in the direction of intelligence, energy conservation, health, and environment friendliness, in line with the global trend. Conforming to the government's goal of zero net emission by 2050 and its implementation strategy, such as grading of construction energy performance and other energy performance regulations and conservation policy for energy users, the company set up "Air & Intelligent Life business group" in a reorganization in 2021, dedicated to pushing smart life-related products. The company has developed a series of energy-conserving air conditioners, with energy performance topping government's grade 1 standards, on top of collaboration with government-sponsored research bodies in developing new energy-conservation technologies for application in technology innovation, merchandise innovation, and service innovation, so as to augment Taiwanese brands' international competitiveness.

In line with the government's zero emission goal, TECO, as a leading brand of air-conditioner in Taiwan, has offered major power consumers corporate air-conditioning solutions, containing not only products with grade 1 energy performance but also various energy management and control systems, including energy management health diagnosis, power consumption management, and indoor air-quality monitoring, which form an integrated one-stop air-conditioning service.

In home-use air conditioners, in line with the emergence of healthful anti-epidemic residences amid the pandemic, the company has developed household single- and multi-split type air conditioners, furnished with patented proprietary anti-epidemic UVC module and coupled with energy recovery ventilation (ERV), ceiling-concealed dehumidifier, and APP central control. In 2022, the company will raise further the energy performance of existing products, roll out new HSC air conditioner with energy performance topping grade-1 5% standard, embrace environment-friendly, energy-conserving, high energy-performance R32 refrigerant, and smart air system iAir solution, as part of the clean, healthful, space-saving, energy-conserving ESG product series, based on the concept of smart air innovator.

With an eye on post-epidemic new life style, TECO, based on its R&D strength in freezing and refrigeration, has forced a smart freezing and refrigerating cabinet, for no-contact retrieval of online-purchased products by consumers, thereby shortening the traveling routes of freezing and refrigerating logistics vehicles, in compliance with ESG core value.

In line with government's energy-conservation policy, TECO's whole-series household refrigerators, from 200-600L in capacity, embraces its patented proprietary variable-frequency technology. It plans to market a series of variable-frequency freezers in Q4 2022, as well as an energy-conserving and space-saving 600L refrigerator with options of freezing and refrigeration, which has won Taiwan Excellence Awards. The company's whole series of washing machines features variable frequency and has qualified for both national energy-conserving and water-saving marks. The company will continue developing new models of home appliances, under the auspices of corporate vision "energy conservation, emission reduction, intelligence, and automation," plus appealing looks, so as to enhance market penetration rates.

3. Mechatronic Engineering and Electrical Equipment

In long-term business development plan, with the aim of becoming the primary brand for smart energy engineering in Taiwan, TECO has spared no effort in tapping overseas markets. Adhering to the concept of "quality and innovation" and based on its abundant experience in smart energy engineering, plus conformance to the nation's energy policy, it has been engaged in such large-scale projects as offshore wind power, PV power, micro-grids, energy-storage systems, and electromechanical engineering projects. TECO has secured contracts for onshore substation engineering for offshore wind power totaling 2GW in scale, for 35% market share.

In line with the vigorous development of cloud-end industry TECO has secured contracts for construction of IDC rooms, both in Taiwan and abroad, totaling 170 MW in scale, injecting fresh momentum to the company's business growth. The company has also been pushing offshore substation engineering for offshore wind power and topping the emerging business opportunities of smart energy and overseas markets.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Electrification and Automation Products

a. Sales (Service) Region

The company is shipping industrial products to such major regions as America, Europe, Australia, Japan, China and Taiwan, and targets to extend the reach to the Middle East, India and Africa.

b. Market Share (%) of Major Product Categories

The company boasts 50% domestic market share in general purpose sector; regarding overseas market, TECO takes over high market share in North America, South East Asia and Australia. TECO also offers customers custom motor featuring special usage and specifications, with the capacity reaching 30,000 horsepower in induction motors, ranking Top 5 around the world.

c. Market Trend of Major Product Categories

According to the analysis of the International Energy Agency (IEA), industrial machinery with motor as core drive is the industrial equipment with the largest power consumption, such as machine tool, pump, air compressor, and wind turbine, accounting for 46% of the world's total power consumption. In Taiwan, motor accounts for 68% of industrial power consumption. In general, motor market, especially high-efficiency motors, will expand, along with industrial and economic development. According to an Omdia report on motor market, global sales of IE4 motors top US$250 million, for 2% market share. Due to EU MEPs demanding motors to meet IE4 standards by July 2023, IE4 motors are expected to score phenomenal growth in coming years, with compound annual growth rate (CAGR) expected to reach 18.6% during 2019-2024. Dedicated to the development of energy-conserving products, TECO already rolled out IE4 motors in 2015 and is developing IE5 models, as a result of which its motor business will continue growing at steady pace in coming years.

d. Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

The company’s industrial product has won very good repute, in terms of quality and function, in the industry. It has established a far-reaching operation network on both domestic and overseas fronts, including production and marketing bases in the U.S., China, and Southeast Asia, and marketing offices in Japan, Europe, and Australia. However, rapid change in the business climate and the transformation of economic conditions and industrial structure has posed major challenge to the company’s future development. The company will seek sustained development on niche basis cultivated over the past years, to cope with rapid change in the business environment.

