東元電機

TECO Electric & Machinery Co., Ltd.

Annual CSR Report

2020

About this Report

TECO has been issuing the CSR reports on an annual basis since 2010. These reports disclose sustainability strategies and implementation performance information in the 3 dimensions of environment (E), society (S), and governance (G). The goal is to give stakeholders a better understanding of TECO's efforts and commitments to continued improvements in the sustainable development in these three areas.
As of 2012, annual reports are verified by a professional third-party organization to increase the credibility of TECO's CSR reports through third-party inspections. These verifications serve as the basis for the systematic inspections of CSR development and formulation of improvement goals by TECO, demonstrating the determination of TECO to promote sustainable development.

Report Compilation Procedures

1	**Confirmation of report orientation** (the CSR task force determines the core direction, material issues, reference standards and verification standards)
2	**Launching the work report to and receipt of approval from the "Corporate Governance and Sustainability Committee"**
3	**Reporting of figures and details by various subsidiaries and pants per the Report Scope and Boundaries**
4	**Third-party review and assurance**
5	**Report to the "Corporate Governance and Sustainability Committee" for confirmation**

Report Scope and Boundaries

Prior to 2013, the scope of reports was confined to operating areas in Taiwan including company HQ, manufacturing plants and the TECO Technology Foundation. In 2014, the scope was widened to encompass affiliates and TESEN Electronic. As of 2015, overseas affiliates such as TECO-Westinghouse and Taian Technology (Wuxi) were also included. In 2017, important domestic and overseas affiliates such as Wuxi TECO and TECO Electro Devices were likewise included. In 2019 all facilities in China were included in this report. From 2020 affiliates in Vietnam is newly included in this report. The report primarily presents achievements and performance data in the dimensions of environmental protection, corporate governance, and social engagement from January 1 to December 31, 2020

YEAR 2020, THE ENVIRONMENTAL AND SOCIAL INDICATORS REPORTING COVERAGE INCLUDES ALL FACILITIES IN TAIWAN, US , CHINA AND VIETNAM, WHICH COVERS 79.7% OF TOTAL TECO GROUP REVENUE.

Reporting Principles

The contents and structure of this report are based on the Core or All Options of the GRI Standards published by the Global Reporting Initiative (GRI). The GRI Standards mapping table is attached to this report for reference purposes.

Report Assurance

Internal Assurance

Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of TECO and business divisions, and quarterly KPI review meetings. The data provided are subject to review and approval by department executives. In addition, internal annual audits (coupled with external verification) of the quality management system (ISO 9001), occupational health and safety management system (OHSAS 18001 / ISO 45001), environmental management system (ISO 14001), and GHG emissions (ISO 14064-1) are conducted every year to further guarantee the accuracy of provided data.

External Assurance

TECO commissions PwC to verify the report which was compiled in accordance with the Core Options of the GRI Standards with limited assurance, based on Assurance Standards Announcement No. 1 of the Republic of China (ROC) (formulated with reference to ISAE 3000). The assurance statement is attached to this report.

Report Compilation Units

This report has been compiled by the CSR Committee and is available in Chinese and English versions, also posted on the corporate website. Reporting cycle: Annual publication.
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CSR website: http://www.teco.com.tw/csr/eng

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Sustainability Commitment

1.1 Management's Pledge

Energy Conservation, Emissions Reduction, Smart Application, Automatio

TECO relies on its core motor technologies and R&D philosophy which is centered around the four principles of Energy Conservation, Emission Reduction, Intelligence, and Automation in its efforts to realize digital transformation, lean sales and marketing, and production automation. The Company is actively committed to perfecting its Business Intelligence Management System and utilizes a digitized platform to maintain a firm grasp of the status of operations in regional offices and branches all over the world. As a result, non-consolidated revenue and profit for the year increased by 5% and 9%, respectively. Consolidated profit grew by 8% due to effective cost and expense control and decreased taxes and dues. In addition, three major production centers were completed in Taiwan, China, and Vietnam, respectively, in 2020. The Taiwan plant(s) feature a power consumption and pollution control system. The Company also persists in its efforts to implement automation through deployment and installation of AI health diagnosis and preventive maintenance systems for production equipment in its manufacturing centers.

Against the backdrop of the dual impact of the COVID-19 pandemic and declining consolidated revenues on deliveries, the sales volume of electrification products dropped in the North American, European, and Southeast Asian markets and demand for machine tools and other machinery was sluggish due to the impact of the Sino-American Trade War. However, domestic demand for energy-related electromechanical engineering increased significantly and household appliances saw brisk domestic sales mainly due to the stimulus of energy conservation subsidies. The air conditioning industry also benefited from this measure and therefore exhibited considerable growth.

Looking ahead to 2021, major forecasting institutes predict substantial growth of the global economy as vaccination drives begin and national economies are gradually recovering. The Directorate-General of Budget, Accounting, and Statistics projects a national economic growth rate of 3.83%. Several institutes expect a growth rate of 4% or higher. The growth momentum is projected to be superior to that of most economies worldwide.

Key operation strategies and growth plans for 2021 include (1) growth plans for existing business areas: Full utilization of the existing globalized production and marketing network and stepped-up development of high-performance permanent-magnet motors, synchronous reluctance motors, and medium-to high-voltage inverters. (2) Strategic development plan: Deployment of electric vehicle powertrain systems, solar power stations, onshore substations for offshore wind power, energy storage systems, and digitized & intelligent automated systems.

Implementation of Sustainable Operations

TECO has officially declared its commitment to a 10-year goal of energy conservation and emission reductions by 20% with 2015 as the base year. The goal is to decrease carbon emissions by 20% in 2025. Due to the joint efforts of all staff members, TECO achieved its emission reduction goal five years earlier than expected in 2020. Relevant measures include replacement of existing with energy-saving equipment, more efficient production scheduling, development of smart, automated production technologies, and prevention of GHG and refrigerant escape. Upon completion of the first stage, TECO will fully implement its Sustainability KPI, which encompass indicators in the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management, starting this year.

The goal is to inculcate sustainability concepts in the daily operations of each department and employee. These KPI are tracked and evaluated every quarter and are linked to salaries and incentives. This management method enables the Company to further assess its achievements in the field of emission reduction in a scientific manner. This method is paired with supplementary measures for carbon removal to achieve the

ultimate goal of carbon neutrality within the shortest time possible.

In view of the severe impact of global environmental changes on humanity, TECO is firmly dedicated to promoting industry and technology advances in Taiwan, while persisting in its efforts to expand its global layout. The Company also maintains its commitment to implementing its sustainability plan which involves electric vehicle powertrain systems, active participation in the development of renewable and green energy technology, and expansion of digitized & intelligent automated systems in sync with global industry trends. In 2020, performance in the field of corporate governance was also outstanding. Relevant achievements include the first-ever listing on the Dow Jones Sustainability Index (DJSI), inclusion in the Sustainability Yearbook of S&P Global, an international sustainability rating provider, receipt of the Taiwan Top 50 Corporate Sustainability Gold Award for seven consecutive years, and ranking among the Top 5% in the corporate governance evaluations for six years in a row. With regard to its management methods and goals, TECO has already achieved its 10-year goal of a 20% emission reduction. This decrease exceeds the national target by 100%. The goal is to maintain international competitiveness through direct pursuit of the EU target of net-zero emissions by 2050. The Company plans to expand implementation of this goal to its overseas plants in 2021 and thereby firmly implant sustainability concepts in the corporate culture of the Company.

In addition to pursuing revenues and profits, the Company also strives to realize its management philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainability." TECO aims to achieve its goal of sustainable corporate development through fulfillment of its role as a corporate citizen. The “Corporate Governance and Sustainability Committee” was established to oversee implementation results in the field of sustainability issues to facilitate the integration of the ESG (Environment, Society and Governance) indicators into the Company’s management and decision-making process, fulfill its corporate social responsibility in the areas of social inclusion and green economy, and thereby reinforce CSR and sustainability concepts.

Sophia Chiu,
Chairman of TECO

1.2 Key Indicators and Performance

The latest Dow Jones Sustainability Index (DJSI) appraisals and listings in 2020 reveal that TECO Electric & Machinery Co., Ltd. is ahead of its emerging market competitors and is the only newly-listed enterprise in the electromechanical industry this year. The Company's achievements in the field of innovation management and environmental policies & management have been recognized with a perfect score.

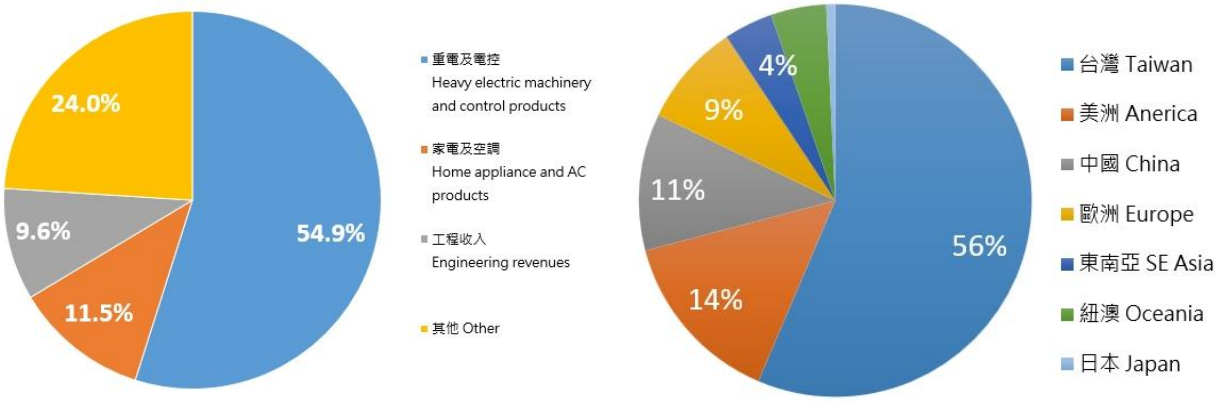
The 2021 S&P Global Sustainability Yearbook is based on performance appraisals of over 7,000 large-scale enterprises worldwide. The number of enterprises that participated in this year's appraisals reached a historic high, which bears testimony to the fierce competition to be listed in the yearbook. The inclusion of TECO in this yearbook indicates that the Company is ranked in the top 15% among its worldwide competitors in the field of sustainability performance. Top scores were achieved in the fields of innovation management, talent training, and occupational safety performance. The Company earned an almost perfect score in innovation management.

FTSE4Good TIP Taiwan ESG Index evaluates ESG investments and performance of listed companies through the adoption of the FTSE Russell ESG rating system. Constituent stocks are selected by relying on financial indicators. The index is composed of publicly listed companies that have implemented corporate social responsibility and have adequate operational performance. It currently features 66 constituent stocks, linking assets with a total value in excess of NT$ 40 billion, and is at present the most widely applied ESG indicator in Taiwan.

Mrs. Chwen-Jy, Chiu, Chairman of TECO Electric & Machinery Co., Ltd. was presented with the most prestigious "Outstanding Corporate Sustainability Professionals Award" in the individual award category. The Company was honored with the Taiwan TOP50 Corporate Sustainability Award in the comprehensive performance category, a Platinum Award in the corporate sustainability reporting category, and a Transparency & Integrity Award and Social Inclusion Award in the outstanding example category, which bears clear witness to TECO's efforts and achievements in the promotion of sustainable development

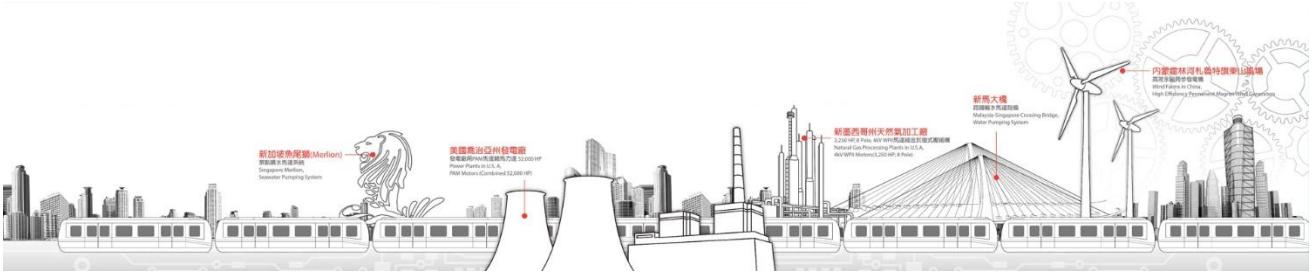
1.3 Operational Performance

Ratio of operating revenue by product and region



in thousand NT$

	2017	2018	2019	2020
Operating revenues Parent Company	21,301,208	20,879,719	18,873,312	19,819,029
Net profits Parent Company	3,092,358	3,150,089	3,221,717	3,511,358
Operating revenues TECO Group	50,942,521	50,104,927	47,909,358	45,823,430
Net profits TECO Group	3,496,200	3,475,969	3,518,780	3,811,648



Company	2020 Revenue in thousand NT$	Coverage Rate
TECO 東元電機	19,819,029	43.3%
TESEN 東勝電氣	2,285,515	5.0%
TECO-Westinghouse 東元西屋	5,813,522	12.7%
Taian Technology (Wuxi) 台科無錫	1,622,190	3.6%
Wuxi TECO 無錫東元	3,797,392	8.3%
TECO Electro Devices 東元精電	269,317	0.6%
Qingdao TECO Precision 青島東元	769,624	1.7%
Jiangxi TECO A/C 江西東成	253,601	0.6%
Wuxi TECO Precision 無錫精密	605,896	1.3%
Jiangxi TECO 江西東元	599,096	1.5%
TECO Vietnam 越南東元	523,330	1.1%
Motovario Corp	3,028,079	6.6%
Others	6,820,169	13.7%
TECO Group	45,823,430	100.0%

Stakeholder Communication

2.1 Stakeholder identification

TECO carries out exchanges with stakeholders on a scheduled basis via the communication channels and compiles issues of concern to stakeholders. Issues of concern are identified and compiled into questionnaires with reference to specific topics and disclosure items of GRI Standards, as well as "industry-specific indicators" released by GRI. These issues are compiled into questionnaires and are posted on the CSR website, and they can be filled out by stakeholders at their discretion. Since this year, TECO has asked the CSR taskforce to compile and answer the customers' requirements for ESG questionnaire and score statistics uniformly, in order to widen TECO's horizon and integrate resources to help control the movement of ESG in this industry. TECO also conducted interviews with various celebrities as stakeholders voluntarily to collect and update the issues of concern.

Materiality Analysis and Identification of Issues of Concern

Identification STEP1	● The CSR task force convenes meetings with relevant units to conduct discussions and refers to the others' experience in the same industry and GRI Standards. ● Verify the ESG key tasks and compile the same with the original tasks, then update and prioritize them, with respect to the questionnaire and industrial analysis suggestions proposed by customers and their third party auditors (including DJSI, CDP, EcoVadis, ISS ESG, Sustainalytics et al.). ● Verify the mega trend in the future and identify risks and opportunities from them.
Prioritization STEP2	Conduct interviews with key stakeholders, including thought leaders in the industry, TECO award winners, internal directors. Then gather the statistics of the scores and complete the prioritization of material issues of concern.
Confirm STEP3	The CSR taskforce verifies the completeness and scope of various issues, and match them with the tasks under GRI Standards to verify what the report shall focus on and how the report shall be prepared.
Review STEP4	Report to the "Corporate Governance and Sustainability Committee" subordinated to the Board of Directors for deliberation, included as motions to be discussed in the strategic planning process of TECO and various business units thereof and implemented in the annual plans and daily operations of each unit.

2.2 Identify Material Issues and CSR Goals from Mega Trends

To further satisfy the sustainable development vision, TECO has reviewed publication reports of numerous consulting companies this year, and has summarized the world mega trends and external impacts of force majeure events in order to analyze the impacts of external threats and opportunities on TECO's operations and to re-examine the vision and goal of corporate social responsibility.

Decarbonization against Climate Emergency

If we don't adopt major global actions, the average temperature will increase by more than 1.5℃, which is the irreversible threshold value for climate change as determined by scientists. Mankind must achieve the goal of zero carbon emissions by 2050 in order to stay below such a critical limit. Advanced countries and leading enterprises have consecutively declared their commitment to the zero carbon target year. The levying of a carbon tax may be one of the means to achieve this target.

Impact on Company Operations	1. An increase of the atmospheric temperature directly causes the internal temperature of the factory to rise, which in turn results in higher investments in ventilation and cooling facilities. Extremely cold temperatures can lead to power cuts, paralyzed traffic, and suspension of operations due to sealing off. To prevent flood damage, factories are required to install waterproof facilities and carry out basement waterproofing. Air pollution or epidemics directly force factories to implement suspension of operations. 2. Customer or regulatory requirements to achieve zero emission or levy carbon tax; customers or investors expect an increase of renewable energy usage ratios.
TECO's Strategy	1. Setting of the Sustainability KPI: Climate Impact Management; each department carries out TCFD analysis in accordance with product type and regional characteristics; upon compilation and organization by HQ, individual tracking of corrective action targeted at financial impacts each year is carried out in accordance with specific cases or regional attributes 2. Setting of the Sustainability KPI: Internal Carbon Pricing (ICP); each business division defines target product models; carbon footprint is calculated based on BOM for the raw material and process stages as a key reference for estimates of carbon border tax and tracking of the scope of corrective actions each year. 3. Setting of Sustainability KPI: Ratio of Recycled Materials and Waste Recycling; tracking of the use of recycled materials and recycling conditions in each business division and cross-company sharing of success stories
Relevant Material Issues	**Climate Change Risk and Opportunity Identification:** Search for new technologies for handling climate change and enhance bioresilience **Identification of Future Cost:** Includes the cost of carbon pricing, carbon tax etc. that may be additionally included for calculation in the future **Product life cycle management:** Includes product decarburization strategies, waste recycling, and implementation of circular economy concepts for materials **Renewable energy and green power generation**: Installation of solar power and power recovery equipment on the plant premises

Accelerated Innovation for Sustainbility

In 2020, the quantity of interconnected equipment was seven times the earth's population. The interactive business opportunities on the Internet have caused the economies of scale of enterprises to lose their absolute competitive advantage, and the expectations of consumers and even employees with regard to information tools transcend the environment that can be provided by enterprises. Capital is invested in sustainability related R&D efforts including deployment of electric vehicle powertrain systems, solar power stations, onshore substations for offshore wind power, energy storage systems, and digitized & intelligent automated systems to create new business opportunities and future thresholds.

Impact on Company Operations	1. Industrial customers and consumers request the company to provide information service environment at least equivalent to that of competitors 2. Commercial software system upgrade requirements to ensure digital security and to eliminate internet crime risk 3. Rising demands of customers and users for digital products and services due to the paralyzing impact of the epidemic on all activities 4. Acceleration of the development of core technologies and products in the fields of powertrain and energy
TECO's Strategy	1. Promotion of digital transformation, establishment of a schedule for improving the internal operation digitization level of the company, development of the BI and project management tool to promote a global collaborative information platform 2. Harnessing of TECO's brand characteristics to unlock energy-saving product solutions in the fields of "powertrain" and "energy" and pursuit of investments, mergers & acquisitions, and opportunities for strategic cooperation. 3. Investment in smart electrical engineering production lines, three-fold enhancement of the overall efficiency, building of four major short-chain production modes worldwide, and increase of localized production ratios and shortened delivery times
Relevant Material Issues	**Green Product and Innovation Management:** Increase of product energy efficiency and energy-saving product shipping ratios **Economic and Financial Performance:** Building of digital management capacities, enhancement of Return on Equity (RoE), and focus on the core business **Corporate Governance:** Building of digital management capacities, modernization of board of director functions, conformity to external stakeholder expectations, restructuring of group resources, stepped-up of investments in the development of core products, acceleration of industry cooperation, and enhancement of e-vehicle technical standards

Geopolitical Changes

New emerging economies, especially Brazil and Russia, are under decline. China is facing the re-balance process of transformation from the previous reliance on export and capital investment model to domestic demand consumption model. India may become the world's second largest economy surpassing the U.S. by 2050. The use of the country-centered political and economic notion becomes the mainstream. As the future outlook becomes more uncertain than the past years, to manage the potential fluctuation, risk diversification among economies becomes more important nowadays.

Impact on Company Operations	1. Use country-centered trade laws and barriers 2. The change of emerging economy power 3. New plant construction and international talent management 1. Awakening of labor human rights in new emerging countries and active audit responsibility
TECO's Strategy	1. Build local manufacture center with SmartAuto production capability. Construct short-chain production model, increase local production ratio and shorten delivery date 2. Observe and track the implementation method of "Carbon Border Tax" adopted by the EU and the U.S. 1. Integrate local human resources and audit organization, cooperate with the customers' demand to actively discover any events that may lead to a human rights issue or special cultural customs and investigate
Relevant Material Issues	**Code of Conduct and Legal Compliance:** Emphasize employees' personal code of ethics and enhance legal compliance audit **Policy and International Influence:** Through corporate events to promote the establishment and promotion of country industry policies **Supply Chain Resilience:** Increase global production flexibility, assist the transformation of Taiwan small and medium enterprises and provide guidance in energy conservation and emission reduction in order to increase international competitiveness

The Uncertainty of Oil & Gas Industry

The oil and gas is deeply affected by international market trends. The recurrence of the epidemic had a profound impact on all market activities. Key factors that have a direct impact on the industry include the production cut agreement between OPEC nations and Russia and whether or not it will be honored, the follow-up development of the Sino-US Trade War, and global support for renewable energy. In addition, industry leaders such as Shell also face significant challenges. In a historic verdict, the Hague District Court ordered the losing party Royal Dutch Shell PLC, to cut carbon emissions by 45% by 2030. In the election of a new board of directors for US oil giant Exxon Mobil, the carbon reduction investment fund garnered two seats. A recently convened shareholders' meeting of Chevron adopted a resolution requiring the Company to expand its carbon reduction targets by including Scope 3 emissions.

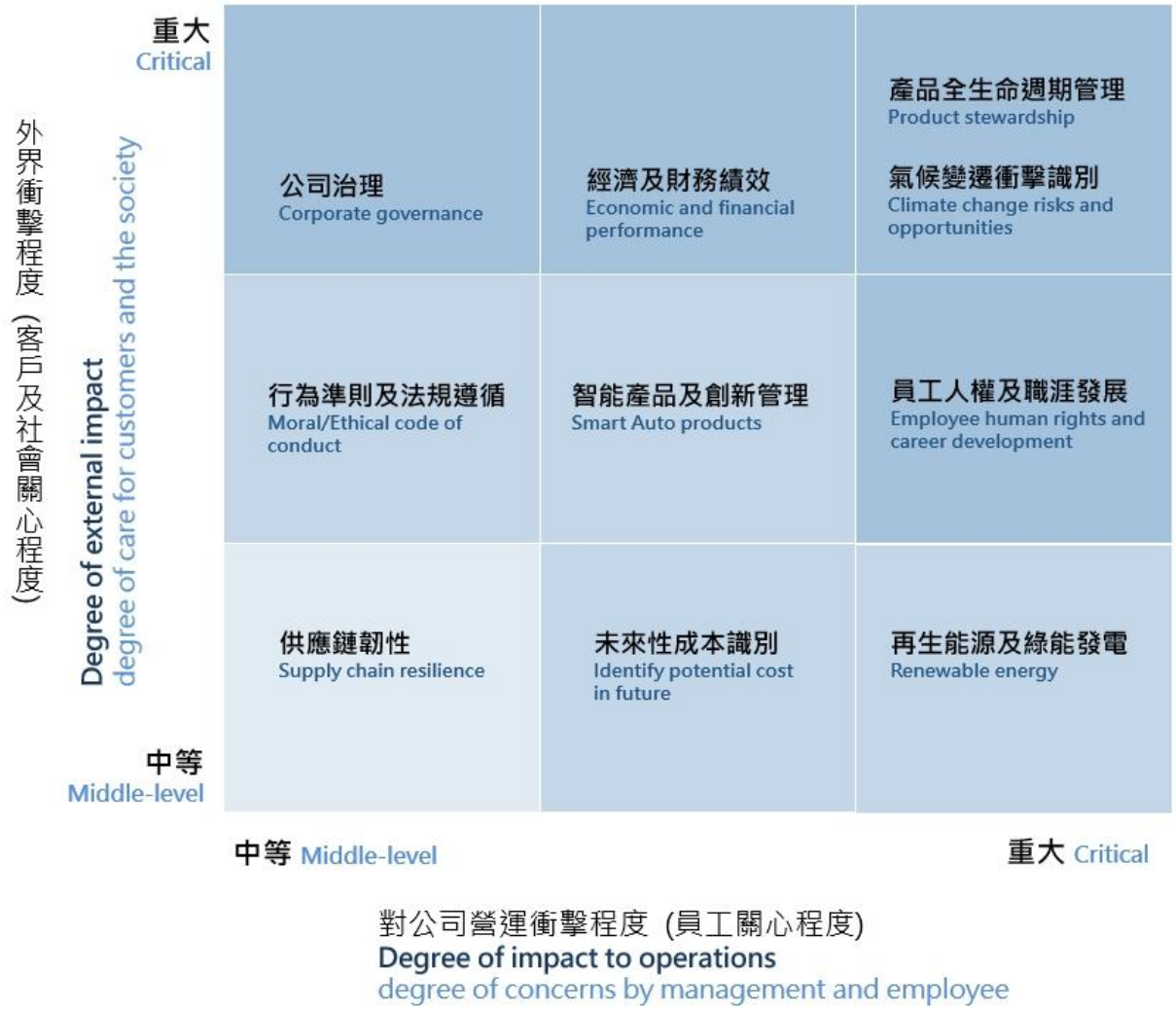
Impact on Company Operations	The Oil and Gas Industry is one of the key markets for the Company's customized large-sized motors. Covers 32% of revenue. Key clients are located in the US, Canada, Saudi Arabia, Indonesia, and Taiwan. Growth or decline of the industry has a direct impact on the Company's order volume.  EXXON MOBILE 460kW Indonesia (Banyu Urip Oil Field)  Natural Gas (New Mexico Utility) 3,250 HP (Compressor)  Shale Gas/Oil HESS Pipeline Project  SADARA Project 26 Chemical Factories
TECO's Strategy	1. The case of TECO-Westinghouse Motor Company in Texas, USA provides insight into new European and US policies which are targeted at the petrochemical industry in an effort to combat climate change such as termination of oil drilling operations, the Keystone XL pipeline project, and changed customer demands. 2. With a view to meeting the demands of large customers in the field of carbon reduction, we offer assistance in the replacement and maintenance of power saving facilities. 3. Against the backdrop of the petrochemical industry transformation process, we develop and supply new-generation facilities such as e-truck charging stations which can be integrated into US gas stations.
Relevant Material Issues	**Identification of Future Cost:** Includes the cost of carbon pricing, carbon tax etc. that may be additionally included for calculation in the future **Green Product and Innovation** Management: Increase of product energy efficiency and energy-saving product shipping ratios **Economic and Financial Performance:** Building of digital management capacities, enhancement of Return on Equity (RoE), and focus on the core business

Material issues identified are as Follows:

Reconsider material issues from last year and world mega trends. This year we keep 10 most significant issues and develop company strategy based on them.

