

Green TECO, Green Technology



2012 CORPORATE SOCIAL RESPONSIBILITY REPORT



TECO
GO ECO

2012

About the Report

The report is the third edition of the report on corporate social responsibility of TECO Corp. , which covers issues concerned by various related parties. The report puts forth various acts and performance figures of the company in the fields of environmental protection, corporate governance, and social participation during the period from Jan. 1 to Dec. 31. Financial figures are denominated in New Taiwan dollar and performances for environmental protection, health, and security are expressed with indices in common use worldwide. The contents of the report cover only the company's factories in Taiwan, excluding overseas areas, affiliates, and subsidiaries.

In order for this report to be in line with international norms, we referred to G3.1 Guidelines of the Global Reporting Initiatives(GRI) for the report structure, and the presentation of the contents were based on facts and were assured by BSI according to the ASI000 standard and GRI G3.1 guidelines. This report scored a GRI B+ grade. The verification certificate is attached in the appendix section.

Both Chinese and English versions of the report are available on the company's website.

Interval for the issuance of the report : once a year

Last issuance : December 2012

The report is produced by the Safety & Health Dept.

Address : 5F., No. 19-9, San Chong Rd., Nan Kang , Taipei, Taiwan, R.O.C

Tel : 886-2-2655-3333

Company website : <http://www.teco.com.tw>



CONTENTS

1	1. Chief Executive's Statement	
	1.1 Message from the Chairman.....	1
2	2. Identification and Communication of Stakeholders.....	3
3	3. Corporate Overview	
	3.1 Company Introduction.....	6
	3.2 Corporate Vision.....	7
	3.3 Products and Services.....	8
	3.4 Market Analysis.....	9
	3.5 Operational Overview.....	14
	3.6 Participation in Associations and Organizations.....	16
	3.7 Awards and Recognitions.....	17
	3.8 Financial Performance.....	18
4	4. Corporate Governance	
	4.1 Governance Structure.....	20
	4.2 Board of Directors.....	21
	4.3 Audit Committee.....	23
	4.4 Compensation Committee.....	23
	4.5 Risk Management.....	24
	4.6 Follow the Rules and Regulations.....	24
5	5. Environmental Protection	
	5.1 Green Energy Development.....	25
	5.1.1 Current Development.....	25
	5.1.2 Features of Product.....	26
	5.1.3 Future Development.....	26
	5.2 Product Innovation and Energy Efficiency	
	5.2.1 Current Development.....	27
	5.2.2 Features of Product.....	27
	5.2.3 Product Impact and Message Communication.....	29
	5.2.4 Results and Future Goal.....	30
	5.3 Environmental, Safety And Health	
	5.3.1 Policy and Organization.....	31
	5.3.2 Managing System.....	31
	5.3.3 Performance and Results.....	32
	5.3.3.1 Energy and Climate.....	32
	5.3.3.2 Resources Usage.....	36
	5.3.3.3 Waste Treatment and Pollutant Management.....	37
	5.3.3.4 Environmental Protection Expenditures.....	39
	5.3.3.5 Safety.....	39



CONTENTS

6

6.	Employees Caring	
6.1	Employee Structure and Employment.....	42
6.2	Employee Communication.....	45
6.3	Training and Development.....	48
6.4	Health and Safety.....	51
6.5	Rights and Welfare.....	53

7

7.	Consumers Caring	
7.1	Health and Safety Impact during Product Life Cycle.....	55
7.2	Product Information.....	56
7.3	Custom Satisfaction.....	57
7.4	Supply Chain Management.....	57
7.5	Quality Control System.....	59
7.6	Service System.....	60

8

8.	Social Caring	
8.1	Technologic Humanism Awards.....	61
8.1.1	The “TECO Award” is setting a model of technological humanities.....	61
8.1.2	TECO Technological Creative Competition (Green Tech).....	62
8.2	Creativity Education	
8.2.1	Creative Teaching Experience Workshop.....	63
8.2.2	Life and Creative Arts Experience Program.....	64
8.2.3	Aboriginal Scientific Creative Experience Plan.....	64
8.3	The Sustainable Education for Aboriginals	
8.3.1	The Exclamation Mark – The Sustainable Education for Aboriginals Project.....	65
8.3.2	The Traditional Songs and Dances Teachers Cultivation Plan.....	66
8.3.3	Aboriginal Children’s Night.....	66

