V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Business Scope

Business Scope	Sales %
Electrification and Automation Products	56.8%
Air Conditioners and Home Appliances	11.3%
Mechatronic Engineering and Electrical Equipment	14.4%
Others	17.5%
Total	100.0%

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/DC 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)
- E-Skid
- EV Charger

b. Air conditioners and Home appliances

- 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 solar power), energy storage system, micro grid, comprehensive development projects, civic engineering and traffic engineering, medical biotechnology and factory buildings, etc
- Electric equipment (switchboard, generator set, power distribution equipment, design and construction integrated service for energy transmission and distribution system)
- Appliance products (Green Energy Market - Solar-powered battery charger MCCB/SPD/FUSE,

Taipower's Market)- 161/69KV GIS, 15KV overhead line switch, low-voltage street lamp switch, 22.8 fuse link switch, housing/factory market-electromagnetic switch, no-fuse circuit breaker, leakage circuit breaker, communication ammeter, generator, etc.

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: High-voltage high-power density motors, high-voltage high-speed inverter duty motors, motors for vertical circulating pumps in power plants, high-low voltage low-speed direct-drive permanent magnet motors, ultra-high efficiency IE5 permanent magnet motors, centrifugal compressors for hydrogen energy, reciprocating compressors for hydrogen energy, rail vehicle traction motor, electric bus motor and drive power system . In response to the industry development trend, we actively invest in the development of related technologies for energy saving of system and green energy development: ultra-low-speed high-torque direct drive motors & drive technology, offshore wind generator technology, new-generation insulation system, integrated development of power train of for electric vehicle, new generation inverter E710, new generation servo system JSDG3, etc .

b. Air conditioners and home appliance:

To meet consumers' demand for clean air, Teco forge series of smart energy-conserving air conditioners, taking the indicators of temperature, humidity, and cleanness into account.

I. All variable-frequency home appliances attain the government's grade-1 CSPF and employ high-performance energy-saving R32 refrigerant, enhancing performance and lowering carbon emission, to contribute to slowdown of global warming.

II. 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.

III. With high IPLV design with multi-pressure single system, to develope 90-600RT magnetic levitation centrifugal chiller, which is capable of stable operation even at 10% partial load, thereby attaining cool-air output and constant temperature, as well as smart energy saving solution tp provide energy management, preventive maintenance diagnosis and other services.

c. Mechatronic Engineering and Electrical Equipment

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

I. Taipower officially announced the "Strengthening Power Grid Resilience Construction Plan", which will invest NT$564.5 billion within 10 years, with the three main axes of "strive for decentralization, continuous strengthening, and strengthening defense", including 5 decentralization, 3 strength and 2 defense, totalling 10 major specific actions, will be completed within 10 years, of which about NT$376.1 billion has been planned and under implement, and another NT$188.4 billion will be

continued to compile and implement the project plan to expand and accelerate the power grid improvement work

II. In the green energy industry, introduced solar DC 1500V and AC 800V or above products, as well as power conditioning system for energy storage, that realize two-way conversion and connection of AC and DC power. It is suitable for exchanging energy for solar power to charge and discharge energy storage batteries, and is used to control and manage batteries for charging and discharging.

III. Taipower's market promotes the indoor substation, which will improve the safety of power supply. With the internal compartment design, it has the advantages of shielding and isolation. In addition to enhancing safety and increasing stability of power supply, it can also avoid the expansion of accidents. Taipower proposed to build 24 substations (Phase 1: 9 substations. Phase 2: 15 substations) to cope with grid congestion and increase resilience .

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, mining 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.
Downstream	Dealers, mass merchandisers, end customers, enterprises, government agencies, construction firms

(c) Mechatronic Engineering and Electrical Equipment

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) Electromechanical system and automation 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

July 2023, and other regions are also expected to follow suit in the next five years, it is expected that there will be a wave of replacements worldwide. 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, gear reducer, medium- and low-voltage inverter, permanent-magnet direct-drive system and servo system for the sales and service of complete power-driven systems, 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, 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, energy saving for electromechanical production line 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 customers' 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-high 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 + drive test. In addition, the development of power train of electric vehicle also become the target of attention of global motor manufacturers to response to net-zero emission subsidy policies globally and automakers around the world have announced the end of production schedules for pure oil vehicles. Based on high-efficiency motors, drive product solutions and its manufacturing capabilities, TECO focuses on niche electric commercial vehicle applications, and actively seizes markets such as electric buses, school buses, commercial vehicles, logistics vehicles, and trucks 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 research and development in motor and inverter to provide system integration solutions to supply high-efficiency, energy-saving and high-accuracy products. Roll out new inverter capable of automatic adjustment, high-speed communication, safety protection, 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 AGV, the research and development of 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 for warehousing and handling automation, as wellas X-series follower drive module to provide global customers with advanced solutions and customized application options.