- **Product stewardship:** Includes production waste recycle and material circular economy establishment
- **Climate change risks and opportunities:** Seek new technologies for handling climate changes and enhance bioresilience. Implment sustainability KPI into management culture.
- **Economic and Financial Performance:** Establish management capability with digital tools and enable real-time decision-making mechanism.
- **Employee human rights and career development** Identify potential infringement, transparent training and promotion channel, prepare future productivity source
- **Corporate Governance:** Establish a digital management ability and sound board of directors' functions
- **SmartAuto products:** Increase product energy efficiency and increase the energy saving product shipping ratio
- **Renewable energy:** Includes plant site solar power and waste heat reuse etc.
- **Moral/Ethical Code of Conduct:** Emphasize employees' personal code of ethics and enhance legal compliance audit
- **Identify potential costs in the future:** Includes the calculation of costs of carbon pricing, carbon tax etc. that may be imposed in the future
- **Supply Chain Resilience:** Increase global production flexibility, assist transformation of small medium corporations and provide assistance in energy conservation, emission reduction, and increase international competitiveness

Material Issue are prioritized in the matrix:



Relevant analysis results clearly indicate a rapidly rising emphasis on decarburization and rising confidence in already deployed short-chain supply frameworks among employees against the backdrop of a strong focus on internal training in the Company and noticeable climate change in 2020. It should be pointed out that the expectations of outsiders with regard to corporate governance and economic performance have grown significantly under conditions of increasing pressure caused by external shareholder actions.

2.3 Material Issues and Sustainable Development Goals (SDGs)

Material issues		Importance for TECO	Management approach	SDG
Sustainable existence	**Product stewardship**	We encourage material and waste recycling in all work environments to ensure gradual realization of TECO's zero carbon goal.	Setting of Sustainability KPI: Ratio of Recycled Materials and Waste Recycling; tracking of the use of recycled materials and recycling conditions in each business division and cross-company sharing of success stories	
	Identify potential costs in the future	The goal of internal carbon pricing lies in the identification of carbon emission reduction methods and tracking results through estimates of the carbon content of every product in the raw material and manufacturing stage.	Setting of the Sustainability KPI: Internal Carbon Pricing (ICP); each business division defines target product models; carbon footprint is calculated based on BOM for the raw material and process stages as a key reference for estimates of carbon border tax and tracking of the scope of corrective actions each year.	
	Climate change risks and opportunities	TCFD is an international climate risk reporting framework that converts climate change impacts into financial analyses. TECO is one of the members and supporters of this organization.	Setting of the Sustainability KPI: Climate Impact Management; each department carries out TCFD analysis in accordance with product type and regional characteristics; upon compilation and organization by HQ, individual tracking of corrective action targeted at financial impacts each year is carried out in accordance with specific cases or regional attributes	
	Renewable energy and green power generation	The goal is to ease the pressure of carbon removal and ensure conformity to the renewable energy usage ratio prescribed by national laws	Successive installation and deployment of sufficient solar generation capacities in each plant one step ahead of legal requirements	

Sustainable operations	**Employee human rights and career development**	Absorption of international trends, rectification of group policies, and implementation in every department	Planning of blueprints by HQ in sync with HR, occupational safety, and supply chain management	
	Moral/Ethical Code of Conduct	Transformation of every employee worldwide into a law-abiding, good citizen	Concrete measures tailored to every business division in line with the core values of the Company; regular education on legal concepts and cases in conformity with the latest trends by the Legal Compliance Office	  
	Supply Chain Resilience	Establishment of four major production centers and elimination of negative impacts caused by climate and political changes	Under the premise of an epidemic slowdown, the proportion of highly efficient manufacturing in Vietnam will be increased, building of plants and supply chains in India will be stepped up, and the distribution of supply chains in Taiwan and China will be reshuffled.	
Sustainable profits	**Economic and Financial Performance**	Enhancement of shareholder ROI; injection of activated group resources into R&D	Stable operations; in the post-pandemic age, demand for motors in China, Europe, America is expected to pick up and the Company's automation, heavy electrical engineering, and household appliance business will continue to expand; the annual gross margin target has therefore been set at 24%	
	Corporate Governance	Activation of board functions; streamlining and focus on governance; response to shareholder activism and ongoing consolidation of the Company's international leadership position in the field of ESG.	Launch of a succession mechanism in line with shareholder expectations; formation of a new-generation board for the review of core values and governance modes of the group	 
	SmartAuto products and innovation management	Strengthening of R&D efforts in the field of forward-looking, sustainable powertrain system products; deployment of intelligent production environments; quality enhancement and cost reduction	Conformity to external stakeholder expectations, restructuring of group resources, stepped-up of investments in the development of core products, acceleration of industry cooperation, and enhancement of e-vehicle technical standards	

Talent Cultivation

In 2020, key talent accounted for around 3.8% of the Company's workforce. 61% of this talent pool has been promoted within the last two years. 473 individuals have been promoted or transferred internally

Education in Remote Areas and for Disadvantaged Groups

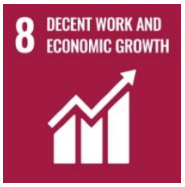
In 2020, the project reached 209 schools in 11 counties and cities; 11,087 students and 1,000 teachers benefited from it

Renewable energy installations

TECO installs solar power plants on the rooftops of its plants. Annual power generation of 6.42 GWh Dynamometer is an equipment for testing a motor's torque and power, and it also produces power regeneration during the testing process. Annual power regeneration amounts to 0.46 GWh.

Implementation of the Large Power User Statute

In 2020, TECO successfully reached the threshold of renewable energy facilities with a capacity equivalent to 10% of the Company's contract capacity as prescribed by the government. Excess capacities were sold in form of renewable energy certificates.



Manufacturing center deployment and automation

To cope with regional market growth and demands for decentralized production capacities, the Company has established four main production centers (China, Taiwan, Vietnam, India).

Supply Chain Management

"Supplier Letter of Commitment to Human Rights and Sustainability" signing rate of 99%

Process automation

TECO established the "Motor Stator Automated Production Center" and "Motor Stamping Automated Production Center" featuring 3D vision robotic arms, unmanned transport vehicles, and automatic coil winding machinery with the goal of forming the largest and most comprehensive smart industrial motor production line in Asia.

High-efficiency motors

Substitution of high-efficiency motors (IE3) for traditional motors (IE1) results in annual CO_2 emission reductions of 9,104 kg, which is equivalent to the carbon absorption of 700 trees. During their 15-year life cycles, these motors therefore generate a carbon absorption amount equivalent to that of 10,000 trees.

Indigenous Sustainable Education Plan

Popularization of indigenous folk songs, music, and dance rituals: A total of 204 instructors passed on indigenous culture and rituals to 1760 participants; 265 performances were viewed by a total of 30,000 people.

E-vehicle powertrain system

TECO's next-generation high-performance powertrain "T Power" garnered a Taiwan Excellence Gold Award. TECO is the only manufacturer in Taiwan that is capable of achieving a perfect integration of EV motors and drivers. Its cutting-edge technologies have turned the Company into a market leader in Taiwan,

Use of recyclable materials in motors

Silicon steel scrap is melted and reused in the motor housing. The recycled iron ratio has reached 20.4%.

Water-Based Paint Introduction

Water-based paint accounts for 66.23% of the total output volume, which has generated emission reductions of 52.4%.

Substitution of eco-friendly refrigerants

Promotion of R32 refrigerants and recycling of process refrigerants (usage ratio of 67%)

Energy Conservation and Emission Reduction

Emission reduction target: 20% within 10 years; target achievement rate of 114% in 2020 (the projected target was met five years earlier than expected)

Sustainability KPI

All-out adoption and incorporation into annual performance appraisals of Sustainability KPI, which are linked to the compensation and incentive system, including the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management

Marine life restoration

TECO subsidizes the Marine Life Restoration Program. It is estimated that one dolphin has the same carbon fixation ability as 14 trees. The goal of this program is to enrich the coastal ecology of Taiwan and realize the vision of marine carbon fixation through an increase of the number of large-sized cetaceans.

Ship electrification

With a view to shielding marine environments from oil contamination, TECO provides main propulsion motors, side-thrust motors, generators, and auxiliary motors for ships. It was once applied to Taiwan's RV Ocean Researcher 5 propulsion system, Norwegian large-size ocean research ship, and the US army's aircraft carriers and destroyers.

2.4 Issues of Concern to Stakeholders and Communication Channels

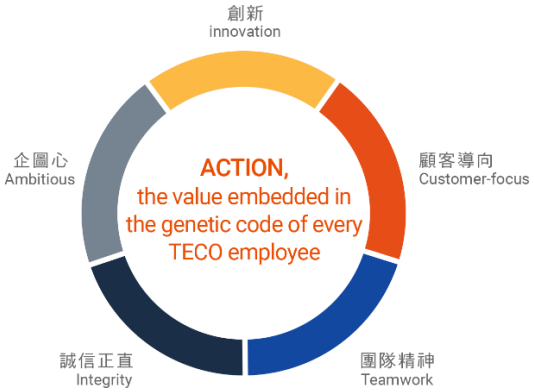
	Communication Channels	Communication Results
Shareholders	• Market Observation Post System (MOPS) • Shareholders' Meetings – Convened at least once a year • Participation in domestic and international investment forums – Total of 8 forums • Visits by corporate investors – Total of 167 persons • Exclusive mailbox for investor relations/stock affairs – Dedicated personnel replies immediately	• Nominated as "DJSI" and "FTSE4Good TIP Taiwan ESG Index" • In the Corporate Governance Evaluation held by TWSE in 2020, TECO earned excellent scores on all indicators and was ranked among the Top 5 % of all evaluated enterprises for 7 consecutive years.
Employees	• Labor-management meeting – Once per quarter • Employee meeting – Once per quarter • Discussions with top executives-once semi-annually • Occupational Health and Safety Committee meeting– Once per quarter • Employee Welfare Committee • Top-Notch Bi-monthly – One issue every two months • Employee satisfaction survey-once per year • Propose the motion for improvement	• Conferences with the president, plant managers, HR center executives and union directors and supervisors are scheduled annually. • Employee satisfaction is maintained above 80 points.
Customers	• Customer service hotline-whenever it is necessary • Discussions with dealers/1~4 times per year, non-scheduled dealer visits • After-sale service tracking – Follow-up phone interviews every time a service is provided • Official website and media – Updated, if necessary • Satisfaction questionnaire surveys – 1~4 times per year	• TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement.
Supplier	• Supplier evaluations – 70 suppliers to be evaluated per year • Supplier performance appraisals – Once per quarter • Supplier guidance – whenever it is necessary • E-procurement— whenever it is necessary	• Conduct the risk assessment and on-site evaluation on key suppliers; the spending to suppliers whose evaluation is scheduled to be completed accounts for 75% of the total procurement value.
Local communities	• Industrial zone service center – Non-scheduled • Industrial zone joint defense – Once per quarter • Mailbox on TECO website – Non-scheduled • Volunteer activities/per quarter	• There were no air pollution or waste management violations that affected the communities. • Participated in the regional joint-defense and increased inter-company disaster prevention meetings to prevent disasters from occurring and affecting community environment and safety.
NGO NPO	• Disclosure of financial information - Issue the CSR reports on an annual basis to disclose the implementation performance and result information in the 3 dimensions of environment (E), society (S), and governance (G). • GHG audit passed BSI (British Standards Institution) ISO 14064-1 (GHG audit) certification and earned a "reasonable level" certificate each year.	• Active participation in external organizations and initiatives to support the SDGs and government policies.
Government agencies	• Participation in forums, public legal hearings, and document correspondence organized by competent authorities – Non-scheduled • Employee meeting intended for promotion of the requirements under new laws and regulations, and compliance with anti-corruption/ethical corporate management laws – Once per quarter	• Market Observation Post System – Report of important messages. • Establishment of an OHSAS 18001 and CNS 15506 (Taiwan Occupational Health and Safety Management System) compliant occupational health and safety management system to systematically promote occupational safety and health-related management tasks, and to ensure effective implementation and legal compliance of the management system.

Economy and Governance

3.1 Business Opportunity Action Program

Action **is one of TECO's core values**

With regard to business opportunities of various product lines and target markets, TECO adopts development plans and actions based on the five key principles of ambition, innovation, customer orientation, team spirit, and integrity.



Electrification business

A long-term business development plan has been adopted in pursuit of the TOP 1 position in the field of motors. In line with its short-term plan, TECO is committed to maintaining its global production and marketing layout coupled with a gradual expansion of its commitment in China, Turkey and India. In addition, the manufacturing resources in the two cities of Penang, Malaysia and Dong Nai, Vietnam have been integrated. The Company also strives to expand into the Middle East, India, Philippines, Turkey, Africa, and Russia etc. It hones its manufacturing and cost control capabilities and accelerates the formation of strategic alliances with international manufacturers in China, Europe, America, and Japan with the goal of gradually increasing its market share. In recent years, countries all over the world have stepped up the implementation of energy conservation policies. TECO will capitalize on this opportunity to further increase its overall sales and market share through the market launch of high-efficiency motors.

The main target industries in the field of sales include transportation equipment, food machinery, plastics machinery, rubber manufacturing, air compressors, petroleum & natural gas, and air conditioning applications. The Company also strives to gain a foothold in new application fields such as ships and rail vehicles. The Company has adopted a one-stop service model which relies on the creation of QRC (Quick Response & Repair Center) to provide customers with expeditious repair, guarantee, technical modification and replacement services. In line with the mainstream trend of automated production in the field of global industrial development, TECO provides high-efficiency, energy-saving, and high-precision control systems and products to satisfy demands for safety, automation, and energy conservation in industrial power applications.

The Company actively develops low- to medium-voltage converters for industrial use and strives to create business opportunities in the field of system energy conservation through M+I (motor and inverter) integrated

sales. In line with global development trends such as energy conservation, carbon reduction, eco-friendliness, the main focus of the electrical control business lies in the provision of high efficiency, energy-saving products with high-precision mechanical system control.

Household appliance business

A long-term business development plan has been adopted to turn TECO into the top household appliance brand in Taiwan coupled with active expansion into overseas markets. Domestic refrigerators feature TECO's exclusive, patented variable-frequency strategy in conformity with energy conservation policies of the government. In the field of commercial refrigerators, TECO has unveiled the first variable-frequency DC refrigerator in Taiwan. Compared to products offered by competing brands, the energy-saving effects of this refrigerator reach 60% or more. This model also features IoT-based smart cloud management, which ensures effective management of food ingredients paired with minimum waste for all businesses The whole washing machine series conforms to the criteria of the energy conservation and water efficiency labels. All washing machines with a capacity of 14kg or above feature variable-frequency functionality. The Company also plans to roll out variable-frequency washing machines with smaller capacities of 10/12kg. TECO strives to increase the market penetration rate of its household appliances through its corporate vision of Energy Conservation, Emission Reduction, Intelligence, and Automation and a brand-new appearance.

In the field of commercial air conditioning appliances, TECO further upgraded its existing products in 2020 through the all-out adoption of eco-friendly, energy-saving, and high-efficiency R32 refrigerants. Different models and capacity bands are suited for different application fields and demands. TECO has added a thoughtful design feature for different work areas to its VRF multi-split central air conditioning products which are most commonly used for commercial spaces. The product dimensions are suited for different installation spaces and all commercial AC systems are equipped with energy management systems and high-end, high-efficiency energy conservation functionality.

As a result of increasing living standards, rising diversity in the fields of e-commerce, home delivery services, and refrigerated food, and urban population concentration, cold-chain logistics and delivery services have turned into an emerging industry. A survey conducted by the Industrial Technology Research Institute reveals that the output values of the refrigerated food industry and cold-chain logistics industry in Taiwan amount to around NT$ 280 billion and NT$ 50 billion, respectively. Refrigerated logistics and delivery services account for around NT$ 8 billion. TECO will harness its refrigeration and heat insulation technologies coupled with intelligent IT monitoring to develop and satisfy logistics and home delivery demands at different levels. The future potential of this emerging industry is remarkable.

Energy and engineering business

TECO firmly embraces the concept of “Quality and Innovation” and relies on its accumulated experience in the fields of construction electrification, MRT, and HSR projects to win large-scale office building, MRT, and railway projects. The Company also actively invests in solar PV systems, Microgrid systems, energy storage systems, and energy management equipment with incorporated intelligent automatic control technologies in compliance with renewable energy development policies of the government . In recent years, TECO has successfully acquired business opportunities and attained significant achievements in the field of IDC Internet data centers in Taiwan and overseas areas. The Company has also provided assistance for the cloud data industry in the establishment of large-sized data processing centers. The vibrant development of the cloud industry has injected growth momentum into TECO’s energy and engineering business. TECO has also taken the initiative in integrating existing products of the group for the assembly of smart power supply equipment and the installation of energy storage systems. The goal lies in the expansion of onshore substation projects for offshore wind power coupled with a focus on new opportunities and overseas markets for the smart energy conservation business.

Year 2021’s key strategies are:

SmartAuto manufacture and products	Dedicate to strengthening R&D capability and seeking strategic alliance, strategic investments, and merger and acquisition (M&A) opportunities, while striving to expand penetration rate of SmartAuto products to enhance revenue and profit.
Deployment and automation of manufacturing centers	To cope with the needs of growth of regional markets and capacity distribution, set up four major production centers (mainland China, Taiwan, Vietnam, and India) via integrating existing low-voltage motor production lines and supply chains.
Sustainability culture implantation	In coordination with corrective action taken against climate change, TECO will fully implement its Sustainability KPI, which encompass indicators in the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management, starting in 2021. The goal is to inculcate sustainability concepts in the daily operations of each department and employee.

In order to encourage employees achieving group goals and improve performance, TECO establishes a compensation and long-term reward mechanism for managers and linked the variable compensation with major themes of the year through Key Performance Indicators (KPIs) . From top to bottom to promote all business units to move towards the annual strategic growth goals.

Senior Managerial Officer Remuneration	Manager remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPI). Each business department establishes the business department key performance indicators according to the annual development focus of TECO. KPIs are imposed from top to bottom encompassing all units at every level. 60% of KPIs are linked to financial indicators (such as revenue, operating profit, current profit and loss, total asset turnover, ROA, ROIC, etc.); 40% are in-depth management and strategic foresight related to short, medium and long-term planning and implementation.
Long-Term Performance Reward Mechanism	Since 2020, the company has established the "TECO Solidarity Shareholder Meeting". The compensation paid to company's manager level and above will be partly given in the form of shareholding trust, so that they can subscribe for shares at the company's subsidy and preferential prices. The shares are non-transferable for a period of three years. This new system would strengthen the link between the company's executive rewards and the company's overall operating performance, improve the staff's centripetal force and sense of identity, and share the company's operating results to employees.

3.2 Risk Management Mechanism

Board of Directors

The TECO board of directors is the highest executive organ of TECO and is authorized to appoint and nominate top managers. It is also in charge of formulation of CSR, corporate citizen, and sustainable development strategies. The three functional committees, namely Audit Committee, Remuneration Committee and Corporate Governance and Sustainability 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.

	Number of persons	Average term of office
Executing director	1 seat	8.5 years
Independent Director	3 seats	3.2 years
Director	10 seats	17.3 years
Total	14 seats	13.6 years

【Post-Session Updates】

TECO schedules to reelect board in year 2021. Number of board members will be reduced to 11 seats with 4 independ directors.

Annual average board of directors' meeting attendance rate **93.84**%

Attendance rate target: **80**%

TECO is firmly committed to the establishment of a sound risk management mechanism. The Auditing Committee and Corporate Governance and Sustainability Committee are separately responsible for the management of various risks. Risk control is implemented at different levels through a clear and professional division of duties. The Company relies on a dedicated Internal Audit Division which is directly subordinate to the board of directors for the monitoring and auditing of risk management mechanism. Internal audit operations ensure the effectiveness of risk control and adequate management of potential risks. We list risk management assessment indicators as key items for internal evaluations. Top management personnel are required to report risk management indicator assessment results in meetings of the committee. Sustainability KPI related performance appraisals have a direct impact on their variable compensation portion. Rank-and-file staff are required to list sustainability KPI into their performance evaluation items upto 15% and required to comply with regulations governing risk management and occupational safety. Violations of these regulations affect their performance appraisal scores and may result in penalties based on the severity of the offense.

Audit Committee

The independent directors of the board serve as the members of the committee which is responsible for the management of financial and internal control risks. Independent director Ting-Wang, Cheng served as the convener for this term.

Corporate Governance and Sustainability Committee

Said committee consists of three directors or more, a majority of whom shall be independent directors. It is responsible for the management of sustainability, legal compliance, and information security risks. Standing independent director Wei-Chi Liu serves as the convener for this term.

Internal Audit Division

This task force assists the board of directors and management level in the identification and assessment of risks as well as the review and confirmation of the effectiveness of internal control system design and operations. The task force formulates annual audit plans in accordance with the five main components of COSO internal control based on past audit experiences, the budget draft for the following year, and the current organizational framework. The level of control of external environmental risks by the management level, control of operational risks by business divisions, and the effectiveness of internal control system design and operations is reviewed based on these plans. The task force delivers auditing reports upon completion of auditing operations and regularly reports to the Board and the “Audit Committee”. Internal Audit Division is managed by deuty director Dora Lin.

	Type	Operation conditions
Audit Committee	Financial risks	1. Interest and exchange rate risk management and control: The Finance and Management Center has established a dedicated department which closely monitors market trends. Dynamic management is carried out through adjustment of receivable/payable positions and various financial instruments. All management principles conform to internal control regulations. In addition, the latest status is reported face-to-face to supervisors on a weekly basis and follow-up action is taken in response to the latest market conditions upon discussions. 2. Endorsements, guarantees, and lending of funds: Approval by the Auditing Committee and Board of Directors: ● Proposal on annual lending of funds and provision of endorsements and guarantees (March 17, 2020) ● Lending of Funds to MTV Corporation (July 2, 2020) ● GTM Lending of Funds to TECO Electric & Machinery Co., Ltd. (TNL) (November 13, 2020)
	Internal Control Risk	1. Annual audit plans: The Audit task force evaluates compliance with relevant laws and regulations and the five components of the COSO internal control framework. It assesses risks at all levels of the Company in the context of the existing organizational framework based on the strategic goals of the Company and past audit experiences. Audit plans for the following year are proposed on this foundation and submitted the Auditing Committee (December 14, 2020) and Board of Directors (December 22, 2020) for approval in the fourth quarter of each year. 2. Self-assessment of the internal control system: Self-assessments of the internal control system of each business division and key affiliated enterprises are carried out in the fourth quarter of each year. The results of these self-assessments are compiled, organized, and reported to the Auditing Committee (March 13, 2020) and Board of Directors (March 17, 2020) in the first quarter of the following year. These assessments serve as a key reference for reviews of the level of control by the management level of the Company over risks in the internal and external environment and by business divisions over operational risks as well as the effectiveness of internal control design and implementation.

