# V. Operational Highlights

## 5.1 Business Activities

### 5.1.1 Business Scope

A. Business Scope

| Business Scope | Sales % |
|---|---|
| Electrification and Automation Products | 57.3% |
| Air Conditioners and Home Appliances | 8.9% |
| Mechatronic Engineering and Electrical Equipment | 17.7% |
| Others | 16.1% |
| 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); Reluctance Motor (5.5~55kW)
- Motor and drive products for electric vehicle power system (50-350 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)
- 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, Biomass/Diesel Generators, PCS Energy Storage Systems - Outdoor Type, 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: Development of High-Efficiency, High-Power Density Steel Frame Motors (T-Hipro+) in the Industrial Power Systems category, High-Voltage, High-Speed Variable Frequency Motors, Development of Next-Generation Insulation Systems, Next-Generation Inverter E710, Next-Generation Servo System JSDG3, Development of Ultra-High Efficiency IE5 Permanent Magnet Motors and IE5 Ultra-High Efficiency Synchronous Reluctance Motors and Drivers, etc.

In the category of Automotive Power Systems, there are electric bus and commercial vehicle motor and drive systems, as well as traction motors for rail vehicles. In the 'Renewable Energy - Green Energy Industry' category, there are developments in offshore wind turbine technology and reciprocating compressors for hydrogen energy.

b. Air conditioners and home appliance:

In response to consumers' demand for clean air, a series of smart and energy-efficient air conditioners are being developed, incorporating temperature, humidity, and cleanliness indicators. Through refrigeration and air conditioning solutions, customers' ESG (Environmental, Social, and Governance) goals for energy conservation and carbon reduction are facilitated.

I. The variable frequency household products all achieve the government's seasonal performance factor (CSPF) level 1, and use high-efficiency and energy-saving R32 refrigerant. This improves efficiency, reduces carbon emissions, mitigates global warming, and features antibacterial, antifungal self-cleaning functions, as well as ergonomic 3D airflow.

II. Develope a new generation of variable frequency outdoor units and a parallel variable refrigerant flow (VRF) system. The entire series meets the CSPF level 1 energy efficiency standard. The units can be paralleled up to 72HP, meeting the requirements for green buildings and high-end commercial offices

III. Develope a 500RT magnetic levitation centrifugal chiller, adopting a multi-pressure single-system design with high IPLV values. It can operate steadily even at only 10% partial load, achieving minimal energy consumption for air conditioning output and maintaining constant temperature control. Additionally, we have introduced a smart energy-saving solution that can control energy-saving groups for four major peripheral devices, including chiller pumps, cooling water pumps, cooling towers, and air handling units. This solution provides energy management and preventive maintenance diagnostics services. Furthermore, we have developed high-efficiency IPLV direct-drive variable frequency permanent magnet screw chillers, offering customers different energy-saving options.

IV. Develope a variable frequency condensing unit for refrigeration and freezing applications using the environmentally friendly refrigerant R407H. Additionally, we have developed specialized refrigeration units for the food cold chain, suitable for use in convenience stores, supermarkets, agriculture, fisheries, and aquaculture industries, providing various tailored solutions.

V. Develope commercial fixed-frequency and variable-frequency air-cooled chiller units tailored for use in industrial plants, as well as commercial constant temperature and humidity air conditioning units.

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, including opportunities for the indoor construction of 15 or more Taiwan Power Company (Taipower) substations. The Products Division of Tatung provides equipment for electrical needs, such as 161kV, 69kV GIS, distribution panels, switchgear, overhead line switches, and other products. We are actively seeking subcontracting opportunities for Taipower substation projects. In the evaluation process, the Tatung Products Division has proposed a solution for future product development trends in the Taipower market: the 23kV C-GIS (Compact Gas Insulated Switchgear) green switch without SF6 (sulfur hexafluoride), in cooperation with Siemens technology.

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.

## 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<br>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<br>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 took the lead in increasing the energy efficiency of motors to IE4 in July 2023, and The United States is expected to enact and implement regulations by 2027, with other regions expected to follow suit over the next five years. Amid the trend of energy conservation and carbon reduction, governments worldwide are setting standards for motor efficiency, gradually replacing inefficient products with high-efficiency motors. This is expected to spark a global wave of motor replacement. The demand for high-efficiency, energy-saving, and carbon-reducing motors is increasing year by year, becoming the mainstream trend of development.

