



# 2023 ESG INSIGHT REPORT



# OVERVIEW

## Energy Conservation, Emission Reduction, Intelligence, and Automation

TECO is committed to the vision of ESG-driven business opportunities worldwide and focuses on the dimensions of green energy, electrification, energy conservation and carbon reduction, and high-potential markets.



### New Energy

- Engineering businesses related to wind power, solar power, and storage.
- Introduce key components/parts and system integration technology and take part in carbon capture and hydrogen filling station pilot plan.



### Energy Creation and Storage

- Continue expansion of EPC engineering scale.
- Accrue site operation experience.
- Strengthening the capability for grid integration and demand management.



### Electric Vehicles

- Tap North American (NA) and Indian (IN) e-bus/remodel car/engineering vehicle markets.
- Establish NA & IN regional supply chain, and secure ship e-propelling business opportunities.
- For industrial electrification, zero in on fuel gas and mining applications, expand industrial mix, and expand systematic integrated sales.



### High-Efficiency Products

- Significantly raise the revenue share of high-performance electromechanical and air-conditioning products, such as IE4/IE5/SRM/T-HiPro motors and permanent-magnetic variable-frequency screw machines.
- Target sales to industries with high ESG-related demands, such as steelmaking, petroleum, papermaking and electronics, especially energy-conservation transformative programs in Taiwan, China, and Southeast Asia.

## Scope of ESG Reporting

### ESG Disclosure Scope Increased

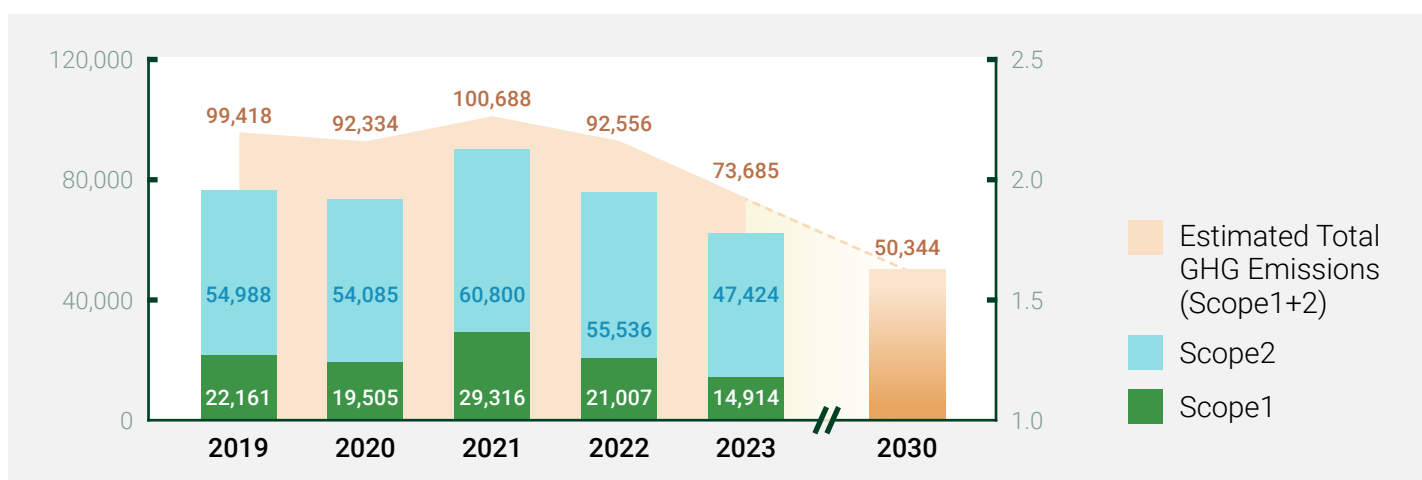
For 2023, ESG-related disclosure scope includes all core business facilities with **84.6%** coverage rate of total TECO group revenue.

# ENVIRONMENTAL

## Sustainability Goals

### ■ Path to Carbon Neutrality - Emission Reduction by 50% in 10 Years

Under its "10-year 50% emission reduction" pledge, TECO aims to cut emissions in half by 2030. In 2023, TECO launched its global emission reduction plan, expanding PV power installations at factories to increase renewable energy use and create a sustainable supply chain. TECO will also assist small and medium enterprises with greenhouse gas inventories and reductions. It is introducing an internal carbon pricing system to encourage employee participation in carbon reduction efforts. The initiative is led by the "ESG Office" and conducts analysis of material issues with reference to the Climate-related Financial Disclosure Recommendations (TCFD) framework. For full details of TECO's TCFD-related disclosure, please see 5.3 [TCFD Index](#), which includes climate-related risks and opportunities, and assessment scenarios such as Representative Concentration Pathways (RCPs) analysis.



### ■ Value Chain GHG Inventory

Goal	Short term (~2025)	Mid term (~2030)	Long term (~2050)
<b>Upstream</b> (Scope 3)	<b>Listed company</b> Manage and check according to schedule.  <b>SME</b> Conduct counseling and complete 50% of the inventory according to purchase amounts.	<b>Listed company</b> Completed in accordance with government requirements.  <b>SME</b> Complete 80% of the inventory according to purchase amounts.	<b>Full completion of inventory and set reduction targets.</b>
<b>Operation</b> (Scope 1&2)	<b>34% reduction by 2025</b> Factory upgrades of processes and equipment; construction of solar power generation devices; and completely ban of R410A refrigerant in small air conditioners.	<b>50% reduction by 2030</b> European and American solar power installations; foundry technology upgrades; phasing out of SF6 in high voltage equipment products.	<b>Achieving Net Zero for TECO Group.</b>
<b>Downstream</b> (Scope 3)	Conduct inventory of major scope3 categories and trend tracking.	Tracking the trend of scope3 and introduce zero carbon products.	<b>Carbon neutrality of all products and services.</b>

## ■ SBT Target Setting Progress

TECO announced in 2021 a goal of reducing carbon emissions by 50% in ten years, and then expanded to factories worldwide, making the entire group's core business (covering 84.6%) to reduce emissions. However, SBT requires the setting of emission reduction targets must cover 100% of the group's consolidated subsidiaries. The "ESG Office" of TECO is coaching each subsidiary one by one to commit to its emission reduction targets and transformation plans. It is expected to complete 100% coverage in 2026, and TECO Group will be able to submit a consolidated target to SBT.

## ■ Renewable Energy Goals (of Global Electricity Consumption)

2023 Achieved	2025	2030
10%	15%	30%

## TECO's Environmental Protection Commitment

### Compliance with international regulations

- ISO 14001 specifications
- Sustainable development trends
- Prohibition of harmful substances

### Application of green technology

- Develop green technology
- Promote green products
- Achieve win-win situation for ecological sustainability and economic development

### Commitment to energy conservation and environmental protection

- Set environmental management goals
- Improve the efficiency of energy and resource use
- Reduce greenhouse gas emissions
- Reduce waste
- Promote environmental sustainability

### Improvement of environmental awareness

- Strengthen the communication of environmental risk awareness in the value chain
- Continue to promote internal and external training on sustainable risk and environmental impact management
- Actively promote the participation of all employees, suppliers, and contractors to ensure that the commitment to sustainable management of the value chain is achieved.