	Type	Operation conditions
Corporate Governance and Sustainability Committee	Sustainability Risk	1. Implementation of corporate social responsibility goals and policies: The CSR Task Force is comprised of "Representatives of each business department/plant site" and "Safety and Health," "Human Resources," and "Financial Department" staff units and is responsible for the execution of routine matters. TECO's corporate social responsibility goal and policy implementation status is directly reported to the chairperson on a monthly basis. 2. Climate related risks and opportunities: Information provided by all members is collected by the CSR task force and compiled into reports which are submitted together with recommendations to the management level, the Chairperson, and the "Corporate Governance and Sustainability Committee". 3. Reports on the "uncontrollable sustainability risk" and relevant preventive strategies were delivered in the 1st-4th meetings of the "Corporate Governance and Sustainability Committee" (January 13, 2020). 4. Quality management: Customer satisfaction surveys and analyses are conducted and countermeasures are adopted annually; market service indicators are formulated and monitoring is implemented monthly with regard to closure dates; reinforced cross-plant audits are promoted (February 2020); internal auditing personnel are trained for the quality management system (between June 9 to 19, 2020, 58 trainees received a total of 30 training hours); each business division organized management review meetings in 2020 (October 2020 - January 2021)
	Legal compliance risks	1. Ensure that all applicable laws and executive orders are observed: The Legal Compliance and Legal Affairs Office hires a legal consultant who possesses relevant industry expertise. This consultant informs the management level of relevant laws and regulations on a regular basis and communicates with internal auditors, CPAs, and board directors. 2. Implementation of ethical corporate management: Education on ethical corporate management and business secrets in quarterly conferences (June 17, 2020); signing of the integrity declaration by all active employees (September 21, 2020, 100% signing rate); completion of Unethical Corporate Management Risk Analysis and Preventive Measure Reports by all departments in 2020 (October 26, 2020) 3. Education on legal compliance: Organization of legal compliance seminars for affiliated enterprises (September 21, 2020); administration of training: Personal information management (September 28, 2020), Tax Act and money laundering issues crucial for contract signing (November 17, 2020)
	Information security risks	1. Education on information security: Regular organization of information security education courses by the BI Smartification Task Force: These courses cover the prevention of ransomware intrusions (May 6, 2020), education on how to protect against information security issues such as email social engineering (June 18, 2020), caution against email impersonation scams (sender posing as a supervisor of the Company) (October 12, 2020), fake Windows update emails (October 23, 2020), and phishing emails pretending to be from TECO (October 29, 2020) 2. Guarantee of information security: Carrying out of annual system vulnerability testing, and ERP system remote data backup (March 20, 2020)

3.3 Information Security

Governance	For information safety, the Governance & Sustainability Committee is the highest governing body of the board of directors. Mr. Kao, a TECO board member, concurrently serves as the chairperson of Information Technology Total Services; top management responsible for information safety is the Business Intelligence Task Force of the Business Performance Promotion Office with Special Assistant Vincent Hu as the responsible person.
Measures	TECO formed "information safety policy" to ensure the classification, integrity and infrusture safety with international standards. TECO has also adopted and promulgated information and cyber security policies and planned relevant management and reporting policies. Information security has been incorporated into performance appraisals and information security training is administered on an annual basis. In 2020, an external information security was enlisted for a one-hour online training course on IT information security. This course is open to all staff members.
Process	With a view to maintaining the stability and security of IT systems, Information Technology Total Services was commissioned to adopt an ISO system and conduct external penetration testing and vulnerability scanning on an annual basis coupled with internally organized annual business continuity planning. By the recommendation of software vendor, TECO performs system scaning and testing at least once evey year.

3.4 Code of ethical conduct

TECO formulated the "Code of Ethical Conduct for Directors and Managers," "Ethical Corporate Management Best-Practice Principles" and "Code of Ethical Conduct and Integrity Operation Procedures and Conduct Guide" pursuant to the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEx Listed Companies" as the codes of ethical conduct to be followed by each director and employee of TECO, in order to ensure that directors and managers strictly abide by behavioral norms and ethical standards.

WE STOP

Harm to consumers' health and safety	Conflict of interest	Offering and acceptance of bribe
Illegal political contributions	Improper charitable donations	Unreasonable hospitality
Infringement upon business secrets	Infringement upon intellectual property rights	Unfair competition

WE IMPLMENT

Compliance with laws	Preventive programs	Promotion and training
Whistleblowing system	Internal control	Information disclosure

In addition to posting the aforementioned code of ethical business conduct on the internal website, the Company urges its employees to sign an **Integrity Statement** (**100%** signing rate as of September 2020) and is committed to signing a **Pledge to Ethical Corporate Management** with its 76 affiliates (**completion rate of 96%** (73 affiliates have signed the pledge) as of December 31, 2020). The Company also educates all employees on the ethical conduct compliance system through diversified approaches such as educational courses and quarterly meetings.

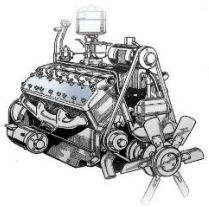
Zero **political contributions** in 2020.

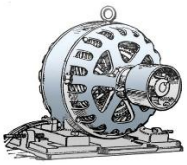
Zero **legal violations** in 2020.

The Ethical Corporate Management Best-Practice Principles apply to TECO, TECO's subsidiaries, any corporations to which more than 50% of the donated fund is donated by TECO directly or indirectly, and any other institutions or corporations over which TECO may exercise substantial controls.

3.5 Product Innovation

The industrial revolution provided humanity with two sources of mechanical power, namely engines and motors. Engines that utilize fossil fuels to convert chemical energy into kinetic energy will gradually be replaced by motors to realize the goal of emission reduction. Motors rely on electricity to convert electrical energy into kinetic energy and thereby supplies a sustainable power source for humanity.





The International Energy Agency (IEA) points out in an analysis that industrial equipment with motors as their core driving force are the main consumers of electricity. Universally used equipment such as machine tools, pumps, compressors, and fans account for 50% of global electricity consumption. The secondary sector constitutes 53% of the power consumption in Taiwan. 70% of this power is consumed by motors. The design of energy-efficient motors is therefore an effective way to achieve the goal of carbon reduction.

Production automation	After the successful setup of SmarAuto manufacture line in Taiwan, inaugurated in July 2019, the Vietnamese plant in Becamex industrial park boasts cutting-edge environment-friendly process and automated smart production line, promising to become the group's major production base.
Motor product innovation	In addition to high-efficiency smart motor, TECO invests also in ship motor, permanent-magnet motor, and electric-vehicle motor.
Home appliances innovation	Rollout of variable-frequency electromagnetic-suspension centrifuge for high-end energy-conservation market and whole-series variable-frequency DC light business air conditioners.. Concerning refrigerators, in addition to expanding domestic market share for medium- and large-sized whole-series variable-frequency models, launch first indigenous variable-frequency business 1000L refrigerator and residential refrigerator with automatic switch between freezing and preserving modes, the first such model in Taiwan.
Energy engineering innovation	Engineering is developed in line with the flagship products of the group such as niche markets in the field of renewable energy, energy storage, and special cases. The Company has also made an ongoing commitment to the development of offshore wind power, microgrid, Internet data centers (IDC), intelligent buildings, solar PV and energy storage systems with the goal of deepening its foothold and expending its domestic and overseas markets. Anticipated future projects include data center expansion, self-installed data centers of large-scale enterprises, data centers of telecommunication companies, and overseas data centers.

R&D Investment

in thousand NT$

	2017	2018	2019	2020
TECO	634,436	568,565	574,548	555,889
Group consodilate	1,281,206	1,120,748	1,179,300	1,027,177

Definition of New Product

	Motor and Dive	Home Appliance
New Product	Introduced within 3 years	Introduced within 2 years
Sales from new products (%)	2.9 %	4.8 %
Sales from Significantly improved products (%)	47.0 %	15.2 %

TECO has successfully developed a VHPD (Very High Power Density) Intelligent Motor that transcends the power density limitations of 355 Frame Motors worldwide. In addition to VPH, this lightweight, down-sized, and high-efficiency motor also features intelligent health management and is therefore an ideal component for equipment of the wind turbine and hydraulic engine industry with high demands for compactness. In large-scale plants such as oil refineries and power plants, it helps save space and facilitates streamlined structures.

VPHD motors are not only characterized by ultra-high efficiency on a par with IE4 motors but also feature a built-in intelligent health management system which was developed by an affiliated enterprise. Relevant features include remote and real-time maintenance and significant maintenance cost and energy savings. The world-leading electrification technology of this motor is unrivaled in Taiwan and conforms to TECO's Energy Conservation, Emission Reduction, Intelligence, and Automation goals. It is expected to add further impetus to revenue growth and maximize customer benefits.

Despite the fact that no concrete timetable for the implementation of the higher efficiency rating standards IE4 and IE5 exists in these countries, TECO has already completed the development of the first aluminum die-cast rotor IE4 high-efficiency induction motors in the world as well as IE4 high-efficiency permanent magnet motors integrated with inverter drives to achieve maximum energy conservation and emission reduction effects for customers and improve the company's technological capabilities. In addition, the company uses no or very little rare-earth magnets for its IE4 synchronous reluctance motors and magnet-assisted synchronous reluctance motors. Even the most efficient IE5-grade permanent magnet motors have already been deployed

Machines are driven by motors, therefore they have been given the title of “Heart of Industries.” According to the International Energy Agency (IEA)’s analysis, industrial machines powered by motors are the most power-hungry equipment in the industry, including drills, pumps, air compressors and blowers. Collectively, they account for approximately 46% of the global power consumption. In Taiwan, motor power consumption accounts for 68% of all industrial power consumption. The staggering amount of power consumed by motors means that “energy-saving” has become a key consideration during new product development.

The motor is classified into five grades: IE1 (lowest), IE2, IE3, IE4, and IE5 (highest) according to the rated efficiency. Each country also formulates industrial standards to regulate domestic energy efficiency. TECO defines products above the IE3 level as high efficiency motors. What is the difference between using traditional (IE1) and high efficiency (IE3) motors? We illustrate it by carbon emissions:

Conventional **IE1**		High Efficency **IE3**
3,731	Emission from Production Stage kgCO2e	4,145
379,144	Emission from One-Year Usage kgCO2e	370,040 (+700 trees)
5,687,160	Emission from Lifecycle Usage kgCO2e	5,550,600 (+10 thousand trees)

* based on IE3 AEHF150hp motor specifications

Calculated by operating 250 days per year, 20 hours per day, the high efficiency (IE3) motor can reduce emissions by 9,104 kg of CO2 per year, which is equivalent to the carbon uptake of 700 trees. In the 15 years of the life cycle, it is equal to the carbon absorption of 10,000 trees.

What is the special threshold for manufacturing high efficiency (IE3) motors? The answer lies in the full-in rate of enamelled copper wires. The neat and tight the copper wire upgrades motor efficiency. The full-in rate of copper wire inside the high-efficiency motor must be more than 85%. It has been difficult to achieve more than 75% in the past by human hands. TECO invested more than US$10 million to build a world's first and most complete industrial motor smart line in Asia by using 3D vision robots and AGVs. We commit to build the production capability for high efficiency motors.

TECO has already completed the development of the first aluminum die-cast rotor IE4 high-efficiency induction motors in the world as well as IE4 high-efficiency permanent magnet motors integrated with inverter drives to achieve maximum energy conservation and emission reduction effects for customers and improve TECO's technical capabilities. In addition, TECO uses no or very little rare-earth magnets for its IE4 synchronous reluctance motors and magnet-assisted synchronous reluctance motors. Even the most efficient IE5-grade permanent magnet motors have already been deployed.

Energy-saving statistics from high-performance energy-efficient motors in 2020 (Note1)

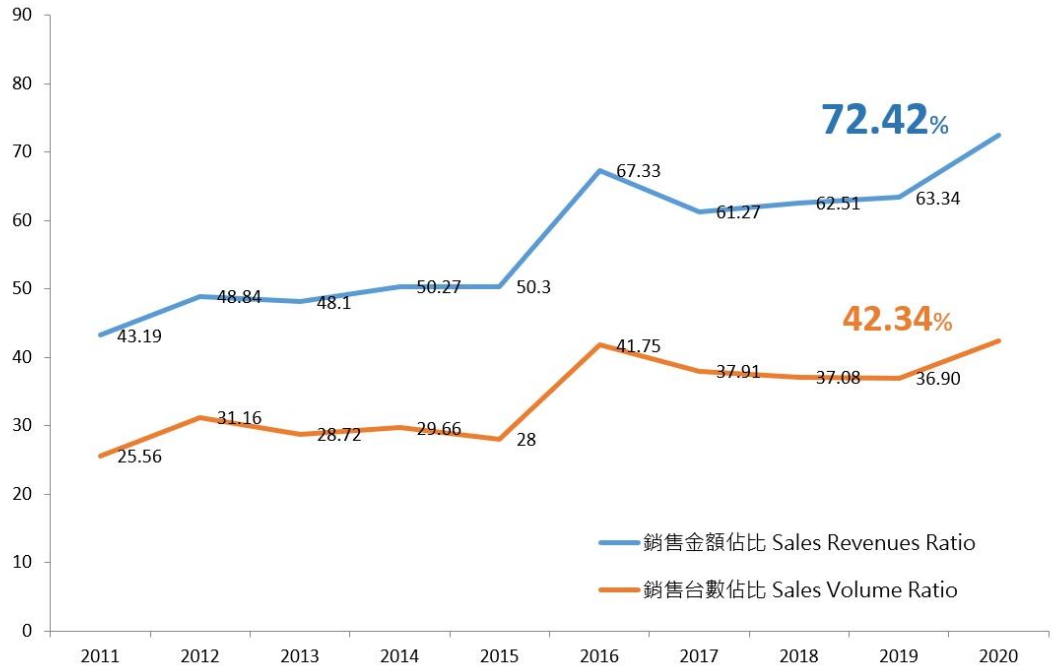
· Total power savings about **496,516.35** MWh (Note2)

· Total emission reduction about **252,726.82** tonCO2e (Note3)

Note 1: Sales record from IE3+IE4 motors with 2, 4, 6 and 8 poles**.**

Note 2: Calculations based on 5,000 operating hours per year, and sales record from IE3+IE4 level motor with 2, 4, 6 and 8 poles in year 2020

Note 3: Data calculated with above data and per public notice of the Bureau of Energy in 2020, the power emission coefficient is 0.509 ($kgCO_{2e}$/kWh)



Sales percentage of high efficiency motors（IE3 + IE4）

In year 2020, the sales volume ratio for (IE3+IE4) is 42.34%, higher than world-wide average of 23.1%. The 2020 sales revenue ratio is 72.42% higher than 63.34% in 2019. TECO keeps upgrading motor efficiency for global clients/

Green Energy-Saving Home Appliances

TECO's array of air conditioning appliances encompassing different models, capacity bands, and project sites demonstrates the omnipresence of TECO's AC products. In addition to its firm commitment to the Taiwanese market, the Company also strives to expand into overseas markets to increase its scope of operations. TECO has unveiled a brand-new water chiller series with large-capacity, down-sizing, and ultra-slim characteristics. These chillers can be flexibly disassembled and reassembled to facilitate transportation in accordance with construction site needs. In recent years, the Company has ventured into the high energy-efficient, magnetic-suspension centrifugal machine market with its eye on large public construction projects. It has also launched IPLV chiller solutions. In the field of air conditioning appliances, the Company has ambitious growth targets (35% and 25% for commercial and domestic air conditioning appliances, respectively). It is further committed to exporting its large-sized chillers to Southeast Asia.

Energy-efficient product emission reduction

Unit: Metric tons

Emission reduction	Home A/C	Refrigerator	Total
2017	9,297	1,552	10,849
2018	10,520	2,327	12,847
2019	14,097	3,618	17,715
2020	18,284	4,259	22,543

Emission reduction by 100,000 MWh 53,105 Ton CO_2e cumulatively for 3 years Energy-saving

The sales of green energy-saving home appliances (Note) accounted for 59.16% of the net sales attributed to Home Appliance Division in 2020.

Note: Energy-saving home appliances refer to the models satisfying any of the following circumstances:

- Home A/C and commercial A/C: Class-1 certification under "Energy Efficiency Rating for Non-conducted air conditioner Products" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No.10504606420 dated December 28, 2016.
- Refrigerator: Class-1 certification under "Energy Efficiency Rating for Refrigerators" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601990 dated May 10, 2017.
- Dehumidifier: Class-1 certification under "Energy Efficiency Rating for Dehumidifiers" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601460 dated April 17, 2017.
- Television: Piror to July 1, 2019, no more than the limit identified in the energy consumption standards promulgated by the Ministry of Economic Affairs (MOEA) in the attachment to its letter under Bureau of Energy Document No. 10405003751 dated April 28, 2015. From July 1, 2019, the Ministry of Economic Affairs issued Document No. 10705015400 to replace the previous regulations.
- Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Bureau of Energy Document No. 10505001040 dated February 5, 2016.
- Washing machine: To satisfy the "Gold" grade identified in the "Scope of Products Applicable to Water Efficiency Label and Specifications & Standards" attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Water Resources Agency Document No. 10904602220 dated May 20, 2020.

3.6 Customer Satisfaction

TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement. Home appliance business department mainly uses the method of telephone interview as the key method to collect customer feedback. The regional subsidiaries of TECO are the main sales channel for the industrial customers. In 2020, the online customer sales revenue accounted for **11.7**%, and the sales volume accounted for **15.8**%. The overall customer satisfaction evaluation result is published as follows:

Customer satisfaction	2017	2018	2019	2020	Target
Overall	81.3%	90.0%	71.4%	74.2%	80.9%
Data coverage	74.4%	83.6%	80.0%	86.3%	
Motor & Drive	80.5%	90.8%	69.2%	72.5%	80%
Data coverage	84.0%	95.0%	90.4%	100%	
Home appliance	85.99%	84.86%	83.79%	82.62%	85%
Data coverage	18%	20%	19%	21%	

The satisfaction on electrical and mechanical products declined in 2020 and after investigation of the cause, such decline was mainly due to the “product marketing” and “after-sales service satisfaction” requiring improvement. Improvement methods in 2021 are as follows

Product marketing	Due to the severe impact of the epidemic in 2020, TECO shifted its focus to online sales, which is the trend of the future. TECO therefore launched a digital marketing project for its industrial products in 2021 to strengthen its marketing efforts. This initiative involves the optimization of the group website (incl. affiliated enterprises), strengthening of social media marketing (e.g., Youtube / Facebook/ Linkedln…), optimal utilization of eCommerce platforms for industrial products, and selection of suitable channels to enhance product publicity.
After-sales service	**Large-sized, customized motors:** Sales personnel confirm maintenance items and quotations with customers. Upon order and delivery time confirmation, parts required for maintenance are prepared. The factory is notified to carry out maintenance in accordance with the schedule agreed upon by sales personnel and customers. **Small-sized, standard motors:** The factory confirms order contents with sales personnel within three days upon receipt of the motor. Within 3-5 days upon acknowledgment by sales personnel, maintenance items are assessed and a quotation is issued. Upon confirmation with customers, maintenance is carried out in accordance with the schedule agreed upon by customers. The Service Cloud System was officially adopted in November 2020. Due to initial difficulties in the implementation of the system in the early stages after adoption, the Company provided successive guidance and engaged in real-time interactions with customers regarding use of the system. The ultimate goal is to increase overall satisfaction with after-sale services in 2021.

3.7 Sustainability Supply Chain

In 2020, TECO's total procurement amount was about NT$5.6 billion in Taiwan and NT$200 billion in China. Mass and commodities suppliers are defined as Critical supplier, Frequent trade suppliers from manufacture sites are defined as Teir 1 supplier. Critical suppler shares 7% of total supplier numbers, and Teri 1 shares 30%.

According to TECO policy, critical and teir 1 suppliers are identified as following:

Critical Mass, Critical component and Non-substitutable suppliers	**41 (Taiwan)** **45 (China)**	**Teir 1** Frequent trade suppliers	**300**

Supplier Business Conduct

In order to ensure that suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system, other in-depth management measures have been applied, including: formulation of the supplier CSR clause, establishment of the supplier appraisal form, strategy to increase the ratio of local procurement, as well as the signing of "Prohibited /Restricted Substance Guarantee," "Declarations of Non-Use of Conflict Minerals" and "Letter of Commitment to Human Rights and Environmental Sustainability."

Reference document

Supplier Management and Indicators

Supplier ESG Indicators		
KPI #1	Certificates from Tier 1 suppliers IncIudes ISO 9001, TS16949, ISO 14001 or OHSAS 18001	Target Rate:100% Target Year:2023
KPI #2	No child labors We support, follow, and comply with child labor laws across our operations and value chain.	Target Rate:100% Target Year:2023
KPI #3	100% signing rate of "Letter of Commitment to Human Rights and Environmental Sustainability."	Target Rate:100% Target Year:2023

TECO screens suppliers using 3 major dimensions of environment, society and governance performance to ensure that the supplier management system's condition, capability, potential and performance fulfill the required needs. The "Procedure for Vendor Assessment" is formulated and used as the basis for supplier assessment and selection. Furthermore, in order to make sure that its suppliers fulfill their social responsibilities and provide a healthy, safe work environment, CSR has been incorporated into TECO's qualified supplier selection criteria with 20% weighting.

Definition of ESG high risk	
Risk #1	Wastes, water, gas emission and waste management process should comply with regulations.
Risk #2	Noise control and management should comply with regulations.
Risk #3	Are there any environmental protection related violation cases?
Risk #4	Are there any process to handle harmful materials (for example RoHS & REACH) and how to store and report the usage of chemical material?
Risk #5	Is supplier passes ISO14001 certification?
Risk #6	Was there any major occupational safety issues or cases?

Supplier Audit Procedures

Before trading	TECO ensures suppliers meet relevant quality, environmental, safety and health criteria and their products conform 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	Signs the "Letter of Commitment to Human Rights and Environmental Sustainability" which allows TECO to terminate the contracts if any violation of social commitment is discovered. Signing rate reaches 99%
On-site audit	For new or high-risk, teir 1 or critical suppliers indentified through risk identification, TECO forms evaluation teams through in-plant R&D, quality control, manufature, procurement, safety and environmental, and audit related personnel to perform the on-site audit.
During trading period	Conduct performance appraisal on suppliers on a monthly basis and annual audit on risk identification to monitor the variance. For every tier 1 suppliers and key suppliers, we hold on-site audit once every three years

Supplier Evaluation Scoring Table

Items	Weighting	Ratio	ESG	Responsible Unit	Description
Marketing Process	15	4.4%	G	Procurement	Encompasses business conduct principles
Design & Development Process	41	12.0%		R&D	Encompasses schedule control and design capabilities
Document & Data Management	20	5.9%		QC	Encompasses document life cycle management and audit efficiency
Operation Management	10	2.9%	G	Procurement	Encompasses organizational duties and responsibilities and monitoring mechanism
HR & Environmental Safety	38	11.1%	E, S	Health & Safety	Encompasses ISO management, pollution control, water and energy conservation, labor rights, regular communication, prohibition of forced labor and child labor, and discrimination
Production Management	14	4.1%		Production Management	Encompasses production scheduling management and handling of emergencies
Procurement Process	30	8.8%	E, G	Procurement	Encompasses supplier evaluation system and control of prohibited substances and conflict minerals
Warehousing Process	23	6.7%		Production Management	Encompasses MRP system, control of non-conforming materials, and storage criteria management
Equipment Management	21	6.2%		Production Technology	Encompasses maintenance, spare part management, and mold life cycle management
Measuring Equipment	21	6.2%		QC	Encompasses calibration management, lab personnel control, and MSA analysis
Process Control	33	9.7%		Production Technology	Encompasses relevant SOP, rework management, and on-site 5S management
Quality Control	54	15.8%		QC	Encompasses quality assessment, sampling management, authorities and responsibilities in the handling of non-conforming items, five core management tools, and technician certificates
Internal Auditing Process	7	2.1%	G	QC	Encompasses audit plans and tracking of corrective actions for detected anomalies
Continued Improvements	14	4.1%		QC	Encompasses continued improvement of SOP and linkage to prevention of recurrence and control plans

Evaluation	Criteria
Qualify	Quality Cntrol ≧80 and All other items ≧70 and Critical items ≧80
Conditional Qualify	Quality Cntrol ≧70 and All other items ≧60 and Critical items ≧70
Disqualify	Quality Cntrol <70 or Any item <60 or Critical items <70

- Critical items are those specifically important to said vender, for example, failure items from last evaluation.
- For critical and teir one venders, TECO evaluates once every three years.
- ESG related weighting shares **29.3**%

In the aspect of corporate social responsibility, TECO sets “Labor Human Rights Social Responsibility” and “Environmental protection” as top two assesement items.

ESG Goals		Management Strategy
Labor Human Rights Social Responsibility	Ensure that all suppliers treat employees in accordance with TECO’s human rights expectations	1. Suppliers that employ child labor (under 15 years old) will be listed as unqualified suppliers and terminate trading. 2. Suppliers should have OHSAS18001 3. List labor human rights as one of the assessment item. 4. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with purcument contract.
Environmental protection	1. Select environmental friendly suppliers 2. Guide suppliers to improve energy saving and emission reduction	1. Suppliers should have ISO14001 2. List enviromental protection and emission status as the assessment items. 3. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with purcument contract.

2020 Supplier Assessment Result

Type of supplier	Percentage assessed annually	Percentage assessed at least once every 3 years	Total
Critical (Mass and commodities suppliers)	0%	90%	90%
High risk suppliers	0	100%	100%

Type of supplier	Number of suppliers assessed in the last 3 years	Percentage of suppliers in that category assessed in the last 3 years	Description of target
Teir 1 suppliers (Frequent trade suppliers)	200	67%	Target:200 Year: **2022**
Critical but not Teir 1	10	22%	Target:15 Year: **2020**

Percentage of High-Risk Suppliers

Type of supplier	High-Risk Percentage	Percentage of suppliers in that category
Teir 1	1	0.4%
Critical but not Teir 1	0	0
All suppliers	1	

Non-use of conflict mineral commitment

TECO has formulated a "Declaration of Non-Use of Conflict Minerals" to ensure the proper handling of conflict mineral issues. Suppliers are required to conduct detailed surveys of supply chains to ensure that metals such as Gold (Au), Tantalum (Ta), Wolfram (W), Cobalt (Co), and Tin (Sn) are not acquired from non-governmental military groups, illegal organizations, and mining areas in the conflict zones of the Republic of Congo or through smuggling. By effectively identifying and tracing the source of materials, TECO is able to prevent the use of conflict minerals in its production. Metals exported by the following nations do not meet conflict-free norms as determined by the US Security Council: DRC, Rwanda, Uganda, Burundi, Tanzania, Kenya.

100%
procurement of non-conflict raw materials

- Copper and aluminum must be purchased by TECO suppliers from the London Metal Exchange (LME).
- Steel is mainly purchased from the China Steel and Nippon Steel and Sumitomo Metals Corporation, while iron ore is imported from Australia and Brazil.

Environmental Actions

TECO has formed an environmental safety task force which is subordinate to the President Office, exclusively in charge of formulation of environmental safety and health policies, program management and internal supervision for the whole Company and all plants. TECO's environmental safety policies as follows:

Compliance with international laws and regulations	Compliance with laws and regulations, conformity to international environmental trends, and satisfaction of stakeholder demands and expectations
Sound environmental safety management	Sound environmental safety management system and implementation of environmental protection and harm prevention
Strengthening of risk assessment	Strengthening of risk assessment and training and carrying out of environmental safety audits to maintain a safe, healthy, and clean work environment and enhance work safety and environmental protection performance.
Commitment to energy conservation	Commitment to energy conservation, optimal use of resources, pollution abatement, minimization of environmental impacts, and maximization of ecological benefits
Fulfillment of corporate citizen responsibilities	Active encouragement of all employees and contractors to participate in environmental protection and safety and health-related activities as well as strengthening of communication and coordination and fulfillment of a corporate citizen's responsibilities.