9

9.	Appendix	
9.1	GRI G3.1 Index.....	69
9.2	Assurance Statement.....	76



1.Chief Executive’s Statement

1.1 Message from the Chairman

TECO Electric and Machinery Co., Ltd. was founded in 1956, and has always been adhered to the philosophy of business integrity and aims to our responsibilities to our shareholders, employees and the society. We strive for the goal of corporate sustainability and environmental sustainability and have won the eighth place of the “Commonwealth Corporate Citizenship Award” by the Commonwealth Magazine this year. This shows the positive recognitions from the public on our hard works in “Corporate Governance”, “Environmental Protection”, “Social Participation”.



In the area of Corporate Governance, TECO implemented the “Ethical Code of Conduct for the Directors and Managers” to limit conflict of interests for directors and managers, and to ensure information confidentiality, fair trades and obey the regulations. We envisage establishing a sound and effective board of directors to supervise and to ensure the sustainability of the company. As for the operation, TECO insists in the Three New Strategy of “New Organization”, “New Products” and “New Markets”. With the efforts and dedications of entire company, we seize profitable business opportunities under recession and create a record level of sales margins and net income.

In the area of Environmental Protection, TECO continues to develop manufacturing technology to provide high efficiency and energy-saving functions products such as IE2 ~ IE4 energy-saving motors series and developing new motor product for electrical vehicles. For the new energy source, we focus on the development of wind generators, using our core technologies to maximize our contribution in carbon reduction. Furthermore, we first complete inventory of greenhouse gas emissions at our Chungli factory and receive official ISO 14064-1 certification issued by external verification party, and implement to entire company by September 2013. We use this opportunity to implement energy-saving and carbon reduction concepts to all our employees.

In the area of Social Participation, TECO founded the “TECO Technology Foundation” in 1993 and has dedicated ourselves in the three main areas of “Technologic Humanism Awards”, “Creative Education” and “Sustaining Education for the Aborigines”. The TECO Award of the Technologic Humanism Awards is the only award in Taiwan that emphasizes



both technology and humanism, which actively trying to achieve the social development spirits of technological humanism prosperity. We also established a creative technology competition that focuses on Green Tech, and used high prize money to encourage the participation of our college students, and allow the young to showcase their flexibility and creative thinking on renewable energy, reducing carbon dioxide emissions, or more environmentally friendly processes. In the area of sustaining education for the aboriginals, we emphasize on the sustainability of the aboriginals, that combines resources from the society and create a non-profit platform that mediates between demands and supply. We also help mountain tribes to develop plans and educational projects to pass down their traditional songs and dances, and we have successfully helped 10 ethnic group and over 35 tribes with their development projects as of 2012.

TECO understands that fulfills our social responsibilities is our principle of achieving sustainable management. While we continue to strengthen the corporate governance and pursued successful performance, we will continue to provide environmental protection and social cares, and hope to achieve the corporate vision of “TECO GO ECO, Green TECO, Green Technology”.