(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. 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, also from low-price braded China-made products, on the other hand. Consequently, TECO has spare no effort in developing new technology, 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 integrated the group's resources, combined self-developed products, logistics, and information technology for development of smart, energy-conserving, healthy, and environment-friendly freezing, refrigerating, and air-conditioning solutions. 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 corporates and government-sponsored research bodies, aided by the projects of energy and technology, 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, solar power and related energy storage systems and micro-grids, and turn-key engineering project for onshore and offshore substations of offshore wind farm, which are carried out in collaboration with medium- and downstream-suppliers, with use of TECO-made major electric equipment, to support the goal of localization of offshore wind power industry.

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$1,114,263 thousand on R&D in 2022. R&D expense is booked as NT$267,374 thousand in the first three month in 2023.

a. Industrial Motors Category

1. Direct drive system for low speed high torque permanent magnet motor
2. IE5 high efficiency energy-saving permanent magnet motor
3. Smart drive control system for ultra-high-efficiency cooling tower
4. Compact Current Vector Inverter
5. High power density energy-saving matrix inverter
6. IE5 ultra-high energy efficiency synchronous reluctance motor and drive
7. Large 2-pole rigid shaft smart inverter duty motor
8. Offshore wind generatorr technology
9. Integrated power system of high-power motor and gearbox

b. Automation and Intelligent System Category

1. Dedicated servo drive
2. Open industrial Ethernet Profinet high-speed communication card/module
3. Compact and general purpose DC servo drive
4. Cobot Joint module (CJM) joint module
5. Frameless hollow shaft servo motor
6. High-precision magnetic encoder
7. Control platform technology for AGV
8. Next-generation servo drive
9. SLAM automatic navigation technology
10. AMCL path positioning technology
11. New generation power semiconductor SiC/GaN module drive technology
12. Smart mobile platform with low load (40kg)
13. Charging devices for smart mobile platforms
14. Follow-up cart product/module

c. Renewable energy- green energy

1. Heat recovery system of high-speed generator and inverter
2. Offshore wind generator technology
3. Traction motors for rail vehicles

d. EV power train

1. Localization plan for 250kW motor and drive for electric bus
2. SiC high-power direct drive solution for electric bus
3. Multiple-in-one power train solution for electric commercial vehicles

e. Freezing and Air-Conditioning Category

1. Whole series of new refrigerant R32 with high energy efficiency surpassing the first-level inverter duty cooling and heating machine

2. Ultra-efficient IPLV magnetic levitation centrifugal inverter duty chiller

3. High PUE elevated floor type special air conditioners for telecom and electronic computer rooms

4. 3~8HP fixed-frequency refrigerating and condensing units

5. 3~8HP inverter duty refrigerating and condensing units

・ Smart solution products:

1. TECO i-Air system development (system integration control of air conditioner/dehumidifier/fresh fan/antibacterial function)

2. APP development of smart diagnostic service for home inverter duty air conditioner with mobile network

3. Green building central air-conditioning energy-saving system solutions (energy-saving equipment + smart air-conditioning energy-saving control system)

・ Economical and energy-saving air treatment products:

1. Inverty duty clean hanging implicit dehumidifier

2. Clean and fresh air blower

3. Bathroom heater

4. Special cleaning modules for air conditioners

f. 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

4. Intelligent air-conditioning energy-saving control system:

Using the integration of intelligent software and hardware, it evolved to the "optimized energy-saving management mode" of active management, and achieved the dual-efficiency air-conditioning solution of "system energy saving" and "automatic diagnosis".

5.1.4 Long-term and Short-term Development

1. Electromechanical system and automation product

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 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. In recent years, various 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, conveyance system, rubber and plastic machines 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 rail vehicle . Power train solutions for electric vehicle, targeting business opportunities of electric commercial vehicle in North America and India, target performance growth of more than 300%; and localization of electric buses, under the subsidy policy of NT$90 billion in 10 years, TECO is expected to strive for more than 80% market share of power train of domestic electric bus; India’s EV motor production line will be completed this year, which will facilitate nearby order taking and manufacturing; In the North American market, in response to the buy America policy, we will work with TECO Westinghouse and cooperate with 2~3 new and traditional car manufacturers for electric buses and school buses to new model power train and chassis integration and real vehicle testing

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 high precision system control, so as to meet the demands for industrial power safety, automation, and energy conservation.