4.1 Action Against Climate Change (TCFD)

Governance

Board Oversight

TECO has established the “Corporate Governance and Sustainability Committee” in order to provide guidance on matters related to “corporate governance,” “legal compliance and legal affairs,” and “corporate social responsibility.” The Committee consists of three directors or more, and a majority of the members are independent directors. The members elect among and from them an independent director to serve as the convener and chairperson of the Committee meeting. Meetings are convened periodically on an annual basis.
TECO has established the “CSR Task Force” to provide periodic reports on the execution and tracking of TECO’s corporate social responsibility goal and policy implementation status to the Chairman directly on a monthly basis. To integrate TCFD culture into KPI evaluation and risk management processes, The task force consists of the administrative units of “Representatives of each business department/plant site” and “Safety and Health,” “Human Resources,” and “Financial Department” etc., and the task force is responsible for the promotion of routine affairs. The task force also summarizes TECO's related performance, prepares, and publishes an annual corporate social responsibility report.

Management’s Role

The “CSR Task Force Director General” is the highest responsible rank of the management level, and the Factory Director of Chungli Plant assumed the position this year. The CSR task force establishes the sustainability management specialist to be a full-time position responsible for the execution of works, and cross-department members also form part of the task force, consisting of the administrative units of “Representative of each business department/plant site” and “Safety and Health,” “Human Resource” and “Financial Department” etc. in order to facilitate the promotion of management of works for the entire company synchronously. CSR task force reports the work progress to the Chairman and President monthly.

- For the climate related risks and opportunities, after information provided by all members is collected by the “CSR task force,” it is summarized, reported, and recommended to the management level and board of directors.
- For the risk of TECO internal control, the “Audit team” proposes the audit plan according to the past audit centerpiece and the existing organizational structure in order to examine the operating risk control implemented by TECO management level, business department of TECO, and to review the effectiveness of internal control design and execution, in order to issue an audit report for submission to the “Audit Committee” and board of directors.

Strategy

TECO has officially declared its commitment to a 10-year goal of energy conservation and emission reductions by 20% with 2015 as the base year. The goal is to decrease carbon emissions by 20% in 2025. Due to the joint efforts of all staff members, TECO achieved its emission reduction goal five years earlier than expected in 2020.

Relevant measures include replacement of existing with energy-saving equipment, more efficient production scheduling, development of smart, automated production technologies, and prevention of GHG and refrigerant escape. Upon completion of the first stage, TECO will fully implement its Sustainability KPI, which encompass indicators in the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management, starting this year. The goal is to inculcate sustainability concepts in the daily operations of each department and employee, including CEO, BU directors, manamger and supercisors. These KPI are tracked and evaluated every quarter and are linked to salaries and incentives.

This management method enables the Company to further assess its achievements in the field of emission reduction in a scientific manner. This method is paired with supplementary measures for carbon removal to achieve the ultimate goal of carbon neutrality within the shortest time possible.

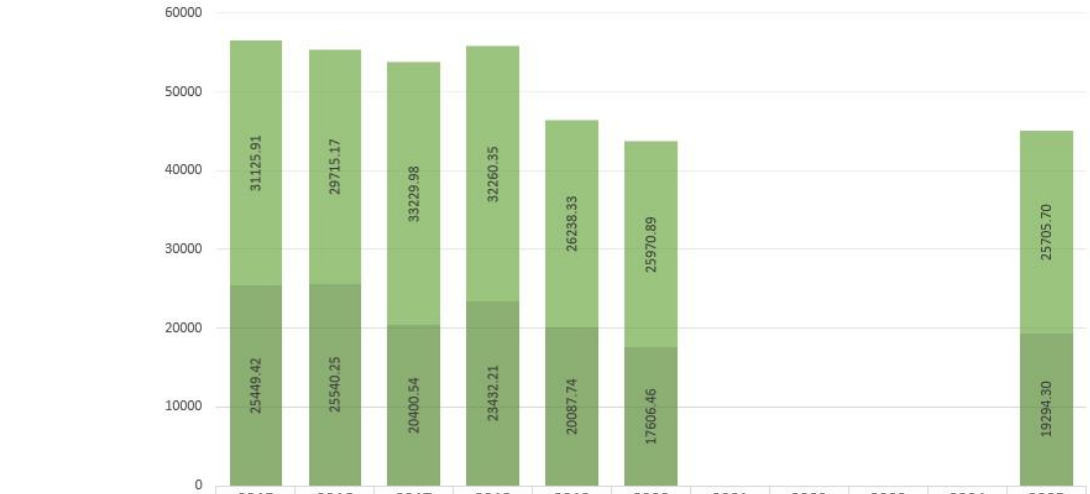
Due to the impact of global warming and the greenhouse effect on mankind, TECO has adopted a leading role in the realization of national GHG reduction goals through its vision of Energy Conservation, Emission Reduction, Intelligence, and Automation. The Company conducts further inspections and monitoring of its raw material supply chain, high-efficiency product design, and production processes with the ultimate goal of product life cycle and supply chain greening from the inside out and from top to bottom. With regard to its management methods and goals, TECO has officially declared its commitment to a 10-year goal of emission reductions by 20% with 2015 as the base year. The goal is to decrease carbon emissions by 20% in 2025. This decrease exceeds the national target by 100%. In 2020, TECO met its emission reduction target five years earlier than expected in direct pursuit of the EU target of net-zero emissions by 2050.

Achieved in 2020

Goals for energy conservation and emission reduction:

Declaration of "emission reduction by 20% in one decade"

Reduction by 20% in 2025 cumulatively from 2015, and reduction by 2% each year.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
達成率 Completion Rate	0.0%	11.6%	26.0%	7.8%	90.4%	114.6%					
台灣範疇2 Scope2 in TW	31125.91	29715.17	33229.98	32260.35	26238.33	25970.89					25705.70
台灣範疇1 Scope1 in TW	25449.42	25540.25	20400.54	23432.21	20087.74	17606.46					19294.30

Data coverage: Taiwan area (3rd party verified)

In order to ensure that business partners meet the requirements of quality, environmental protection and safety, and that products comply with green management and control during the merger and acquisition and joint venture procedures of the enterprise, TECO also simultaneously checks for the acquisition of ISO 9001, TS16949 and other international certification requirements, and strengthens the introduction ISO 14001, ISO 45001 or hazardous substance control capabilities.

As of 2016, TECO utilizes the monitoring and analysis functions of the self-developed EMS system to enhance the energy usage efficiency of the whole production process in plants and implements constant improvements with the goal of enhancing product life cycles from the perspective of energy management, realizing clean production, improving recycling rates, achieving sustainable development and in fulfilling the vision of protection of our natural environment. As in the process of merge and acquisition.

Impact on Organazation

The "CSR Task Force" acts as the responsible unit of the Company to perform material issue analysis according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Through research reports, literature review, and internal/external major stakeholder communication, the content and priority level of each issue is examined and determined and the risk lists submitted by each department are integrated, in order to perform risk assessment and propose corresponding strategies and recommendations. After the review by the Chairperson, a report is submitted to the "Corporate Governance and Sustainability Committee" of the board of directors, and the annual work plan is established according to the sustainability commitment in order to concretely achieve the vision of "Energy Conservation, Emission Reduction, Intelligence, Automation."

	Coping plan	Plan content	Scope of adoption	Time of implementation	Coverage rate
First stage	**Emission reduction by 20% within 10 years (Taiwan)**	Cumulative reductions by 20% from 2015 to 2025, and incremental reductions by 2% each year.	All plants in Taiwan	Goal achieved in 2020	Coverage rate: 48.2% (Taiwan)
	Emission reduction by 20% within 10 years (Overseas plants)	Cumulative reductions by 20% from 2030 to 2020, and incremental reductions by 2% each year. (subjects to each countries' goal)	Plants in Taiwan, USA, China, and Vietnam	2021 Management initiated	Coverage rate: 79.7%
Second stage	**Sustainability KPI: Internal carbon pricing**	"Carbon Border Tax" shadow price is simulated through simplified carbon footprint calculations	All plants in Taiwan	2021 Management initiated	Coverage rate: 48.2%
	Sustainability KPI: Ratio of Recycled Materials and Waste Recycling	100% recycling of general industrial waste	Plants in Taiwan, USA, China, and Vietnam	2021 Management initiated	Coverage rate: 79.7%
	Sustainability KPI: Climate impact management	Internalization of the spirit of the TCFD framework by all manufacturing bases and sales locations	All plants in Taiwan	2021 Management initiated	Coverage rate: 48.2%
Third stage	**Carbon removal**	Definition of unified carbon removal methods suited for the whole group and all its offices and branches worldwide (e.g., marine carbon fixation)	Entire group	2022 Management initiated	Coverage rate: 100%
	Carbon neutrality	Achievement of carbon neutrality for the whole group	Entire group	Announcement pending	Coverage rate: 100%

Cetacean population restoration and carbon removal

Looking ahead to the future, TECO will continue its search for concrete carbon removal methods on the foundation of the joint international goal of carbon neutrality by 2050. Generally speaking, afforestation is the most direct method of carbon removal. However, it is not easy to find a large-scale site for afforestation in Taiwan due to the shortage of land and high population density. In view of the fact that Taiwan is surrounded by oceans, the identification of a marine carbon fixation method is more meaningful. Starting this year, TECO has initiated discussions and planning with NGOs and academic organizations regarding restoration of cetacean populations.

An IMF research report reveals that each whale sequesters 33 tons of CO_2 on average, which is equivalent to the carbon absorption of 2,750 trees (each tree absorbs 12kg of carbon each year). Overall whale populations are now less than one-fourth what they once were. The restoration of whale population is therefore of paramount importance. Whales also create floating plants since their feces contain substances (iron and nitrogen) required for the survival of various species of such plants. The floating plant ecosystems all over the world are equivalent to 1.7 trillion trees or four Amazon rainforests

Taiwanese academic circles currently still lack clearly defined numerical models for cetacean populations in seas surrounding Taiwan and their carbon sequestration capacity. They are, however, aware of the fact that known large-sized whale species such as sperm whales and humpback whales and other medium-, and small-sized whale species in deep sea waters play a key role as carbon sinks. The average weight of a large-sized whale is equivalent to that of 200 dolphins. Each dolphin also has potential carbon fixation effects equivalent to 14 trees each year. The preservation of thousands of leaping dolphins in the Pacific Ocean can therefore also help slow down climate change and global warming. An even larger carbon fixation capacity results if we take into account the daily food intake of 25kg (5% of their weight) and the floating plants generated hereby.

TECO firmly believes that the restoration of cetacean populations is a concrete carbon removal method perfectly suited for Taiwan. The Company therefore plans to invest more resources into research and ecological conservation. In addition to sponsoring relevant activities in protected areas, the Company is committed to developing core technologies including corrosion-resistant electrification equipment for ecological conservation facilities on land, drones for dolphin observation, and powertrain systems for underwater vehicles in the future. The goal is to set an example for others to emulate and turn Taiwan into a global leader in the field of climate change action and thereby fulfill TECO’s pledge to carbon neutrality

Risk & Oppurtunity Management

Risk factors and their financial impact: Transformation of policies and laws

Items		*Financial impact*
Short-term 2021	In the face of external expectations, carbon footprint and GHG inventories must be carried out in accordance with norms and regulations.	ISO14067 Carbon Footprint and ISO14064 GHG Inventories and acquisition of third-party certifications, which is associated with increasing internal and external expenses
	Risks associated with suspension of operations due to natural disasters and fines and litigation due to environmental audits	Fines or stagnating sales due to litigation affecting revenue planes Taian Technology (Wuxi): Increased frequency of environmental monitoring is projected to increase costs by RMB$ 150,000
Medium-term 2023	Customer or regulatory requirements to achieve zero emission or collection of "Carbon Border Tax" for international trading and transaction	If TECO does not deploy plans early, the Company may lose its competitiveness in international trade due to carbon tax. For instance, the 150 HP motor (equivalent to an output power of 115kW, capable of providing the power for an electric four-wheel vehicle), generates total carbon emissions of 375kgCO 2 e during the manufacturing process. Sales in the European and US markets account for 20% of TECO's total sales volume. If carbon prices in these two markets rise in accordance with the IEA 2DS scenario, TECO's operating costs are bound to rise with each passing year.
	International competitors have consecutively declared their commitment to achieve zero carbon emissions by 2030 - 2050	It is mandatory to formulate carbon removal strategies and plan concrete implementation methods to minimize financial pressure caused by the purchase of carbon credits.
Long-term 2030	Singapore is committed to reducing emissions intensity by 36 percent from 2005 levels by 2030, and stabilising emissions with the aim of peaking around 2030	It is mandatory to implement emission reduction planning and target management in all overseas offices, branches, and sales locations and prepare budgets for environmental investments and management.
	China will adopt more energetic policies and measures with the goal of achieving its peak value in the field of CO_2 emissions in 2030 and realizing carbon neutrality prior to 2060.	It is mandatory to adopt technical modifications in the field of energy conservation and carbon reduction and actively promote high-efficiency motors (however, the cost of IE3 motors is 20% higher than that of IE2 motors; rising procurement costs at the customer end could result in loss of customers to competitors)

Risk factors and their financial impact: Transformation of technologies

Items		*Financial impact*
Short-term 2021	Introduction of emission reduction needs to adapt to the new manufacturing processes and environments	Increase of automated production and demand for intelligent manpower. With a view to preventing SF6 (GHG) leakage, manpower has been replaced with robotic arms for the welding and assembly of pole switch boxes.
	TECO product conformity to relevant regulations and failed development of new products	Capital expenditures in technologies and development of substitutes increase. Investments in motor-related energy consumption design software and product certification expenses rise. R&D expenditures account for around 4.87% of the total revenues.
Medium-term 2023	Automation causes the plant site's demand for energy to increase but the energy efficiency indicator become more rigorous.	● Solar plates for parking lots/rooftops are adopted, use of renewable energy sources is increased, and budgets for environmental investments and management are prepared. ● Taian Technology (Wuxi): It has been estimated that the use of rooftops on the company premises for the installation of renewable energy (solar power) facilities will result in an installed capacity with a photovoltaic power generation of 0.98 MW. The design has a projected service life of 25 years and is expected to require total investments of RMB$ 4 million. Cumulative power savings over 25 years are projected to amount to RMB 2.13 million.
Long-term 2030	Technical support must be maintained for household appliances	TECO has made an ongoing commitment to the development of energy conservation and environmental protection technologies. RAC has already completed the deployment of R32 and DC variable-frequency technologies which have been adopted all the way to light commercial models of 5HP. However, CAC products of 5HP and above still require the search for substitute refrigerants that conform to GWP standards. Application of existing stand-alone 10HP DC variable-frequency technologies has been extended to stand-alone 20HP drive control technology.
	Customers or investors expect to increase the renewable energy use ratio	Corporations must plan the emission reduction road map in order to gradually achieve zero emissions. TECO invests in the plant site solar power generation station and performs the cast waste heat recovery assessment. In addition to relevant equipment for the construction of solar power, the renovation of the facility roof is also constructed at the same time, and the investment cost per MW power generation is NTD 40~60 million.

Risk factors and their financial impact: Transformation of markets

Items		*Financial impact*
Short-term 2021	Society expects the companies to provide commitment to a circular economy	Increase of ESG training hours and integration in work tasks, incorporation of friendly work environment criteria in supplier evaluations
Medium-term 2023	Extension of employees' retirement age, and insufficient young group of talents. Increased ratio of migrant workers, changes in industrial labor structure	The market demand for high efficiency motors increases, and the fill-in ratio of the copper wires inside a high efficiency motor manufactured must reach above 85%, and the manual wiring must reach 75% or more, which is difficult when quality requirements need to be satisfied at the same time. TECO needs to introduce automatic production in order to overcome the double problems of technology and manpower
	Progress of development of competitor products and differentiation from competitor products	Progress of forward-looking products lagging behind competitors, loss of business opportunities, and shifting customer demands result in dropping demand for products and services.
Long-term 2030	Increase of power expenses, employee living expenses, and salary	Rising electricity bills: For the region of Taiwan, the electricity tariff increase is expected to reach 38% by 2030, and the price per kWh of electricity (contract capacity) will increase from NTD 1.97 to NTD 2.72. Motor housing is a cast part and the main power source for cast production is electricity, accounting for approximately 13% of the cost. Consequently, an increase in the electricity tariff will affect the production cost directly. Energy consumption of factories increases; energy as a fixed production cost accounts for around 1.55% of the total costs of large motors; employee salaries constitute 9.7% of the total cost.
	Capital withdrawn from the industries of petrochemical and mineral industries	TECO's original business volume in the Oil & Gas industry in Texas, USA, is expected to contract.

Risk factors and their financial impact: Transformation of reputation

Items		*Financial impact*
Short-term 2021	General public requests the disclosure of non-financial information and greater CSR evaluation, investor and shareholders expect the company to propose plans for climate change	TECO foreign investment ratio is approximately 25%, and the international ESG investment trend affects the stock price. To meet the expectation of investors, the Company needs to establish a sustainability risk control mechanism and to disclose relevant content, and major event reporting management mechanism
Medium-term 2023	Automation speed of representative enterprises	The Vietnam Plant is ahead of many enterprises in its level of automation. The continued expansion of the scope of electrical engineering automation decreases the demand for manpower and manual operations, which is consistent with future market demands and expectations.
Long-term 2030	New products don't conform to legal requirements and brand reputation decreases in international markets.	Dropping demand for products/services and missing out on new market opportunities

Risk factors and their financial impact: Transformation of physical risks

	Items	*Financial impact*
Immediacy	Natural disasters and air pollution causing suspension of factory operation	• Suspension of operations in the Chungli Plant result in daily production capacity losses of NT$ 11.26 million • Suspension of operations in the Hukou Plant result in daily production capacity losses of NT$ 1.6 million • In China, the government may request factories to suspend its operation partially or completely according to the air pollution warning on that day, and suspension of operations by the factory causes daily production capacity losses of approximately NT$ 15 million. • Suspension of operations in the Taian Technology (Wuxi) Plant result in daily production capacity losses of RMB$ 480,000 • Suspension of operations in the Jiangxi Plant result in daily production capacity losses of RMB$ 140,000
	Extreme weather conditions such as heat waves and torrential rains result in high employee absence rates and traffic hazards.	• TECO employees in Vietnam commute to work by scooter. Torrential rains therefore result in tardiness and high absence rates, which in turn affects production capacities. • The 2020 summer in Australia was mild and short, which resulted in AC sales going down by AUD 500K. • Production demands of factory buildings have been activated. Production lines have been moved up and offices have been moved down to minimize the impact of natural disasters. • Typhoons result in production standstill, while flooding results in damage to production equipment and shipping delays. Flood boards have therefore been installed in the entrance and exit areas to prevent flood damage. • Anti-flooding materials, water storage facilities, and cooling equipment will be added in the Taian Technology (Wuxi) plant, which will increase investments by RMB$ 300,000.
	Brief spells of extremely low temperatures result in suspension of operations and hardship for employees.	The Westinghouse Plant in Texas, USA, had to suspend operations for one week due to low temperatures and power outages.
	Early coping with risk factors, PSI management, and increased inventories	Advance determination of funding sources and available credit to ensure funding needs are met

	Items	*Financial impact*
Long-term	Capital withdrawn from the industries of petrochemical and mineral industries, causing deficiency of raw materials and increase in costs	TECO's motors use steel materials of high specification, and the annual purchase volume is approximately 60,000 tons. The fluctuation of steel cost becomes one of the major risks of force majeure.
	Increase of average temperature	• Temperature rise can directly cause the interior temperature to increase in the facility, and the plant site needs to make greater investment in ventilation and cooling facilities. For the past two years, the Company has invested NTD 2.5 million in the improvement, and a budget of approximately NTD 1 million is planned annually for continuous improvement of equipment at the plant site in order to protect the health of employees. • Southern Vietnam is hot and muggy all year round. Rising air temperatures directly result in rising indoor temperatures in manufacturing plants, which in turn leads to recruitment problems and lack of energy and initiative on the part of employees. The plant is therefore forced to increase its investments in ventilation and cooling equipment.
	High energy-efficient key components are out of stock	High energy-efficient AC models must be paired with high energy-efficient compressors. Future manufacturing and supply sources for such compressors cannot be controlled yet, which poses a certain risk of unavailability.

Opportunity factors and their financial impact: Resource efficiency

Items		*Financial impact*
Short-term 2021	Invest in smart electrical engineering production lines and increase of overall efficiency	TECO has introduced the smart electrical engineering production mode. As a result, the production quantity has increased from 10 units per person per day to 34 units, and the production first pass yield has dropped from 400 minutes to 20 minutes
	Promotion of automated offices and decreased use of paper-based, traditional office modes	Reduced use of office consumables, increased investments in automated office systems, and full implementation of office digitization to enhance office efficiency.
Medium-term 2023	Promotion of digital marketing, e-commerce, digital transformation, and a global collaboration information platform	Execution of the marketing &sales digitalization plan to streamline transaction procedures, enhance transaction efficiency, and increase of revenues Expansion and optimization of various high performance information platforms at the marketing and sales end, and gradual establishment of a sound business intelligence system (BI) in order to increase the precision of market sales and thereby generate sales growth.
	Promulgation of more rigorous energy efficiency laws and regulations by the government	Taiwan will convene a conference on enhancement of energy efficiency. It is planned to further raise one of the most rigorous standards in the world by 10% and stipulate a refrigerant whose impact according to the global warming coefficient is even lower (GWP of less than 500). Promulgation and enforcement is planned for 2023 and 2025, respectively.
Long-term 2030	Pursuit of high energy-efficient models	Energy efficiency standards and laws are constantly tightened to cope with energy conservation and carbon reduction issues. Conformity to these new energy efficiency standards and regulations will increase costs by 10%~15%. However, Class 1 Energy Efficiency, variable-frequency products have turned into a benchmark for consumer purchases. It is therefore planned to implement variable-frequency and Class 1 Energy Efficiency features for all product series at an early date to maintain the Company's competitive edge.