2. Identification and Communication of Stakeholders

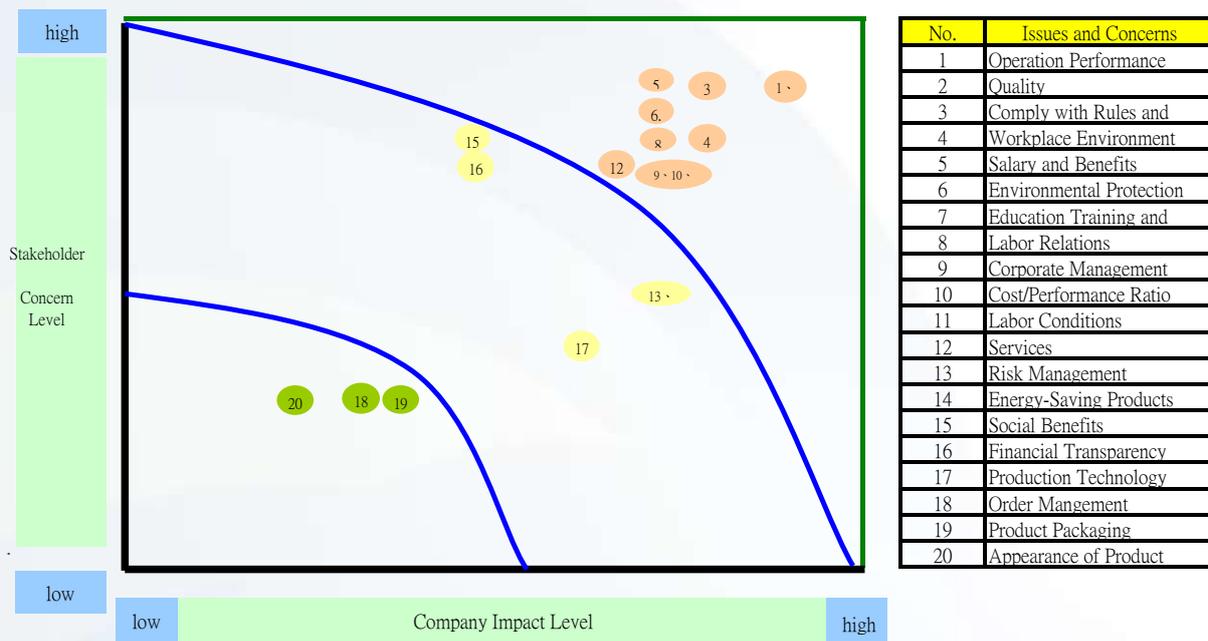
Each department of TECO discussed and identified major stakeholders, and the corresponding department for the stakeholders is to conduct investigation the issues that these stakeholders care about, and their importance as well as what communication channel they are using. If the issue involves multiple departments, the importance evaluation would focus on the main department relating to the issue. Maintain fluent and smooth communication platform, and continue to interact with the stakeholders is key to receive their opinions for future reference in developing related projects.



Issues and Concerns of TECO Stakeholders and Means of Communication

Stakeholders	Issues and Concerns	Means of Communication
Shareholders	Operation Performance Financial Transparency Risk Management Corporate Management Environmental Protection	Public Info Observation Post System Investment Section of the Company website Shareholders Meetings Participate in Domestic and International Investment Forum Visits from Investment Corporations Investor Relations / Shareholder Services dedicated e-mail
Employees	Salary and Benefits Education Training and Career Development Workplace Environment Labor Relations	Labor Conference Staff Quarterly Meeting Discussion with Executives Health and Safety Committee Employee Welfare Committee Environmental Safety Dedication Zone Improvement Proposal First Class Bimonthly Magazine
Customers	Quality Service Energy-Saving Products Product Appearance Cost/Performance Ratio Product Packaging	Customer Hot Line Sales Conference Customer Service Personnel Official Website Facebook Media Advertisement
Suppliers	Operation Performance PO Management Quality Management Production Technology	Supplier Evaluation Supplier Assessment Supplier Consultation Purchasing Contacts E-Procurement
Local Community	Environmental Protection Social Benefits	Coordination Meeting Telephone Communication
NGO	Environmental Protection Social Benefits Labor Conditions	Non-Financial Information Disclosure Conference Participation Event Coordination
Government	Comply with All Rules and Regulations	Participated in Various Seminars and Filing a Written Reply to the Auditors