Favorable and unfavorable factors for Electrification Product business, along with countermeasures follow:

(a) Favorable factors

- R&D and self made ability, good in tailor made
- Leading position in production scale and market share
- Reliable in quality and good brand image
- Complete product offering line, getting certification of every motor with special demand
- Complete sales channel globally

- In view of the rapidly increasing demands for high-efficiency models, TECO has developed IE5 motors, ready for shipment to market anytime.
- Due to Taiwanese firms returning to Taiwan to build factories, a result of Sino-U.S. trade war, and local government's incentives, demands for factory construction have increased.

(b) Unfavorable factors

- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price and delivery by buyers
- Transplantation of traditional machinery firms to China and other countries
- Tier 1 motor suppliers promote scope by solid capital and M&A
- Due to the low entry barrier of small sized motor, loacal player in various countries are able to produce. Low price competition results into decreasing market share, and TECO takes stress of dumping from China player.
- Tier 1 motor suppliers sell system or total solution. In fact, more and more customers expect to buy total solution with motor.
- The strategy between motor and set maker would affect order taking.

(c) Countermeasures

- Reduce cost, shorten delivery schedule, enhance competitive edge, and boost market share.
- Accelerate new-product development, develop products with high added value, and establish a production system featuring cross-strait division of labor.
- Increase overseas marketing offices and establish an effective service network.
- Strive for emerging business opportunities related to environmental production and energy conservation.
- Join hands with foreign engineering firms in soliciting project orders.
- Relocating some production bases to Vietnam and India factories to reduce the export costs increased due to the Sino-US trade war

B. Home Appliances and Air-Conditioning Products

a. Sales (Service) Region

Home appliances are shipped mainly to the domestic market in Taiwan, China, and Australia, and it also develops markets in Southeast Asia and Japan.

b. Market Share (%) of Major Product Categories

The company is one of the top three makers of home appliances and air conditioners in Taiwan, with market share reaching 10% for household air conditioners, 14% for refrigerators, 10% for washing machines, 6% for LCD, and 11% for commercial-use air conditioners.

c. Market Trend of Major Product Categories

Sales of the company's air conditioners and home appliances in major markets are expected to grow further. As a leading brand in Taiwan's domestic market, the company landed the largest order among peers in the government project for air conditioners in elementary and senior high schools in 2021, underscoring the edge of its air conditioners. In 2022, the company has set its eyes on the construction market, with the appeal of building smart anti-epidemic healthful residences, which will further increase market penetration of the company's complete lineup of air conditioners. The company will step effort tapping overseas market, further augmenting the business scale of air conditioners.

In line with the government's 2050 net-zero emissions announcement and actions, the government will subsequently formulate a number of energy efficiency regulations, such as building energy efficiency classification and energy conservation policies for energy users, and other promotion strategies. There

are three main energy consumption supervision items for building energy efficiency classification: air conditioners, lighting, and electrical sockets. According to the statistical analysis of office building energy inspection published by the Energy Bureau of the Ministry of Economic Affairs, the main energy-consuming equipment in commercial buildings accounts for the annual electricity consumption of which air-conditioning energy consumption accounts for 41%. According to the official statistics in 2000, the baseline classification is 6, and it is moving towards zero-carbon buildings in stages (new public buildings and existing buildings and new buildings) The company's air-conditioning products cover various models in all fields, showing that TECO air-conditioning is ubiquitous. In addition to the Taiwan market, TECO also expands overseas markets and increases the scale of operations.

In recent years, the company has forayed into the market of magnetic-suspension centrifuge and the realm of civil engineering and green buildings, on top of rollout of IPLV chillers, expecting to scale significant sales growth in air conditioners and large chillers in coming years.

d. Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

(a) Favorable factors

- TECO's home-appliances division has constantly rolled out innovative high-performance products, taking advantage of the company's good brand image, synergy resulting from resource sharing of the group, and its variable-frequency drive technology, which was transformed via re-platform from heavy-electricity variable-frequency drive technology to bring TECO's home appliances enter into a new era.
- Roll out, one step ahead of peers, around-the-clock service and grasp channel, to augment competitive edge. Establish inverter common platform for products, enabling precision variable-frequency drive for various motor compressors and coordinate the control logics of different products, such as air conditioner, refrigerator, and washing machine, creating dynamism for innovation for the creation of new products and new functions. In addition, commit to the satisfaction of consumers in service quality and stock of materials.
- In line with the core ESG concept, TECO took the initiative among fellow makers to adopt R32 refrigerant air conditioner production lines to produce energy-saving air conditioners in 2016 and rolled out air conditioners with energy performance higher than national standards. In order for energy saving and reduction in carbon dioxide emission, the company is the first Taiwan-based home-use electric appliance maker to promote green factories.
- To cope with market competition, TECO has launched directly supervised business team and e-commerce business team, stressing direct customer services and close customer communications, so as to enhance service quality and avoid sheer price competition.
- The company joined the Smart Appliance Alliance to boost development of smart home-use electric appliance models. Among Taiwan-based fellow makers, the company is the first one to integrate IoT with home-use electric appliances. The company took the initiative to offer cloud computing-based air conditioning systems featuring user-oriented functions including schedule control, visualization of power consumption, remote control, reminding for switching off.
- The company has offered models that meet requirements for energy-saving, environmental protection and excellence product awards, MIT (Made in Taiwan) labels as well as first-grade energy-saving standards,
- The company took the initiative to offer cloud computing-based air conditioning systems and has provided HVAC (heating, ventilation and air conditioning) solutions

(b) Unfavorable factors

- Faced with the competition of Japanese brands which own over 50% market share, TECO has strived to augment its products' technological level, jacking up costs.
- Supply-chain instability: Supply-chain costs rise further, material shortages and other risks increase, shipment fees remain high, and delivery for procurements lengthen.
- Home appliances/household air conditioning market has saturated, featuring acute competition and low margin.
- WTO membership entails tariff cuts, bringing in competition from renowned brands of Japan,

the U.S., Korea, and China.

- The Taiwanese market is limited in scale and it's difficult to develop the global branding, due to high expense for marketing own brands and insufficient price competitiveness.
- Competition from hypermarkets and chain sales channels impacts the traditional channel of agents.
- The current of bilateral or regional free-trade agreements in recent years has posed major challenge to Taiwan.

(c) Countermeasures

- Transform directly managed e-commerce, expand online sales, and increase market share through high-efficiency and intelligent products, to provide visual installation of online quality services.
- Expand the professional ability of research and marketing, keep innovation.
- Expand product lineup and cut cost via OEM (original equipment manufacturer) strategic alliance, thereby raising market share.
- Create the edge combining Taiwan's innovation and the large-scale cost advantage of mainland China's hardware, via SKD assembly in China.
- Grasp product development trend in domestic and overseas markets via the operation of product panel and new-product review sessions, thereby introducing innovative products timely.

C. Mechatronic Engineering and Electrical Equipment

a. Sales (Service) Region

The main sales area of mechatronic engineering and electrical equipment products is domestic sales in Taiwan, and it also develops markets in Japan and Southeast Asia. The sales areas of appliance products are mainly domestic sales in Taiwan and mainland China, and are actively expanding the Southeast Asian market.

b. Market Share (%) of Major Product Categories

In appliance products, the company is Top 2 producer of circuit breaker, wildly used in power distribution and machinery market. Domestic market share is around 16%.

c. Market Trend of Major Product Categories

In electromechanical engineering, the company has landed substantial amount of orders for installation of renewable-energy devices in Taiwan and abroad and is vigorously pushing PV power and wind power businesses, in line with the government goal of raising the share of renewable energy in power output to 20% by 2025 and installing 15 GW offshore-wind power capacities by 2026-2035. By the end of 2021, Taiwan had installed PV power systems totaling 7.7 GW in capacity and wind-power turbines with total capacity of 1.0 GW, which are expected to top 20 GW for PV power by 2025 and for wind power by 2035, respectively. Therefore, Taiwan has to build PV power systems totaling 12.3 GW in capacity by 2025, in order to attain the aforementioned target, representing market scale to the tune of NT$615 billion, on top of NT$1.3 trillion business opportunities for offshore wind power, which will offer a fertile ground for the development of local supply chain under the government's localization policy.

d. Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

Competitive niche of the company's Mechatronic Engineering and Electrical Equipment:

- Abundant track record for large-scale engineering projects;
- Over 250-member engineering management team;
- Strong finance for working capital for large-scale projects;
- Good corporate image, backed by sustainability-related awards for seven consecutive years;
- Capacity for manufacturing electric equipment, including high-voltage switch, switchboard, air conditioning system, diesel-oil generator.

(a) Favorable Factors

- Excellent capability for engineering system integration;
- Expertise in IDC room;
- Largest market share for offshore-wind power onshore substations in Taiwan
- Largest supplier of energy storage systems for state-run Taiwan Power Company

(b) Unfavorable Factors

- Materials shortage and manpower shortage for engineering projects, as it is very difficult to recruit qualified engineering workforce and supervisors capable of speaking foreign language;
- Soaring materials prices

(c) Countermeasures

- Enhance the foreign-language and professional capabilities of in-house engineers;
- Inclusion of price-adjustment stipulation in contract, to cope with cost fluctuation;
- Negotiate the best price and long-term stable supply cost with material suppliers. Signing of long-term contracts with major materials suppliers to stabilize supply costs.