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.

(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. 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, 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, to augment Taiwanese brands' international competitiveness.

(c) Mechatronic engineering and electrical equipment industry

The development trend of mechanical and electrical engineering and power equipment is primarily heading towards green energy. 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$1,133,493 thousand on R&D in 2023. R&D expense is booked as NT$244,145 thousand in the first three month in 2024.

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. E710 next-generation compact inverter
5. IE5 ultra-high energy efficiency synchronous reluctance motor and drive
6. Development of high-efficiency, high-power-density steel shell motors (T-Hipro+).
7. EC Motor.
8. Active magnetic bearing controller.
9. Large-scale two-pole rigid shaft variable frequency intelligent motor.
10. Development of next-generation insulation systems.
11. Mobile electrical room (E-Skid).

b. Automation and Intelligent System Category

1. ACS2 dedicated servo drive product.
2. High-performance precision digital communication AC servo drive system.
3. High-power density energy-saving matrix-type variable frequency drive electromechanical integrated unit.
4. Rear-mounted fuseless circuit breaker.

c. Renewable energy- green energy

1. Heat recovery system of high-speed generator and inverter
2. Offshore wind generator technology

d. EV power train

1. Localization plan for 250kW motor and drive for electric bus
2. 130kW electric vehicle commercial vehicle integrated powertrain solution.
3. SiC driver and high-performance motor powertrain solution for electric vehicles.

4. Traction motor for rail vehicles.

e. Freezing and Air-Conditioning Category

1. Full range of new R32 refrigerant high-efficiency beyond Grade 1 inverter air conditioning units with self-cleaning function.
2. Next-generation high-efficiency beyond Grade 1 inverter air conditioning units, with VRF system that can be paralleled.
3. Ultra-efficient IPLV magnetic levitation centrifugal variable frequency chiller units.
4. Ultra-efficient IPLV direct current variable frequency permanent magnet screw chiller units.
5. Industrial plant-specific commercial fixed/frequency-variable air-cooled chiller units, and commercial constant temperature and humidity air conditioning.

6. Full range of 3~8HP R407H environmentally friendly refrigerant variable frequency condensing units for refrigeration and freezing.

7. Refrigeration and freezing brine units for food cold chain.

8. Smart energy-saving air treatment products:

- Inverter self-cleaning concealed dehumidifiers

- Air purifying fresh air units

- Bathroom heating fans

- Air conditioning-specific purification modules

- TECO i-Air air treatment solution (system integration control of air conditioning units /dehumidifiers /fresh air units /antibacterial functions)

- New generation TaiSEIA series for home and commercial air conditioning with smart control and APP solutions.

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

In recent years, as various countries have been strengthening energy efficiency policies, TECO has continuously introduced high-efficiency motors, further enhancing overall sales and market share. In the short term, we will continue to promote global production and sales layout, consolidating our manufacturing capabilities and cost control. In the long term, our business development goal is to enter the top three in global market share for motors. The key development plans are as follows:

Energy Saving and Carbon Reduction: In response to carbon neutrality and electricity pricing issues, the manufacturing industry has a pressing need for energy-saving solutions. TECO provides customers with high-efficiency motors such as IE4+ motors, synchronous reluctance motors, and permanent magnet motors. Additionally, we integrate group resources to offer energy-saving system solutions tailored to industry needs. Leveraging past successful cases and collaborating with ESCO providers, we aim to expand energy-saving opportunities.

Green Energy: CCUS (Carbon Capture, Utilization, and Storage) and Hydrogen play crucial roles in achieving carbon neutrality. In response to North American policies and related investments in hydrogen fueling stations, TECO actively seizes this opportunity by providing relevant products and solutions for the establishment of infrastructure for hydrogen manufacturing, storage, transportation, and fueling stations. We offer products and solutions for equipment applications such as pumps, compressors, and explosion-proof motors to meet the needs of equipment manufacturers.