Stakeholder Materiality Analysis

Revealed Issues and Concerns from the Stakeholders

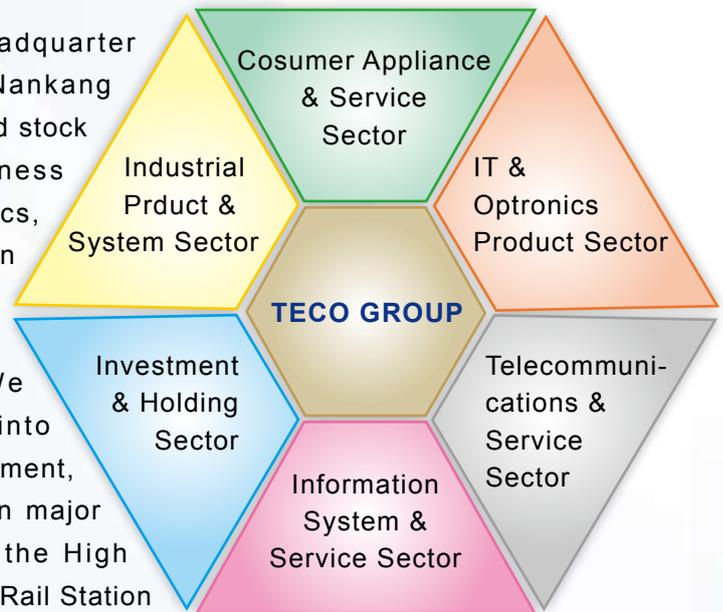
No.	Issues and Concerns	Chapters of Revealed Issues and Concerns
1	Operation Performance	3.8 Financial Performance 3.5 Operation Overview
2	Quality	7.5 QC System
3	Comply with Rules and Regulation	4.6 Follow the Rules and Regulations
4	Workplace Environment	5.3.3.5 Safety 6.4 Health and Safety
5	Salary and Benefits	6.5 Rights and Welfare
6	Environmental Protection	5. Environmental Protection
7	Education Training and Career Development	6.3 Training and Development
8	Labor Relations	6.2 Employee Communication
9	Corporate Management	4 Corporate Governance
10	Cost/Performance Ratio	7.3 Customer Satisfaction 7.5 QC System
11	Labor Conditions	6.1 Employee Structure and Employment 6.5 Rights and Welfare
12	Services	7.6 Service System
13	Risk Management	4.5 Risk Management
14	Energy-Saving Products	5.1 Green Energy Development 5.2 Product Innovation and Energy Efficiency
15	Social Benefits	8 Social Caring
16	Financial Transparency	Annual Shareholder' s Report



3. Corporate Overview

3.1 Company Introduction

TECO was founded in 1956 with the headquarter located at 5F No. 19-9 Sanchong Rd., Nankang District, Taipei City. TECO is a public traded stock company (Stock Code 1504), with business in heavy electronics, household electronics, information technology, communication technology, electronics, key component modules and the manufacturing and sales of wind turbine power generators. We also expand our business dynamically into infrastructure construction, financial investment, and restaurants, and actively participate in major national construction projects, such as the High Speed Rail, MRT, ETC, and the High Speed Rail Station in Changhua.



After years of hard works, TECO has transformed from the traditional heavy electronics and household electronics industry into a global high tech corporation. Our current business span across five continents with over 30 countries with cooperation partners including GE in the US, Yasukawa in Japan, Westinghouse in the US, G & D in the Germany, Itochu, Nippon Steel, Sumitomo and many more.

TECO has successfully transformed from the professional giant of electric motors into a highly competitive, global operative, customer service oriented corporation group. For over 50 years, our steady and dependable progress allows us to establish our six major businesses including heavy electronics, household electronics information technology, communication technology, key component modules and investment business. We also expand our business to include electrical and mechanical systems, appliances, air-conditioning and service, information electronics, communications and telecommunications, information services and investment holding, to show our dynamic operation map, and to create a global tech support network and a full range of marketing and service system, to establish new business structures.



In the future, TECO will continue to grow our core businesses, and aggressively developing intelligent product with high added values, and focus our efforts in the development of high tech business and green energy industry. We will also dedicate ourselves in new world market developments, and use dynamic operation to construct a macroscopic, high quality, and technology world class brand.

3.2 Corporate Vision

TECO upholds the business attitude that we are responsible to the customers, employees, shareholders and the society, and dedicate our efforts to create products with better values to satisfy our customer's need. We also try to create a great working environment to allow our employees fully utilize their potentials to fulfill their goals. By creating the maximum profits, we could honor the shareholders' trust to us. With honest operation to implement corporation management and fulfill our social responsibility, we are able to pursue our operation vision of sustainable development. Our three long term strategies of new products, new markets and merger and alliance allow us to not only be creative and innovative in creating new products and technology, but also give us an opportunity to expand our business or investment into other new territories and markets, to constantly reinvent TECO. Through our five core values (ACTION) "Aggressiveness, Customer oriented, Team spirits, Honest and Integrity, and New", we try to make our employees in take these values and generate the organizational cohesion to pursue the corporate vision of "TECO GO ECO, Green TECO, Green Technology".