Given urgent need for energy transformation and digital 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 twin solutions for motors and rotating equipment. To increase green power share, TECO, in addition to help customers to build solar power and energy-storage systems, also 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.

To accelerate the electrification of shale oil production and transmission equipment in North America under the pressure of carbon neutrality, TECO can not only provide high-efficiency motors, but also provide E-Skid (mobile substations) to quickly establish basic power supply facilities in remote areas. In addition to industrial applications, E-Skid can be used for temporary/emergency power supply facilities and electric vehicle charging facilities. In addition to carbon neutrality, advanced countries are also actively setting the goal of net zero emissions. The strategies for net zero transition include green energy (wind power), power grid energy storage...etc., and two business opportunities from CCUS (Carbon Capture, Utilization and Storage) and hydrogen energy. At present, TWMC in North America has direct atmospheric capture business opportunities. It has already obtained an order of US 1.6M for medium-voltage motors. It is expected that the business opportunities will exceed US 280M. In the future, it will continue to provide TECO solutions in this direction. Hydrogen energy has infrastructures such as manufacturing, storage, transportation, and refueling stations. These facilities will have equipment such as Pumps, Compressors, and explosion-proof motors. At present, TECO also has corresponding solutions to meet the needs of equipment manufacturers.

2. Air Conditioner and Home Appliance Products

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

In line with the government's 2050 net-zero emission announcement and action, many energy efficiency standards such as building energy efficiency classification and energy-saving policy for energy users have been formulated to promote strategies. The company is fully committed to promoting smart life-related products. Air-conditioning products have developed a full range of energy-efficiency products that exceed government standards energy-saving products are jointly developed with enterprises and government research units. With the help of energy and technology projects, the latest energy-saving new technologies are introduced and applied to technological innovation, product innovation, and service innovation to enhance the international competitiveness of Taiwanese brands.

TECO is a leading brand of commercial air-conditioning professional manufacturers. In response to the government's zero-carbon goal, TECO assists large energy and electricity consumers in providing air-conditioning system solutions for enterprises. In addition to products with grade 1 high energy efficiency, the control system combines the peripheral equipment of the chiller system (such as cooling towers, pumps, etc.), the ice water/cooling water flow control can be used to adjust the speed according to the change of field load, so as to achieve the effect of saving electricity and prevent the price increase of electricity exceeding the contract. In addition, it provides energy management health diagnosis, coupled with visualized power consumption management, and various management and control systems for indoor air quality monitoring, providing a one-stop air conditioning system integration service.

In response to the rise of cold chain trends in the post-pandemic era, TECO independently developed DC inverter technology and launched inverter condensing units of 3~8HP (for freezing/refrigerating) to enter the refrigeration and refrigeration cold chain market. The technical strategy uses AI technology to provide refrigeration and air conditioning energy-saving systems, and then with the refrigerant quantum technology, the food safety technology and the flexible allocation of cold force have been improved, and the variable multi-layer freezer has been launched. TECO's commercial refrigeration and refrigeration technology are top in the industry, and the cooling force from minus 40 degrees to plus 18 degrees can be satisfied, upholding the leading technology, energy saving, health, and food prudence.

3. Mechatronic Engineering and Electrical Equipment

In long-term business development plan, with the aim of becoming the best 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 offshore wind power, solar power, micro-grids, energy-storage systems, and large-scale electromechanical engineering projects. TECO has secured contracts for onshore substation engineering for offshore wind power totaling 2GW in scale, for 35% market share.

TECO has accumulated about 170MW of IDC computer room construction achievements in Taiwan and overseas, assisting the related cloud information industry to build large-scale data processing centers, adding growth momentum to TECO when the cloud industry is booming. At the same time, actively expand offshore wind power offshore substation projects, new business opportunities in smart energy business and overseas markets. Solar energy project construction, 10.4MW of self-built solar energy has been completed, and the total order scale has exceeded 15MW. In terms of energy storage, in addition to completing the localization production target of PCS, the technical team with rich experience in energy storage systems and EMS integration capabilities has actively participated in Taipower's energy storage projects and private energy storage projects, and the total order scale has exceeded 130MW.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Electromechanical system and automation product

a. Sales (Service) Region

The company's electromechanical systems and automation products are mainly sold in the Americas, Europe, Australia, Japan, Singapore, Indonesia, mainland China and Taiwan, and are actively expanding the markets in the Middle East, India, Vietnam 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 fan, 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.