## TECO's Biodiversity Commitment

### ■ Protection of Biodiversity and Forest Ecology

Encourage the use of environment friendly paper products and wood, including the use of recyclable materials and recycled materials, and expand the use of raw materials that comply with the original forest protection laws and legally mined raw materials.

### ■ Compliance with the Principle of Conflict-free Minerals

Do not purchase raw materials from conflict mineral areas.

### ■ Reduction of Environmental Impact Pressure

Follow government regulations in site selection, operation, and establishment of office bases, and avoid setting up offices in areas with important global or national biodiversity.

## Environmental Management Systems

### • ISO 14001 Established for 100% TECO Entities

### • ISO 14064, ISO 14064-1, ISO 14064-3 Cover 84.6% of TECO Group Revenue

Third-party verification units: BSI in Taiwan, CQC (China Quality Certification Center) in China and Vietnam, SGS in the United States, TUV (Rheinland) in Italy. The power coefficient is mainly based on the annual coefficient announced by the local energy bureau with the global warming potential IPCC AR6. In addition, annual internal annual audits (coupled with external verification) are conducted.



For full list of TECO certification, please visit the corporate website.

## Environmental Targets and Achievement Rate

	Unit	2023 Target	Performance	Achievement Rate
GHG Emissions				
Scope 1	tonCO <sub>2</sub> e	24,552	14,914	100%
Scope 2		50,921	47,424	100%
Scope 3		67,321,762	63,955,674	100%
Air Emissions				
Volatile Organic Compounds	ton	123	110	100%
Water Usage				
Total Water Consumption	k ton	96	86.94	100%
Energy Consumption				
Non-renewable Consumption	MWh	119,247	116,289.30	100%
Waste Management				
Total Waste Disposed	ton	966	947	100%
Total Hazardous Waste Disposed		292	286	100%

## Environmental Metrics

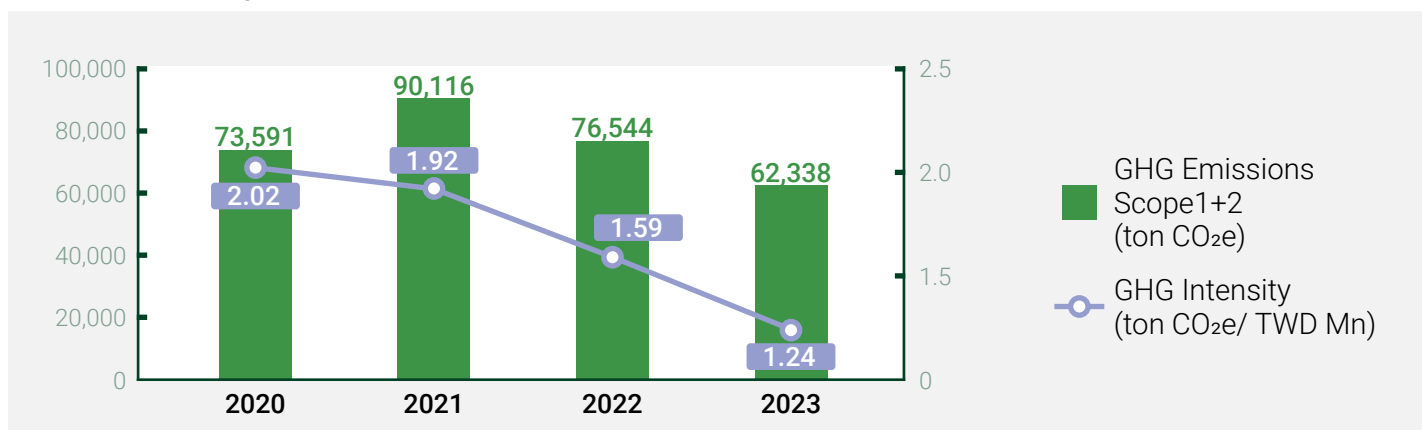
	Unit	2021	2022	2023
GHG Emissions <small>Note 1</small>				
Estimated Total GHG Emissions (Scope 1+2)	tonCO <sub>2</sub> e	100,688	92,556	73,685
Scope 1		29,316	21,007	14,914
Scope 2		60,800	55,536	47,424
Scope 3 Total <small>Note 2</small>		22,735,295	19,038,554	63,955,674
GHG Emissions Intensity	ton CO <sub>2</sub> e / TWD M	1.92	1.59	1.24
Air Emissions				
SOx	ton	1.77	1.02	1.99
NOx		1.53	0.92	1.62
Volatile Organic Compounds		179.71	136.70	110.40
Water Management				
Total Water Consumption	k ton	107.00	70.52	86.94
Water Use Intensity	a	0.0020	0.0017	0.0015

Note 1: TECO conducts GHG emission assessment for sites in Taiwan, China, Vietnam and US with ISO 14064-1. Scope of coverage is consistent with the year prior, with fluctuations based on group revenue ratio.

Note 2: In 2023, the shipment volume of high-voltage large motors in the Americas and mainland China are increased from 3,355 units in 2022 to 13,812 units in 2023. Therefore, the total emissions increased accordingly.

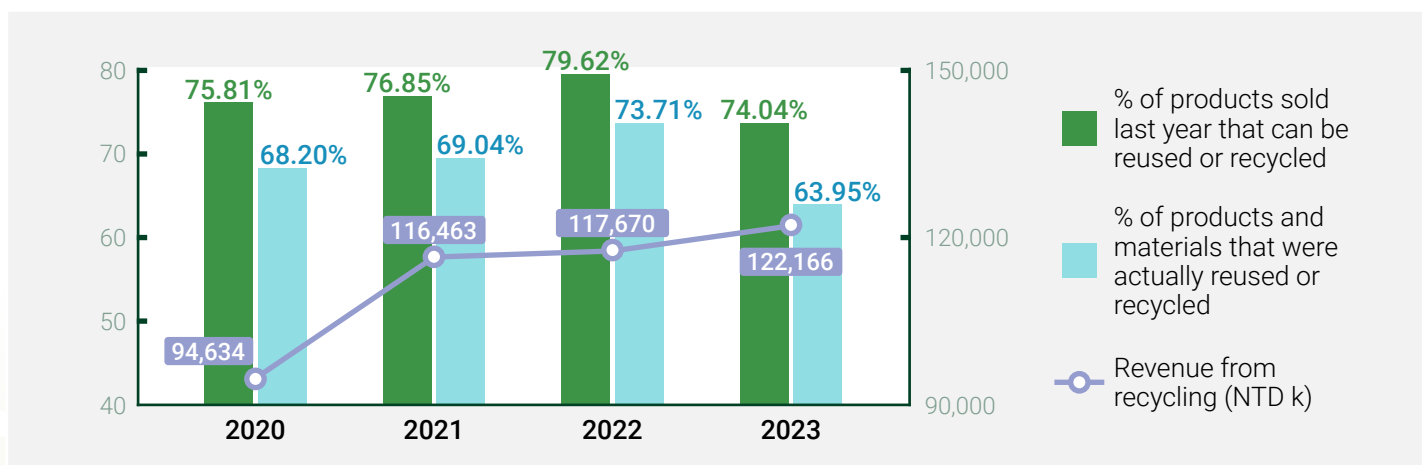
	Unit	2021	2022	2023
<b>Energy Consumption</b>				
Total Energy Consumption		137,662	125,523	116,289
Non-renewable electricity purchased	MWh	106,280	98,384	91,410
Non-renewable fuels		31,383	27,139	24,879
Renewable Energy Generated		9,250	1,158	1,231
Energy Intensity	MWh / TWD M	2.62	2.15	1.96
<b>Waste Management</b>				
Total Waste Generated		15,341	12,027	14,100
Total Waste Disposed	ton	724	860	947
Total Waste Recycled		14,617	11,168	13,153
Total hazardous waste disposed		336	295	286
Environmental Metrics Data Coverage	%	89.5%	80.3%	84.6%

## GHG Intensity Trend



## End of Life Cycle Responsibility

Consolidated recycling scenario from motor and home appliance products



## Two Cycles of Material Circulation

### ■ In-plant Circular

TECO has own foundry in Taiwan, which means we can melt wastes from production process and remanufacture it into motor frame bracket housing parts. We have now reached 96.5% of iron reusing rate.