5.2.2 The Production Procedures of Main Products

Electrification and Automation Products

Products	Use	Production Process
High-efficiency motors, single-phase motors, low- and high-voltage 3-phase motors, synchronous motors, explosion-proof motors, brake motors, variable-pole motors, gear-reducing motors, crane motors, high-temperature exhaust gas fan motors, inverter-duty motors, high-thrust motors, steel-cased motors, aluminum-cased motors, eddy-current motors, wound rotor motors, submersible motors, DC motors, ventilation blowers, wind-powered generators.	Provision of power for industrial production	Casting, Stamping, Electrical Engineering, Mechanical Engineering, Design, Planning, Assembly, Matching
Electric vehicle power motioned permanent magnetic motor, Electric vehicle power motioned induction motor, permanent magnetic motor, AC/permanent magnetic servo motor, IE3/4 high efficient IMD(Integrated Motor Drive)	Industrial and electric vehicle used	Stamping, Electrical Engineering, Mechanical Engineering, Magnet, Design, Planning, Assembly, Matching, Integration

Home Appliances & Air Conditioners:

Products	Use	Production Process
CSPF-first class air conditioner , new environment-friendly coolant inverter duty air conditioner (one to one and VRF type), smart air conditioner, energy-saving inverter duty refrigerator, high efficiency refrigerator, direct-drive inverter duty washing machine, dehumidifier, clothes dryer, small home appliances, home-delivery low-temperature cart, elevator air conditioner, cooling device for machine tool, low-temperature logistics freezer, heat-dissipation module for PC	Household, commercial, industrial use	Design, planning, assembly, and matching
LED Display, small home appliances	Home Entertainment	Design, Planning, Assembly
Chillers for centralized air-conditioning systems, package air conditioners, split-type air conditioners, inverter multi-evaporator VRF air conditioner, train air-conditioning systems, centrafigual chiller, IPLV chiller solution	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Matching

Electromechanical Engineering and Power Equipment

Products	Use	Production Process
Turnkey project of Substation of offshore wind power, data center (IDC), energy storage system, solar photovoltaic power generation system, micro-grid system.	energy industry, power system	design, procurement, construction and mantenance
power system, low-voltage switches, etc.	power system	Design, Planning, Assembly, Matching

5.2.3 Main Material

	Main Material	Main Source	Supply
Motor	Silicon Steel	At home and abroad	Centralized Procurement by season
	Aluminum Ingot	At home and abroad	Centralized Procurement by season
	Rod Iron	At home and abroad	Procurement by Contract
	Copper Wire	At home and abroad	Procurement by Contract and Order Placing
	Bearing	At home and abroad	Procurement by Contract
	Engine	Abroad	Procurement by Contract

5.2.4 Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years：None.

5.2.5 Production over the Last Two Years

Unit: Units; NT$thousand

Year / Output / Major Products	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Electrification and Automation Products	3,662,052	1,407,223	12,774,576	3,662,052	1,654,221	15,399,086
Home Appliacne & Air Conditioner	293,631	269,806	2,456,881	404,369	399,265	3,404,452
Power Equipment	9,974,842	5,678,837	2,753,191	9,974,842	7,084,492	3,342,250
Others(Tecom)	339,084	218,567	856,137	339,084	288,482	876,960
Total	14,269,609	7,574,433	18,840,786	14,380,347	9,426,460	23,022,747

5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT$thousand

Shipments & Sales / Year / Major Products	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electrification and Automation Products	1,677,956	6,331,363	3,033,931	18,345,151	1,831,944	7,365,822	3,106,034	20,494,564
Home Appliacne & Air Conditioner	607,190	4,688,120	125,834	655,561	651,566	6,124,108	140,914	793,986
Electromechanical Engineering and Power Equipment		5,052,682				5,809,995		
Other		9,651,529		1,099,024		10,369,691		1,598,861
Total	2,285,146	25,723,694	3,159,765	20,099,736	2,483,510	29,669,616	3,246,948	22,887,411

5.3 Human Resources

Year		2020		2021		March 31 2022	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,190	14,290	2,180	14,617	2,178	14,140
Average Age		42.7	40.9	43.4	41.0	43.7	41.2
Average Years of Service		14.7	9.9	15.1	9.9	15.3	9.9
Education	Masters above	14.8	6.7	13.8	6.4	13.9	6.5
	Bachelor's Degree	53.6	49.6	55.6	51.2	55.6	51.5
	Senior High School	26.2	32.5	25.9	31.1	25.7	30.6
	Below Senior High School	5.4	11.2	4.7	11.3	4.8	11.4

Note: Employees mentioned here refer to those people who are hired by the entities under consolidated financial statements.

5.4 Information on Outlays for Environmental Protection

Explain the company's losses (including compensation) due to environmental pollution in the most recent year and as of the publication date of the annual report, the total amount of dispositions, future countermeasures and possible expenditures.