Opportunity factors and their financial impact: Energy sources

Items		*Financial impact*
Short-term 2021	Construction of plant site renewable energy facilities according to the plan, and change from the electricity sale model to plant site self-use whenever necessary	TECO has installed a 5.3MW power generation capacity at Guanyin, and in 2020, the Company has further installed a 1.7MW power generation capacity in Chungli. After reaching the full capacity of grid connection, these facilities are expected to generate 8 million kWh and a sales income of approximately NT$ 40 million annually.
Medium-term 2023	Impact of a temperature increase by 2 degrees on power expenses.	• Temperatures in the vicinity of teeming furnaces and blower furnaces are higher than in other areas, which results in lower energy consumption required for heating. • With regard to rising power expenses for air conditioning systems, we can adopt systems with a higher energy efficiency ratio. (EER>3.5, SEER>5)
Long-term 2030	Improvement of heat supply equipment in plants	Wuxi TECO has a peak monthly AC power consumption of 165000KWh during the winter months. Adoption of Smoke exhaust TES (thermal energy storage) can generate monthly power savings amounting to a maximum of around RMB55,000

Opportunity factors and their financial impact: Products and services

Items		*Financial impact*
Short-term 2021	Increasing demand ratio of variable-frequency AC solutions	The conversion to variable-frequency modular and screw appliances is projected to generate revenues of 2.6 million with gradually rising revenues in the future.
	Natural disasters and air pollution causing market demand	Australian forest fires have resulted in serious air pollution and rising demand for air purifiers. Consequently, the overall sales volume of these devices rose last year.
Medium-term 2023	Provision of solutions such as energy conservation and emission reduction through integration of motors and inverters to minimize climate impacts.	• Contributions to climate change adaptation and rising revenues through new solutions • Vietnam is one of the few countries in the world that hasn't yet mandated use of IE3 high-efficiency motors. Against the backdrop of a worsening greenhouse effect, the conversion to such motors is bound to reshuffle and restructure the market. It is mandatory to make early preparations for these expected market demand changes.
Long-term 2030	Increasing demand for light-duty motors will result in rising demand for copper and rare earth	• The Australian non-coal mining industry continues to prosper • Increase of R&D investments (from 4% to 6%) to expand the company's markets from industrial motors to other powertrain products such as e-vehicles, spacecraft, and low earth orbit satellites

Opportunity factors and their financial impact: Markets

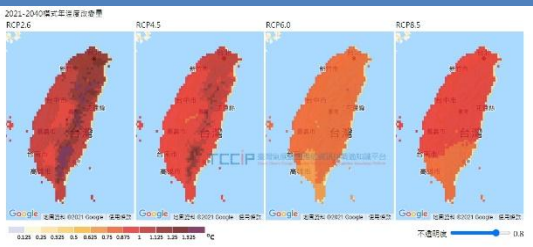
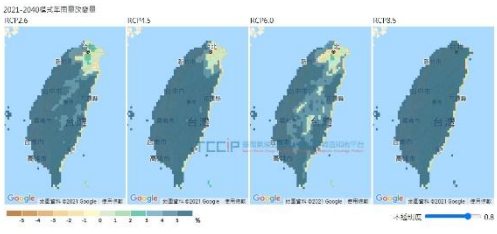
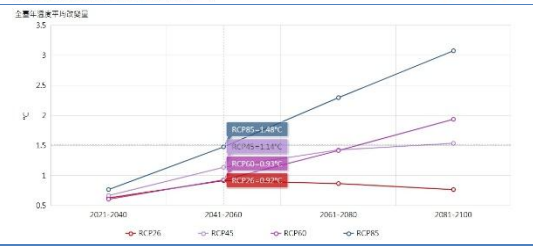
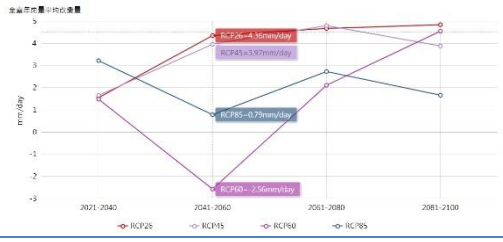
Items		*Financial impact*
Short-term 2021	Investment in energy storage, energy conservation engineering capability and development of low-carbon product modules	● Google has added 6-8 Internet data centers for total investments of 70 billion ● Warehousing automation is projected to generate an output value of US$ 270 billion in 2025
	The epidemic has resulted in an increasing demand for online services	The usage ratio of the online transaction system has been increased and a digitized sales environment has been realized
	Optimization of teaching environments in response to rising temperatures	Installation of AC systems by primary and secondary schools is expected to generate a demand of 100,000 units.
Medium-term 2023	Renewable energy accounted for 20% of the energy supply in Taiwan in 2025; optimal utilization of incentive measures of the public and private sector	Creation of revenue in line with policy incentives ● Solar energy of a scope of 20GW exceeds NT$ 3 trillion ● Grid-connected offshore wind power of 5.5GW generates an output value of NT$ 900 billion ● Taipower energy storage demands amount to 600MW requiring engineering equipment of a value of NT$ 18 billion
	The latest standard GB 18613-2020 in China which will take effect in June 2021 stipulates a minimum energy efficiency of IE3 (GB2) for motors.	The new GB standard in China, which will take effect in June 2021, prescribes a minimum energy efficiency of IE3. The total power consumption of small motors sold in China each year is 450MW. Once IE2 is raised to IE3, the average efficiency is projected to increase from 89.5% to 91%. Based on an assumed operation time of 3000 hours per year, the sale of IE3 motors in 2021 is expected to generate total power savings of around 12 GW. IE3 sales ratio has increased from 25% to 70% (2021 H2)
Long-term 2030	The government promotes a policy of localized/domestic production of electric buses	Product diversity and international competitiveness have been increased as a result of this beneficial domestic production and localization policy and technical cooperation with international manufacturers The electric bus industry in Taiwan has reached NT$ 90 billion
	Increase of OEM opportunities for other brands	Household appliance manufacturers that are capable of developing and manufacturing high energy-efficient models are eligible to strive for OEM opportunities in domestic and overseas industries

Opportunity factors and their financial impact: Resilience

Items		*Financial impact*
Short-term 2021	Adoption of regional R&D and production models, increase of localized production ratios and shortened delivery times	Upon successful development of core technologies in line with market demands, the R&D center will shift its focus to the strengthening of production technology capabilities in manufacturing bases
Medium-term 2023	Establishment of manufacturing bases with comprehensive production lines to be allocated based on external environments and the global political and economic situation	SDK parts, machine assembly, shipping and packaging cost savings Modularization and flexible deployment of manufacturing bases in line with the changing global situation (e.g., Sino-American Trade War, protective tariff restrictions)
Long-term 2030	Countermeasures for increasing average temperatures	In view of current average temperatures of 29.5 degrees with occasional peaks of 40.2 degrees during the summer months in Taiwan, it doesn't seem warranted to add cooling equipment (average of 29.5+2=31.5 degrees) Most countries stipulate suspension of operations if temperatures exceed 40 degrees A large number of companies in Europe utilize concentrated vacation periods to avoid summer heat waves and excessive investments in non-manufacturing auxiliary equipment.
	Creation of new short-chain regional supply chains for our four major production centers	Encouragement of suppliers to set up plants in Vietnam and India with the goal of creating new supply chains for the TECO group

Physical Risk Scenario Analysis

RCP Scenario: Representative Concentration Pathways (RCPs) which utilize the change in radiative forcing from 1750 to 2100 as the main indicator are employed for future temperature and precipitation change analysis. RCP2.6 (increase in radiative forcing by 2.6W/m^2) is the scenario of mitigated global warming, while RCP4.5-RCP6.0 and RCP8.5 (and above) are scenarios characterized by limited mitigation or no mitigation, respectively. According to the scenario simulations of Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), RCP 2.6 and 6.0 result in vastly different outcomes for Taiwan:

Temprature change	Rainfall change
	
	

Data source: Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP)

Scenario	2050 Weather phenomena	Weather impact and countermeasures
RCP 2.6 CO_2 level 421 ppm	Temperature rise by 0.92℃, precipitation increase by 4.36mm/day. This represents an increase by 73% on the basis of an average precipitation of 6.0mm/day.	Rising interior temperatures force plants to increase their investments in ventilation and cooling facilities; flooding causes damage to production facilities and delivery delays. Installation of flood boards in entrance and exit areas minimizes the impact of flooding.
RCP 6.0 CO_2 level 670 ppm	Temperature rise by 0.93℃, precipitation decrease by 2.56mm/day. This represents a decrease by 42% on the basis of an average precipitation of 6.0mm/day.	Rising interior temperatures force plants to increase their investments in ventilation and cooling facilities; droughts cause a shortage of cooling water and malfunctions of teeming furnaces, baking furnaces, and air conditioning equipment.

Financial impact:

- Allocation of an annual budget of around NT$ million for ongoing improvements to safeguard employee health.
- Suspension of operations in the Chungli Plant results in daily production capacity losses of NT$ 11.26 million.
- Reclaimed circulating water from cooling towers in the Chungli Plant amounts to 76 tons/day. Water purchased externally to compensate for scattering and evaporation accounts for around 0.3% of the total quantity of circulating water.
- Investments of NT$ 340 million and 230 million in new manufacturing centers and supply chains in Vietnam and India, respectively, serve the purpose of supply chains decentralization.

Transformation Risk Scenario Analysis

NDC Scenario: Reqirement of 10% Renewable Energy Installation

The Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity promulgated by the Ministry of Economic Affairs stipulate that power users with a contract capacity of 5MW or above are required to install renewable energy facilities with a capacity equivalent to 10% of their contract capacity within five years.

Upon inventories, it has been determined that the power consumption of TECO plants exceeds 5MW. The Company adopted an early deployment strategy in 2020 by investing a total of NT$ 105 million in the installation of a solar energy system with a capacity of 1.7MW in the Chungli Plant. The projected annual generation amount is 2 million kWh, which represents an early achievement of the goal of 10% green power installations. As of 2021, the system is already connected to the grid.

IEA 2DS Scenario: Cost Impact from Carbon Price

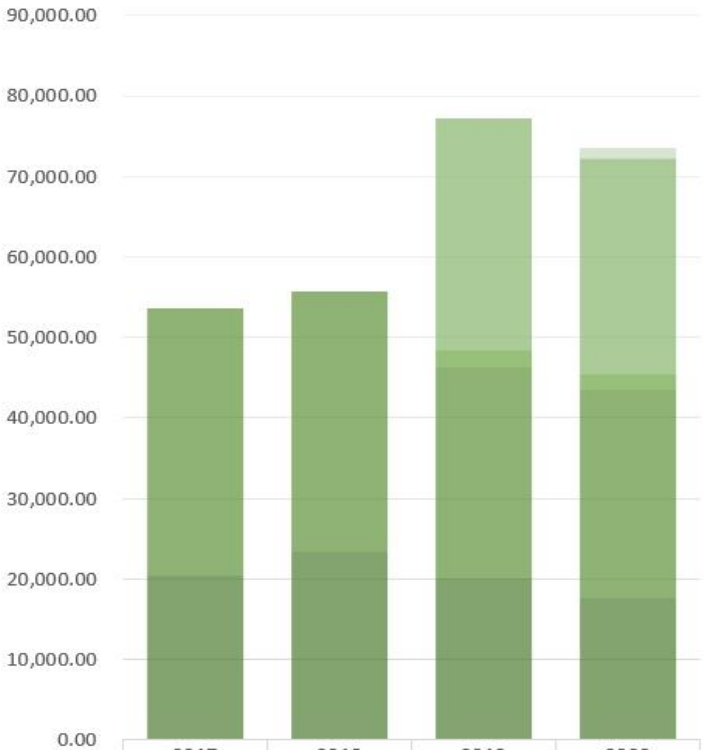
If the US and the EU determine carbon prices in accordance with the IEA 2DS carbon reduction scenario, the price will reach $210 USD/tCO2 in 2050.

Sales in the European and US markets account for 20% of TECO's total sales volume. If carbon prices in these two markets rise in accordance with the IEA 2DS scenario, TECO's operating costs are bound to rise with each passing year. In response to these impacts, TECO has fully implemented Sustainability KPI starting this year including the three indicators of internal carbon pricing, ratio of recycled materials and waste recycling, and climate impact management with the ultimate goal of strengthening carbon reduction performance and thereby minimize the future impact of rising carbon prices.

Metrics and Targets

GHG Emissions in SCOPE 1 and 2

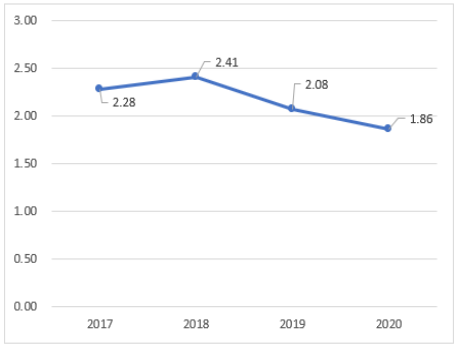
TECO conducts GHG emission assessment for sites in Taiwan, China, Vietnam and US with ISO 14064-1. In year 2020 the coverage rate reached 79.7%, 48.2% (by group revenue ratio) among it (data from Taiwan) has been verified by BSI (British Standards Institution)'s ISO 14064-1 (GHG audit) verification to provide the assurance about accuracy of assessment data.



	2017	2018	2019	2020
Scope2 (VN)	0.00	0.00	0.00	1,314.14
Scope1 (VN)	0.00	0.00	0.00	46.34
Scope2 (CN&US)	0.00	0.00	28,749.28	26,703.87
Scope1 (CN&US)	0.00	0.00	2,073.27	1,852.36
Scope2 (TW)	33,229.98	32,260.35	26,238.33	25,970.89
Scope1 (TW)	20,400.54	23,432.21	20,087.74	17,606.46

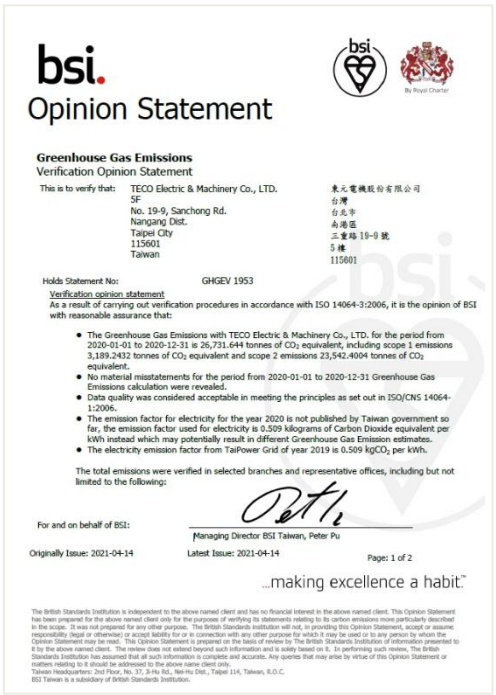
Scope2 total	33,229.98	32,260.35	54,987.61	54,085.43
Scope1 total	20,400.54	23,432.21	22,161.01	19,505.16
Data coverage	46.2%	46.2%	77.6%	79.7%

Direct and indirect emissions



Emission intensity in Taiwan

(tonCO2e/TWD M)



bsi.

Opinion Statement

Greenhouse Gas Emissions
Verification Opinion Statement

This is to verify that: TECO Electric & Machinery Co., LTD.
5F
No. 19-9, Sanchong Rd.
Nangang Dist.
Taipei City
115601
Taiwan

東元電機股份有限公司
台灣
台北市
南港區
三重路 19-9 號
5 樓
115601

Holds Statement No: GHGEV 1953

Verification opinion statement
As a result of carrying out verification procedures in accordance with ISO 14064-3:2006, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with TECO Electric & Machinery Co., LTD. for the period from 2020-01-01 to 2020-12-31 is 26,731.644 tonnes of CO_2 equivalent, including scope 1 emissions 3,189.2432 tonnes of CO_2 equivalent and scope 2 emissions 23,542.4004 tonnes of CO_2 equivalent.
- No material misstatements for the period from 2020-01-01 to 2020-12-31 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO/CNS 14064-1:2006.
- The emission factor for electricity for the year 2020 is not published by Taiwan government so far, the emission factor used for electricity is 0.509 kilograms of Carbon Dioxide equivalent per kWh instead which may potentially result in different Greenhouse Gas Emission estimates.
- The electricity emission factor from TaiPower Grid of year 2019 is 0.509 $kgCO_2$ per kWh.

The total emissions were verified in selected branches and representative offices, including but not limited to the following:

For and on behalf of BSI:
Managing Director BSI Taiwan, Peter Pu

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...making excellence a habit.

A third credible and fair party is appointed to conduct the assessment and certification against the GHG emissions by various plants on a yearly basis.

The method of consolidating the amount of greenhouse gases is by operational control cited emission factors locally.

2020 target Scope1: 21,740; Scope2: 54,180

GHG Emissions in SCOPE 3

TECO initiates Scope3 emission assement from year 2019. Based on motor business. Calculate its emission from purchased good and service, used of motor products and end of life treatment.

Purchased goods and services (Category 1): 300,402 tonCO2e

Raw material	Purchase quantity (ton)	Carbon emission equivalent (tCO2e)
Silicon steel plates	43,984	143,586
Thick steel plates	7,522	15,407
Steel rods	4,254	9,899
Enameled Wire	4,006	17,586
Copper wire	1,370	179
Castings	25,851	133,744

Data source: China Steel Corporation, Walsin Lihwa Corporation, TECO own Foundry, Carbon Footprint Calculation Service Platform from Taiwan government

Use of said products (Category 11): 9,272,621 tonCO2e

Type	Sales(unit)	Power Consumption (kWh)	Emission (tCO2e)
Standard motors	633,818	8,310,503,027	4,230,046
Customized motors	3,244	9,906,827,862	5,042,575

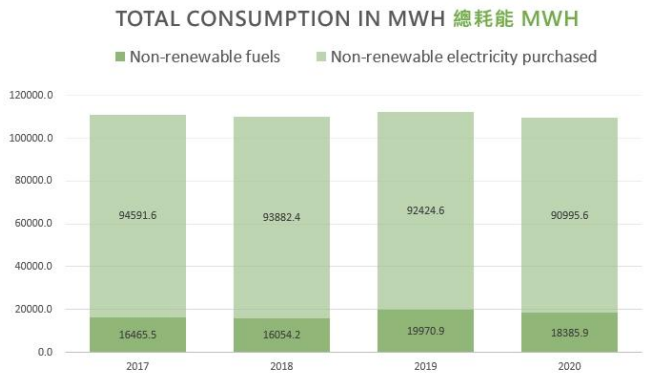
- According to the actual motor sale volume of 637,062 units in 2020 and its energy efficiency, the carbon emission associated with the annual power consumption is estimated.
- Carbon emission coefficient source: The 2019 electricity emission coefficient of 0.509 kg/CO2e announced by the Bureau of Energy, Ministry of Economic Affairs is used.
- Motor annual power consumption estimation: For each motor, the number of operating hours of 5000 hours per year*motor average unit time power consumption is used for the calculation.

End-of-life treatment of said products (Category 12): 340.08 tonCO2e

With the 2020 waste generation amount of TECO Group, along with the reference to the general waste incineration treatment service coefficient of 340 kgCo2e/ tons provided by the Taiwan Product Footprint Platform, estimation is performed and the production emission data coverage is 79.7%

4.2 Energy consumption

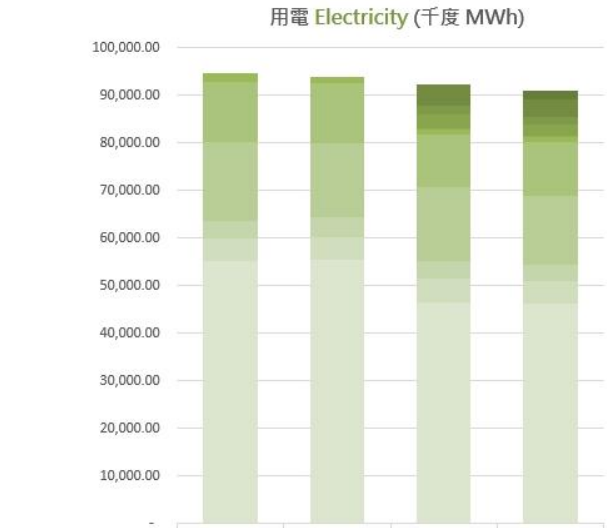
In 2020, the Group's energy consumption data management scope covered all of the plant sites in Taiwan, the U.S., China and Vietnam. Data coverage rate is 79.7%



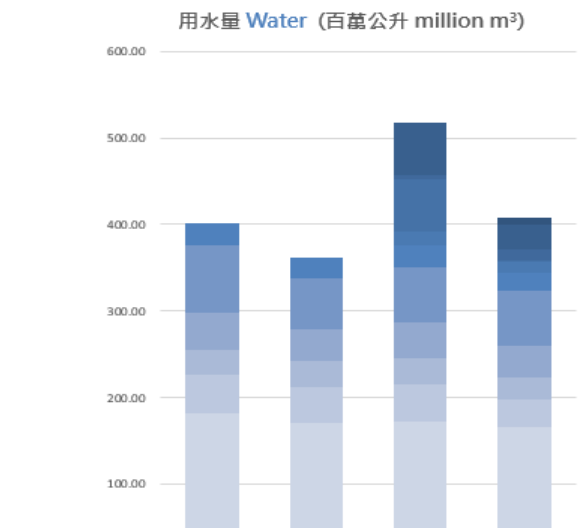
Total	111,057.1	109,936.6	112,395.5	109,381.5
coverage	71.8%	73.9%	77.6%	79.7%

Total	399,957.7	395,650.0	405,296.6	394,970.0
coverage	71.8%	73.9%	77.6%	79.7%

2020 Target for non-renewable consumption: 11,160 MWh



	2017	2018	2019	2020
越南東元 TEV (VN)				1,868.00
江西東元 JX (CN)			4,632.00	3,592.35
無錫精密 WXP (CN)			1,740.73	1,659.44
青島東元 QD (CN)			2,821.04	2,368.34
江西東成 JXAC (CN)			406.36	328.84
東元精電 ED (TW)	1,778.61	1,315.36	1,127.68	1,072.76
無錫東元 WX (CN)	12,635.67	12,533.58	11,008.72	11,207.35
美國西屋 WH (US)	16,572.24	15,509.14	15,508.00	14,437.29
台科無錫 Taian WX (CN)	3,608.09	4215.78	3,614.62	3,429.44
東勝電氣 TESEN (TW)	4,810.98	4,872.48	5,027.80	4,771.09
東元電機 TECO (TW)	55,169.02	55,419.18	46,520.97	46,244.35
total	94,574.61	93,865.53	92,407.92	90,979.25
coverage	71.8%	73.9%	77.6%	79.7%



	2017	2018	2019	2020
越南東元 TEV (VN)				7.10
江西東元 JX (CN)			59.37	28.87
無錫精密 WXP (CN)			5.66	12.14
青島東元 QD (CN)			59.41	1.95
江西東成 JXAC (CN)			16.80	13.52
東元精電 ED (TW)	25.05	24.20	24.80	20.40
無錫東元 WX (CN)	78.03	59.37	63.67	64.18
美國西屋 WH (US)	43.61	36.87	41.19	36.60
台科無錫 Taian WX (CN)	28.44	29.83	31.02	25.03
東勝電氣 TESEN (TW)	45.14	40.59	43.10	31.85
東元電機 TECO (TW)	181.12	171.26	171.77	165.48
total	401.39	362.12	516.79	407.12
coverage	71.8%	73.9%	77.6%	79.7%

Target 2020: 415 million m^3

Note : The water source in TESEN (TW) is groundwater and the others is tap water

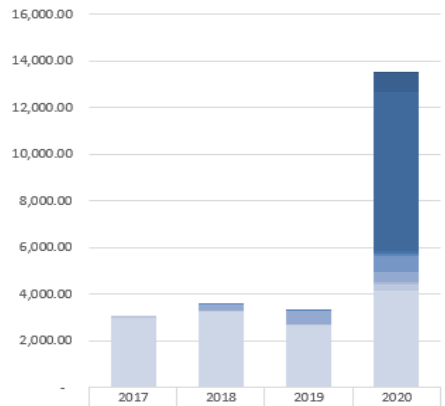
Water Recycle performance

In 2020, the recycled water consumption quantity accounted for **15.7%** of all water consumption
The recycled water consumption quantity is 76 tons/day, and it is used for 250 days per year
Casting recycled water basin capacity of 60 tons
Die casting recycled water basin capacity of 100 tons

TECO uses tap water throughout its operations, with the sole exception of TESEN, which relies on groundwater. TESEN has a sewage treatment facility although TECO is not located in an industrial zone. Treated sewage is tested to ensure that it meets the relevant standards prior to discharge. TECO (HQ and plants) and TESEN both use tap water. TECO constantly implements various water conservation measures including installation of aerators and adoption of water saving toilets. Leaks are prevented through regular inspections.

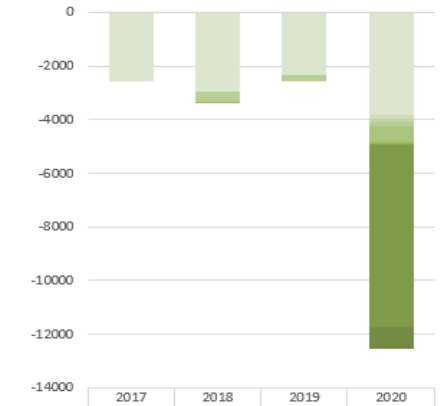
Waste management

非有害廢棄物 Non-hazardous Waste
(公噸 metric tonnes)



	2017	2018	2019	2020
越南東元 TEV (VN)				59.06
江西東元 JX (CN)				821.99
無錫精密 WXP (CN)				6,825.25
青岛東元 QD (CN)				102.68
江西東成 JXAC (CN)			12.00	37.98
東元精電 ED (TW)		26.66	26.00	34.51
無錫東元 WX (CN)				728.99
美國西屋 WH (US)		251.32	546.00	419.48
台科無錫 Taian WX (CN)				102.56
東勝電氣 TESEN (TW)	83.26	78.23	93.20	241.04
東元電機 TECO (TW)	2,974.72	3,229.83	2,625.93	4,153.25

非有害廢棄物回收 Non-hazardous Waste Recycled
(公噸 metric tonnes)

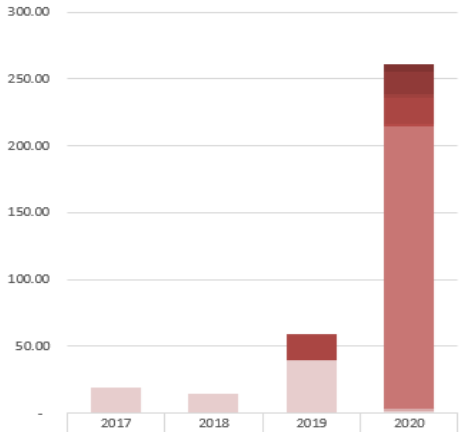


	2017	2018	2019	2020
越南東元 TEV (VN)	0	0	0	-51.23
江西東元 JX (CN)	0	0	0	-725.99
無錫精密 WXP (CN)	0	0	0	-6825.25
青岛東元 QD (CN)	0	0	0	-24.18
江西東成 JXAC (CN)	0	0	0	-37.98
東元精電 ED (TW)	0	-0.36	0	-20.067
無錫東元 WX (CN)	0	0	0	-574.119
美國西屋 WH (US)	0	-407.23	-223	-188.97
台科無錫 Taian WX (CN)	0	0	0	-102.564
東勝電氣 TESEN (TW)	0	0	0	-152.67
東元電機 TECO (TW)	-2575.47	-2952.82	-2334.41	-3,823.53

Total waste	3,057.98	3,586.04	3,303.13	13,526.79
Total recycled	2,575.47	3,360.41	2,557.41	12,526.55
Total disposed	482.51	225.63	745.72	1000.24
cvoverage	46.2%	61.4%	61.8%	79.7%

2020 target for non-hazardous waste disposed：1,015 ton

有害事業廢棄物 Hazardous Waste (公噸 metric tonnes)



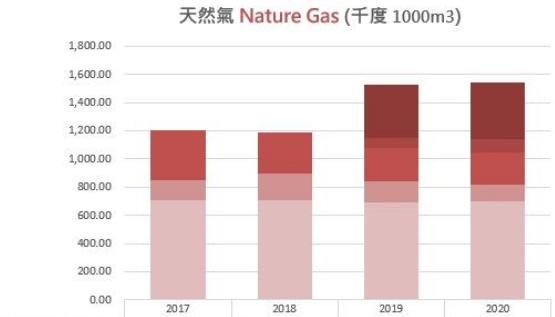
	2017	2018	2019	2020
越南東元 TEV (VN)				6.07
江西東元 JX (CN)				16.98
無錫精密 WXP (CN)				2.82
青岛東元 QD (CN)			19.92	19.39
江西東成 JXAC (CN)				1.20
東元精電 ED (TW)				-
無錫東元 WX (CN)				211.43
美國西屋 WH (US)				0.05
台科無錫 Taian WX (CN)				2.27
東勝電氣 TESEN (TW)				-
東元電機 TECO (TW)	18.65	14.83	39.30	1.20

total	18.65	14.83	59.22	261.41
coverage	46.2%	61.4%	61.8%	79.7%

Target for FY 2020 (metric tonnes)：267

TECO has formulated waste storage and disposal management guidelines as part of its environmental safety management system to implement waste reduction and resource recycling in TECO and affiliated enterprises. A unified storage area has been established for waste generated by all plants. Tracking is implemented and records are created during the disposal and treatment process. Relevant records are preserved for 3 years. Waste treatment methods employed by TECO can be divided into the following categories: Re-use, incineration, physical treatment, offshore processing, landfill. Waste electric wires and cables are shipped to Mainland China for physical treatment.