Electrification: To achieve the goal of zero carbon emissions by 2050, replacing diesel engine power with motors has become a global trend. TECO's mobile variable frequency control station (VB-skid) combined with high-efficiency motors has successfully provided comprehensive solutions for pipeline operators in the North American petrochemical industry (including motors, variable frequency drives, programmable controllers, transformers, and switch control systems). Additionally, the expansion of power facilities in remote areas of North America has created more opportunities for this solution. Meanwhile, TECO is seeking more potential new customers in Southeast Asia and Australia to address this trend. The electrification of vehicles is applied in markets such as electric buses, retrofit vehicles, commercial trucks, and ship propulsion. In the Taiwanese market, under the policy of domestic production of electric buses, TECO has secured orders for the power system of electric buses in Taiwan. In response to the Buy America policy in the North American market, a new sales company, NexE, has been established to collaborate with regional power companies, prominent school bus operators, and retrofit vehicle manufacturers to promote green energy products. In the Indian market, production lines have been established to facilitate cooperation with local customers and manufacturers, taking advantage of local opportunities.

High Potential Regional Development: In September 2023, the completion of the Mexico plant enabled TECO to provide short lead-time services to supply the North American, Mexican, and Central American markets. This was achieved through strategic partnerships with local OEM customers, primarily international pump equipment manufacturers. In November 2023, the inauguration of the new Bangalore plant in India, in collaboration with the original Indian North supply chain and partner Mitsui, aimed at expanding business in India's local distribution system and EV market. For the Southeast Asian market, efforts were focused on promoting coverage in regions with lower penetration rates in Indonesia and Malaysia, while also exploring market expansion opportunities with more competitive products.

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 a track record of approximately 170MW in Taiwan and overseas IDC (Internet Data Center) construction, assisting the cloud computing industry in building large-scale data processing centers. As the cloud industry flourishes, this adds growth momentum to TECO. As an example of successful collaboration with Taipower, TECO has built the Longtan Energy Storage System, the largest self-built energy storage facility in Taiwan. Covering an area of 0.66 hectares, equipped with 25 containers, and a total storage capacity of 80MWh, equivalent to the daily electricity consumption of nearly 8,000 households, it accounts for 37.5% of Taipower's self-built storage capacity. TECO has introduced an Energy Storage Management System (ESMS), which actively uploads system operating status every 10 seconds. The actual response time of the energy storage system was less than 0.4 seconds, surpassing the requirement of less than 1 second, with an execution rate exceeding 99%, better than the required 95%. Furthermore, TECO has implemented multiple protective measures for energy storage safety, including gas detectors, isolation switches, and clean gas fire extinguishing agents. It actively expands offshore wind power offshore substation projects, smart energy business opportunities, and overseas markets. In terms of solar energy projects, TECO has completed the construction of a self-built solar energy project with a capacity of 10.4MW, with a total contracted scale exceeding 15MW. In the field of energy storage, in addition to achieving the localization production target for PCS (Power Conversion System), TECO's technical team, with rich experience in energy storage systems and EMS (Energy Management System) integration capabilities, actively participates in Taipower's and private energy storage projects, with a total contracted scale exceeding 160MW.

## 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, South East Asia, mainland China and Taiwan, and are actively expanding the markets in the Phillipine, Middle East, India and Vietnam.

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. The EU Minimum Energy Performance Standards (MEPS) implemented the IE4 minimum efficiency standard in July 2023, with Taiwan expected to follow suit in 2025 and the United States in 2027. This is anticipated to trigger a wave of motor upgrades. Our company is committed to developing energy-efficient products. TECO introduced high-efficiency motors compliant with IE4 regulations as early as 2015 and continues to focus on the development of IE5 motor-related technologies. It is expected that our motor products will continue to grow accordingly.

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. Due to the Indian government's policies such as the Production-Linked Incentive (PLI) and Faster Adoption and Manufacturing of Hybrid and Electric Vehicles Phase II (FAMEII) incentives provided to users and operators, TECO established a motor factory in India in 2023. If mass production is achieved in the future, it will meet the conditions for local production incentives. TECO has initiated specification alignment and powertrain testing with several Indian startup e-Truck manufacturers.

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.
- The global supply chain layout was expanded in 2023 with the addition of motor factories in Mexico and India, aiming to shorten lead times to meet market demand.

(b) Unfavorable factors

- Taiwan Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price
- 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 in Asia.
- Tier 1 motor suppliers sell system or total solution. In fact, more and more customers expect to buy total solution with motor.
- The strategic partnership model between motor factories and equipment suppliers will impact the difficulty of winning contracts.

(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.
- Join hands with foreign engineering firms in soliciting project orders.
- Relocating some production bases to Vietnam India and Mexico factories to reduce the export costs increased due to the US-China trade war

B. Air Conditioners and Home Appliances n

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 Indonesia.