5.4.1 Loss resulted from polluting environment

None

5.4.2 Countermeasures

A. Proposed improvement measures

a. The improvement plan for environmental protection equipment

Layout of solar green power projects:

In order to reduce greenhouse gas emissions and fulfill corporate social responsibilities, TECO has introduced solar power generation systems in the Kuanyin and Chungli plants; Zhongli plant obtained the solar green power certificate in March 2022; the solar energy layout will be rolled out in plants located in the Mainland and Southeast Asia.

Equipment process improvement:

65% of SF6 process emission had been improved at Hukou plant in 2021 with ongoing improvement. In 2022, the improved household appliances kicked off production to significantly reduce the thermal diffusivity of refrigerant and reduce production costs. Zhongli Plant introduced remote monitoring technology to know the environmental indicators around the plant anytime.

Zhongli plant leveraged TECO's existing control and motor technology to provide consumers with green energy-saving products, update the energy-saving equipment in the plant, strengthen the maintenance of existing equipment, reduce waste in the manufacturing process, improve the workplace environment, and advocate energy conservation, recycling of foundry cooling water and recycling of waste materials, so as to prevent pollution in compliance with legal standards.

b. Plan for management improvement

Continue pushing ISO14001 environment management system, pinpoint sections in the operational process (covering the entire product life which includes production, sales, the usage of product, and its disposal) which produce impact on the environment and improve the emission of pollutants, thereby alleviating the environmental impact and augmenting environmental performance.

TECO fully promotes household appliances to use more environmentally-friendly R32 refrigerant, so as to greatly increase environment-friendly refrigerant at the final-user end. ESG is integrated into the daily management KPI to ensure the implementation of environmental improvement. In 2022, TECO will start to investigate the feasibility of introducing digital management, quickly learn the greenhouse emission status of the whole Company, and take improvement measures in case of any abnormality.

c. Continue pushing the program for checking and reduction greenhouse-gas emission

In response to the trend of global climate change, the company has started to conduct greenhouse gas inventory business since 2005. TECO passed the external verification of annual greenhouse gas inventory (ISO 14064-1); major overseas bases will be covered in 2022. All employees are mobilized to continuously promote energy conservation and carbon reduction schemes. The energy conservation taskforce is established to promote the feasible plans. The solar energy system at Zhongli plant has obtained the green power certificate certification in mid March 2022.

TECO has been dedicating to the materialization of the strategic vision of “energy conservation, emissions reduction, intelligence and automation,” which calls for the production of energy-saving and environment-friendly products, via efforts in the fields of R&D, production, materials, process technology, and marketing. We also focus on green energy in business expansion and even organize various sci-tech and humanistic events via the foundation, in order to substantiate eco value and induce the company to develop in the direction of sustainability.

d. Projected capital outlay for environmental protection in the next three years

(a)Planned procurement of anti-pollution equipment and outlays

i. Plans in next three years

2022	2023	2024
Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace air pollution prevention, maintenance, improvement or addition
Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process
Baking oven air door, energy-saving spray booth, other energy-saving cases	Energy saving equipment, and other energy-saving schemes	Energy saving equipment, and other energy-saving schemes
Improvement of the process environment around the plant	Improvement of the process environment around the plant	Improvement of the process environment around the plant
Improvement of plant exhaust equipment	Improvement of plant exhaust equipment	Improvement of plant exhaust equipment
Replacement of conventional lighting products with energy-saving models and light hoods		
Replacing the old wastewater pipeline configuration project	Replacing old waste water pipelines	Replacing old waste water pipelines

ii. Projected outlays (Unit: NT$thousand)

2022	2023	2024
$ 60,053	$ 56,762	$ 61,127

(b) Expected improvements

i. In addition to reducing greenhouse gas emissions and electricity costs, solar energy can also reduce the potential competitive threat of carbon taxes in the future. With the currently completed system, the power generation capacity is 7MW (seven million watts), which is expected to be generated annually. The electricity cost benefit is 40 million NTD per year.

ii. By the end of 2021, the climate-friendly coating was up to 70.1%. Compared with the benchmark (179,029kg) in 2015, the total emission of volatile organic compounds (VOC) had been reduced by 65,385kg, a decrease of 36.5%.

iii. Establish a remote monitoring mechanism to keep abreast of air pollution discharge status to ensure compliance with relevant laws and regulations, and cooperate with domestic opportunities to seek opportunities for improvement of air pollution and waste water treatment.

iv. Promote industrial waste reduction, reduce waste output and improve resource waste recycling mechanisms, and seek opportunities for recycling. In 2022, waste reduction is officially included in the management KPI, to strengthen the liability of all employees as to enforce energy conservation, emission reduction and waste reduction. The goal is to recycle 100% of the waste silicon steel produced during the production ofmotor.

v. Set up energy-saving and carbon-reduction projects for each business group, and set a target of 50% emission reduction from 2021 to 2030 according to the benchmark of each company's greenhouse gas inventory. Each business group develops plans, and the ESG Promotion Office directly under the Board of Directors closely tracks the implementation status.