### ■ Lifecycle Circular

Industrial motors typically have a design life of 10-15 years, and special designs can extend life up to more than 30 years. At the end of the motor life cycle, the motors are recycled and dismantled by the scrap hardware recycling service companies. 90% of motor total content, including steel, iron, copper and aluminum will be separated and returned to the raw material stage to be remelted and re-manufactured. Steel is usually made into angled steel and other building materials that continue to exist in our lives.

## TECO GO ECO



TECO renew "TECO GO ECO" logo to represent low-carbon products and services. Following ISO 14020 standard, and with the definition of Type I, II and III. TECO categorizes motor and home appliance product in following rules:

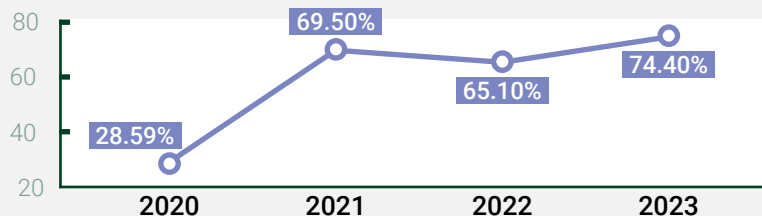
**Type 1:** Motor above IE3 standard and home appliance with first degree energy saving certification or electricity/water saving certificates.

**Type 2:** From 2020 TECO categorizes customized motor with efficiency level > 95% as TECO GO ECO products.

**Type 3:** Products with carbon or water footprint certifications.

*In 2023, low-carbon products accounted for 74.4% of total sales.*

Low-carbon Products of Total Sales



## Sustainability Taxonomy

Before the Taiwanese government develops its own Sustainability Taxonomy, TECO adopts EU Sustainability Taxonomy with self-declared TECO GO ECO low-carbon products and services classification, and is disclosed as the following:

Aggregate of Taxonomy	Organization and products	EU Taxonomy items	Revenue (%)	CAPEX (%)	OPEX (%)
Taxonomy Eligible	Green Mechatronic Solution Business Group (GM) <b>High Efficiency Motor</b>	3.3 Manufacture of low-carbon technologies for transport 3.6 Manufacture of other low-carbon technologies 8.2 Data-driven solutions for GHG emissions reductions	42.1	11.2	15.3
	Air & Intelligent Life Business Group (AI) <b>Green Home Appliance</b>	3.5 Manufacture of energy efficient equipment for buildings	6.5	3.8	
	Intelligence Energy Business Group (IE) <b>Clean Energy Engineering</b>	4.9 Transmission and distribution of electricity 4.10 Storage of electricity	6.1	41.9	
Not Eligible	Other Business Units	None	45.4	43.2	84.7



**In 2023, taxonomy eligible revenue accounts for 54.6%  
CAPEX accounts for 56.8% and OPEX accounts for 15.3%**



For details  
please see  
Sustainability  
Taxonomy.

## Return on Environmental Investments

	Unit	2020	2021	2022	2023
Capital Investments		135,977	15,240	35,260	8,130
Operating Expenses		15,143	18,424	21,438	14,065
Savings, Cost Avoidance, Income, Tax Incentives, etc.	NTD k	31,919	40,545	42,925	62,800
Data Coverage		77.7%	89.5%	82.7%	84.6%

## Key Sustainability Initiatives

### ■ Carbon GHG Inventory Digital System

In order to quickly and effectively track the performance of the reduction and management of emissions in each production site. ESG Management Platform has been implemented in 2023. The platform provides each production base and headquarters with real-time review of greenhouse gas emissions:



- Accelerate data integration
- Help identify emission trends
- Increase communication efficiency
- Identify hot spots
- Set carbon reduction goals
- Formulate carbon reduction strategies

In addition, in the process of corporate mergers and acquisitions and joint ventures, TECO simultaneously checks and obtains ISO 9001, TS16949, and strengthens the introduction of ISO 14001, ISO 45001 or hazardous substances of management and control capabilities.

### ■ Internal Carbon Pricing System

In 2023, an internal carbon pricing (ICP) system was approved to incentivize emission performance management. Carbon fees collected from business groups will be invested in equipment updates and work improvements to enhance the ESG environment. The internal carbon price is set at NTD 1,600 (USD 50) per ton. Business group general managers are given an emissions allowance and must budget for their annual emissions.

**Emissions targets tied to business group performance and bonuses.  
ESG-related KPI's are also linked to CEO's remuneration.**

### ■ Electricity Generation and Storage

#### Tai Power Project Site

TECO acquired Tai Power's largest energy storage project in 2022, covering 0.66 hectares with 25 containers and an installation capacity of 60MW/80MWh. This storage can power nearly 8,000 households for a day, representing 37.5% of Taiwan's energy storage capacity. To enhance power system stability and security, multiple protective measures and an energy storage management system (ESMS) have been implemented. The ESMS uploads system data every 10 seconds with a 99% execution rate, exceeding the standard 95%.





### Renewable Energy in Factories

In 2023, TECO generated 10.58 million kWh of renewable energy, covering 10% of the group's global electricity consumption. By 2024, they plan to add over 8.0MW of power generation capacity in Taiwan, China, and the U.S., aiming to generate 30% of total electricity consumption by 2030.



**10.58 M kWh of renewable energy generated in 2023 with 1,076 T-REC (Taiwan Renewable Energy Certificate) issued**

### Power Regeneration in Factories

In 2023, TECO's large-scale dynamometer equipment, used to measure motor torque and power, regenerated 210,000 kWh of electricity for internal use during the testing process.



### EV Powertrain

TECO's power system, ranging from 150kW to 250kW, features patented technologies for noise, magnetic leakage, and torque ripple reduction. It's efficient, lightweight, and suited for long-term high-speed driving, applicable to electric buses, large trucks, ferries, agricultural machinery, and unmanned port vehicles. TECO is a Taiwanese manufacturer with DMIT certification. In India, TECO partnered with Mitsui & Co. to form TEMICO, where TECO provides electric vehicle power systems and Mitsui handles business opportunities. Mitsui has been active in India since the 1950s.



### Supply Chain Initiatives

#### Taiwan

TECO held three sustainable supply chain forums in 2023, guiding 75 small and medium-sized suppliers in conducting GHG inventories and emission reduction initiatives. They assisted 53 suppliers with basic GHG inventories and provided 11 hours of internal training, including emission reduction sessions. In partnership with the government, they trained 5 suppliers on ISO14064 greenhouse gas inventory standards, with these suppliers expected to complete their inventories by the end of 2023 as part of a broader emission reduction plan.