Natural Gas Usage Management

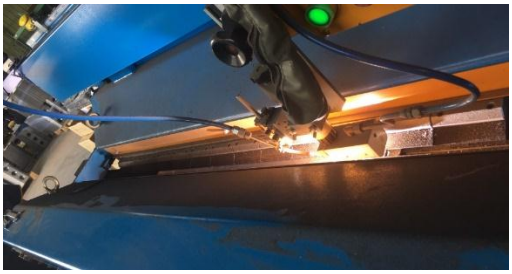


	2017	2018	2019	2020
無錫精密 WXP (CN)			378.59	404.09
青島東元 QD (CN)			71.97	89.98
無錫東元 WX (CN)	353.42	295.74	230.75	235.25
美國西屋 WH (US)	140.02	182.59	154.40	117.84
東元電機 TECO (TW)	707.70	711.63	690.09	697.08
total	1,201.14	1,189.96	1525.80	1544.24
coverage	71.8%	73.9%	77.6%	79.7%

Natural gas is the main source of non-renewable energy use in the plant. TECO tracks and manages natural gas consumption of the Taiwan plant, TECO-Westinghouse, Wuxi TECO, Qingdao TECO Precision, and Wuxi TECO Precision. From natural gas fee receipts to track and manage the use of energy and corresponding carbon emissions.

Key corrective actions taken in 2020:

Prevention of SF6 leakage from gas insulated switches (GIS)



GIS with SF6 as the filling gas are present in medium- to high-voltage power distribution circuits. SF6 is highly reliable and does not lead to oxidation and deterioration of charged components. However, the global warming coefficient of SF6 is 22,800. It is one of the most detrimental GHG since one kg of escaped SF6 is equivalent to 22,800 kg of CO_2. There is currently no substitute for SF6 as an insulation material for GIS. TECO's self-developed and manufactured models have passed tests conducted by Taipower in 2015. The Company manufactures and installs thousands of such devices each year.

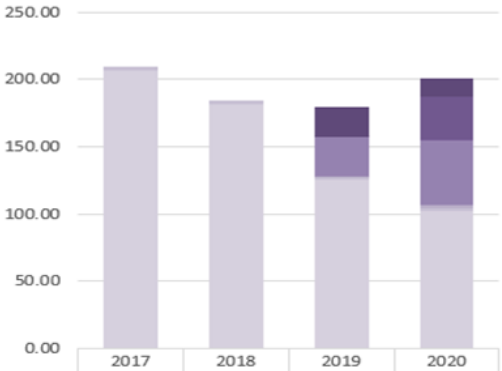
In the process of conducting its 2018 GHG inventory, TECO realized that it was mandatory to prevent SF6 leakage and reduce Scope 1 emissions in its production processes. The business divisions therefore initiated process improvements which include the adoption of robotic arms for switch box welding and guarantee of electric welding quality stability. This also involves vacuum leak testing prior to SF6 filling.

Upon adoption of said corrective actions, emission rates dropped from **9.45%** to **2.80%**. SF6 emission drops from 1,356.6 tCO2e in 2019 to 1,124.0 tCO2e in 2020. This also facilitates achievement of the emission reduction targets in the entire company.

Air Pollution Management

Air pollutants are mainly generated during motor production in the Chungli plant and consist mainly of Volatile Organic Compounds (VOCs). TECO has implemented improvements at the source by replacing the base coat for motors with VOC-free water-based paint. TECO has also adopted low-voc varnish.

揮發性有機物 VOCs
(公噸 metric tonnes)



	2017	2018	2019	2020
江西東元 JX (CN)			22.00	13.12
無錫精密 WXP (CN)			0.00	0.00
青島東元 QD (CN)			0.03	32.28
江西東成 JXAC (CN)			0.56	0.75
東元精電 ED (TW)			0.00	0.00
無錫東元 WX (CN)			28.18	47.76
美國西屋 WH (US)			1.38	1.10
台科無錫 Taian WX (CN)			0.13	1.58
東勝電氣 TESEN (TW)	3.22	2.63	1.72	1.73
東元電機 TECO (TW)	206.36	181.57	125.47	102.45
Total	209.58	184.20	179.53	200.77
Coverage	46.2%	46.2%	77.6%	78.5%

Target for FY 2020 (metric tonnes)：205

Plant locations that generate air pollutants include TECO Chungli and TESEN in Taiwan. Air pollution control facilities have been established in accordance with the relevant laws and standards and dedicated personnel have been assigned to carry out operations in accordance with environmental protection-related laws. TECO is firmly committed to reducing pollutant concentrations to conform to air pollution standards. TECO and TESEN pollutant categories include SOx, NOx, PM and VOCs

unit: ton

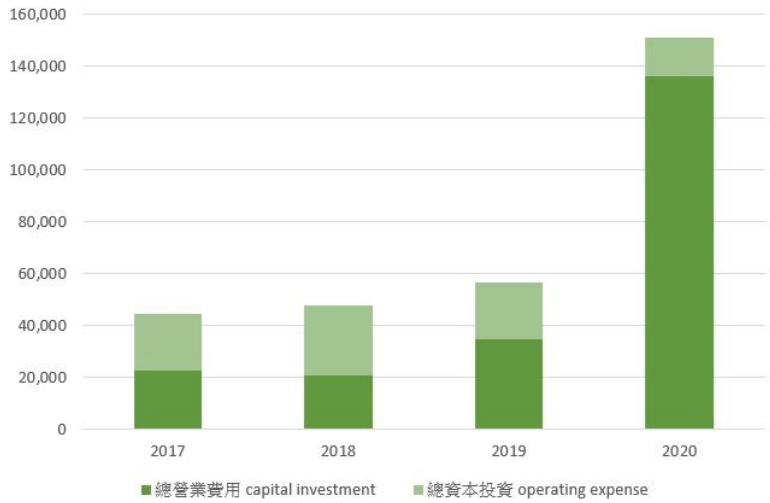
Sulfur oxide (SO_X)	**1.62**
Nitrogen oxide (NO_X)	**1.99**
Particulate Matter Pollution (PM)	**10.13**
Volatile organic compounds (VOC_S)	**104.18**

Note：The scope of data covered TECO (TW) and TESEN (TW)

Environmental expenditures

Data coverage: TW, CN, US and VN **unit: NTD k**

TECO constantly assesses energy conservation and carbon reduction, waste disposal, and pollution control equipment to minimize environmental pollution caused by pollutants generated during plant operations. Relevant expenses have been incorporated into environmental expenditure items.



capital investment	22,368	20,720	34,660	135,979
operating expense	21,937	27,018	21,930	15,143
coverage	71.38%	74.05%	72.95%	77.74%

- Definition of capital investment: For the purchase of equipment, property amount for environmental protection matters, such as the purchase of solar panels, purchase of variable-frequency equipment etc.
- Definition of operating expense: Other investment amounts related to environmental protection, but excluding equipment purchase, such as air/water/waste soil/noise regulatory official fees/treatment fees; environmental monitoring fees; environmental management system maintenance fees etc.

Creation of renewable energy

TECO has installed a solar power generation facility on the roof of the plant site. along with the application of the cloud monitoring management system to achieve the preventive maintenance by virtue of the real-time monitoring.

2020 power generation

6,420 thousand kWh

- In 2017, invested NTD 80 million at the Guanyin Plant for the construction of 2.1 MW power generation capacity
- In 2019, invested NTD 163 million at the Guanyin Plant for the construction of 4.4 MW power generation capacity
- In 2020, invested NTD 105 million at the Chungli Plant for the construction of 1.7MW power generation capacity, power generation from 2021.

Dynamometer is an equipment for testing a motor's torque and power, and it also produces power regeneration during the testing process. TECO has a multiple sets of large dynamometer equipment.

2020 power generation

460 thousand kWh

- 1500kW dynamometer power regeneration: 230,663 kWh
- 5000kW dynamometer power regeneration: 227,143 kWh

4.3 Product Stewardship Management

Environmental Performance for Raw Material and Component Selection Stage	Motor lightweight design: Applied the cast housing lightweight technique to general-purpose motors with aluminum housing, optimized design and reached IE3 standard. The AEZKJ2 Rolled Steel Frame Motor series, which was developed in 2020, is characterized by optimized, lightweight design (8-15% lighter than the AEZK series)
	Use recycled materials for motors: Use silicon steel scrap for melting and reuse in the motor housing. At the end of 2020, the regenerated iron ratio had reached **39.2%**
	Introduction of water-based paint: In 2016, motor water-based paint introduction plan was activated, and the motor exterior coating paint was changed to use water-based paint in order to effectively reduce the emission of volatile organic compounds (VOC). Up to the end of 2020, the water-based paint introduction ratio has reached 80**%** of the total production quantity and has reduced the total emission of volatile organic compound (VOC) of 104,405kg, and the **e**mission reduction has reached **58.3%**.
	Environmental friendly coolant replacement: In 2016, R32 coolant and process coolant recycle were launched. Up to the year of 2020 Q2, **R32** used by the air conditioners of home appliances manufactured by TECO reached **67%**
	TECO Group pledges that all its motors and home appliance products comply 100% with the regulatory requirements of RoHS and REACH.
Environmental Performance of Direct Operation and Manufacturing Stage	Through process and equipment optimization, in 2020, the overall energy saving of TECO Group for the plant sites in Taiwan reached **917.9** thousand kWh, and relevant achievements included the promotion of smart automatic production, equipment energy conservation plan etc.
	Through waste resource recycling and silicon steel scrap melting technology, in 2020, the silicon steel scrap production was reduced by 39.2%
	Optimization of varnish impregnation operations during production processes through replacement of manual impregnation operations with automated continuous impregnation operation equipment - Vacuum impregnation has been adopted to increase the adhesion of the varnish. Due to manpower savings and increased operational efficiency, process costs have dropped by 46% compared to 2019.
	SF6 effusion reduction solution has been implemented. SF6 is a potential gas for greenhouse gas, and it is an essential gas used by TECO for the production of high pressure equipment. SF6 Emission rate reduced from 9.45% to 2.80%

Environmental Performance for Delivery, Storage and Transportation Stage	Promotion of direct delivery via Taiwan Pelican Express to streamline transportation processes and spare dealers the trouble of dispatching vehicles for pickup. This resulted in an increase of delivery service revenues by NT$ 550,000 in 2020.
	Use durable and reusable packing material such as pallet for motor transportation. Saving from packing material is NTD **4.77** M per year
Environmental Performance for Use and Repair Stage	Committed to the research and development of high efficiency motors. In addition to the manufacturing and sale of the existing IE3 motors, TECO has also completed the research and development as well as the planning for IE4 and IE5 related products. In 2020, IE3 & IE4 motors accounted for **72.34**% of all motor product sales revenue.
	Dedicated in the research and development of energy conservation and water saving home appliance products. For home appliance productions, TECO actively improves the energy use efficiency, and **59.16%** of the home appliance products have obtained the energy efficiency or water efficiency label certificates in Taiwan.
	TECO has developed T-Power electric vehicle motor products which allow clear positioning of TECO vehicle-mounted motors and electric control systems. These products can be installed in electric cars and 3.5T electric trucks to provide consumers with more eco-friendly traffic experiences and reduce environmental damage caused by fossil fuel-powered vehicles.
Environmental Performance for Product/Service End-of-Life Stage	A motor product assembly is mostly made of recyclable metal materials. By using the motor product of AEHF model series, after the scrap of this product, the recyclable material reaches **88%**.
	Home appliance products participated in the Recycle Policy (television, washing machine, refrigerator, air conditioner/heater) announced by the Environmental Protection Administration in Taiwan, in order to provide service of transporting the waste of four machines to qualified treatment operators for consumers at free of charge. Up to 2020, the home appliance products complying with the Waste Four Machine Recycle Policy accounted for **63.4%** of the annual sales revenue.
	TECO and other home appliance manufacturers have engaged in a joint venture to establish the E&E Recycling company and assigned directors for TECO in order to provide waste electrical and electronic equipment recycling and processing services. Revenue from recycle business is NTD 946.3B in 2020.
	Percentage of products sold last year that can be reused or recycled: 86.83% Percentage of products and materials that were actually reused or recycled: 85.99%

End of Life Cycle Responsibility

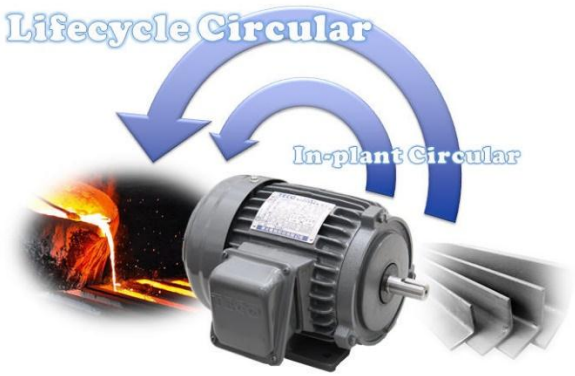
Consoildate recycle scenario from motor and home appliance profucts:

	2017	2018	2019	2020
Percentage of products sold last year that can be reused or recycled	87.12%	87.03%	86.91%	86.83%
Percentage of products and materials that were actually reused or recycled	86.48%	86.34%	86.13%	85.99%
Revenue from recycling (NTD k)	96,109	100,446	94,088	94,634

1. Calculation of recyclable ratios for sold products:
   - Estimated total weight of recyclable products (motors + household appliances) sold per year * recyclable material ratio of different product categories (motors 88%, household appliances 51.9%)/Estimated total weight of all products sold per year
   - Calculation of estimated total weight of products sold: Due to the large number of sold motor and household product models it is very difficult to create individual weight statistics. Shipped quantity of different product quantities (number of items)*Weight of most frequently sold models is therefore used as the calculation formula for estimated total weight of products sold.

2. Calculation of actual recyclable ratios:
   - Denominator: Weight of products sold is substituted for weights in the production process which are impossible to trace due to the large number of products.
   - Numerator: Due to different product characteristics, it is difficult to perform actual statistical analysis of recycled quantities. Consequently, the actual recyclable ratio is estimated according to the following scenario, and it is assumed that the products purchased by customers in the respective year are replacements for existing products of the same brand. Assumed recyclable ratios are 100% and 50% for motors and household appliances, respectively.

3. TECO and other home appliance manufacturers have engaged in a joint venture to establish the E&E Recycling company, and assigned directors for the company in order to provide waste electrical and electronic equipment recycling and processing services. Calculation of benefits derived from recycling: Illustrated by the example of E&E Recycling company revenue in 2020 (NTD 705,169,000)*TECO shareholding ratio (13.42%)
4. Motor product life cycles range from 10-15 years,. Since motors are mainly made of metal, the recyclable metal material of one single motor can reach 88%. Consequently, scrapped products are disposed of by customers autonomously through the sale and purchase of valuable metals. As of 2020, TECO has not yet received requests for motor recycling service from customers.
5. Environmental Protection Administration in Taiwan has established the Waste Four Machine Recycle Policy (refrigerator, air conditioner/heater, washing machine, television), and the distribution units that consumers make their purchase from provide the transportation service to the qualified operator for processing; therefore, product manufacturers have a relatively greater difficulty in the actual statistics of the annual recycle amount.



How does the raw material circulate? There are two cycles in TECO: "**In-plant circular**" and "**Lifecycle circular**"

In-plant circular

TECO has own foundry in place, which means we have the ability to melt wastes from production process and re-manufacture it into motor frame bracket housing parts. We have now reached 27.3% 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 remanufactured. Steel is usually made into angled steel and other building materials that continue to exist in our lives.

TECO GO ECO

TECO GO ECO

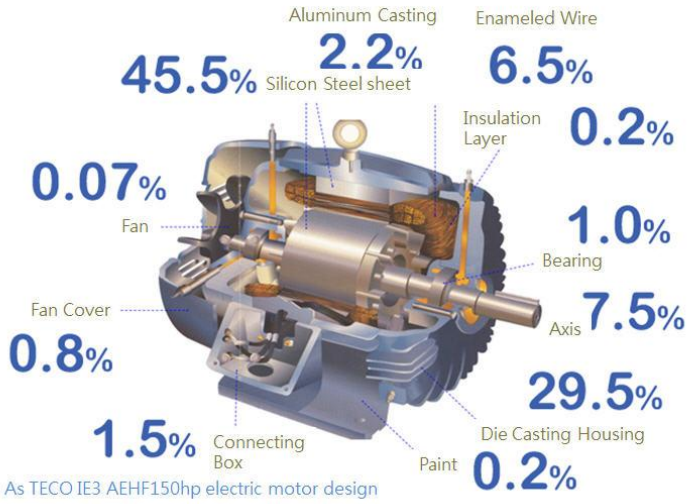
TECO renew “TECO GO ECO” logo to represent low-carbon products and services. Following ISO 14020 standard, and with the definition of Type I, II and III. TECO categorizes motor and home appliance product in following rules:

In 2020, low-carbon products accounted for 28.59% of total sales.

- Type I：motor above IE3 standard and home appliance with first degree energy saving certification or electricity/water savingcertificatinons.
- Type II：from 2020 TECO categorizes customized motor with efficiency level > 95% as TECO GO ECO products.
- Type III：Products wit carbon or water foodprint certifications.

Motor Carbon Footprint Analysis

Motors are one of the most important source of power. According to statistics, 46.2% of energy is consumped by motors worldwide. From household appliances to industrial machinary, motors powers every equipment. What kind of material forms a motor? More than 90% is metal. Here shows TECO high efficiency (IE3) 150 hp motor data:



Steel: **54** %

Iron: **32** %

Copper: **6** %

Aluminum: **2** %

TECO has conducted a carbon footprint analysis of three high-efficiency motor models by "from cradle to gate" approach. Which calulated carbon emissions including raw material, manufacture process, direct manpower and waste generated. We found that 90% of carbon emissions come from the production of raw materials, and only 10% is from motor manufacture stage. This shows that the recycling of raw materials (metal parts) is important to reduce emission.

Model	Emission from Raw Material kgCO2e	Emission from Manufacture kgCO2e	Total Emission kgCO2e
AEHF 2HP	152 (92.5%)	12 (7.5%)	164
AEHF 20HP	625 (89.9%)	70 (10.1%)	695
AEHF 150HP	3770 (90.9%)	375 (9.1%)	4145

* data verified by BSI in 2016

The total sales of TECO's motor series of products qualifying the carbon footprint analysis accounted for **16.2%** of the overall volume

TECO conducted full assessment of motor carbon foodprint in 2016, covers 2.87% of total product models. Its series model has a total 16.2% share of total models. Data is calculated by sales volume in 2020.

Social Engagement

TECO Declaration of Human Rights Policy

TECO respects and encourages implementation of the labor standards of The *UN Universal Declaration of Human Rights, The UN Global Compact, and The International Labor Organization Conventions*, and TECO is committed to creating a dignified working environment to ensure that everyone in TECO, stakeholders, supply chain and partners, including but not limited to all employees, contract employees, as well as suppliers, joint ventures, customers, and local communities, their human rights can be treated with equality and dignity. TECO's declarations on its human rights policy includes:

√ **Investment**	√ **Working hours**
√ **Fairness and non-discrimination**	√ Meet basic salary requirement
√ **Creating good employee relations**	√ **Safe and healthy work environment**
√ **No child labor**	√ **Training**
√ **Prohibit compulsory and forced labor**	√ **Communication channels**

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
In order to ensure that suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system. Human Rights and Environmental Sustainability are also implemented with contacts.

5.1 Human Resource

HR Policy

◎ Plan compensation and rewards and job ranking framework to upgrade employees' productivity.

◎ Plan the Group-wide HR wise employment mechanism.

◎ Promote the Group-wide functional resources integration.

◎ Upgrade workers' passion and contribution.

TECO Parent Company Employee: **2,190** Worldwide Employee: **14,290**

Human talent is TECO's greatest asset and the foundation of its sustainable operations. TECO's vision in the field of HR is to strengthen talent development, the creation of a blissful enterprise, realization of sustainable operations, and establishment of a "Best Employer" brand image. In recent years, TECO has actively promoted the five core values of "Ambition, Customer Orientation, Team Spirit, Integrity and Innovation." Every employee is expected to internalize these five core values to again unleash their personal potential at work and thereby generate organizational cohesion.

Diversity Indicators	
Female share of total workforce 2020 Target: 32.3%	**30.3 %**
Females share in all management positions 2020 Target: 22.9%	**20.9%**
Females share in junior management positions	**22.0 %**
Females share in top management positions	**11.4 %**
Females share in management positions (in revenue-generating functions)	**19.4 %**
Females share in STEM-related positions	**23.9 %**

- Management positions：Supervisor and above positions
- Junior management：Supervisor and manager
- Top management：Director and executive

Gender Pay Indicators	
Mean gender pay gap	**9.5%**
Median gender pay gap	**12.0%**
bonus gap	0

- Bonuses are gender neutral and are awarded based on performance appraisal results
- It has been determined that the average salary level of male employees in non-management positions at the Company's affiliates is slightly higher (0.9052) than that of their female counterparts. This represents an improvement compared to 2019 (0.8252), besides Taian Technology (Wuxi) and Qingdao TECO Precision

[note] Data covers 100% of reporting scope.

- In 2020, the ratio of female managers was increased from 13% to 20.9%. The ratio of female supervisors with revenue-related duties was raised from 11.2% to 19.4%. Due to its unique industry characteristics, TECO constantly encourages female employees to engage in diversified development and take on challenging positions.

Workforce by Rigion		
Regine	Share in total workforce	Share in all management positions
Asia	**82.9%**	**73.7%**
Europe	**11.9%**	**17.0%**
America	**5.2%**	**9.3%**

[note] Data covers 100% of reporting scope.

Workforce by Age	
Age range	Share
<30	**13.4%**
30-50	**56.5%**
>50	**30.1%**

[note] Data covers 100% of reporting scope.

- With a view to promoting employment equality and protecting the personal information of employees, the Company does not indicate the ethnic background or nationality of its employees. Operational regions therefore serve as the sole basis for preliminary classification. As of the end of 2020, 82,9% of the total workforce was located in Asia, while Europe and the Americas made up 11.9% and 5.2%, respectively.
- The age composition of the workforce is as follows: Employees aged 30-50 constitute the mainstay of the workforce, accounting for 56.5%. The average age is 41. TECO Group will step up its commitment to provide employment opportunities for young people and promote cross-generational management capabilities at the workplace.

5.2 Human Rights Due Diligence and Mitigation

According to UN “Universal Declaration of Human Rights” and “United Nations Global Compact” TECO develops “Declaration of Human Rights” to manage internal HR policies. Human right issues cover parent company, subsidiaries, and suppliers. Document is open for public access on CSR website:

Issues of Concern	Target topics	Risk assessment	Stakeholders	Mitigation measures	Implementation results
Safe and healthy work environment	Formulation of health care plans for maternal employees	Assessments are carried out based on work environment and operating hazard evaluation charts	Female employees	Task adjustment based on risk communication and consensus, provision of breastfeeding facilities and exclusive parking spaces	5 employees had protected status in 2020. 3 employees currently have protected status in 2021. The ratio of female employees has been increased from 27.7% to 29.3% in the last three years.
Prohibition of forced labor	Overtime work is not encouraged; rest times of employees are respected	HR and Occupational Safety track overtime statistics on a monthly basis	Employees	It is announced in labor-management meetings and quarterly meetings that overtime work is not encouraged	Overtime rates are maintained between 3%-11% and controlled adequately during on- and off-seasons.
	Overload hazard risk assessment (every three years)	Ratio of employees at overload risk levels 3 and 4: 0.04%	Employees	Establish overload hazard preventive plan, perform consulting health education, operation adjustment according to the assessment result and track improvement.	Overload risks are controlled adequately with a goal of 0 for overload risk levels 3 and 4.
Prohibition of child labor	Supplier Code of Conduct: Signing of a Pledge to Human Rights and Environmental Sustainability	Compilation and audits in the context of supplier evaluation standards	Employees Supplier	Audits of employees aged 15 and above in accordance with relevant laws starting from recruitment	Controlled adequately without risks

Elimination of discrimination	Focus on the spirit and future development of the Modern Slavery Act	Examination of the living and work conditions of foreign workers to rule out unequal treatment	Migrant workers	All foreign workers have official employee status	Controlled adequately without risks
Freedom of association and right to collective bargaining	Guarantee of the right to form labor unions and convene labor-management meetings	Guarantee that employee grievance channels are secure and unobstructed, regular employee satisfaction surveys	Employees	Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives.	Percentage of union-protected employees: 90.38%

[note] Data covers only Taiwan sites, with coverage rate of 51.46%

- The President convenes OSH Committee meetings every quarter. The health of maternal employees is examined on a regular basis. The Company is firmly committed to preventing ergonomic hazards, excessive workloads, and unlawful infringements.
- Estimated number of people under overload hazardous risk assessment: Remaining people levels 3 and 4 after improvement: 1 person/average total number of people of 2327 people=0.04%
- Employees include indigenous people and new immigrants.

Disclosure of one non-gender harassment incident **Two reprimands were issued upon review in accordance with employee work rules.**	
incident	It was determined that this incident should be categorized as verbal bullying. The chairperson educated top executives in a "Chief of Staff" meeting and anti-bullying education is provided internally for all staff members.
Corrections	During the quarterly employee meeting, the chief officer of safety and health again propagated the four occupational safety rules (incl. anti-bullying) and informed all participants of available grievance channels. Relevant information was also included in the internal publication for employees (TECO Magazine Issue 352) to reinforce relevant concepts.