vi. Push to cut emission of greenhouse gas and dedicate to the development of energy-conserving environment-friendly products, to alleviate the impact on the environment and fulfill corporate social responsibility. Utilize TECO's control systems and energy-saving technologies; provide consumers with green home appliances to reduce carbon dioxide production. It has saved 100 million kWh of electricity in three years and reduced greenhouse gas emissions by 53,105 metric tons/CO2e, which is equivalent to the carbon absorption of 136 Daan Forest Parks.

vii. Use appropriate network monitoring system to control the power distribution status at any time

f. Expected effect of improvement

(a) Effect on net profits

i. The introduction of solar energy can reduce the use of electricity, the cost of electricity, and can get green electricity certificate

ii. Recycle business waste to reduce commissioned processing fees

iii. Improve air and water pollution, avoid losses due to fines

iv. Avoid public nuisance disputes caused by environmental pollution

v. Avoid losses caused by work suspension

vi. Cut production cost via reduction of environmental-protection outlays, thanks to waste abatement and pollution prevention.

(b) Effect on competitiveness status

i. The introduction of solar power grids directly reduces greenhouse gas emissions. In response to the international trend of reducing greenhouse gas emissions, the implementation of future carbon taxes can reduce potential trade barriers and cost burdens caused by carbon taxes, increase product sales opportunities, and improve competitiveness of the company's products

ii. Recycle and reuse business waste, reduce costs, and increase product competitiveness

iii. Augment the corporate image and meet the expectation of related parties.

B. Failure to adopt countermeasures

a. Failure to adopt improvement measures: Nil

b. State of pollution: Nil

c. Possible loss and compensation amount: Nil

5.5 Labor Relations

The company has been included in 2021 DJSI-Emerging Markets for the second year in a row. Winning full mark for "innovative management" and "talent cultivation," which shows that the company attaches great importance to the development and care of employees.

We firmly believe that talent is the cornerstone of the company's sustainable management. The goal of TECO ’s labor-management relationship is to strengthen talent development, build TECO as an enterprise of happiness, achieve sustainable business operation, and become the best employer brand; we very much hope that employees can achieve self-development and achievements at work, so we have constructed an open career environment, as well as welfare measures that balance life and family, allow employees to work and grow with the company.

A. Career development and self-achievement

In order to cultivate outstanding talents with enthusiasm and innovative ideas, and to assist talents to achieve achievements on the stage of company development, in addition to complete training and adaptation care for new recruits, the opening of career development channels is also guaranteed. Related projects as follows:

a. Internal recruitment priority: In order to activate and clear the talent development path, the company stipulates that all types of vacancies must give priority to internal recruitment to provide employees with spontaneous and autonomous career development opportunities; the application process is confidential and colleagues need not worry of unfair treatments. After admission, they will also arrange for handover and job conversion through the company system, so that colleagues can seek a stage to display their talents.

b. Key Talent System: Key talents are the key cultivated talents below the company manager level. The key talents are discussed and reviewed every two years. In addition to the nominations recommended by the unit, colleagues are encouraged to recommend themselves. After the selection, the development status of each key talent has even become one of the department key performance indicator (KPI). At the same time, it is matched with the overall reward plan for key talents with market competitiveness, so that colleagues can be systematically cultivated. This year, through the cooperation with the National Chengchi University Business School, we promoted the brand marketing and digital transformation project courses, and cultivate key talents to become the company's digital transformation experts.

c. Management associates training: In order to cultivate supervisor leadership and management ability, a series of courses such as basic management associates training, intermediate management associates training and new supervisor training are planned every year for potential talents. All the colleagues who want to be promoted to supervisor positions in each unit in the future must pass first. Relevant training courses can be qualified for promotion to ensure that supervisors have basic leadership and management skills

d. Succession echelon evaluations: To cultivate talents with company operations and continuous growth, the company also handles two evaluations for the promotion of middle-level executives or higher positions each year. Discuss on all aspects of business. The review is composed of the company’s top executives, as well as academic and industry experts. Through an open, diversified and comprehensive review mechanism that takes both depth and breadth into account, outstanding talents can strive for the stage of development and promote their performance and ability. In addition, cultivate the height of its

thinking

e. Succession planning of board members and important management: The Company emphasizes the succession planning at important management levels. In 2021, the Company held a high-level talent development review meeting to conduct internal review on the selection of successors for important managements. Each evaluated employee is given a briefing in terms of learning ability, strategic thinking ability, organizational logic ability and communication influence. A jury composed of the Company's top executives and experts from academia and industry evaluated a total of 11 middle and high-level candidates. Subsequently, TECO will also work with external professional institutions to plan the succession training and tutoring plan.