#### Americas

In 2023, TECO Motor's sales in North America accounted for 40% of total sales, with over 35% growth. TECO's new factory in Mexico strengthens the North American supply chain and benefits from preferential tariffs. The factory, located in Cienega de Flores, supports "Made in Mexico" production and aligns with regional economic trends by reducing long-chain risks. TECO is also expanding into the carbon capture and hydrogen energy markets, supplying motors for carbon capture equipment in Texas and developing motors for hydrogen production and transport.



# SOCIAL

## Workforce

Human talent is TECO's most valuable asset, essential to its sustainable operations. TECO promotes five core values—Ambition, Customer-focus, Teamwork, Integrity, and Innovation—encouraging employees to internalize these principles, enhancing both personal potential and organizational cohesion.

	FTEs Note		Temporary		Part-time	
	Male	Female	Male	Female	Male	Female
Taiwan	1,995	718	147	38	44	13
United States	265	72	13	2	6	1
Mainland China	932	304	10	89	158	55
Europe	386	108	24	10	6	11
S.E. Asia	202	93	0	0	0	0
Others	118	45	12	3	2	14
<b>Total</b>	<b>5,238</b>		<b>348</b>		<b>310</b>	

Note: FTEs are full-time permanent employees., TECO has no non-guaranteed hours employees.

*This Report covers 5,896 personnel in the TECO Group, including 2,433 in parent company*

## Workforce Diversity

### Female Representation Targets

	2022		2023		2024	
	Achieved	Target	Achieved	Target		
Female Share of Total Workforce	33.1%	33.4%	31.5%	32.0%		
Female Share in Management Positions	22.1%	23.0%	19.7%	20.2%		
Junior Management	23.2%	23.5%	19.6%	20.1%		
Top Management	12.3%	12.8%	8.7%	9.2%		
Female Share in Sales Positions	36.5%	37.0%	13.5%	14.0%		
Female Share in STEM-related Positions	28.0%	28.5%	29.5%	30.0%		

The scope of data disclosure covers 100% of Global Core Business Units.

- **Junior management level:** Supervisor and Manager.
- **Top management level:** Director, Head of Business Unit, Assistant Vice President and Business Group President.
- The proportion of female employees in senior management significantly declined in 2023 due to the inclusion of more personnel in global sales, as well as technical roles in pre-sales transformation and after-sales service and maintenance.

## Gender Pay Statistics

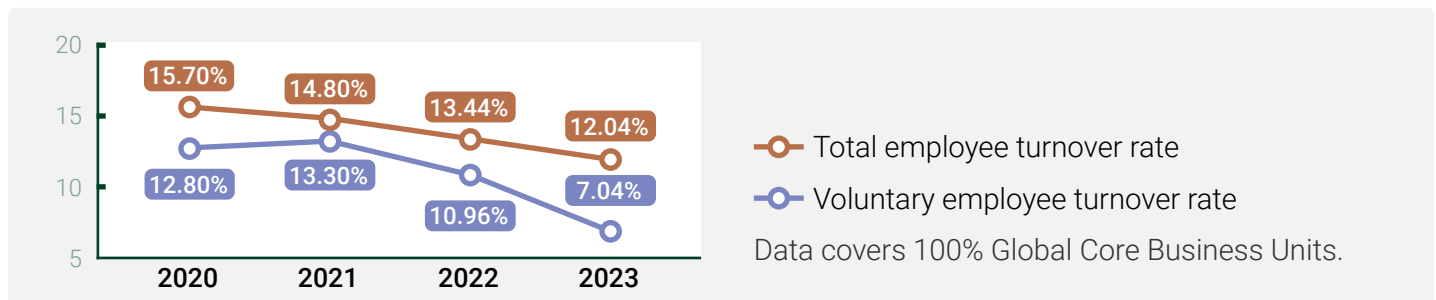
By Gender	
Mean Gender Pay Gap	17.6%
Median Gender Pay Gap	15.3%
Bonus Gap	0.00%

- Bonuses are gender neutral and are awarded based on performance appraisal results.

By Position	
Supervisor	2.00%
Managers	-4.74%
Top Management	-44.56%
Non-Manager	21.90%

- Ratio of base salary plus salary for women to men (base 1 for women).

## Employee Turnover



	2020	2021	2022	2023
Total employee turnover rate	15.70%	14.80%	13.44%	12.04%
Voluntary employee turnover rate	12.80%	13.30%	10.96%	7.04%
Data Coverage	100%			

## Occupational Safety and Health

**TECO has established ISO 45001 occupational safety and health management system and ISO 9001 quality management system. Note**

Note: TECO HQ and 13 production bases have established and implemented ISO 45001 Occupational Health and Safety Management Systems, ISO14001 Environmental Management Systems and ISO 9001 Quality Management System, with a coverage rate of 100%.

### Occupational Injury Statistical Data (LTIFR)

	2020	2021	2022	2023
Employee LTIFR	1.77	1.17	1.66	0.87
Data Coverage	86.3%	89.5%	82.7%	84.6%

Note: LTIFR = disability injury counts/total working hours X 106), under the definition of Labor Inspection Law Enforcement Rules 6. The disability injury counts are limited to incidents that occurred in 2023 and applied also to US, China and Vietnam subsidiaries.

The occupational injury incidents are divided into severe, moderate, mild, and false alarm levels. No cases of deaths are recorded in 2023, the detailed description for the year is as follows:

Level	Cases	Type
Moderate	10	<ul style="list-style-type: none"> <li>• 2 improper actions</li> <li>• 1 clamped</li> <li>• 2 bruised</li> <li>• 2 crushing/crushed</li> <li>• 3 falls on ground</li> </ul>



## ■ Safety and Health Commitment



### Safe Working Environment

Promote a safer, healthier workplace by enhancing safety and health management systems to achieve zero workplace disasters. Implement preventive management and audits and establish joint employer-employee safety committees to collaboratively reduce risks and support workers' physical and mental health.



### Compliance with International Regulations

Comply with international occupational safety and health and sustainable development trends, and ISO 45001 specifications.



### Risk Assessment Strengthening

Strengthen value chain risk assessments, provide training on sustainable risk and occupational safety management, and maintain a safe, clean working environment through internal and external audits, improving industrial safety and environmental protection performance.

## Employee Benefits

To retain and foster talent, TECO offers employee support policies that are superior to regulatory requirements.

### ■ Non-compensation Benefits Superior to Regulatory Requirements



#### Stress Management

Provide employee EAP psychological consultation services. Colleagues can consult by phone or in person and receive four hours of free psychological counseling services per year (one hour each time).



#### Exercise and Wellness Program

Health lectures are held every quarter, an AED is added to the office, CPR/AED courses are made compulsory, employees are encouraged to learn health knowledge, and cancer screening activities are held regularly. Host exercise classes after hours and cover part of tuition for employees.



#### Flexible Working Hours

To allow employees to achieve a work-life balance, avoid traffic jams during peak hours, work according to personal life rhythms, and reduce work psychological pressure, we have the flexibility to work from 7:50 to 9:00.