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 continues to deepen its presence in the energy-saving sector within the air conditioning field by launching a new line of energy-efficient air conditioners that exceed the current first-level energy efficiency standard by 20%. In addition to smart networking functions, these air conditioners also introduce immersive comfort cooling, a pioneering feature. Starting from an ESG concept, the company has developed the industry's only solar panel air conditioner, achieving comprehensive energy-saving and emission reduction advantages, which has been well received in the market.

The Ministry of Economic Affairs has allocated a budget of NTD3 billion to promote the "Residential Appliance Replacement Energy Subsidy" and the "Commercial Service Industry Energy-saving Equipment Subsidy." Regarding the subsidy policy for energy-saving equipment replacement in the commercial service industry, applicants can choose between replacing individual equipment with first-level energy-efficient products or replacing entire system energy-saving projects for subsidy applications. The energy subsidy program started in February 2024 and covers all 22 counties and cities nationwide. Eligible applicants include all service industry sectors in the commercial sector, such as retail, catering, beauty salons, laundry services, as well as medical institutions, short-term cram schools, schools at all levels, government agencies, and law firms.

Products from TECO ranging from small split air conditioners to large chilled water systems all meet the first-level energy efficiency standards, thus estimated to benefit from the energy subsidy program and drive a wave of replacements, ultimately boosting 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 combines 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

TECO brand circuit breakers, contactors, ACBs, RCS, ATS, and other products are among the top two manufacturers of low-voltage switching products in the domestic market. They are widely used in residential, industrial, and public engineering projects, as well as in machinery and Taipower’s markets. The domestic market share is approximately 20%.

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 2023, 10.43GW of solar power generation systems and 2.14GW of wind power generation units have been completed in Taiwan. There are still 9.57GW of solar power generation systems to be built by 2025, representing a market opportunity of approximately NT$ 478.5 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 and STATCOM for Taipower 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;
- Raw materials and high-voltage equipment prices are rising

(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 | Household, commercial, industrial use | Design, planning, assembly, and matching |

| Products | Use | Production Process |
|---|---|---|
| machine tool, low-temperature logistics freezer, heat-dissipation module for PC | | |
| 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 | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Electromechanical system and automation products | 3,454,192 | 1,363,183 | 16,520,388 | 3,168,934 | 1,069,315 | 14,887,286 |
| Air Conditioners & Home Appliacnes | 292,351 | 280,826 | 2,944,091 | 292,348 | 246,672 | 2,512,758 |
| Power Equipment-device | 9,868,472 | 5,859,488 | 3,844,592 | 9,970,752 | 5,328,532 | 3,517,812 |
| Others(Tecom) | 339,084 | 250,528 | 925,394 | 339,084 | 140,757 | 642,638 |
| Total | 13,954,099 | 7,754,025 | 24,234,465 | 13,771,118 | 6,785,276 | 21,560,495 |

### 5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT$thousand

| Shipments & Sales / Year / Major Products | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Electromechanical products | 1,729,670 | 8,655,736 | 3,656,735 | 24,498,067 | 1,528,548 | 7,544,080 | 3,722,850 | 26,513,828 |
| Air Conditioners & Home Appliacnes | 575,187 | 6,076,725 | 72,846 | 511,545 | 552,074 | 4,793,256 | 45,091 | 464,122 |
| Engineering Income | | 8,389,854 | | | | 10,510,676 | | |
| Other | | 9,040,030 | | 1,143,258 | | 8,485,278 | | 1,082,421 |
| Total | 2,304,856 | 32,162,345 | 3,729,581 | 26,152,871 | 2,080,622 | 31,333,290 | 3,767,941 | 28,060,371 |

## 5.3 Human Resources

| Year | | 2022 | | 2023 | | April 10 2024 | |
|---|---|---|---|---|---|---|---|
| | | TECO | Global | TECO | Global | TECO | Global |
| Number of Employees | | 2,269 | 13,030 | 2,271 | 13,415 | 2,258 | 13,139 |
| Average Age | | 43.5 | 41.5 | 44.2 | 42.6 | 44.4 | 42.3 |
| Average Years of Service | | 14.9 | 9.7 | 15.0 | 8.6 | 15.1 | 9.0 |
| Education | Master above | 13.5 | 6.5 | 14.6 | 6.0 | 14.7 | 6.3 |
| | Colleage | 57.9 | 51.4 | 56.8 | 51.2 | 57.0 | 51.3 |
| | Senior high | 24.5 | 31.3 | 24.7 | 31.7 | 24.5 | 31.2 |
| | Junior high and below | 4.1 | 11.4 | 3.9 | 11.1 | 3.8 | 11.1 |