B. Protection of employee rights

a. Job search security and gender equality protection: TECO, in accordance with the Personal Data Protection Law, protects the personal information of job-seekers and does not use it for purposes other than recruitment and selection without the consent of job-seekers. In terms of employment objects, it fully complies with the provisions of the Labor Standards Law, does not hire people under the age of 15 to perform labor work, and to balance the gender structure, the company guarantees the number of women recruited through key performance indicators. The proportion of women in the company in the past three years Has increased from 27.8% to 30.4%

b. Competitive remuneration policy: The company actively observes the salary level in the industry market and regularly reviews the company's remuneration policy to facilitate the recruitment and retention of high-quality talents. In addition, in order to appreciate the hard work of the employees, there are work subsidy according to the particularities of different workstations; to encourage colleagues, bonus categories such as business bonuses, patent bonuses, task bonuses, proposal bonuses, and skill test bonuses are also established to encourage colleagues to work hard. In order to retain outstanding talents, we also plan the relevant supporting reward system to retain talents, and provide colleagues with no worries about salary and welfare conditions.

c. Retirement system and its implementation: In accordance with relevant laws and regulations, the company has formulated the "Labor Retirement Measures" and set aside monthly pension funds to be deposited into the Bank of Taiwan Trust Department to take care of employees' retirement life. If you choose to apply the labor pension regulations after July 1, 1995, the company will pay 6% of the employee’s monthly salary to the labor insurance bureau’s personal account according to the government’s monthly labor retirement salary grading table.

d. Communication channels and employee satisfaction survey: The company actively builds communication bridges with employees, and has won the National Labor-Management Relations Excellent Institution Award, the Labor-Management Conference Demonstration Observation Award, and Taoyuan County’s "Excellent Industrial Relations Institution Award". In addition to the labor unions, labor-management meetings, and regular employee quarterly meetings and factory meetings, colleagues also conduct [employee satisfaction surveys] every year, and respond to their needs through anonymous questionnaire surveys

C. Work-life balance

a. Comprehensive vacation system: In order to balance the work and life balance of colleagues, and implement leave management, in addition to the leave enjoyed by employees in accordance with relevant laws and regulations, the company also examines the special leave utilization rate of each unit and includes it in the annual performance evaluation index of the supervisor.

b. Charity leave: To encourage employees to participate in social charity activities and implement the responsibilities of corporate citizens, we also provide three days a year and pay full salary without affecting the performance evaluation of employees.

c. Birthday leave: Birthday is a special day for individuals once a year. In order to allow colleagues to flexibly arrange activities in the month of birthday and fully feel the joy of birthday, the company has set up a birthday leave to show the company’s blessing

d. Physical and mental health promotion: In order to take care of the physical and mental health of

employees, in addition to providing healthy and delicious employee meals, the company has set up full-time nursing staff in each factory area. health. At the same time, it promotes various health promotion activities, establishes various leisure and sports clubs, and provides spiritual growth courses and stress relief massage services. It is also committed to the establishment of a "maternal friendly environment". The nursing room was certified as excellent in the Taipei City Evaluation in 2019. It also provides maternal health protection consultation for pregnant female employees, so that colleagues can start a family with peace of mind.

D. Guidelines for employee behavior or ethics

To uphold the working order at workplace and clearly define the rights and obligations of labor and management, the company has formulated “employee working rules,” which has been approved by the regulator and publicized as the guidance for the company in employee management. The rules set out clear regulations on employees’ position, title, employment, leave, service, salary, reward and punishment, evaluation, promotion, welfare, layoff, compensation for vocational injuries, and retirement.

The company expects every employee to do his/her best to contribute to the achievement of the company’s business goal and enhance his/her ethical standard. It, therefore, has formulated “Procedures for Ethical Management and Guidelines for Conduct” with major contents including:

(a) The staff in the implementation of the company's business, should avoid by means of its position in the company as of to themselves, spouse, parent, child or any other person to obtain improper benefits.

(b) The company’s internal information (or information related to the company’s interest or business), be it in the aspect of technology, finance, or business, is the company’s business secret, for which employees have the obligation of confidentiality and cannot leak it to any outside party. In addition, after leaving the company, employees still have to abide by the confidentiality obligation according to the principle of integrity and refrain from leaking the company’s secrets or utilize them in engaging in illegal competition.

(c) Stake with customers: Employees should obey the lawand related regulation of the company to avoid inappropriate present under any other’s name or in any way. Trading with customers and suppliers sincerely fairly and transparently with steady, professional attitude.

(d) Political donation: Employees should not donate to or sponsor via other means political candidates under the name of the company or its affiliated institutions.

(e) Charitable donation: When making any charitable donation or sponsorship, staffers should check the outlet and purpose of such donation and sponsorship to make sure it doesn’t become bribery in disguise.

(f) Obligation of reporting and informing: The company encourages open communication with staffers and third parties, who can report or inform management or human-resources unit for any question, finding, unfair treatment at worksites, or violation of the guidelines, without vicious fabrication, though. The company will handle such reporting or informing confidentially and protect those who take part in the investigation.

Status of the company’s staffers related to financial-information transparency in securing certificates designated by the regulator.