In addition, benefiting from the 2050 global net zero emission target, governments of various countries have formulated policies to accelerate the popularization of electric vehicles. According to Bloomberg New Energy Finance's (BNEF) annual long-term electric vehicle (EV) outlook report, sales of electric vehicles will rise to 20.6 million units in 2025, accounting for nearly a quarter of all new car sales worldwide. Therefore, TECO's deployment of electric vehicle power systems, in addition to increasing the share of power train of Taiwan's electric bus and cutting into the electrification market of commercial truck, is actively deploying the Indian and North American markets. Especially in the North American commercial vehicle market, in response to the policy that the US government will subsidize school buses and buses between 2022 and 2026, the US Environmental Protection Agency (EPA) and the Transportation Agency (FTA) will invest a total of about US$200 billion in incentive funds, which will detonate market demand. Replacing 50,000 school buses and 28,000 urban buses each year, with a business opportunity of about US$400 million. TECO and the U.S. Tier1 strategic partner will further develop a high-power density multiple-in-one integrated power train and strive for more than 300,000 electric buses and school bus market opportunities. At the same time, the Indian factory will complete its construction and operation this year. Since the Indian government has a PLI policy for local production and a FAMEII incentive policy for users and operators, if there is mass production in India in the future, it will be able to meet the incentives for local production. condition. TECO has cooperated with a number of Indian start-up e-Truck car manufacturers to carry out specification docking and power train testing.

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

The company’s electromechanical system and automation 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 electromechanical system and automation 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
- The depth and breadth of products are complete, and the motors with special specifications have obtained certification
- 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.
- The issue of carbon neutrality is fermenting, driving electrification business opportunities .

(b) Unfavorable factors

- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price
- 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, local player in various countries are able to produce. Low price competition results into decreasing market share, and TECO takes stress of dumping from Chinese 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 US-China trade war

B. Air Conditioners and Home Appliances

a. Sales (Service) Region

Air Conditioners and 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% in each item.

c. Market Trend of Major Product Categories

The company's air conditioners and home appliances is one of the leading domestic brands and will continue to grow in the future. In the 2021 primary and secondary school project, Teco has the highest bid rate and has an advantage among the domestic brands. In 2022, it will actively turn to property market, starting from the niche point of jointly building a smart, healthy air and epidemic prevention house, with vast business opportunities and growth potential. In line with the government's 2050 net zero emission announcement and action, many energy efficiency regulations such as building energy efficiency classification and energy user energy conservation policies have been formulated to promote strategies. Building energy efficiency classification mainly includes three major energy-consuming supervision items: air-conditioning, lighting, and socket appliances. The main energy-consuming equipment in commercial buildings accounts for 41% of the annual electricity consumption of which air-conditioning consumes. The company's air-conditioning products cover various models, the cability band and the field show that TECO air conditioners are ubiquitous. In addition to the Taiwan market, it has also expanded overseas markets. Launched the IPLV chiller solution, and it is expected that there will be significant growth in air-conditioning products and large-scale chillers in the future

The Ministry of Economic Affairs compiled the NT$3 billion budget to promote "energy-saving subsidies for the replacement of old and new residential appliances" and "subsidies for energy-saving equipment in the commercial service industry". For the subsidy policy for the replacement of energy-saving equipment in the commercial service industry, buyers can choose to replace a single device with a grade 1 energy-efficient product or system energy-saving project to apply for subsidy, starting from March 2023. The scope of this subsidy covers 22 counties and cities across the country, and the application qualifications include all service industries in the commercial sector, including wholesale and retail, accommodation and catering, and commercial services, as well as medical institutions, long-term care institutions, homestay industry, short-term cram schools, Private kindergartens, leisure farms, driving training classes, etc. are also included in the scope of subsidies. TECO's products, ranging from small separated air conditioners to large chiller systems, all meet the grade 1 energy efficiency. It is estimated that they can benefit from energy-saving subsidies and drive a wave of replacements to increase sales.

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

(a) Favorable factors

- With a good brand image, TECO Group operates resource sharing to exert synergistic effects, transplanting (Re-platform) electromechanical drive technology into commercial air-conditioning and refrigerating inverter duty drive technology. Under the circumstances of seemless integration, the company has successfully launched continuously innovative high-energy-efficiency products, and entered the commercial air-conditioning and cold chain markets such as energy saving, health, and food prudence.
- Establish a Inverter Common platform), coordinate the control logic of different products, continuously innovate high-efficiency products, and provide satisfactory service to consumers.
- TECO adheres to the core concept of ESG, introduces R32 refrigerant and launches high-energy-efficiency products that are superior to national standards, and through clean manufacturing and the use of environmentally friendly materials, TECO produces industry-leading models that meet energy conservation, environmental protection, quality awards, MIT marks, and grade 1 energy efficiency.
- Joined the "Smart Home Appliance Industry R&D Alliance" to integrate smart air conditioners and home appliances with the Internet of Things, and launched cloud air conditioners first, with "scheduling control", "power visualization", "remote control", "forget-off reminder", etc., to customers to lead the development of smart home appliances based on practical functions
- Commercial air-conditioning launches cloud smart air-conditioning control system combined with peripheral equipment of chillers, HVAC (heating, ventilation and air conditioning)

air-conditioning system solutions, with energy management health diagnosis, visualized power consumption management, and indoor air quality monitoring and other monitoring management system.