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; Simultaneously, solar energy infrastructure is being implemented at factories in mainland China and Southeast Asia. In 2023, the facilities in Wuxi Taike and Wuxi Precision on the mainland, as well as subsidiaries in Singapore, Malaysia, and Italy, have been completed and have begun generating power. Moving forward, expansion efforts will continue into 2024 and beyond. Improvements in equipment and processes:

Both domestic and overseas factories are undergoing simultaneous process improvements to reduce greenhouse gas emissions. Notably, the Hukou factory has significantly reduced its SF6 process emission rate by about 80% since the beginning of its improvement efforts. These efforts will continue into 2024 with the aim of further refinement. The Guanyin factory's advancements in home appliance production processes, initiated in 2022, have also significantly reduced refrigerant emission rates by approximately 63%. Improvements will continue in 2024. Moreover, the experience gained from improvements at the Taiwan factories is being extended to assist overseas factories in reducing refrigerant emissions.

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

b. Plan for management improvement

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

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

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

In response to the trend of global climate change, the company has started to conduct greenhouse gas inventory business since 2005. TECO passed the external verification of annual greenhouse gas inventory (ISO 14064-1); major overseas bases will be covered in 2023. All employees are mobilized to continuously promote energy conservation and carbon reduction schemes. The energy conservation taskforce is established to promote the feasible plans.

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

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

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

i. Plans in next three years

| 2024 | 2025 | 2026 |
|---|---|---|
| The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued. | The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued. | The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued. |
| By implementing environmentally friendly paint systems, the proportion of eco-friendly paints will be increased. | Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems. | Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems. |
| Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes. | Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes. | Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes. |
| Improvement of the process environment around the plant. | Improvement of the process environment around the plant. | Improvement of the process environment around the plant. |
| Continued implementation of smart air compressor systems to enhance operational efficiency. | Continued implementation of smart air compressor systems to enhance operational efficiency. | Continued implementation of smart air compressor systems to enhance operational efficiency. |
| Ongoing improvements to lighting systems to conserve energy. | Ongoing improvements to lighting systems to conserve energy. | Ongoing improvements to lighting systems to conserve energy. |

ii. Projected outlays (Unit: NT$thousand)

| 2024 | 2025 | 2026 |
|---|---|---|
| $ 130,823 | $ 40,138 | $ 65,254 |

(b) Expected improvements

i. In addition to reducing greenhouse gas emissions and lowering electricity costs, solar energy can also mitigate potential competitive threats from impending carbon taxes. Completed systems in 2023 are expected to contribute 5.17 million kWh of electricity annually, generating an estimated annual electricity cost benefit of approximately NT$16.2 million.

ii. The introduction of environmentally friendly water-based paint has led to an environmental paint ratio of up to 85% by the end of 2024. Compared to the 2015 baseline, volatile organic compound (VOC) emissions have decreased by 62%.

iii. Implementation of remote monitoring mechanisms enables real-time monitoring of air pollution emissions to ensure compliance with relevant legal standards. Collaboration with domestic industry associations seeks opportunities for improving air and wastewater treatment.

iv. Initiatives to reduce industrial waste production, enhance waste recycling mechanisms, and seek opportunities for reuse are being promoted. Waste reduction has been officially incorporated into management indicators since 2022, making energy conservation, emission reduction, and waste reduction the responsibility of all employees. Progress is reviewed monthly by dedicated units and incorporated into quarterly departmental performance KPIs.

v. Each business group has established goals to reduce greenhouse gas emissions by 50% from 2021 to 2030, with detailed plans implemented and closely monitored by the ESG Promotion Office under the direct control of the Board of Directors.

vi. Efforts to reduce greenhouse gas emissions include developing energy-efficient and environmentally friendly products to minimize environmental impact and address energy conservation and global warming challenges. Leveraging existing control systems and energy-saving technologies, the company provides consumers with green home appliances and progressively adopts environmentally friendly refrigerants to reduce carbon dioxide emissions. Over three years (2020-2022), this initiative has saved 140 million kWh of electricity and reduced greenhouse gas emissions by 89,584 metric tons of CO2 equivalent, equivalent to the carbon absorption of 230 Daan Forest Parks.