License	Number of People	
	Financial Accounting	Auditing
CPA (ROC)	5	0
CPA (US)	3	0
Certified Internal Auditor	2	1
CFA	1	0
Securities, futures and investment trust investment advisory test organized by the Securities and Exchange Commission	5	0

E. In the most recent year and as of the publication date of the annual report, the losses from labor disputes (including the violation of the Labor Standards Act by the labor inspection results, the date of punishment, the number of the punishment, the violation of laws and regulations, the content of laws and regulations, and the content of the punishment should be listed), and disclosed If the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained.

The company has a harmonious labor relation, and the work rules are in line with relevant laws and regulations. However, due to violation of Article 22, Paragraph 2 of the Labor Standards Act in July 2010, "wages should be paid directly to laborers in full", a fine of NT$20,000 was imposed. Please refer to the following table for relevant information:

Date	No	The violation of regulations	Content of regulations	Content of the punishment	Countermeasures
July 8, 2021	No.1100118971	Article 22, Paragraph 2 of the Labor Standards Act, "wages should be paid directly to laborers in full". However, this shall not apply if it is otherwise stipulated by law or otherwise agreed by the employer and the employee.	Did not pay the wage in full amount	A fine of NT$20,000	This case was due to misunderstanding by employees. The company will strengthen publicity in the future.

5.6 Strengthening the Cyber Security Management

A. TECO set up an Information Security Committee under the Corporate Governance and Sustainability Committee of the board of directors in Jan 2021, with the President as the chairman of the committee, responsible for coordinating the Company's information security policy and governance. In March 2021, the board of directors revised the computer information cycle, set up a special unit for information security and an information security executive to comprehensively facilitate information security policies and resource scheduling. In addition, TECO information security management system (ISMS) was verified by a third party on October 2021 and passed the ISO27001 international standard certification, improving the information security management policy and relevant management procedures.

B. In the case of computer virus attack on December 2021, material information was released according to the regulations of the competent authority, and the main system was recovered before the end of 2021 with around NT$3 million loss. In the future, the deployment of asset security defense system will strengthen endpoint detection and response, network abnormal traffic monitoring, intrusion detection and protection, complete system backup and asset security monitoring platform, and deepen defense in management and technology to reduce asset security risks.

5.7 Important Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Yu-Shih electric and others, totaling 1,021 companies	One year after the signing contract/starting of shipment, should any party fail to notify contrary opinion one month before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards.	Rights and obligations for agency for home appliances, electric motor, heavy electric products, power device and and air conditioners.	Nil
2. Project Undertaking	Taoyuan International Airport Co., Ltd.	1.Signing date July 31, 2019 2. Completed in 1,213 days from the start date	Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction	Nil
3. Project Undertaking	Taoyuan International Airport Co., Ltd.	1.Signing date: August 31, 2021 2.Completed in 1,703 days from the start date.	The motor project at Taoyuan Airport Terminal 3 Area.	Nil
4. Project Undertaking	CIP Copenhagen Infrastructure Fund	1. Signing date July 31, 2019 2. will complete on June 30, 2022	Changfang and Xidao Offshore Wind Farm Substation early work agreement, condition of contract	Nil
5. Purchase sales contract	Purchasing Department, Bank of Taiwan Co., Ltd.	1. Signing date: February 21, 2020 2. June 30, 2023 (the last shipment date)	Sale of digital ID card PC chip card and printing equipment B-type procurement	Nil
6. Project Undertaking	Century Biotech Development Corporation	After notice of bid award, the construction shall be completed before September 30, 2022.	The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT).	Nil
7. Major credit contract	ANZ Bank, HSBC (Taiwan), and First Commercial Bank Co., Ltd, …	From March 15, 2019, no later than March 12, 2025	long-term financing contract, interest rate 0.50% -1.75%, and provide asset pledge guarantee	The contract sets different restrictions on the maintenance of capital, the use of funds, and the acquisition and disposal of major assets during the borrowing period. It also requires that certain financial ratios should be maintained
8. Project Undertaking	Hai Long II Wind Power Co., Ltd. etc.	Started on Dec 24, 2021 and will complete on June 30, 2025	EPC project of onshore substation of Hailong offshore wind farm	Nil
9. Project Undertaking	Exyte Taiwan Co., Ltd.	The signing date is from June 27, 2019 to March 31, 2023	CHG-4 ELECTRICAL WORKS, CHG-5 ELECTRICAL WORKS	Nil

Agreement	Counterparty	Period	Major contents	Restrictions
10. Project Undertaking	China Steel Power Corporation	Signing date July 7, 2020. Will complete on Sep 30, 2024.	EPC project of onshore substation of China Steel Power offshore wind farm	Nil
11. Project Undertaking	CHUNG-LU Construction Co., Ltd.	From Sep 1, 2021 to June 15, 2023.	New construction project of Yangmei highly efficient plant for Walsin	Nil
12. Public project purchase	National Archives Administration, National Development Council and Construction and Planning Agency Ministry of the Interior	Signing date July 7, 2020. Will complete on August 31, 2024.	New project for National Archives	Nil