- Take the lead in launching AI-based refrigerant quantum technology, improving food safety technology and flexible allocation of cold force, and launching a variable multi-temperature freezer.
- Based on the core concept of ESG, Teco is the first to introduce R448A environmentally friendly refrigerant in the Taiwan market. The GWP has the lowest global warming potential. The inverter duty constant temperature control technology can reduce the corrosion rate and continue to contribute to energy saving and emission reduction.

(b) Unfavorable factors

- The residential air conditioner/home appliance market is becoming saturated, with Japanese brands accounting for more than 50% of the market, and traditional distribution channels are greatly impacted by competition from mass merchandisers and chain channels. TECO can only compete with more sophisticated product technology, and it is not easy to make profits.
- In recent years, the international signing of bilateral or regional free trade agreements has become a trend, which has a great impact on Taiwan.
- In recent years, mergers and acquisitions of Japanese and American brand products have had a great impact on Taiwanese domestic brands

(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.
- Selectively make good use of the low-cost advantages of hardware manufacturing in mainland China, and improve the cost competitiveness of some products through the SKD assembly production model, creating Taiwan's innovation and the scale and cost advantages of hardware in mainland China, forming a stronger and stronger competitive advantage.
- Commercial air-conditioning distribution shift the focus on inverter duty products, expanding direct sales of energy-saving system, providing energy-saving new technologies, intelligent energy-saving and diagnosis through the cloud-based smart air-conditioning control system, and automatically adjusting the parameters of the chiller operation to achieve the best energy-saving system.
- The only domestic brand combine sales of commercial air conditioners and refrigerated products, providing one-stop service for complex field needs and expanding market share

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 circuit breakers and electromagnetic switches 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 circuit breakers and electromagnetic switches products, the company is Top 2 producer of low voltage switches, wildly used in power distribution and machinery market. Domestic market share is around 16%.

c. Market Trend of Major Product Categories

The company's mechanical and electrical engineering is deeply involved in the renewable energy market, and has won many domestic and foreign orders for the construction of renewable energy. In order to expand the promotion of renewable energy, the government has set a policy target of 20% of renewable energy power generation by 2025 and 15GW of offshore wind power from 2026 to 2035. Now it is actively promoting solar power and wind power generation. It is estimated that the capacity

of solar installations will reach 20GW in 2025, and the capacity of offshore wind power installations will reach 20GW in 2035. As of the end of December 2022, 9.3GW of solar power generation systems and 1.5GW of wind power generation units have been completed in Taiwan. There are still 10.7GW of solar power generation systems to be built by 2025, representing a market opportunity of approximately NT$ 535 billion. In terms of offshore wind power, the government is actively promoting localization and building a localized supply chain. It is estimated that the output value of offshore wind power will exceed NT$1.3 trillion, and the renewable energy market will continue to grow

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 eight 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 onshore substations of offshore-wind power 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

Electromechanical system 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 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

Air Conditioners & Home Appliances:

Products	Use	Production Process
CSPF-grade 1 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, maglev centrifugal chiller, IPLV chiller solution	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Matching

Electromechanical Engineering and Electrical Equipment

Products	Use	Production Process
Turnkey project of Substation of offshore wind power, internet data center (IDC), solar power generation system, energy storage 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
Electrome chanical products	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	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Electromechanical system and automation products	3,662,052	1,654,221	15,399,086	3,454,192	1,363,183	16,520,388
Air Conditioners & Home Appliacnes	404,369	399,265	3,404,452	292,351	280,826	2,944,091
Power Equipment-device	9,974,842	7,084,492	3,342,250	9,868,472	5,859,488	3,844,592
Others(Tecom)	339,084	288,482	876,960	339,084	250,528	925,394
Total	14,380,347	9,426,460	23,022,747	13,954,099	7,754,025	24,234,465