- The Group has stipulated a Zero Workplace Violence Policy and a Plan for the Prevention of Unlawful Infringement in the Performance of Duties. TECO affiliates have formulated other related internal regulations (Wuxi TECO, Wuxi TECO Precision, TECO Electro Devices, TWMC)

Labor union and labor-management meetings

TECO set up its own labor union in July 1974 to pursue higher work efficiency, improved labor conditions, and open communication of opinions of labor and management. TECO further signed a collective agreement with union representatives on December 28, 1981 which safeguards the rights and interests of all employees pursuant to the Labor Union Act and the Collective Agreement Act to safeguard the rights and interests of both sides and ensure harmonious relationships between labor and management. The union convenes annual general meetings for the election of representatives, 11 Directors and 4 Supervisors by all members in attendance. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. Labor union offices have been set up in plant areas to give employees a chance to communicate and exchange opinions with union representatives during working hours. TECO also organizes semi-annual conferences that serve the purpose of direct communication between union Directors and Supervisors and the president. In addition, model workers (one for every 100 employees) are selected and recognized on an annual basis. A total of 20 model workers were selected in 2019. All business activities of TECO strictly conform to the Labor Standards Act. Employees are notified of major operational changes 7 days in advance.

Labor union

- Established in 1974
- Collective agreement signed in 1981 and accepted by all TECO staff members.
- General union meetings are convened on an annual basis for the election of union directors and supervisors.
- Conferences convened by the Chairman, President, union Directors and Supervisors are held on a semi-annual basis.
- Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives.

Committees	Ratio of labor representatives
Plant labor-management meetings	50%
OSH committee	33%

Number of employees of the Group under protection of unions and percentage thereof:

90.38%

- Data covers 71.0% of total TECO Group subsidiaries by renune, There are total of **3,221** people qualitied to join the unions. **2,911 (90.38%)** people joined and **9.62%** of the employee or contractor not joining unions.
- TECO has established various complaint filing channels. For personnel not joining unions, their rights and interests can be protected via TECO's system, and they may also report to the labor-management negotiation representatives in order to obtain protection for their rights and interests.

5.3 Career Development Path

Training and Development Input	
Average hours per FTE of training and development	**19.98**
Average amount spent per FTE on training and development.	**2,125.61**
Internal promotion	**473**

TECO has an internal system in place for "key personnel" of grades 5~8 or below to actively cultivate managerial candidates. Talent development plans are developed annually for key personnel. Key personnel accounts for 5% of the total staff ranking at grades 5~8. 473 promotions in 2020

Development plan	Description of benefits	Quantified benefits	Participating Rate
Mentor Program Fostering of transmission and organizational skills of top management.	Following the results from Elite training in 2019, This year TECO develops Mentor program to enhance business management and marketing capability of the trainees. Mentors (business unit chiefs) select mentees based on relevant requirements and request that they complete operational/management competence tests which encompass the six dimensions of performance and goal tracking management, strategic thinking, financial reports and cost concept utilization, team building, development of subordinates, and communication & coordination. Based on the assessment results, the mentor and mentee jointly determine guidance goals and learning tasks. The mentor provides guidance and timely advice for the mentee once every two weeks in May and June and once a week in July to assist him/her in building up his her operational/ management competence.	30% promoted/ dispatched / transferred personnel (12/40 individuals)	1.83%
Cultivation of digital skills Enhancement of digital skills and linkage to digital transformation strategies of the Company	● **Digital Talent Cultivation Program:** Trainees are required to read books on digital transformation and complete a minimum of 12 hours of digital skill related online courses. Online course topics encompass the five categories of data analysis and AI technology, business analytics, digital marketing skills, IoT and smart manufacturing, and digital workforce. This program aims to provide employees with diversified digital expertise and skills in line with the company's digital transformation strategies. ● **Data Thinking Workshop:** Trainees are familiarized with data science processes, data analysis methods, tool application, and analysis of work task pain points in cooperation with DSP. The goal lies in the exploration of concrete directions for the adoption of AI in the regular operations of the Company coupled with the assessment of feasible digital projects and their actual execution. This project aims to facilitate the implementation and output realization of digital projects in accordance with the digital strategies and operating directions of the Company.	The turnover rate of trainees was maintained at 3.08% in 2020 (the voluntary separation rate for all staff members was 8.39%)	28.14%

5.4 Compensation and Benefits

Hiring	2017	2018	2019	2020
Total number of new employee hires	656	782	478	538
Percentage of internal hirings	62.9%	43.1%	81.2%	54.6%

[note] Data covers only Taiwan sites, with coverage rate of 51.46%

Over 50% of internally filled vacancies from 2017 to 2020 were production operation positions. The male-female ratio was maintained at around 80:20. Around 50% of the employees who filled vacancies were in the 30-50 age group. Due to the nature of the industry, the majority of workers are male. The male-female ratio is maintained at around 80:20. Young adults represent the mainstay of our labor force (the 30-50 age group accounts for around 50%).

Human Resource Analysis	
Performance measurement	Performance appraisals for the whole company are carried out every six months (in June and December). Assesses of very business unit are evaluated at every level by immediate supervisors. After performance interviews are conducted by supervisors at all levels, staff members at the manager level and above carry out self-evaluations in a synchronized manner. Performance appraisals consist of the following key elements: ● Rank and file: Key objectives 70%, competence 15%, attitude 15% ● Management: Key objectives 80%, competence 10%, attitude 10% ● Factory director/department director and above: Key objectives 100% (key objectives for personnel at grade 9 or above are determined based on the KPI target management card scores for the previous two quarters)
Skill shortage identification	HR conducts interviews with BU supervisors at the beginning of each year to gain a clear understanding of the strategic directions and objectives of each unit in the respective year and discuss the provision of assistance. Skill inventories and task analysis are carried out for all employees to gain a full understanding of core skill shortages during operation processes and facilitate the provision of assistance in the planning of follow-up training topics.
Recruitment strategy	In addition to conducting interviews to gain a better understanding of how to strengthen the competence of employees, the Company carries out simultaneous assessments of the external recruitment of highly qualified talent with the required competency set to increase team competence and performance. Talent recruitment relies on different types of channels to meet the individual demands of each business unit. During annual budget planning, a workforce planning chart must be created by each business unit based on the organizational structure and corresponding expenses. Cross-checks with interview results ensure a more precise recruitment process.

HR strategy planning	
Motivation	With a view to assisting business units in goal achievement and meeting the demands of new business development and organizational reform, the Company carries out the aforementioned HR analyses in a routine manner. In addition to the optimal utilization of available manpower, we also strive to enhance the efficiency and applicability of HR analysis and thereby achieve a perfect synthesis of talent and organizational operation strategies.
Action	● Annual interviews: The goal is to gain a clear understanding of the demands and limitations of each unit through interviews with BU supervisors and facilitate the planning of training courses through an analysis of employee skill inventories. ● Project-based task inventories: Work contents, required working hours, and division of authorities and responsibilities for all BU personnel are surveyed through Corporate Manpower Planning (CMP). The goal is to gain a deeper understanding of current manpower allocation conditions and determine whether job contents conform to development goals and how to plan job rotation training.
Results	● Annual training plans are formulated in accordance with business unit requirements and reviews of learning goal achievement are carried out before employees are promoted or during performance appraisals to ensure that they possess the corresponding skills required for the performance of their new duties. ● Task inventories are carried out to gain a better understanding of manpower utilization conditions, organizational structures are adjusted in line with operational requirements, and division of duties between units is redefined. ● Promotion lists submitted by each business unit must conform to the criteria of corresponding cost and technical program tests (passing score of 80) in accordance with the job grade and job characteristics of promotion candidates. In 2020, a total of 111 individuals were promoted (cost and technical program test scores reached 84.7 and 85.3, respectively)

Long-term compensation plan

- In 2019, TECO adopted 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 time points in a period of two years, and the actual amount of bonus collected at the time of issuance is linked to the KPI score in the last quarter. In 2020, the Company continued to issue special bonuses in accordance with this standard.
- For TECO's performance evaluation KPI, as the setting of the natural of the project execution involves the sustainability project related personnel, the KPI is also linked to relevant sustainability indicator.
- In 2020, a "Solidarity Shareholder Group" was formed to enable employees at the supervisor level to subscribe to shares at preferential prices which are non-transferable for a period of three years. TECO will continue to optimize the long-term reward guideline and to increase the ratio of sustainability indicators incorporated into employee performance appraisals.

Employee Turnover Rate	2017	2018	2019	2020
Total employee turnover rate	**14.99%**	**16.11%**	**14.67%**	**15.73%**
Voluntary employee turnover rate	**13.33%**	**13.67%**	**12.54%**	**12.79%**
Data coverage	**100%**	**100%**	**100%**	**100%**

[note] Data covers 100% of reporting scope.

In 2020, the number of departing employees reached 707, which represents a turnover rate of 15.73%. The voluntary separation rate was 12.79% (a total of 575 employees resigned voluntarily). The slightly increased turnover rate can mainly be attributed to organizational adjustments in overseas companies as a result of the COVID-19 pandemic. The Company also conducted a statistical analysis of the turnover conditions in the management level (entry- to top-level). The number of departing managers reached 44, which represents a turnover rate of 4.88%. Broken down by age groups, the turnover rates reached 12.1%, 8.25%, and 6.8% in the below 30, 30-50, and above 50 age groups, respectively. This clearly shows that young employees are more likely to leave the Company. We have therefore made an ongoing commitment to improving workplace experiences to strengthen the intent of young employees to stay with the Company.

Employee satisfaction surveys

Employee satisfaction survey is conducted via anonymous questionnaires on an annual basis. The subjects include TECO's officers and all employees. The recovery ratio of questionnaire exceeded 30% of the whole employees throughout TECO, and the survey results will be fed back to all workers. The target set at 80 points.

	2017	2018	2019	2020	Target
Score	Supervisor 82.7 Employee 80.1 Average: 81.4	Supervisor 82.4 Employee 82.0 Average: 82.2	Supervisor 83.8 Employee 79.4 Average: 81.6	Supervisor 75.2 Employee 69.6 Average: 72.4	80
Participation Ratio (%)	38%	38%	32%	39.7%	40%

In 2020, the survey scope included all official employees. It was administered anonymously both online and in paper format (with the use of anonymous method) over a period of three weeks. After collection of the questionnaires, statistical analysis was performed according to employee attributes (rank-and-file staff/supervisor, position type, grade, seniority, assigned unit). The survey encompasses 49 items in the following 11 dimensions: supervisor leadership, co-worker relations, innovation, digital cognition, task/system scheduling, employee benefits, performance appraisal system, career development, training, life quality, and employee dedication.

Leave Policy Superior to Regulatory Requirements

Employees are eligible for annual leaves, maternity and paternity leaves, family care leaves, menstrual leaves, marriage and bereavement leaves, personal leaves and sick leaves pursuant to the relevant laws and regulations. On top of that, TECO offers leaves that exceed legal requirements, including:

- **Sound leave management system**: In order to foster work-life balance, TECO has implemented a leave management system. In addition to ensuring that all employees are entitled to leaves pursuant to relevant laws and regulations, the Company reviews annual leave usage rates in each unit. This is incorporated as a benchmark for annual executive performance appraisals.
- **Birthday leaves**: In view of the fact that the birthday is a once-a-year special occasion, the Company has decided to create a special birthday leave to allow employees to arrange activities in the month of their birthdays in a flexible manner, give them a chance to fully experience the joy of birthday, and offer our blessings to our employees on their special day.
- **Volenteer leaves:** TECO offers Volenteer leaves to encourage its employees to engage in welfare activities and fulfill its responsibility as a corporate citizen. Employees are eligible for a total of 3 day of paid Volenteer leave per year without affecting their performance appraisal.

5.5 Occupational Safety

Pollution-free Environment, Zero Occupation Disaster

TECO has formed an environmental safety task force which is subordinate to the President Office, exclusively in charge of formulation of environmental safety and health policies, program management and internal supervision for the whole Company and all plants. Meanwhile, dedicated environmental safety units have also been established at all factory premises for proper functioning of the environmental safety and health management system.

TECO has established ISO 14001、ISO 45001 environmental safety management system. Coverage rate reached 98.4%。TECO Wuxi Precision plans to apply for ISO 14001 in near future. TECO has been conducting ISO 14064-1 GHG inventories since 2013. Systematic inventories ensure data accuracy and serve as the foundation for energy conservation and carbon reduction activities. TECO organizes Environmental Safety Month Events in Q3 every year. In addition to the display of event banners and environmental safety-related posters, the event also features environmental safety training and Q&A activities with prizes.

Members of Occupational Health and Safety Committee of TECO (chaired by the President) and plant areas (chaired by the management representatives) encompass labor representatives (1/3), health and safety unit members and top executives. Other involved executives also attend committee meetings. Meetings are convened on a quarterly basis to review action plans and results. In addition, External auditor's questions should be answered by the facility managers, while managers of units in which accidents occur must submit a report to the Occupational Health and Safety Committee of TECO. Executives assume a leadership role to raise awareness in the field of occupational safety.

ISO 45001 Certification

ISO 14001 Certification

Occupational Injury Statistical Data

To enhance occupational injury management and to fulfill the social responsibility on supply chain management, in 2020 TECO analysis FR / SR for employee in the whole group (note 1). And FR / SR for contractors and other workers (students from work study program, technical students, and dispatch workers) in all Taiwan sites (note 2)

(note 1) TECO Group includes: TECO, TESEN, TECO-Westinghouse, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, Qingdao TECO Precision, Jiangxi TECO A/C, Wuxi TECO Precision, Jiangxi TECO, TECO Vietnam, Motovario Corp.
(note 2) TECO group Taiwan sites includes: Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for contractors.
Nangang Head Office, Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for other workers (including students from work study program, technical students and dispatch workers)

Frequency Rate (FR)

In 2020, the TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is 1.08 (only includes employees) and 2.45 (other workers and contractors) for TECO group Taiwan sites.

(note) Formula: FR= (disability injury counts/total working hours X $10^{6)}$, under the definition of Labor Inspection Law Enforcement Rules 6. The disability imjury counts are limited to incidents that occurred in 2020 and applied also to US, China and Vietnam subsidiaries.

Severity Rate (SR)

In 2020, the TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is 774.07 (only includes employees) and 14,747.7 (other workers and contractors) for TECO group Taiwan sites.

(note) Formula: SR= (Number of total lost workdays/total working hours X 10^{6}), under the definition of Labor Inspection Law Enforcement Rules 6. The number of total workdays is limited to incidents that occurred in 2020 and applied also to US, China and Vietnam subsidiaries.

Occupational Injury Statistics	Taiwan	China	Other (US, Vietnam)
Injury case of employee	1	7	1
Injury case of contractors	1	NA	NA

Note:
In 2020, 1 employee curling accident and 1 engineering contractor falling fatal accident in the Taiwan; 6 employee curling or crushing accidents and 1e employee death accident China; and 1 employee pinch injury in U.S, and no accidents in Vietnam.
NA: data not available.

For the accidents occurred, mostly clamping, jamming or pressing injuries, each plant has conducted the cause analysis on each individual case (improper moving line, failure to stop machine completely after troubleshooting, personnel negligence etc.), engineering or management improvement (restricting the mold placement area, re-planning placement racks, additional installation of fence and shield, safety operation standard with enhanced control and personnel re-educational and training) measures etc.

For the death case in China, In addition to reporting to the competent authority in accordance under regulations, the cause of the accident is determined and reviewed at the internal industrial safety accident report meeting, and the training are provided to employees and contractors, as well as the improvement of engineering facilities and equipment (such as climbing equipment, safety trails, safety ropes, shoes to prevent electric shocks, etc.) to avoid accidents from happening again.

Description of Environmental Safety and Health Violations

Notes regarding violations of occupational health and safety laws: February 3, 2020

Legal violations: Article 22, Paragraph 1 of the Regulations for Occupational Safety and Health Equipment, and Article 6, Paragraph 1 of the Occupational Safety and Health Act

Employers shall ensure that workers have enough activity space when engaging in machine, tool, or equipment operations, repairs, or adjustments or other work processes. The storage of raw materials or products associated with machines, tools, or equipment shall not constitute adverse factors for work activities, evacuation, and rescue operations.

Penalty: NT$ 90,000 (Fu-Lao-Jian-Zi No. 1090016316)

Countermeasures:

1. Mold storage area for mold change is restricted to be placed with one set of mold for change. Material storage rack is planned to be installed in front of the equipment. Surrounding of the material rack is newly installed with a fence for protection.
2. Relevant personnel completed the fixed crane operator on-job training for loads below 3 tons on February 25, 2020.

Notes regarding violations of occupational health and safety laws: January 3, 2020

Legal violations: Article 43, Paragraph 1 of the Regulations for Occupational Safety and Health Equipment, and Article 6, Paragraph 1 of the Occupational Safety and Health Act

Employers shall ensure that motors, rotating-shafts, gears, driving- wheels, flywheels, gearing wheels, and gearing belts of machinery posing a hazard to workers, are equipped with guard-shields, guard-fences, guard-grilles, and overpasses. **Penalty: NT$ 60,000 (**Fu-Lao-Jian-Zi No. 1090165642)

1. On December 26, 2019, employee OOO was instructed to use a crane to perform silicon steel roll lifting operation, but due to insufficient space, a finger jamming injury occurred.
2. The fixed crane operator OOO who performed the operation of lifting a weight above 0.5 tons but less than 3 tons had not received safety and health on-job training.

Countermeasures:

- The rotating shafts of the waste foundry sand conveyor belt are not equipped with guard shields which poses a significant danger of getting caught and pinched. Guard shields have been installed immediately and simultaneous in-plant inspections have been carried out to ensure operational safety.

Notes on violation of environmental protection regulations: China (November 19, 2020)

Legal violations: In violation of Article 112, Subsection 1, Paragraph 6 of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the scrap iron filings storage leaks oil and hazardous waste is stored in the warehouse in an unsorted manner.

Penalty: RMB 145,000 (NT$ 623,500, converted based on the exchange rate of 4.3)

Countermeasures: Scrap iron filings are now stored in a transit container and sorting has been implemented for the hazardous waste storage.

5.6 Corporate Citizen Public Welfare Events

The Group's Policy

As TECO acts as the driving source for the global industry in manufacturing, the Group is further dedicated in the fulfillment of the responsibility of a corporate citizen to promote energy conservation and environmental protection, in light of achieving a wonderful life with integration of technology and culture.

category	percentage
Charitable Donations	9.9%
Community Investments	79.0%
Commercial Initiatives	11.1%

To cope with the climate change and its impacts, and to maintain the sustainability of the earth, we have started from the business objectives, and the percentage of energy saving products is expected to reach 80% by 2025. We have also established a ten-year goal, and emissions reduction will reach 20% by 2025. TECO Technology Foundation is further linked to the core functions of TECO, and with the principle of "cultivate technology talents, advocate prospective thinking, promote social advancement and harmonic inclusion," executes the public welfare policy based on the three main focuses of "technology humanity award," "disadvantaged learning plan" and the "indigenous inheritance plan." With the technology and humanity award, TECO engages in the cultivation of relevant talents and prospective thinking with best effort in order to increase the awareness on climate change and to expand innovative application aspects. Through the disadvantaged learning plan, equal and high quality education is provided to students in remote areas. In addition, through the indigenous inheritance plan, unique cultural heritages in Taiwan can be further protected in order to promote the inclusion and sustainability of society.

As a multinational corporation, we also promote different public welfare projects according to the local needs of the global community, including: community welfare scholarship, donation of rice to community low income household project, community greening etc., in light of contributing efforts to achieve the goal of equal learning opportunity, elimination of poverty, and environmental sustainability.

Energy Conservation and Emission Reduction	Education in Remote Areas and for Disadvantaged Groups	Indigenous Sustainable Education Plan
TECO Award, community greening, cooperative education and energy conservation seminars. From young scientists to senior scientific researchers, from production site neighbors to community students and the elderly, the purpose is to promote the education of energy conservation and emission reduction and to increase relevant awareness, thereby seeking solutions with innovative technologies and continuing the development of such solutions into business models.	Establish social equality and promote the TECO brand image. TECO considers the participation of social welfare activities as part of business policy. Each employee is offered a social welfare holiday of three days annually, and all TECO employees are encouraged to become corporate volunteers in order to participate in social welfare together.	The goal of the social welfare policy of TECO is to promote social improvement and harmonic inclusion. As a multinational corporation, harmony and inclusion have always been demonstrated in the corporate culture of TECO. Through Exclamation Mark - Indigenous Sustainable Education Program, Taiwan's unique cultural heritage is protected properly, which also promotes the inclusion and sustainability of the society.
Operational Benefits		
Company's emission reduction goal: Emission reduction by 20% in ten years, and the achievement rate in 2020 was 114.6 % High-efficiency motors help the global customers save electricity by 496 million kWh per year Energy-saving home appliances with the energy-saving of 22.5 million kWh of electricity per year	In 2020, TECO invested a total 1,055 volunteer hour with the average cost of NTD 186 per hour. The volunteer activities improve employee teamwork spirit.	Social media and Facebook posts with an accumulated number of accessing people reached 222,821 viewers with 108 articles. Youtube videos with an accumulated number of accessing people reached 27,529 viewers.

Social Benefits		
TECO 27th Award (2020) with a total of eight winners. Over the past 27 years since the establishment, elites have been discovered continuously and 155 outstanding people in the fields of science and humanities have received the award. Professor Chia-Wei Li, this-year's award recipient in the humanities category has made outstanding contributions in the field of species conservation. The species conservation center that he founded is known as the Taiwanese version of the Noah's Ark because it houses a collection of 34,000 live plants, the largest of its kind in the world.	Remote area scientific innovation teaching cultivation project: In 2020, the project reached more than 209 schools in 11 counties and cities, and 11,087 students and 1,000 teachers benefited from the project. Remote area Art Appreciation Classes: Three classes are delivered to remote schools in 2020. A total 50 classes through 16 years has been joined by 39,034 teachers and students.	In 2020, 1,760 individuals participated in the cultural transmission program, more than 204 teachers participated in the cultural transmission program, and the number of hours of cultural transmission program reached 7,846 hours including a total of 307 folk songs and 42 dance numbers, and a total amount of NT$ 8,652,210 was raised. 265 performances are devlivered in 2020 with 30,000 audience in Taiwan.

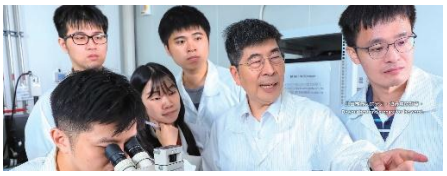
TECO Awards

TECO Awards have been continuing to discover elites and honor persons who have outstanding contributions in the areas of technology and humanities. Given the political economy of competition and rapid transformation of the social structure and industrial development, it is a tough moment for business management

155 distinguished persons were honored by in **27** years

TECO Awards witness Taiwan's technology development at the very beginning and the current highly developed technology. Each winner is not only involved in the process of innovation of the technology industry and R&D, but also made significant contributions to the relevant area including Electromechanical engineering, IT & Communications, Agriculture & Biomedicine, and Humanity & Education. Notwithstanding, TECO Group still affirmatively upholds its sustainability philosophy and continues fulfilling its corporate social responsibility. It also promises to continue supporting the Foundation’s operation and working with the Foundation to boost the sustainability of the technology and humanities in Taiwan.

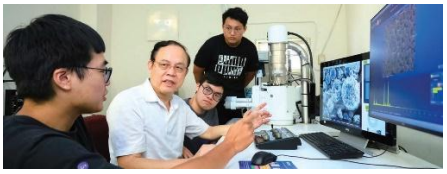
Yi Chang Professor Chang has always been committed to research efforts in the field of compound semiconductors and has developed the InAs quantum transistor with the highest frequency in the world, the world-record-performs InGaAsFin Field-Effect transistor, and GaN power devices. His work brings together theory and application, and his accomplishments have been lauded both locally and internationally. Professor Chang has made remarkable contributions to compound semiconductor field.



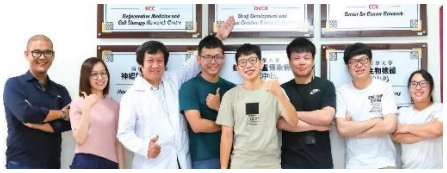
Tzong-Lin Wu Dr. Wu developed the core technologies for signal integrity and electromagnetic compatibility (EMC) in high-speed/high frequency packages and systems. Several essential patents on noise suppression technologies are globally deployed. The technology transferred to worldwide industries significantly increases the impact and visibility of Taiwan on EMC research.

Ping-Hei Chen The awardee has been investigating thermal and fluid phenomena for years, integrating both material and thermal knowledge applicable to the thermal management of ICT products, and applying natural convection mechanics to a rapid polymerase chain reaction platform, that received EUA certificate by TFDA for COVID-19 virus detection. The awardee's academic achievement has made significant contribution to both thermal management and biomedical device industry. ◦

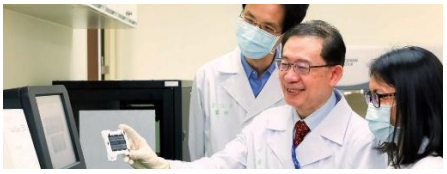
Jwu-Sheng Hu Dr. Jwu has been working in the Mechanical Engineering field for nearly 30 years and deeply engaged in robotics, intelligent manufacturing, electric and self-driving vehicle research. His academic research and development achievements are internationally renowned; through mechatronics integration R&D and technology transfer to promote start-up companies as well as industrial collaboration. He has made outstanding contributions to the upgrading and transformation of domestic enterprises



Jien-Wei Yeh Invent "High-Entropy Alloys" and create the new field of high-entropy materials; Break through the traditional design of alloy composition and give the periodic table of elements new life; Generate multi-element combinations applied for industries such as aerospace and advanced machines; Lead the world in the new field with world-wide followers; Have far-reaching influence and exceptional contributions.