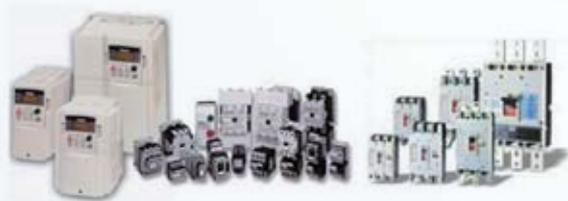
3.3 Products and Services

The company's main products are classified into four major categories: large and small motors, power equipment and system controller, such as variable-frequency drive and control, home appliances, such as air conditioner, TV, refrigerator, and washing machine, and wind power. The company also undertakes other businesses, such as air-conditioning engineering, power-related engineering, and various chip cards.

Motors, Pumps,
Compressors



Industrial Controlling Products,
Instrument Products



Wind-Power
Products



Home and Business
Appliance Products



3.4 Market Analysis

3.4.1 Sales (Service) Region

The company is shipping industrial products to such major regions as America, Europe, Australia, Japan, China and Taiwan, and targets to extend the reach to the Middle East and India. Home appliances are shipped mainly to the domestic market, with minor markets including Australia, Southeast Asia, Singapore, and Japan. The company plans to tap the home-appliances markets in China, Vietnam, and Indonesia. For windpower products, in addition to the Chinese market, the company is set sight on the markets of Southeast Asia, New Zealand, and Australia, where awareness of clean energy has emerged.

3.4.2 Market Share (%) of Major Product Categories

(1) Industrial Product

The company boasts 50% domestic market share in general purpose sector and also offers customers custom motor featuring special usage and specifications, with the capacity reaching 30,000 horsepower in induction motors, ranking Top 5 around the world.

(2) Wind-power business

The first wind-power turbine was erected in Inner Mongolia of China in 2010 and completed linkage with grid for power generation in March 2011. Also, the company completed wind-turbine certification, and arranged LVRT (low-voltage ride-through) certification in China, fulfilling many-year power generation under rigorous environment. Successfully forayed into Southeast Asian market in 2011 and obtained orders in Vietnam. Considering the demands of wind power in the China market, the company will start to build factory in Hunan, and serve in nearby area.

(3) Home Appliances and Air Conditioner

The company is one of the top three makers of home appliances and air conditioners in Taiwan, with market share reaching 9% for household air conditioners, 14% for refrigerators, 15% for washing machines, 10% for LCD, and 35% for commercial-use air conditioners.

3.4.3 Market Trend of Major Product Categories

(1) Industrial Products

TECO originated from motor production, which has remained a core part of the company's operation, offering the dynamism for Taiwan's industrial development. After years of effort since the company's inception, it has set up various production and marketing bases through the world. It ranks among the world's top five heavy-electrical equipment suppliers and has hit world-class level, in terms of quality, variety, production scale, and sales channel.



Due to the close linkage between business of low-pressure motors and the economic situation, demand slackened conspicuously in the second half of 2012. Demand for medium-pressure motors, however, remained stable. In 2013, the general economy will score a rather weak recovery. The domestic market of the U.S. is expected to grow steadily on decreasing unemployment rate and realty recovery. Thanks to the new economic measures of the new leadership, China is expected to resume stable growth. The weakening Japanese yen will continue to benefit Japan's manufacturing industry in 2013. In 2013, the company will continue strengthen marketing and production integration, so as to boost market share and cut cost. It will also develop new products, continue integrating domestic and overseas resources in tapping the OEM market, emerging market, and solicit public construction and domestic and overseas engineering projects, in the hope of achieving the goal of high growth.