#### Paid Parental Leave for the Primary Caregiver

During pregnancy, the main childbearing person is entitled to 10 days of maternity leave with full pay, and 8 weeks of maternity leave before and after childbirth, totaling 9.5 weeks of paid leave.



#### Paid Parental Leave for the Nonprimary Caregiver

During the pregnancy of the partner, 7 days each, a total of 2 weeks of paid leave.



#### Babysitting Measures

To sympathize with parents who need to take care of young children, we provide paid family care leave and sign an agreement with the kindergarten to allow colleagues to work with peace of mind.



#### Lactation Facilities

For pregnant employees, we have dedicated parking spaces, provide maternal health protection consultation, and set up a lactation room. We received excellent certification in the 2019 Taipei City Assessment.



#### Workplace First Aid

TECO HQ has been awarded the "Safe Workplace" certification by the Taipei City Government in 2023, which requires more than 70% of the employees to receive CPR/AED training.



#### Part-time Job Transition

Discuss and adjust flexibly on a case-by-case basis.



#### Extra Paid Leave

The company provides full-time employees 3 days of paid welfare extra leave per year. Support employees to balance work and family life.

### Retirement Transition Assistance

- Provide courses related to (medium-)elderly or retired employees, such as retirement financial management.
- Hire retirees over 65 years old for mentorship programs to pass on their professional skills and experience.
- Support retirement association activities to improve the quality of life and fun of TECO retirees.

### ■ Employee Well-being

Anonymous employee surveys are conducted every year, with consistent topics to establish trend analysis. The questionnaire tracks the four following indicators:

- **Job satisfaction:** The welfare provided by the Company meets my needs.
- **Working Purpose:** I have a clear idea of my deliverables.
- **Happiness:** I like my current job.
- **Stress:** My supervisor provides the necessary support for me to maintain a balance between work and personal life.

Employee Type	2019	2020	2021	2022	2023
Senior	83.8	75.2	73.6	84.8	76.7
Employee	79.4	69.6	71.3	88.8	69.9
Average	81.6	72.4	72.4	86.8	71.8
Participation Ratio	32.0%	39.7%	51.0%	51.6%	45.9%

Note: Score out of 100. The 2023 target is 80.

The 2023 survey had a lower response rate than 2022 due to 8 additional subsidiaries and 9 more questions. For improvement, next year will feature more time for completion, better communication with global sites, and adjustments to fit local needs.

## Human Rights

TECO upholds labor standards from the UN Universal Declaration of Human Rights, UN Global Compact, and ILO Conventions. It is committed to ensuring a dignified working environment and equal treatment of human rights for all employees, stakeholders, suppliers, partners, and local communities.

TECO's declarations on its human rights policy includes:



#### Working Hours

Compliant with local statutory regulations.



#### Investment

Inclusion of human rights provisions and review in key investment agreements.



#### Meet Basic Salary Requirements

Legally compliant non-discriminatory base salary and related benefits.



#### Fairness and Non-discrimination

Discrimination is strictly prohibited. Standards to ensure that job opportunities are equally.



#### Creating Good Employee Relations

Provide diversified and open communication channels.



#### Safe and Healthy Work Environment

Provide safe and healthy working environment and ensure regulatory compliance.



#### Training

Regular human rights policy training for employees and security personnel.



#### No Child Labor

Employment standards should be in accordance with the minimum age limits in local regulations.



#### Communication Channels

Effective communication and resolution of human rights issues with transparent grievance channels.



#### Prohibition of Compulsory and Forced Labor

Prohibit any form of forced and compulsory labor.

## TECO's Declaration of Human Rights

TECO actively establishes a communication bridge with employees. Including TECO's quarterly meeting and the activities of the factory's meeting, explain business results and recognize outstanding colleagues.

## Letter of Commitment to Human Rights and Environmental Sustainability

To ensure that suppliers fulfill their corporate social responsibilities, TECO has required suppliers not only to deliver competitive quality, timeliness, and technology through an appraisal system but also to uphold human rights and environmental sustainability through contractual obligations.



Human Rights Policy

## ■ Freedom of Association

TECO protects the human rights of employees through the labor union and labor-management conference system. The employee protection ratio of the labor union is 100%, and the suppliers of TECO are bound by the "Human Rights and Environmental Sustainability Commitment".

- **Annual general meetings:** the labor union holds an annual general assembly of members' representatives each year, with re-elections for union directors and supervisors every four years.
- **Monthly director and supervisor meetings:** the labor union holds monthly director and supervisor meetings to discuss employee-related issues, with Company representatives also attending to facilitate communication.
- **Semi-annual conferences:** a semiannual conference is held between chairman, president, and union directors and supervisors.
- **Labor union offices have been set up in plant areas:** this would provide employees a chance to communicate and exchange opinions with union representatives during working hours.

On February 21, 2023, the new version of the group agreement was signed with updated employee support programs.

*A total of 1,987 out of 1,987 (100%) eligible employees in Taiwan have joined the union. TECO has unions in Taiwan, Jiangxi China and Italy, with data coverage of 50%*

## Career Development

In 2023, as the impact of the COVID-19 pandemic subsided, in-person courses gradually resumed. Additionally, online compulsory courses were introduced, covering areas including but not limited to information security, DEI, environmental health and safety (EHS), and ESG-related topics.

## ■ Training and Development

Average hours per FTE of training and development	23.26
Average amount spent per FTE on training and development	NTD \$1,533.61

## ■ Talent Motivation and Retention

Every two years, key talent from each department is identified, and Individual Development Plans (IDPs) are created to guide their career growth. This system boosts employee motivation, loyalty, and productivity by offering clear development opportunities.

In 2023, key talents comprised 3.5% of employees at levels 5–8 (60 out of 1,679). Of these, 16 were promoted, accounting for 26.7% of key talent and achieving a promotion rate of 13.3%, significantly higher than the Company-wide rate of 5.4%.

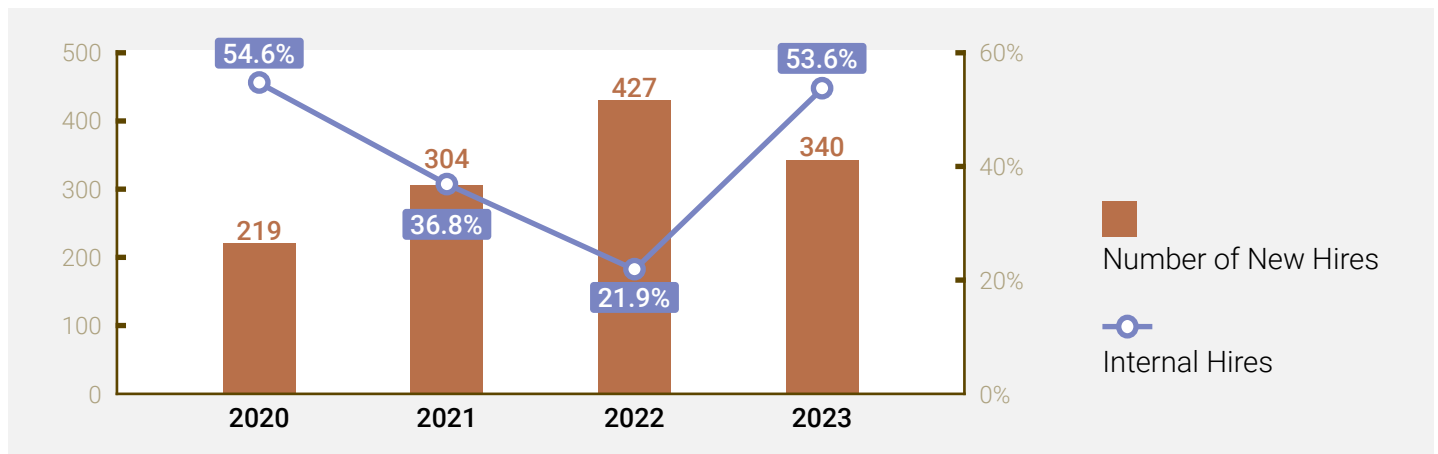
## Mentor Program

To enhance succession planning and organizational capabilities, the Company launched a Mentor Program led by the president. Selected mid-to-senior managers engage in development discussions, collaborate on projects, seek external resources, and connect with industry experts. Regular group coaching sessions track progress, with guidance from the Mentor. In 2023, 15.7% of the parent company's mid-to-senior managers participated.