f. Expected effect of improvement

(a) Effect on net profits

i. Introducing solar energy, the system's full load can generate 2.6 million kWh of electricity annually, reducing electricity costs. The cost benefit of electricity is approximately NT$16 million per year, equivalent to reducing carbon emissions by 3,400 metric tons.

ii. Recycle business waste to reduce commissioned processing fees

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

iv. Avoid public nuisance disputes caused by environmental pollution

v. Avoid losses caused by work suspension

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

(b) Effect on competitiveness status

i. The introduction of solar power into the grid directly reduces greenhouse gas emissions, keeping pace with the international trend to decrease such emissions. Once a carbon tax is implemented in the future, this can help mitigate potential trade barriers and cost burdens due to the tax, thereby increasing product sales opportunities and enhancing the competitiveness of the company’s products. In addition to contributing NT$16 million annually in electricity costs, exporting to the United States, for example, could potentially avoid around US$34,000 in carbon tax expenses.

ii. Developing core technical capabilities in solar energy installation will increase the company's business potential.

iii. Recycling and reusing industrial waste reduces costs and enhances product competitiveness.

iv. Enhancing the company's image aligns with stakeholders' expectations.

v. Utilizing existing technical capabilities to develop a networked power monitoring system allows for real-time control of power distribution and the identification of opportunities to save energy, while also exploring 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 diverse and open channels of communication to facilitate a harmonious and trusting relationship between labor and management, jointly creating a win-win situation. The company signed a collective agreement with the union in 1982 and has since maintained good communication. To continue stabilizing labor-management relations, promote harmony, and improve worker welfare, in 2017 the company applied for expert guidance from the supervisory authorities to initiate the revision and negotiation process. Both parties signed the revised collective agreement on February 21, 2023.

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

A. Career development and self-achievement

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

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

b. Key Talent System: Key talent refers to priority developmental talent below the managerial level within the company. A review and assessment of key talent is conducted every two years. After selection, the development status of these individuals is one of the unit's key performance indicators (KPIs), with the Human Resources Center assisting employees in setting up personalized IDPs (Individual Development Plans) to provide systematic training and development. This process aims to strengthen talent retention and drive organizational grow.

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

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

e. Mentor program: To cultivate succession and organizational capabilities among the mid-to-senior management tiers, a program has been established to identify potential successors. Based on 360-degree managerial competency assessments and individual needs, senior executives are assigned as mentors to provide guidance, share their experiences, management philosophies, offer advice, and assistance to accelerate the comprehensive growth of mentees. Additionally, potential successors are identified from mid-to-senior management ranks, with direct mentorship provided by the president. Through mutual exchange among mentees from different business units, discussions on development directions,

cross-unit projects, and seeking external resources to establish connections are encouraged to broaden perspectives. Regular group counseling meetings are held for mentors and mentees to provide relevant advice and guidance based on the progress of various projects and developmental situations within the group.

f. Digital Transformation and Digital Talent Cultivation:

(1) Digitalization of Knowledge Learning: In recent years, the company has made progress in digitizing knowledge learning. Since the second half of 2022, a new learning platform called "TECO e-Academy" has been introduced, establishing a stronger foundation for digital learning. In 2023, the platform's application scope was continuously expanded, with more diverse online courses introduced, making the platform an important driver for internal knowledge sharing, learning growth, and cultural development within the company.

(2) Digital Competitions: Internal digital project competitions were held with a focus on data-driven themes, going through problem ideation, project proposals, proof of concepts (POC), and result reviews. Competition teams completed testing and achieved initial results. These outcomes helped the company make data-driven decisions, further uncovering new potential business models, becoming catalysts for the company's new operational model outputs.

(3) Digital Seed Cultivation Program: To address the rapidly evolving trend of digital transformation, the company held question formulation workshops in 2023, aiming to lay a solid foundation for digital competitions and teach participants how to propose innovative competition topics. Additionally, in July, the company launched a two-day smart manufacturing course focusing on digital transformation, dedicated to deepening the understanding of frontline to mid-level managers on the concepts and applications of digital transformation and smart manufacturing.