(2) Wind-Power Business

Due to global warming and drastic climate changes, countries worldwide have begun to emphasize the use of renewable energy by setting up development goal for renewable energy, in order to cut emission of greenhouse gases. Among renewable energies, wind power is most cost-effective. Therefore, the European Union targets raising the share of wind power to 50% by 2030. Despite its high entry barrier, TECO is ready to tap the market by integrating its solid R&D strength in the fields of machinery and electricity. The company has successfully made inroads into the wind turbine assembly market in the U.S. and has developed 2MW permanent-magnet wind-power turbine bearing own brand, the first such product made by Taiwan which boasts high local content rate. This wind turbine system boasts solid structure and complete lineup, capable for meeting the needs of areas featuring strong typhoon or cool climate, suits both 50/60Hz enabling global use, and can easily meet the rigorous demands for connection to grids of countries worldwide.

TECO will root its wind power business on Taiwan and set sight on China, combining Taiwan's advantage in quality control and China's huge market potential. It will establish wind turbine assembly plants near wind farms and foster local supply chains, so as to save on transportation cost and facilitate the management and maintenance for up to 20 years, thereby augmenting the utilization rate of wind turbine and maximizing profits. In addition, the company will integrate cross-Taiwan strait technological strength in the joint development of next-generation offshore wind turbine which suits the Asian climate.

(3) Home Appliances

Growth of market demand for home appliances is limited, since they are mature products. In addition to existing products, the company will develop or introduce new products with high added value or key components/parts, such as large-size (55" and larger) LCD TV, LED TV, inverter refrigerator with high EF value, multi-temperature-layer refrigerator, DD



inverter washing machine and external-rotor motor (key component), photo-catalyst air purifier, DC inverter air conditioner with high COP value, inverter electric control substrate (key component), remote-control SAA(Smart Appliance Alliance) air conditioner, and air conditioner with nano bamboo-charcoal filter and other home appliances with health appeal. The purpose is to expand sales channel and increase revenue and profit with differentiated products.

Meanwhile, the company has been constantly rolling out new models for industry-use air-conditioning and freezing products, such as package air conditioner, central air conditioning equipment, flooded water chiller, centrifugal water chiller, inverter multi-evaporator VRF air conditioner, and train air conditioner, thereby creating optimal and the most comfortable workplace for domestic and overseas industries. The company also offers various air-conditioning and freezing engineering service with cutting-edge technology, to help with industrial upgrading.

Along with the development of new technologies and the increasing convenience of the Internet, information products have integrated with home appliances, giving birth to information appliances. The company will marry its decades-long experience for home appliances with cutting-edge information technologies of the members of the group in developing information appliances suited to market needs, thereby creating every larger profits for shareholders.

Besides domestic market, the company has also made major inroads into the international market, following years of strenuous effort, especially for LCD TV and air conditioner which have enjoyed very good sales to Southeast Asia, Australia, and Europe. In the future, along with increase in national income and the advent of the information age, the company will continue to launch various even more human-friendly new products, so as to meet market demand.

3.4.4 Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

(1) Industrial Product

The company's industrial product has won very good reputation, in terms of quality and function, in the industry. It has established a far-reaching operation network on both domestic and overseas fronts, including production and marketing bases in the U.S., China, and Southeast Asia, and marketing offices in Japan, Europe, and Australia. However, rapid change in the business climate and the transformation of economic conditions and industrial structure has posed major challenge to the company's future development.



Favorable and unfavorable factors for industrial product business, along with countermeasures follow:

A. Favorable factors

- Good brand image
- Higher production scale and market share than peers
- Solid market channel
- Reliable quality
- Complete product lineup
- Huge market potential of the greater China market, for which the company has established a firm foothold in China

B. Unfavorable factors

- Low-price competition from imported products in the domestic market due to WTO membership
- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price and delivery by buyers
- Transplantation of traditional machinery firms to China and other countries, due to their declining competitiveness and demand of emigrated downstream customers
- Influence by European financial crisis

C. Countermeasures

- Reduce cost, shorten delivery schedule, enhance competitive edge, and boost market share.
- Accelerate new-product development, develop products with high added value, and establish a production system featuring cross-strait division of labor.
- Increase overseas marketing offices and establish an effective service network.
- Strive for emerging business opportunities related to environmental production and energy conservation.
- Join hands with foreign engineering firms in soliciting project orders.