## Internal Hires

TECO also encourages internal recruitment to enhance cross-functional competencies.



## ESG Related Training Topics

- No to sexual harassment
- Anti-bullying
- LGBTQ+ equality
- Gender equality
- Workplace equality
- DEI training courses
- New residents
- Second-generation families
- Practical responses to personal data protection law
- Occupational health & safety and on-the-job education and training
- CPR+AED training
- Climate change and GHG Inventory
- Water resource training

## Ethical Integrity Education and Training

### All Incumbent Employees

Completed the signing of the integrity statement. So far, the online test of integrity management for new employees has been conducted on a quarterly basis. Integrity management courses have been comprehensively launched, and quarterly meetings have been held to promote integrity management.

### Subsidiaries and Joint Ventures

(Including companies with an investment ratio/contribution amount of more than 10%)

All related companies have signed "Letter of Undertaking of ethical corporate management of TECO Groups" in order to achieve sustainable development and establishment of the corporate culture featuring ethical corporate management.

## 2023 Supply Chain and Procurement Management

To manage supply chain, TECO classifies suppliers by following definitions:

<b>Tier-1 suppliers</b> 151 of which 101 are significant suppliers.	Supplier who has direct trading contract for the bulk material (including single-source material) suppliers and within top 80% transaction amount of each factory in the current year.
<b>Non- Tier-1 suppliers</b> 10 significant suppliers.	Supplier who is original manufacturer but selling product to TECO through Tier1 suppliers in the current year.

Note: Total number of significant suppliers is 111.

For 2023, the total purchase from Tier-1 suppliers is about NT\$5.41 billion, of which the purchase amount from significant Tier-1 suppliers is about NT\$2.09 billion, accounting for about 38.56% of the total procurement.

## ■ Non-use of Conflict Minerals Commitment

TECO's "Declaration of Non-Use of Conflict Minerals" ensures responsible sourcing. Suppliers must survey supply chains to verify that metals like gold, tantalum, tungsten, cobalt, and tin are not obtained from conflict zones, illegal groups, or smuggling, particularly in the Republic of Congo and surrounding nations. TECO identifies and traces material sources to prevent the use of conflict minerals, with exports from DRC, Rwanda, Uganda, Burundi, Tanzania, and Kenya deemed non-compliant by the US Security Council.

- Steel is mainly purchased from the China Steel and Nippon Steel Corporation, while iron ore is imported from Australia and Brazil.

**100% procurement  
of non-conflict raw  
materials.**

## ■ Hazardous Substance Policy and Material Management

TECO implements a hazardous substance management mechanism for product design, requiring all stakeholders to follow strict guidelines. By 2023, TECO achieved 100% of its motors, home appliances, and raw materials comply with international regulations.

## ■ Supplier Code of Conduct

To ensure suppliers meet corporate social responsibility standards, TECO requires competitive quality, delivery, and technology through an appraisal system and additional measures. These include a supplier CSR clause, local procurement strategy, and agreements on prohibited substances, conflict minerals, human rights, and sustainability. Suppliers must comply when signing or updating contracts. Regular reviews ensure alignment with TECO's code of conduct and sustainability goals.



Supplier Code of  
Conduct

## ■ Supplier Audit Procedures



### Before trading

TECO ensures suppliers meet relevant quality, environmental, safety and health criteria, and products conformity to green management and control. TECO has actively assisted its suppliers to improve their quality by obtaining ISO 9001, TS16949 international certifications. It has also demanded suppliers to design green, eco-friendly products, as well as implement ISO 14001, ISO 45001 or other hazardous substance control capabilities.



### Contract signing (99% Signing Rate)

"Letter of Commitment to Human Rights and Environmental Sustainability" is signed which allows TECO to terminate the contracts if any violation of social commitment is discovered.



### On-site audit

For new or high-risk, Tier 1 or critical suppliers identified through risk identification, TECO forms evaluation teams through in-plant R&D, quality control, manufacturing, procurement, safety and environmental, and audit related personnel to perform the onsite audit.



### During trading period

TECO team holds on-site audit once every three years for Tier 1 suppliers and issues correction letters to those identified with risks. Suppliers must reply within 30 days after receiving correction letters, and improvement will be tracked in following audits. If improvement requirements are not met, TECO may terminate the contract to ensure compliance with Company norms and potential risks.

### Supplier Assessment Results

TECO audits suppliers every three years, using a two-stage evaluation for key suppliers. In the first stage, it checks for ESG systems or ISO certification, and screens based on the supplier's industry. High-risk suppliers undergo a second stage, where TECO's rating scale is used, with ESG accounting for 29.3% of the evaluation. Various suppliers are reviewed annually in rotation. In 2023, 102 suppliers, including 58 significant ones, underwent social and environmental assessments. No negative impacts were found in social assessments, but many SME suppliers lacked GHG inventories, which TECO categorizes as a significant environmental concern. No trading relationships were terminated due to ESG engagement failures.

### Supplier GHG Inventory Assessment Results

In 2023, 102 suppliers, including 58 significant suppliers, underwent social and environmental assessments. No social issues were found, but some SMEs were flagged for not conducting GHG inventories. No supplier relationships were terminated due to ESG non-compliance.

Item	2023 Achievement
Total number of suppliers assessed (2023 target of 75, accounting for 50%)	102 ✓
% of significant suppliers assessed pending GHG inventory assessment	91.89%
Number of suppliers to undergo GHG inventory assessment	53
% of the above that have agreed on improvement plan	100%
Suppliers' relationship terminated due to ESG non-compliance	0

In 2023, TECO identified key suppliers lacking ESG compliance and GHG inventories, assisting 53 suppliers with simple inventories. Three internal training sessions (11 hours) covered environmental management and emission reduction. TECO also provided ISO14064 training and on-site guidance for 5 suppliers, all of whom had completed GHG inventories by the end of 2023. This development plan, launched in January 2023, aims to monitor and improve emissions, with results included in 2024 KPI management.

### Coverage and Progress of Suppliers with Capacity Building Programs

TECO regularly holds seminars to help suppliers understand ESG trends, improve risk identification, and enhance energy conservation and carbon reduction methods. These seminars share the latest international trends, ESG benchmarks, and energy management practices.