Tian-Lu Cheng Develop innovative technologies in antibody research and apply to antibody drugs, thereby let the antibody be selective activated at disease site and effectively reduce side effects. This patented platform has obtained a high amount of technology transfer fee, and has a great impact on the development of biotechnology industry



Jia-Horng Kao Dr. Kao is an expert in hepatitis viruses and liver diseases research, with leading clinical and academic achievements in antiviral therapy of chronic hepatitis B and C to prevent the complications of chronic viral hepatitis.

Chia-Wei Li with a mission of preserving the tropical plant diversity from around the globe, Dr. Cecilia Koo Botanic Conservation Center was established in 2007 supported by the Taiwan Cement Corporation. To date, around 34,000 plant species are thriving in the center, a number that is unparalleled even among the elite botanical gardens in the world. The center's conservation efforts, as well as the dedication in biodiversity education and training, are becoming increasingly pivotal in today's ever-changing environment.

Indigenous Sustainable Education Program

From 2013, the Foundation formed a strategic alliance and a platform for “transmission and education” by enlisting NPOs, enterprises, and individuals. All circles of society are encouraged to serve as “sponsors” for the Foundation’s programs which aim to pass down traditional indigenous music, dance, rituals, and cultural values. Furthermore, the Foundation encourages and supports tribal communities in their efforts to develop bespoke education initiatives with an equal emphasis on “culture,” “education,” “people” and “ethnicity.” Extended learning activities ensure ongoing cultivation and development of new talents, as well as continuing and disseminating the heritage of ethnic art and culture. The aim is to increase the development of knowledge and skills and elevate competitiveness.

In 2020, 1,637 individuals participated in the cultural transmission program, more than 165 teachers participated in the program, and the number of hours of cultural transmission program reached 8,347 hours including a total of 412 folk songs and 35 dance numbers, and a total amount of NT$ 8,690,756 was raised. Over the past 18 years, long-term supports have been provided to 21,333 children in ten groups.

TECO and corporate partners have continued to promote the project of “Exclamation mark” for 19 years, and the “Exclamation Musical Dance" held annually has become the brand for the indigenous folk songs and symphony fusion presentation. The grand show organized once per year has attracted more than 2,000 audience to participate in the show, such that the social awareness and power cohesion is achieved and the learning energy of students is also created. The outcome of “Exclamation Mark” comes from the implementation of “cultural transmission education” , and the cultural transmission education is able to facilitate the group’s self-recognition and self-assurance, and it is also the main “drive” for the participation support from parents and seniors.

Summary and Appendix

Let the World See Taiwan

Year 2020 TECO is listed in Dow Jones Sustainability Index (DJSI), S&P Global Sustainability Yearbook, and FTSE4Good TIP Taiwan ESG Index. the Taiwan Top 50 Corporate Sustainability Gold Award for seven consecutive years, and ranking among the Top 5% in the corporate governance evaluations for six years in a row.

TECO has officially declared its commitment to a 10-year goal of energy conservation and emission reductions by 20% with 2015 as the base year. The goal is to decrease carbon emissions by 20% in 2025. Due to the joint efforts of all staff members, TECO achieved its emission reduction goal five years earlier than expected in 2020. Relevant measures include replacement of existing with energy-saving equipment, more efficient production scheduling, development of smart, automated production technologies, and prevention of GHG and refrigerant escape. Upon completion of the first stage, TECO will fully implement its Sustainability KPI, which encompass indicators in the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management, starting from this year.

The Company plans to expand implementation of this goal to its overseas plants in 2021 and thereby firmly implant sustainability concepts in the corporate culture of the Company. And therefore, pursuit of the EU target of net-zero emissions by 2050.

6.1 Participation in External Organizations and Initiatives

TECO actively participates in various international commercial collaboration organizations, business sustainability development organization, WTCC and NGOs to promote domestic and international industrial/economic interactions and exchanges, hoping to provide the impetus for upgrading industries in Taiwan.

Transnational Commercial Cooperation Organizations

- Chinese International Economic Cooperation Association
- Taiwan-Turkey Business Association
- Taiwan India Business Association
- R.O.C. East Asian Economic Association
- Taiwan-Turkey/Taiwan-Poland EV Industry Business Cooperation Webinar

Corporate sustainability-related organizations

- Center for Corporate Sustainability (CCS)
- Business Council for Sustainable Development of Taiwan (BCSD-Taiwan)

Renewable/Clean Energy Organization

- Taiwan Wind Turbine Industry Association
- Taiwan Wind Energy Association
- Association of Atmosphere Protection in Taiwan (AAPT)

Other organizations

- Taiwan Electrical and Electronic Manufacturers' Association
- Chung-Hwa Railway Industry Development Association (CRIDA)
- Taiwan Automation Intelligence and Robotics Association (TAIROA)
- Taiwan Electrical Appliance Association
- Taiwan Refrigeration and Air Conditioning Engineering Association of Republic of China
- Taiwan Power Electronics Association
- Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED)
- Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
- Epoch Foundation

TECO co-organizes an MIT Panel Discussion event together with Epoch Foundation. Topics in 2020 included Quantum computers, Post-COVID-19 financial market responses, corporate digital transformation, and Asia energy outlook. The goal of this event is to gain a better understanding of the latest international developments in the fields of technology, digital transformation, and energy through exchanges with top international academic institutions. Interactions between academic and industry circles not only provide TECO with new ideas for its own digital transformation process but also further raises Taiwan’s industry standards and strengthens its international outlook.

The Company also sponsors and acts as a co-organizer for events organized by Taiwan Electrical and Electronic Manufacturers’ Association (TEEMA), which is the most important industry association in Taiwan. It strives to provide its members with diversified global services to maximize joint benefits and aims to serve as a bridge between the industry and the government and thereby boost economic development.

Theodore Huang, chairman of TECO Group, serves as a strategic advisor of the association. President J. George Lien and Assistant Vice President Lin Sheng-Chuan currently serve as supervisor and director,

respectively. President J. George Lien holds a concurrent appointment as chairman of the India Trade Commission subordinate to the Association. TEEMA strives to boost international economic and trade exchanges and provide the government with recommendations in cooperation with its members with the ultimate goal of promoting industry upgrades and boosting economic development.

- According to Article 11 of TECO's Code of Integrity, employees shall not donate or otherwise sponsor political candidates in the name of TECO or other affiliates.
- Charitable donations: The purpose of donation must be confirmed when making charitable donations, and should not bribe in disguise.
- For trade associations or tax-exempt groups, the main fees are membership fees and event funding.
- Total sponsorship in 2020 is NTD 4,716,370

2020 TECO’roles in external organizations

Organization name	Role	Issue of concern	2020 fee
Epoch Foundation (Epoch)	Director	Digital transformation	300,000 NTD
Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	Director	Industrial transformation, upgrading and development	42,000 NTD
Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED)	Chairman		141,000 NTD
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Honorary Chairman		55,000 NTD
Chung-Hwa Railway Industry Development Association (CRIDA)	Director		40,000 NTD
Taiwan Excellent Brand Association (TEBA)	Director		40,000 NTD
Taiwan Power Electronics Association (TaiPEA)	Director		30,000 NTD
Taiwan Electrical Appliance Association (TEPA)	Director		20,000 NTD
Taiwan Automation Intelligence and Robotics Association (TAIROA)	Director		25,000 NTD
Taiwan Refrigeration and Air Conditioning Engineering Association of Republic of China (TEAA)	Director		2,500 NTD
Center for Corporate Sustainability (TAISE)	Director	Eerprise Sustainable development	280,000 NTD
Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	Chairman		120,000 NTD
Taiwan Wind Industry Association (TWIA)	Director	Clean enerrgy	20,000 NTD
Association of Atmosphere Protection in Taiwan (AAPT)	Director		5,000 NTD
Chinese International Economic Cooperation Association (CIECA)	Director	International commerce	50,000 NTD
Taiwan-Turkey Business Association (TTBA)	Chairman		10,000 NTD
Taiwan India Business Association (TIBA)	Honorary Chairman		5,000 NTD
R.O.C. East Asian Economic Association (EAEA)	Honorary Chairman		10,000 NTD

6.2 GRI Indicators Index

GRI Items / Scope of Disclosure	Disclosure items	Page number
GRI 102: General Disclosures		
	102-1: Name of the organization	10
	102-2 Activities, brands, products and services	9
	102-3 Location of headquarters	10
	102-4 Location of operations	10
Core	102-5 Ownership and legal form	10
	102-6 Market served	10
	102-7 Size of the organization	83
	102-8 Information on employees and other workers	83
	102-9 Supply chain	42
GRI 102: General Disclosures		
	102-10 Significant changes to the organization and its supply chain	42
	102-11 Pre-cautionary principles or approaches	29
	102-12 External initiatives	20
	102-13 Membership of associations	103
	102-14 Statement from senior decision-maker	5
	102-15 Provide a description of key impacts, risks, and opportunities	54
	102-16 Values, principles, standards and norms of behavior	24
	102-18 Governance structure	28
	102-19 Delegation of authority and responsibility	28
	102-20 Senior management's responsibility toward economy, environment and society	48
Core	102-22 Supreme governing body and formation of the committee thereof	49
	102-23 Chairman of the supreme governing body	49
	102-24 Nomination and selection of the supreme governing body members	28
	102-25 Conflict of interest	33
	102-26 Purpose of foundation, values and strategic roles of the supreme governing body	29
	102-32 Role played by the supreme governing body in the corporate sustainability report	48
	102-35 Compensation policy	88
	102-41 Collective bargaining agreements	42
	102-42 Identifying and selecting stakeholders	22
	102-43 Approach to stakeholder communication	22
	102-44 Key topics and concerns raised	16
GRI 102: General Disclosures		
	102-45 Entities included in the consolidated financial statements	10
	102-46 Defining report content and topic boundaries	2
	102-47 List of material topics	16
	102-50 Reporting period	3
Core	102-51 Date of most recent report	3
	102-52 Reporting cycle	3
	102-53 Contact point for questions regarding the report	3
	102-54 Claims of reporting in accordance with the GRI standards	3
	102-55 GRI Content Index	104
GRI 201: Economic Performance		
Core	201-1 Direct economic value generated and distributed by the organization	9
	201-2 Financial implications and other risks and opportunities due to climate changes	66

GRI Items / Scope of Disclosure	Disclosure items	Page number
GRI 203: Indirect Economic Impact		
Core	203-2 Significant Indirect Economic Impact	65
GRI 204: Procurement Practices		
All	204-1 Proportion of spending on local suppliers	42
GRI 205: Anti-corruption		
Core	205-2 Communication and training on anti-corruption policies and procedures	33
GRI 206: Anti-Competition		
All	206-1 Legal actions against anti-competition, anti-trust and monopoly practices	33
GRI 301: Materials		
Core	301-1 Materials used by weight or volume	68
	301-2 Applicable renewable materials	78
GRI 302: Energy		
All	302-1 Energy consumption within the organization	69
	302-2 Energy consumption outside the organization	68
	302-3 Energy intensity	67
	302-4 Reduction of energy consumption	70
	302-5 Reductions in energy requirements of products and services	79
GRI 305: Emissions		
Core	305-1 Direct (Scope 1) GHG emissions	67
	305-2 Energy Indirect (Scope 2) GHG emissions	67
	305-4 GHG emissions intensity	67
	305-5 GHG emission chart	67
	305-6 Emissions of Ozone-Depleting Substances (ODS)	73
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	73
GRI 306: Effluents and Waste		
Core	306-1 Water discharge by quality and destination	70
	306-2 Waste by type and disposal method	70
GRI 307: Environmental Compliance		
All	307-1 Violation of environmental laws and regulations	95
GRI 308: Supplier Environmental Assessment		
Core	308-1 New suppliers that were screened using environmental criteria	45
GRI 401: Employment		
All	401-1 New employee hires and employee turnover	88
	401-2 Benefits provided to full-time employees (excluding temporary or part-time employees)	88
	401-3 Parental leave	91
GRI 402: Labor/Management Relations		
All	402-1 Minimum notice periods regarding operational changes	87
GRI 403: Occupational Health and Safety		
Core	403-1 Occupational Health and Safety Management System	93
	403-2 Identification of hazards, risk assessment, and investigation on incidents	85
	403-3 Occupational health service	93
	403-9 Occupational disease and injury	94
GRI 404: Training and Education		
Core	404-1 Average hours of training per year per employee	87
	404-2 Programs for upgrading employee skills and transition assistance programs	87
GRI 405: Diversity and Equal Opportunity		
Core	405-1 Diversity of governance bodies and employees	83

GRI Items / Scope of Disclosure	Disclosure items	Page number
GRI 412: Human rights evaluation		
Core	412-2 Employees' training about human rights policy or procedures	85
	412-3 Important investment agreements or contracts containing human rights clauses or on which the human rights review was already conducted	85
GRI 414: Supplier Social Assessment		
Core	414-1 New suppliers that were screened using social criteria	45
GRI 416: Customer Health and Safety		
All	416-1 Assessment of the health and safety impacts of products and service categories	40
	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services	94
GRI 417: Marketing and Labeling		
All	417-1 Requirements for product and service information and labeling	79
	417-2 Incidents of non-compliance concerning product and service information and labeling laws	No violation
	417-3 Incidents of non-compliance concerning marketing communications laws	No violation
GRI 419: Socioeconomic Compliance		
All	419-1 Non-compliance with laws and regulations in the social and economic area	No violation

6.3 Summary of Subject Matters Assured

	Subject matter information	Applicable criteria	Page
1	In 2020, the sales of high-performance energy-efficient motors, (IE3+IE4) accounted for 72.42% and 42.34% of TECO's sales revenue and volume, respectively.	sales revenue ratio= sales revenue from IE3+IE4 motors / sales revenue from all standard motors attributed to Motor Devision in 2020. sales volume ratio= sales volume from IE3+IE4 motors / sales volume from all standard motors attributed to Motor Devision in 2020. note1: IE3 and IE4 motors are classified in accordance with horsepower efficiency and power consumption standards of IEC 60034-30-1:2014) note2: The sales revenue refers to the motor sales revenue minus the sales return amount attributed to Motor Devision in 2020.	36
2	Energy-saving statistics for sales of high-performance energy-efficient motors (IE3＋IE4) (note 1) ● Total power savings of 496,516.35 MWh (note 2) (note 1) sales record from IE3+IE4 motors with 2, 4, 6 and 8 poles. (note 2) Calculations based on 5,000 operating hours per year.	Electricity consumption savings (kwh)=Σ[(A-B) x C] x operating hours per year A：electricity consumption (kw) from IE1 with similar horsepower. The IE1 category refers to IEC 60034-30-1:2014 standards. Motors with 2, 4, 6 and 8 poles B：electricity consumption (kw) from IE3 and IE4 with similar horsepower. The IE3 and IE4 category refers to IEC 60034-30-1:2014 standards. Motors with 2, 4, 6 and 8 poles. C：all sales volume in 2020 from motors with 2, 4, 6 and 8 poles. Operating hours per year : calculations based on 5,000 operating hours per year.	36
3	The sales of green energy-saving home appliances (Note) accounted for 59.16% of the net sales attributed to Home Appliance Division in 2020. Note: Energy-saving home appliances refer to the models satisfying any of the following circumstances: • Home A/C and commercial A/C: Class-1 certification under “Energy Efficiency Rating for Non-conducted air conditioner Products” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No.10504606420 dated December 28, 2016. • Refrigerator: Class-1 certification under “Energy Efficiency Rating for Refrigerators” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601990 dated May 10, 2017. • Dehumidifier: Class-1 certification under “Energy Efficiency Rating for Dehumidifiers” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601460 dated April 17, 2017. • Television: Piror to July 1, 2019,no more than the limit identified in the energy consumption standards promulgated by the Ministry of Economic Affairs (MOEA) in the attachment to its letter under Bureau of Energy Document No. 10405003751 dated April 28, 2015. From July 1, 2019, the Ministry of Economic Affairs issued Document No. 10705015400 to replace the previous regulations. • Electric fan: Energy efficiency more than or	Ratio of the 2020 net sales of green energy-saving home appliances in the net operating revenue of TECO Home Appliance Division in 2020. Denominator: The net sales attributed to Home Appliance Division in 2020 separate financial statements. The total sales revenue, NT$5,471,575 (including recycling and disposal fees received), referred to in the statement of operating revenue attached to the separate 2020 fubabcial statements, less the sales discount, sales return, and incentive pay to distributors. Nominator: The net sales of green energy-saving home appliance models in 2020 which satisfied the standards governing the application for various labels published by the competent authority online on December 31, 2020 (revenue less t sales discount, sales return, incentive pay to distributors plus recycling and disposal fees received).	38

	equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Bureau of Energy Document No. 10505001040 dated February 5, 2016. • Washing machine: To satisfy the "Gold" grade identified in the "Scope of Products Applicable to Water Efficiency Label and Specifications & Standards" attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Water Resources Agency Document No. 10904602220 dated May 20, 2020.		
4	In 2020, natural gas consumption statistics for TECO and the following subsidiaries： ・TECO (TW) 697.08 m^3 ・TECO-Westinghouse 117.84 m^3 ・Wuxi TECO 235.25 m^3 ・Qingdao TECO Precision 89.98 m^3 ・Wuxi TECO Precision 404.09 m^3	The 2020 natural gas consumption is calculated based on receipts issued by CPC Corporation, Taiwan, US Atmos Energy Company, CR Gas, and Qingdao Xin'ao Jiaonan Gas.	71
5	In 2020, annual electricity consumption statistics for TECO and the following subsidiaries: ・TECO (TW) 46,244.35 MWh ・TESEN (TW) 4,771.09 MWh ・Taian Technology (Wuxi)3,429.44 MWh ・TECO-Westinghouse 14,437.29 MWh ・Wuxi TECO 11,207.35 MWh ・TECO Electro Devices 1,072.76 MWh ・Jiangxi TECO A/C 328.84 MWh ・Qingdao TECO Precision 2,368.34 MWh ・Wuxi TECO Precision 1,659.44 MWh ・Jiangxi TECO 3,592.35 MWh ・TECO Vietnam 1,868.00 MWh	Electricity consumption is calculated based on receipts issued by Taipower, US Constellation New Energy, Inc., ENV SPC in Vietnam and common invoices issued by Jiangsu ,Shandong and Jiangxi Electric Power Company. Where TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., Taian Technology (Wuxi) Co., Ltd. , Wuxi Teco Electric & Machinery Co., Ltd, Teco Electro Devices Co., Ltd, Jiangxi TECO Air Conditioning Equipment Co., Ltd, QingDao Teco Precision Mechtronics Co., Ltd, Wuxi Teco Precision Industry Co., Ltd , Jiangxi Teco Electric and Machinery Co., Ltd and subsidiaries, affiliated enterprises, or contractors have shared meters, power consumption is apportioned according to meter readings or mutually agreed upon proportions.	69
6	In 2020, annual tap water consumption statistics for TECO and the following subsidiaries: ・TECO (TW) 165.48 ML ・Taian Technology (Wuxi)25.03 ML ・TECO-Westinghouse 36.60 ML ・Wuxi TECO 64.18 ML ・TECO Electro Devices20.40 ML ・Jiangxi TECO A/C 13.52 ML ・Qingdao TECO Precision 1.95 ML ・Wuxi TECO Precision 12.14 ML ・Jiangxi TECO 28.87 ML ・TECO Vietnam 7.10 ML	The amount of tap water used is based on the Taipei Waterworks, Taiwan Waterworks, Wuxi Water Group Co., Ltd., Qingdao West Coast Public Utilities Group Water Co., Ltd., Jiangxi Hongcheng Water Co., Ltd., Round Rock Texas Utility Billing Office, Vietnam Binh Duong Water Statistics on water fee receipts, such as TECO (TW), Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, Jiangxi TECO A/C, Qingdao TECO Precision, Wuxi TECO Precision and Jiangxi TECO and other subsidiaries or related companies or contractors have shared meters, water consumption is apportioned according to meter readings or mutually agreed upon proportions.	69
7	In 2020, non-hazardous waste generation statistics for TECO and the following subsidiaries: ・TECO (TW)　4,153.25 metric ton ・TESEN (TW)　241.04 metric ton ・Taian Technology (Wuxi) 102.56 metric ton ・Wuxi TECO 728.99 metric ton ・TECO Electro Devices 34.51 metric ton ・Jiangxi TECO A/C 37.98 metric ton ・Qingdao TECO Precision 102.68 metric ton ・Wuxi TECO Precision 6,825.25 metric ton ・Jiangxi TECO 821.99 metric ton ・TECO Vietnam 59.06 metric ton	The weight of non-hazardous waste is based on the actual transferred volume, and the statistics are calculated based on amounts specified on bills. Non-hazardous waste include general business waste (or household waste) and recyclable waste. Among them, Wuxi TECO Precision, Taian Technology (Wuxi) and Jiangxi TECO A/C did not include household waste.	70

8	In 2020, hazardous waste generation statistics for TECO and the following subsidiaries: ・TECO (TW) 1.20 metric ton ・Taian Technology (Wuxi) 2.27 metric ton ・Wuxi TECO 211.43 metric ton ・Jiangxi TECO A/C 1.20 metric ton ・Qingdao TECO Precision 19.39 metric ton ・Wuxi TECO Precision 2.82 metric ton ・Jiangxi TECO 16.98 metric ton ・TECO Vietnam 6.07 metric ton	All data of hazardous waste weight follows local government definition besides TECO Vietnam. Waste is based on the actual transferred volume, and the statistics are calculated based on amounts specified on bills. Where hazardous waste weight for TECO (TW) is based on government required forms, Taian Technology (Wuxi), Wuxi TECO, Jiangxi TECO A/C, Qingdao TECO Precision, Wuxi TECO Precision and Jiangxi TECO follow amount specified on hazardous waste bills in China. TECO Vietnam only take into account the transfer weight of waste paints.	70
9	In 2020, VOCs emission statistics for TECO and the following subsidiaries: ・TECO (TW) 102.45 metric ton ・TESEN (TW) 1.73 metric ton ・Taian Technology (Wuxi) 1.58 metric ton ・Wuxi TECO 47.76 metric ton ・Jiangxi TECO A/C 0.75 metric ton ・Qingdao TECO Precision 32.28 metric ton ・Jiangxi TECO 13.12 metric ton	Amount for TECO (TW) and TESEN (TW)is based on Taiwan's Volatile Organic Compounds Air Pollution Control and Emission Standards Declaration Procedures declared data, which is calculated by using the amount of chemicals containing volatile organic compounds x the percentage of volatile organic compounds. Taian Technology (Wuxi), Wuxi TECO, Jiangxi TECO A/C, Qingdao TECO Precision and Jiangxi TECO are calculated using the same approach as for Taiwan operations, where the purchase amount of chemicals containing volatile organic compounds is multiplied by the percentage of volatile organic compounds. Among them, the percentage of volatile organic compounds is calculated by referring to the concentration of volatile organic compounds in its MSDS and assuming 100% volatilization. Wuxi TECO water-based paint is calculated based on the average data amount from Taiwan.	72
10	In 2020, the TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is 1.08 (only includes employees) and 2.45 (other workers and contractors) for TECO group Taiwan sites.	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Frequency Rate (FR) = disability injury counts/total working hours x 1,000,000. The disability injury counts are limited to the incidents that occurred in 2020. TECO group includes: TECO (TW), TESEN (TW), TECO Electro Devices, TECO-Westinghouse, TECO Vietnam, Taian Technology (Wuxi), Wuxi TECO, Wuxi TECO Precision, Jiangxi TECO, Qingdao TECO Precision, and Jiangxi TECO A/C. TECO group Taiwan sites includes: Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for contractors. Nangang Head Office, Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for other workers (including students from work study program, technical students and dispatch workers). Note: Subsidiaries and affiliated companies in the U.S., China and Vietnam also apply this rule.	93
11	In 2020, the TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is 774.07 (only includes employees) and 14,747.7 (other workers and contractors) for TECO group Taiwan sites.	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Severity Rate (SR) = Number of total lost workdays/total working hours x 1,000,000. The number of total lost workdays is limited to incidents that occurred in 2020. TECO group includes: TECO (TW), TESEN (TW), TECO Electro Devices, TECO-Westinghouse, TECO Vietnam, Taian Technology (Wuxi), Wuxi TECO, Wuxi TECO Precision, Jiangxi TECO, Qingdao TECO Precision, and Jiangxi TECO A/C. TECO group Taiwan sites includes: Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for contractors. Nangang Head Office, Zhongli Factory, Guanyin Factory 1, Guanyin Factory 2, Hukou Factory and TESEN for other workers (including students from work study program, technical students and dispatch workers). Note: Subsidiaries and affiliated companies in the U.S., China and Vietnam also apply this rule.	93

Independent Limited Assurance Report

To **TECO Electric & Machinery Co., Ltd.**

We have been engaged by **TECO Electric & Machinery Co., Ltd** ("TECO") to perform assurance procedures on the sustainability performance information identified by TECO and reported in the 2020 Corporate Sustainability Report (hereinafter referred to as the "CSR Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by TECO (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "Summary of Subject Matters Assured" from page 107 to 110 of the CSR Report. The scope of the aforementioned Subject Matter Information is set out in the "Report Scope and Boundaries" on page 1 of the CSR Report.

Management's Responsibilities

The Management of TECO is responsible for the preparation of the sustainability performance information disclosed in the CSR Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the CSR Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material respects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Subject Matter Information to understand the

processes, information systems and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and

- Based on the above understanding and the areas identified, performed analytical procedures on the Subject Matter Information and performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the CSR Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of Subject Matter Information to be prepared, in all material repects, in accordance with the respective applicable criteria.

Other Matter

The Management of TECO is responsible for maintaining TECO's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan
Chang, Jui-Ting
Partner
August 10, 2021

For the convenience of readers and for information purpose only, this document has been translated into English from the original Chinese version. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language version shall prevail.

Reference link for 3rd party assurance report and certificates, including OHSAS18001, ISO14001, ISO14064, ISO14066, ISO14067 and ISAE3000 limited assurance letter from PwC for this report.