5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT$thousand

Shipments & Sales / Year / Major Products	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electromechanical products	1,831,944	7,365,822	4,263,059	20,494,564	1,729,670	8,655,736	3,656,735	24,498,067
Air Conditioners & Home Appliacnes	651,566	6,124,108	140,914	793,986	575,187	6,076,725	72,846	511,545
Engineering Income		5,809,995				8,389,854		
Other		9,591,685		1,068,227		9,040,030		1,143,258
Total	2,483,510	28,891,610	4,403,972	22,356,777	2,304,856	32,162,345	3,729,581	26,152,871

5.3 Human Resources

Year		2021		2022		March 31 2023	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,180	14,617	2,269	13,030	2,215	13,139
Average Age		42.9	41.0	43.5	41.5	43.8	41.7
Average Years of Service		14.7	9.9	14.9	9.7	15.0	9.8
Education	13.8	6.4	13.5	6.5	13.9	6.6	6.5
	55.6	51.2	57.9	51.4	57.8	51.4	51.5
	25.9	31.1	24.5	31.3	24.2	31.2	30.6
	4.7	11.3	4.1	11.4	4.1	11.4	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; Chungli 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. Before the end of 2022, the subsidiaries Taian Wuxi, Wuxi Teco Electro Devices, and TECO Malaysia have completed the construction successively and started to generate electricity.

Equipment process improvement:

In order to strive for excellence, Hukou plant has greatly improved the reduction of SF6 process emissions, and will continue to do so in 2023. The refinement of the home appliance production process started in 2022 has greatly reduced the refrigerant dissipation rate by 40%, and will continue in 2023; at the same time, it will continue the improvement experience of the Taiwanese factory and assist overseas factories in improving refrigerant dissipation.

Utilize TECO's existing system control and motor technology to provide consumers with green energy-saving products, replace old energy-consuming facilities, update and use new energy-saving equipment, and strengthen maintenance and process waste reduction, improve the workplace environment, promote energy conservation and recycle cooling water in the foundry. During almost 100% recycling of the production, waste silicon steel sheets produced during the production process, recasting production by the foundry in the factory and applying them to existing products, recycling waste resources, and reducing production costs

b. Plan for management improvement

Actively and continuously implement the ISO 14001 environmental management system, control and manage business activities (including production, sales, product use and the entire product life cycle after disposal), find out the impact and improvement opportunities that have a significant impact on the environment and make improvements, to reduce environmental impact and improve environmental performance.

Make every effort to promote the use of friendlier R32 refrigerants in home appliances, so as to greatly improve the customer service and use more environmentally friendly refrigerants. Incorporate ESG into daily management KPIs, and review performance on a quarterly basis to ensure the implementation of environmental improvements. In the first quarter of this year (2023), we began to test and introduce the digital management system, which can obtain the emission status of the company's greenhouse in real time, and take improvement measures at any time if there is 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 not only continues to promote solar system installations to increase electricity usage and reduce carbon emissions; since 2005, it has started to conduct greenhouse gas inventory business, and the annual greenhouse gas inventory through external certification units (ISO 14064-1); in 2022, in addition to Taiwan, it has been added to cover major overseas bases (five factories in mainland China, Vietnam factory, Italy factory, TWMC in the United States, and Malaysia factory). And mobilize all personnel to continue to promote energy-saving and carbon-reduction programs, set up an energy-saving task force, and provide feasible solutions to promote.

TECO is fully committed to the strategic vision of "energy saving, emission reduction, intelligence, and automation". Whether it is the R&D and production of various products, product raw materials, manufacturing processes, and even marketing, it is committed to the mission of "energy saving and emission reduction"; new business development is also taking the green energy industry as the development direction, or even organizing various scientific and cultural activities through the foundation, to promote the internal implementation of ECO values, and continue to lead TECO in the direction of sustainable management

d. Projected capital outlay for environmental protection in the next three years(including overseas plants)

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

i. Plans in next three years

2023	2024	2025
Continue to promote solar energy systems	Continue to promote solar energy systems, energy-saving equipment, and other energy-saving solutions	Continue to promote solar energy systems, energy-saving equipment, and other energy-saving solutions
Continue to introduce environment-friendly paint spraying system to increase the ratio of environmentally friendly paint	Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace air pollution prevention, maintenance, improvement or addition
Eliminate old coating, continuous furnace and baking equipment	Activated carbon, filter, filter ball, etc. consumables replacement, improvement in organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement
Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	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
Replace air compressor with high-efficiency motor		
Replacing the old wastewater pipeline configuration project	Replacing old waste water pipelines	Replacing old waste water pipelines

ii. Projected outlays (Unit: NT$thousand)

2023	2024	2025
$ 85,445	$ 62,097	$ 64,531

(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 in 2022, the power generation is 5.17 million kWh , which is expected to be generated annually. The electricity cost benefit is 16.2 million NTD per year.

ii. Introduce environmentally friendly water-based paint. By the end of 2022, the proportion of environmentally friendly paint was as high as 85%. Compared with the baseline in 2015, VOC output has reduced the total emission of volatile organic compounds (VOC) by 82,155kg, a reduction of 46%.