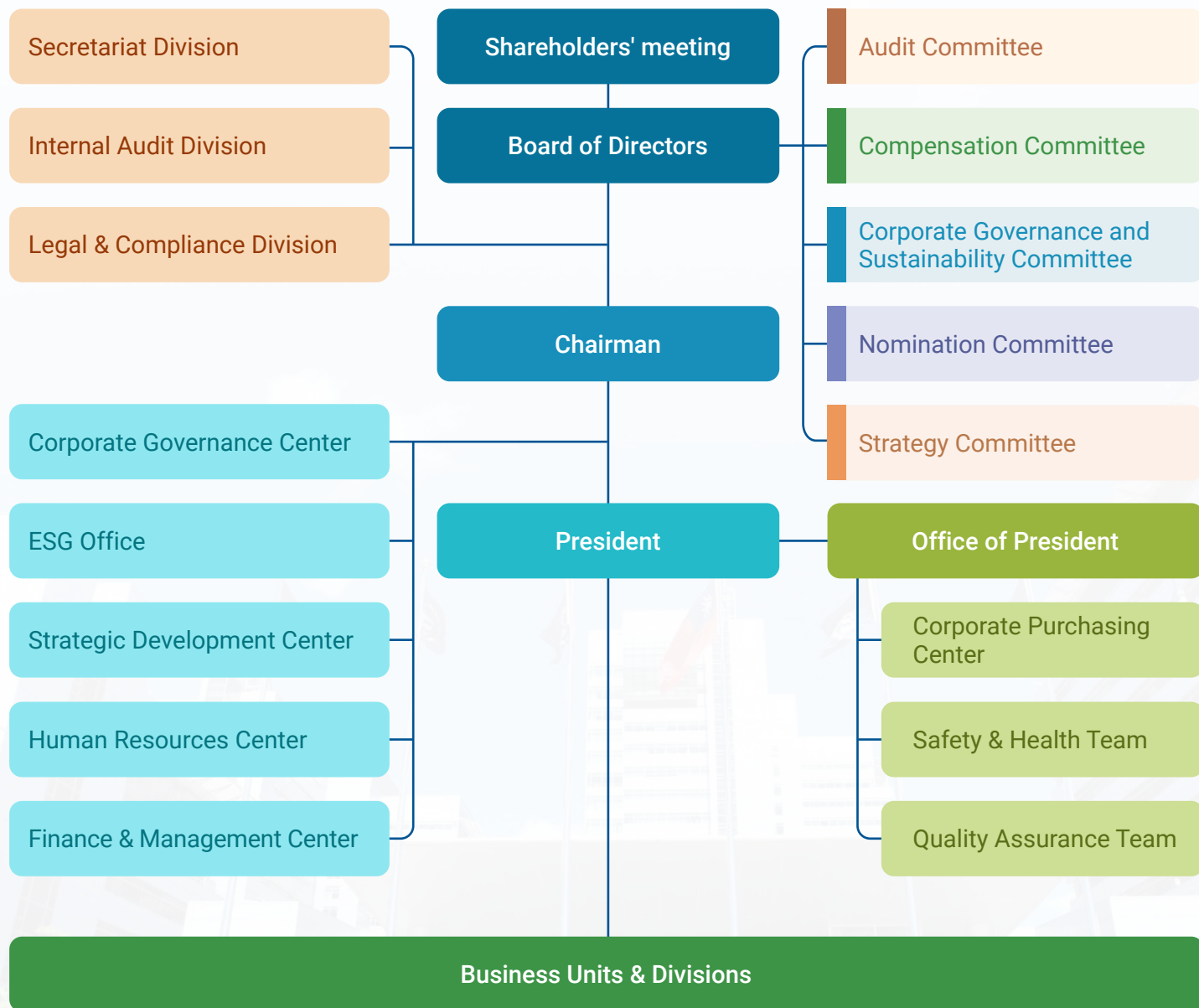
Item	2023	
	Target	Performance
Total number of significant suppliers supported in corrective action plan implementation.	<b>51 suppliers</b> (50% of all significant suppliers)	<b>53 suppliers</b> ✓
Total number of significant suppliers supported in Capacity Building Programs.	<b>5 suppliers</b> (5% of all significant suppliers)	<b>5 suppliers</b> ✓

In 2023, TECO held three sustainable supplier seminars, inviting around 75 SME suppliers for two-way communication. Procurement staff also attended these seminars for ESG training. TECO offers an ESG learning platform through its e-Digital Academy, enabling all employees to take ESG courses and boost awareness of sustainable supply chains.



# GOVERNANCE

## Organizational Chart



## Board of Directors

(27<sup>th</sup> term: May 24, 2024 to May 23, 2027)

The TECO Board of Directors is the company's highest governing body, responsible for the selection and nomination of senior managers, as well as the formulation of strategies for corporate social responsibility, corporate citizenship, and sustainable development. In 2023, 6 meetings were held, with an average attendance rate of 98%.









On May 24, 2024, TECO re-elected its Board of Directors. The board consists of 11 members, including 4 independent directors. Women and independent directors make up 27.27% and 36.36% of the board, respectively.

**C** Convener

**M** Member

Title	Name	Gender	Audit Committee	Compensation Committee	Corporate Governance and Sustainability Committee	Nomination Committee	Strategy Committee
Chairman	Morris Li	M				C	C
Director (Vice Chairman)	Su Chiu Wu	F			M		M
Director	Chwen-Jy Chiu	F			C	M	M
Director	Jong-Chin Shen	M					M
Director	Cheng-Tsung Huang	M					
Director	Show-Shoun Chou	M			M		M
Director	Jack Hou	M					
Independent Director	Hsieh-Hsing Huang	M	C	M		M	
Independent Director	Chao-Chin Tung	M	M	C		M	
Independent Director	Hui-Yiu Chen	M	M	M	M	M	
Independent Director	Mei-Chun Chao	F	M	M	M		

## Governance Targets, Diversification and Independence of the Board

Management Targets	Achievements	
 At least 1 female director of the board members	The board includes 3 female directors, female board representation <b>increased from 18.18% to 27.27%.</b>	 <b>Achieved</b>
 More than one-third of the board seats are independent directors	The proportion of independent directors is <b>36.36%.</b>	 <b>Achieved</b>
 Directors concurrently act as managerial officers shall not be more than one-third of the board seats	<b>No directors concurrently held the managerial officer position.</b>	 <b>100% Achieved</b>
 No more than two directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company	<b>No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</b>	 <b>100% Achieved</b>

## Functional Committees

The five functional committees, namely Audit Committee, Compensation Committee, Corporate Governance and Sustainability Committee, Nomination Committee, and Strategy Committee, were established by the Board of Directors to assist the Board in performing its duties. The organizational charters of all committees which are required to report are subject to approval by the board. Each committee faithfully performs the following duties:

Audit Committee	Compensation Committee	Corporate Governance and Sustainability Committee	Nomination Committee	Strategy Committee
No. of meetings in 2023				
6	3	2	0	0
No. of meetings in Q1-Q3 2024				
7	4	3	2	2
Average attendance				
96.15%	93.93%	100%	100%	100%

### Audit Committee



1. Supervise and audit the fair presentation of the financial reports of the Company.
2. Assess the effectiveness of the internal control system.
3. Supervise the Company's compliance with relevant laws and regulations.
4. Review the adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, making loans to others, and endorsements or guarantees to others.
5. Audit the hiring or dismissal, independence, and performance of a certified public accountant, or their compensation.
6. Auditing of the appointment or discharge of a financial, accounting, or internal audit officer.