B. Protection of employee rights

a. Job-Seeker Safety Assurance: In accordance with the Personal Data Protection Act, the company ensures the security of job-seekers' personal data and does not use it for purposes other than recruitment and selection without the job-seekers' consent. Employment practices and policies follow labor laws and TECO Electric & Machinery's human rights policy, ensuring fairness, non-discrimination, prohibition of child labor, and a ban on forced and compulsory labor.

b. Gender Equality Assurance: The company implements and advocates for gender equality through policies aimed at reducing gender ratio disparities. It has established the "TECO WAO! (Women's Ability Organization)" club, offers diverse and inclusive leave options, creates a family-friendly work environment, and respects diverse genders through relevant seminars and advocacy. In 2022, the company was awarded the Bronze Award for Workplace Gender Equality Certification by Taipei City.

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; Since 2023, all employees have been eligible to apply for participation in the Employee Stock Ownership Trust according to the regulations of the Employee Stock Ownership Association. The company will allocate subsidies to encourage colleagues to hold company stocks for the long term, fostering a partnership where employees are shareholders in the company's operations, thus enhancing employee engagement and performance.

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 you choose to apply the labor pension regulations after July 1, 1995, the company will pay 6% of the employee’s monthly salary to the labor insurance bureau’s personal account according to the government’s monthly labor retirement salary grading table.

d. Communication channels and employee satisfaction survey: The company actively builds communication bridges with employees, and has won the National Labor-Management Relations Excellent Institution Award, the Labor-Management Conference Demonstration Observation Award, and

Taoyuan County's "Excellent Industrial Relations Institution Award". In addition to the labor unions, labor-management meetings, and regular employee quarterly meetings and factory meetings, colleagues also conduct [employee satisfaction surveys] every year, and respond to their needs through anonymous questionnaire surveys

C. Work-life balance

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

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

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

d. Physical and mental health promotion: In order to take care of the physical and mental health of employees, in addition to providing healthy and delicious employee meals, the company has set up full-time nursing staff in each factory area. health. At the same time, it promotes various health promotion activities, establishes various leisure and sports clubs, and provides spiritual growth courses and stress relief massage services. It is also committed to the establishment of a "maternal friendly environment". Since 2019, the breastfeeding room at the Nangang headquarters has consistently received excellent certification from the Taipei City Government. The company provides maternity health protection consultation for pregnant female employees and offers 10 days of maternity check-up leave, exceeding legal requirements, to help employees start and maintain families with peace of mind. Additionally, since 2023, the Nangang headquarters has added two AEDs (automated external defibrillators) on-site and received Taipei City's AED Safe Place certification, enhancing the health and safety of employees.

D. Guidelines for employee behavior or ethics

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

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

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

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

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

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

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

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

(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) | 1 | 0 |
| Certified Internal Auditor | 2 | 0 |
| Securities, futures and investment trust investment advisory test organized by the Securities and Exchange Commission | 3 | 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

In 2021, our company established the Information Security Committee under the Corporate Governance and Sustainability Committee of the Board of Directors. This committee is responsible for executing information operation security management planning, establishing and maintaining an information security management system, and coordinating the formulation, implementation, and compliance of information security policies. In the same year, we obtained certification for our Information Security Management System (ISMS) in compliance with the international standard ISO 27001.

The Information Security Committee conducts semi-annual management review meetings to regularly review various information security operations and implement corresponding protective measures and strategies to ensure the continued applicability, suitability, and effectiveness of the information security management system.

This year, we have also successfully passed the ISO 27001 recertification audit for our Information Security Management System (ISMS). Through third-party verification, we aim to effectively validate the implementation of various information security management measures, thereby establishing a secure and trustworthy operational service environment. This allows us to provide customers with stable and reliable products and services, reduce operational risks for the company, and maximize the investment value and benefits for shareholders.

Regarding intellectual property management, our company obtained the "Taiwan Intellectual Property Management System (TIPS) Grade A" certification from the Ministry of Economic Affairs in 2021. We applied for recertification in 2022 and successfully passed, with the certificate valid until December 31, 2024.