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, improve waste recycling mechanism, and seek opportunities for recycling. In 2022, waste reduction was formally included in the management indicators to force energy conservation, emission reduction, and waste reduction to be the responsibilities of all employees. The improvement results are reviewed by the dedicated unit every month and included in the quarterly department performance KPI

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 140 million kWh of electricity in three years(2019~2021) and reduced greenhouse gas emissions by 72,838 metric tons/CO2e, which is equivalent to the carbon absorption of 136 Daan Forest Parks.

f. Expected effect of improvement

(a) Effect on net profits

i. The introduction of solar energy can reduce electricity consumption and electricity costs. The electricity cost benefit is about NT$16.2 million per year, which is equivalent to reducing 3,400 tons of carbon emissions

ii. Recycle business waste to reduce material cost and 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 can directly reduce greenhouse gas emissions. In response to the international trend of reducing greenhouse gas emissions, after the implementation of the carbon tax in the future, it can reduce potential trade obstacles and cost burdens caused by carbon taxes, increase product sales opportunities, and improve the company Product competitiveness. In addition to contributing NT$16.2 million in electricity costs every year; exporting to the United States as an example, about US$34,000 in carbon tax expenses can still be avoided. Cultivate the core technical capabilities of solar energy construction and increase the company's business potential

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

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

iv. Use the existing technical capabilities to develop a network power monitoring system to control the power distribution status at any time, and to seek opportunities for power saving and external business opportunities

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

Provide multiple and open communication channels, and promote both labor and employer to jointly create a win-win situation on the basis of harmony and mutual trust. The company signed a group agreement with the labor union in 1982, and then maintained a good communication relationship and revised the contents of the agreement successively. Recently, it applied to the competent authority for expert counseling in 2017, and in 2023, both labor and management revised and signed the group agreement again

We firmly believe that talents are the cornerstone of the company's sustainable operation. A good labor-management relationship will help strengthen and stabilize the development of talents, create a happy TECO enterprise, achieve sustainable business operations, and become the best employer brand; we really hope that employees can achieve self-development and achievement in their work, so we have constructed an open Excellent career development environment, as well as welfare measures that take into account life and family, so that employees can work hard and grow together 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 demonstrate their talents.

b. Key Talent System: The key talents are key talents cultivated below the managerial level of the company, and key talents are reviewed and inspected every two years. After the selection, its development status is one of the key performance indicators (KPI) items of the unit. The human resources center will assist colleagues to set up exclusive IDPs to enable them to obtain systematic cultivation and development. Talent retention and drive organizational growth. This year, through the digital learning platform and the resources of external consulting companies, we will promote digital transformation special courses and cultivate key talents to become experts in the company's digital transformation

c. Management associates training: In order to cultivate the leadership and management capabilities of supervisors, a series of courses such as grassroots reserve supervisor training, mid-level reserve supervisor training and new supervisor training are planned for potential talents every year. 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 important management: The company attaches great importance to the succession planning of important management levels. In 2022, five senior executives were selected from the internal management team. According to personal career goals and company development needs, appropriate training resources were planned to help them strengthen their comprehensive management capabilities, and the general manager was invited to The manager acts as a project mentor, inheriting the experience and thinking of senior managers, and will also plan successor training and mentoring programs with external professional institutions in the future

B. Protection of employee rights

a. Job search security

In accordance with the Personal Data Protection Act, the personal information of job seekers is protected and will not be used for purposes other than recruitment and selection without the consent of job seekers. Employers and systems follow labor laws and human rights policies of TECO, fair and non-discriminatory, child labor is prohibited, forced and compulsory labor is prohibited

b. Gender equality protection: The company implements and advocates gender equality, narrows the gender ratio gap through the system, establishes the "TECO WAO! (Women's Ability Organization)" association,

provides diverse and friendly holidays, creates a friendly child-rearing environment, and respects diverse genders to hold relevant lectures and promotions. Awarded the Bronze Award of "Gender Equality Certification in the Workplace" by Taipei City in 2022

c. 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.

d. 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 the employees choose to apply the labor pension regulations after July 1, 2005, 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.