### Compensation Committee



1. Prescribe and periodically evaluate the performance assessment and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

### Corporate Governance and Sustainability Committee



1. Review and evaluate the rationalization of the organization and system of corporate governance.
2. Strengthen the function of the board of directors.
3. Supervision and evaluation of the fulfillment of corporate social responsibilities and attainment of sustainable development.
4. Oversight of corporate social responsibility and sustainability practices, with assessment of implementation status.





### Nomination Committee

1. Establish standards for the professional knowledge, skills, experience, diversity of backgrounds (including gender), and independence required for members of the Board of Directors and senior executives.
2. Based on the established selection criteria, search for, review, and nominate candidates for Directors, Independent Directors, and senior executives.



### Strategy Committee

1. Review the company's business operations and strategic development direction, and deliberate on related organizational changes and transformation plans.
2. Review major investment and acquisition plans, as well as other significant strategic issues.
3. Review the company's guidelines for forward-looking technology and product development.

## ESG Office

The "ESG Office CEO" is equivalent to the CSO as the highest level of management and has a "Sustainability Manager" who is responsible for full-time implementation of the work. It is also organized across departments by "representatives of each business unit/factory area" and "safety and health", " It is composed of staff units such as the Human Resources Department and the Finance Department to facilitate the simultaneous management and promotion of company-wide work. The ESG office reports work progress to the chairman of the board every month. On climate-related and sustainable risk opportunities, the "ESG Office" collects information provided by each member and compiles reports and recommendations to the management and Board of Directors.

*Climate related risks and opportunities, after information provided by all members is collected by the "ESG Office," it is summarized, reported, and recommended to the management level and board of directors.*

## Code of Ethical Conduct

The Code of Ethical Conduct is to be followed by directors, managers, and employees; and are available on the TECO website. Additionally, the Company also educates all employees on the ethical conduct compliance system through diversified approaches such as educational courses and quarterly meetings.

*TECO's "Ethical Corporate Management Best-Practice Principles" explicitly prohibit bribery and corruption.*

### ■ Ethical Conduct Policies Prohibits:

Conflict of interest

Offering and acceptance of bribe

Harm to consumers' safety and health

Unreasonable hospitality

Illegal political contributions

Improper charitable donations

Unfair competition

Infringement upon business secrets

Infringement upon intellectual property rights

For more information, please see:



Ethical Corporate Management Best-Practice Principles



Rules of Ethical Conduct to Directors and Managerial Officers

## Remuneration Policy

According to Articles of Incorporation, the company should allocate 1%-10% of profit for employee remuneration based upon its profit each year; less than 5% for the directors.

### ■ Senior Managerial Officer Remuneration Evaluation Indicator

Managers' remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPIs). 60% of KPIs are linked to financial indicators (such as revenue, operating profit, current profit and loss, total asset turnover, return on assets, return on invested capital, achievement of profit targets, etc.); 40% are strategic foresight related to short, medium and long-term planning and implementation (such as Strategy formulation, ESG, new business layout development, organizational management and talent training).

*40% of management's variable pay are linked to short, medium and long-term KPI's, including ESG indicators.*

### ■ Employee Long-Term Performance Reward Mechanism (Employee Stock Ownership Plan)

The "Special Bonus Issuance Operation Standard" coupled with a cash incentive method applicable to supervisors above the rank of manager. According to the reward approved for the personal performance, the reward is to be issued at three times over a period of two years, and the actual bonus amount at the time of issuance is linked to the KPI score in the last quarter. In 2023, the Company continued to issue special bonuses in accordance with this standard.

The "TECO Employee Stock Ownership Committee" was formed in 2020. The Committee held a total of 2,116,572 shares. Among these shares, senior management has a total of 637,273 shares; the non-senior colleagues have a total of 1,479,299 shares. In 2023, the Articles of Association of TECO Employee Shareholding Trust was revised: All employees with tenure exceeding one year and meeting performance regulations can participate.

TECO will continue to optimize the long-term reward guideline and to increase the ratio of the sustainability indicator incorporated into the employee evaluation.

*All employees with tenure exceeding one year and meeting performance regulations can participate in ESOP*

### ■ Whistleblowing and Misconduct Reporting

Whistleblowing and misconduct reporting processing is laid out in TECO policy "[Bylaws to Report Cases of Illegal and Unethical Conduct](#)".

Any violation of the "Ethical Corporate Management Best Practice Principles" or the "Code of Conduct" of the Company or any law can be reported through the following channels:

✉ **Report email:** [integrity@teco.com.tw](mailto:integrity@teco.com.tw)

☎ **Report line:** Internal Audit Division, [02-26551078](tel:02-26551078)

📍 **Written report, send to:** 5<sup>th</sup> Floor, 19-9 San Chong Road, Nan-Kang, Taipei, Internal Audit Division.

For whistleblowing, the Internal Audit Division is the responsible unit. Matters relating to a director or senior executive should be reported to an Independent Director.

*Identity of whistleblowers or persons involved, and investigation contents are kept confidential to prevent unfair treatment or retaliation.*

## ■ Information Security Management

In 2023, TECO's Information Security Management System (ISMS) participated in a security maturity rating by the Digital Industry Agency of the Ministry of Digital Development, aligning with standards like IEC 62443, NISTSP 800-82, and ISO/IEC 27001. Four external vulnerabilities were detected and blocked by the intrusion prevention system, preventing any incidents.

*No major information security incidents occurred in 2023*



### Information Security Governance

- The Information Security Committee has been established under the Corporate Governance and Sustainability Committee of The Board of Directors.
- The CEO serves as the Chief Information Security Officer (CISO)
- Executive Manager Vincent Hu, serves as the Director General of the Information Security Committee and has ISO 27701 and IEC 62443-2-1 lead auditor certificates.



### Information Security Protection

- To enhance information security management and ensure the confidentiality, integrity, reliability, and availability of information systems, TECO has developed an "Information Security Policy" to manage risks and align with international standards. The policy includes management and reporting guidelines, incorporates information security into performance appraisals, and mandates annual education and training.



### Process

- Business continuity plan (BCP) is conducted at least every six months.
- In 2023, drills for uninterrupted operations were held for:
  - ERP system
  - Global order system
  - Firewall and other systems
- Planned an information security health diagnosis and penetration testing project in 2022.
- Conducted penetration testing on TECO's external service website using simulated attack techniques.
- Currently maintain ISO 27001 verification; plans to evaluate other verifications (BS 10012/ISO 27701) in the future.
- Formulated a personal data file security maintenance plan and processing methods in 2012 to promote personal data protection.



### Risk Control

- Ensure stable and safe operation of information systems through a defense-in-depth approach.
- Focus on three main axes:
  - Anti-virus
  - Anti-hacking
  - Anti-leakage
- Strengthen:
  - Network firewall
  - Anti-virus measures
  - Network whitelist control
- Protect various information assets from threats and damage to prevent service errors or interruptions.
- Use intrusion detection systems to identify and proactively block malicious traffic.
- Enhance defense capabilities against external attacks.
- Ensure security of internal confidential information.