### 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 | Yaguang Co., Ltd. and a total of 1045 other companies | One year after the signing contract/starting of shipment, should any party fail to notify contrary opinion one month before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards. | Rights and obligations for agency for home appliances, electric motor, heavy electric products, power device and and air conditioners. | None |
| 2. Project Undertaking | Taoyuan International Airport Co., Ltd. | The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period. | Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction | None |
| 3. Project Undertaking | Taoyuan International Airport Co., Ltd. | The contract was signed on August 30, 2022, and is valid until the expiration of the warranty period. | The motor project at Taoyuan Airport Terminal 3 Area. | None |
| 4. Project Undertaking | CIP Copenhagen Infrastructure Fund | The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period. | Changfang and Xidao Offshore Wind Farm Substation early work agreement, condition of contract | None |
| 5. Project Undertaking | Century Biotech Development Corporation | The contract was signed on June 29, 2020, and is valid until the expiration of the warranty period. | The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT). | None |
| 6. Major credit contract | ANZ Bank, HSBC (Taiwan), and First Commercial Bank Co., Ltd, … | From October 1, 2019, until June 27, 2128, at the latest. | Long-term financing contracts with an annual interest rate ranging from 1.35% to 9.31%, with 49.26% of the financing secured by assets provided as collateral. | The contract imposes different restrictions during the borrowing period concerning capital maintenance, the purpose of funds, and the acquisition or disposal of significant assets. It also requires the maintenance of certain financial ratios. |
| 7. Project Undertaking | Hai Long II Wind Power Co., Ltd. etc. | The contract was signed on October 14, 2022, and is valid until the expiration of the warranty period. | EPC project of onshore substation of Hailong offshore wind farm | None |

| Agreement | Counterparty | Period | Major contents | Restrictions |
|---|---|---|---|---|
| 8. Project Undertaking | Exyte Taiwan Co., Ltd. | The contract was signed on December 3, 2021, and is valid until the expiration of the warranty period. | CHG-5 ELECTRICAL WORKS | None |
| 9. Project Undertaking | China Steel Power Corporation | The contract was signed on July 7 2020, and is valid until the expiration of the warranty period. | EPC project of onshore substation of China Steel Power offshore wind farm | None |
| 10. Project Undertaking | Zhonglu Construction Co., Ltd. | The contract was signed on December 6, 2021, and is valid until the expiration of the warranty period. | New construction project of Yangmei highly efficient plant for Walsin | None |
| 11. Project Undertaking | National Archives Administration, National Development Council and Construction and Planning Agency Ministry of the Interior | The contract is effective from July 7, 2020, until the expiration of the warranty period. | New project for National Archives | None |
| 12. Project Undertaking | Taiwan Power Company Limited | The contract is effective from April 14, 2022, until the expiration of the warranty period. | The energy storage system at Longtan Ultra-High Voltage Substation (E/S). | None |
| 13. Land Joint Development Agreement | Mingtai Property Insurance Co., Ltd Dong'an Asset Development Management Co., Ltd. | The contract is effective from February 10, 2023, until the expiration of the warranty period. | Joint development of land located at No. 934, Section 2, Jilin Segment 2 in Zhongshan District, Taipei City. | None |
| 14. Contract for the Construction Project of the TECO Mingtai Building | Fujyu Construction Co., Ltd. | The contract is effective from June 17, 2023, until the expiration of the warranty period. | Construction project for the new building of TECO Mingtai. | None |
| 15. Project Undertaking | Taiwan Power Company Limited | The contract is effective from August 29, 2023, until the expiration of the warranty period. | Contract for the turnkey project of the 161kV Static Synchronous Compensator (STATCOM) for the Zhangong Boosting Substation and Yongxing Switching Station. | None |
| 16. Project Undertaking | Railway Bureau, Ministry of Transportation | The contract is effective from November 24, 2022, until the expiration of the warranty period. | Tainan Railway Underground Project E202Z Contract for Permanent Track Infrastructure, Telecommunications, Tunnel Ventilation, and Central Monitoring System Works. | None |
| 17. Project Undertaking | Yixiangle International Co., Ltd. | The contract is effective from August 9, 2022, until the expiration of the warranty period. | Construction of Air Conditioning Equipment for the New Building Project of the Asia Pacific Empire Commercial Building". | None |
| 18. Joint Venture Agreement | Torg An Asset Development Management Co., Ltd. Kingdom Construction Co., Ltd. | The contract is effective from March 26, 2021, until the expiration of the warranty period. | Joint Development of 16 Parcels of Land in Hongfu Section, Xinzhuang District, New Taipei City. | Urban renewal is carried out in accordance with the "Urban Renewal Act," and executed through a joint development approach. |