e. 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 group meals, the company has full-time nurses working in each factory area, and has a medical room. Professional doctors are on-site to provide consultation on a regular basis to take care of the safety and well-being of employees. healthy. At the same time, it promotes various health promotion activities, establishes various leisure and sports associations, and hires the visually impaired to provide regular stress-relieving massage services. In terms of motherhood, the company is committed to the construction of a "friendly environment for motherhood". The breastfeeding room of the Nangang Headquarters has continuously obtained the excellent certification of the Taipei City Government every year since 2019. It also provides maternal health protection consultation for pregnant female employees, and provides 10-day maternity inspection leave, which is better than the law, so that colleagues can feel at ease to start a family and start a business. In addition, since 2023, two self-owned AED automatic external cardiac defibrillators have been added to the Nangang headquarters to improve the health and safety of colleagues.

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 employees and third parties. When there is any doubt, discovery or encounter with any unequal treatment in the workplace, or the company's norms, there is a fraud and violation of professional ethics reporting mailbox. Reports can be made to the management or human resource units, but not in the form of malicious framing. The company will handle the reported violations in a confidential manner; the company will protect the relevant personnel involved in the investigation process.

(g) 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)	6	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	2	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.

None

5.6 Strengthening the Cyber Security Management

TECO set up the Information Security Management Committee, overseen the corporate governance and sustainability committee under the board of directors in 2021, in charge of supervision and governance of corporate information security. In the same year, the company passed ISMS ISO27001 certification.

In terms of system protection, this year, in order to ensure the stable and safe operation of the information system, the company strengthened the defense in depth, and aimed at the three main axes of information security protection: anti-virus, anti-hacking, and anti-leakage. Strengthen network firewall, anti-virus and network whitelist control, identify malicious traffic through the intrusion detection system, and actively block such traffic from entering the network. Improve the company's ability to defend against external attacks and ensure the security of internal confidential information, and ensure that the company's various information assets will not cause errors or interruptions in information services due to various threats and damages.

In terms of publicity and training, important regulations and precautions for information protection and information security are communicated from time to time, as well as online and physical employee information security education and training, and social engineering phishing email test drills are used to strengthen employee information security awareness and email the vigilance of social engineering attacks to ensure that information security management can be implemented in the daily work of each employee, and to ensure the applicability and suitability of the information security operation mechanism.

In terms of organizational management, in order to effectively implement information security management, the company continuously reviews the applicability of information security policies and the effectiveness of protection measures through the information security maintenance team and the management cycle mechanism (Plan-Do-Check-Act, PDCA). , and then through the management review mechanism of the Information Security Management Committee, examine the overall operation of the ISMS to ensure the consistency and effectiveness of the ISMS operation with policies and goals, so as to continuously improve the ISMS and ensure the reliable and normal operation of the ISMS.

This year, the company successfully passed the ISMS ISO27001 re-examination and evaluation. Through the third-party's verification, it is expected to effectively test the implementation of various information security management measures and establish a safe and reliable operating service environment. Provide customers with a stable and reliable production environment, reduce the company's operating risks, and return shareholders the greatest investment value and benefits.

Information Security Objectives

- Ensure that relevant information security measures or norms meet the requirements of information security policies and current laws and regulations, and conduct information security audits at least once a year.
- Test and review the business continuity plan at least once a year.
- Ensure that information assets are properly protected after risk assessment to prevent unauthorized or negligent damage to assets.
- Ensure that all information security incidents or suspicious security weaknesses are responded to in accordance with appropriate reporting procedures, and are properly investigated and dealt with.
- Ensure that the company's information security management system continues to operate normally and has passed third-party verification.
- Regularly implement information security education and training, and implement irregular education and training depending on the situation

5.7 Important Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Yu-Shih electric and others, totaling 882 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, automation product, power equipment 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, 2023	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, HSBC (Taiwan) Commercial Bank Co., Ltd., Bank of Taiwan Co., Ltd., Sumitomo Mitsui Banking Corporation Taipei Branch, China Trust Commercial Bank, Mizuho Bank Co., Ltd. Taipei Branch and First Commercial Bank Co., Ltd. and other banks	From March 15, 2019, no later than March 12, 2025	long-term financing contract, interest rate 0.95% -2.17%, and provide asset pledge guarantee for 31.25% of refininancing.	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

Agreement	Counterparty	Period	Major contents	Restrictions
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
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
13. Project Undertaking	Taipower Company	Signing date: April 14, 2022, the contract period is calculated from the day after the bid award date, with a total of 490 calendar days.	Longtan ultra-high voltage substation E/S energy storage equipment system	Nil