(2) Wind Power Business

A. Favorable factors

- The company has established good reputation for industrial product in the field of wind-power business, capable of achieving synergy effect readily by integrating the resources of the group.
- The U.S. subsidiary already has the experience for contract assembly of complete wind turbine, which can be copied in any other region of the world.
- The company boasts complete product lineup and cutting-edge technology, capable of meeting the rigorous demands for connection to grid in the future. Its products suit both 50/60Hz, facilitating logistics work and cost control.



- The company has sound communications channel with its affiliates worldwide, enabling it a firm grasp of the latest development in renewable-energy laws/regulations and demands of grids worldwide.

B. Unfavorable factors

- Insufficient domestic supply chain for components and parts of wind turbine, complicating the effort for cost/delivery control
- Shortage of domestic R&D talents for wind turbine, impeding technological development
- Saturation of domestic onshore wind power market and difficulty in obtaining the testing ground, which postpones certification schedule
- Chinese wind-power equipment firms resort to low-price competition to tap the overseas markets, thereby disrupting the market order.

C. Countermeasures

- Set up Asian supply chain by utilizing the wind-power production capacity of China and Korea, thereby gaining a local edge.
- Establish joint R&D team with Industrial Technology Research Institute, capitalizing on the latter's electrical-machinery talents to facilitate technological development, and solicit Chinese talents released from its tightening policy, to facilitate deployment in the Chinese market in the next stage.
- Seek legal testing grounds on both sides of the Taiwan Strait and tap the Chinese market via strategicalliance with China Datang Corp. and Xiang Tan Electric, and other non big five power generation group.
- Set up logistics team to strengthen local services and cut maintenance cost.
- Take advantage of Taiwan offshore model wind farm, tap related domestic resources and integrate the relative strengthness between Cross straits to develop the technology which can adapt to the unique environment in Tawian Strait.

(3) Home Appliances and Air-Conditioning Business

A. Favorable factors

- TECO can capitalize on its good brand image and support of the group's resources, facilitating the demonstration of synergy effect.
- The company has pioneered the rollout of around-the-clock service and expanded its sales channel,strengthening its competitive niche.
- The company has joined "The R&D Alliance of the Smart Home-Appliances Industry," giving it a ready access to information on smart home appliances and online digital communications technology.
- Conform to MIT logo and first-tier energy-saving model, one step ahead of peers.

B. Unfavorable factors

- Home appliances/household air conditioning market has saturated, featuring acute competition and low margin.



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

C. Countermeasures

- Expand product lineup and cut cost via OEM (original equipment manufacturer) strategic alliance, thereby raising market share.
- Capitalize on China's low-cost edge and embrace SKD (semi knock-down) production mode, so as to boost the cost competitiveness of some products.
- Grasp product development trend in domestic and overseas markets via the operation of product panel and new-product review sessions, thereby introducing innovative products timely.
- Plan differentiated products tailored to the needs of the targeted customers of different channels.
- Step up assistance for agents for strengthening their management and store outlets, thereby enhancing their competitiveness.
- Establish directly owned store outlets gradually.

3.5 Operational Overview

Affected by the Euro debt crisis and persistently sluggish global economy, Taiwan's exports declined in 2012. At domestic front, influenced by hikes of gas and power rates and resumption of capital gains tax for stock investments, Taiwan's GDP only grew 1.26% in the year, a five-year low. However, thanks to the concerted effort of our staffers, TECO still managed to firmly grasp profitmaking opportunities, thereby boosting operating profits and net profits to recent highs.

1. Analysis of the company's business performance in 2012 follows:

Unit: NT\$ thousand

Item	Year	2012	2011	Change
Net revenue		25,461,139	25,798,135	-1%
Operating income		1,754,248	1,182,535	48%
Net profits		2,964,701	2,783,210	7%



For net revenue, large motors and small motors boasted brisk order reception and shipment, boosting operating revenue. Due to decline in domestic contract engineering projects, engineering revenue dropped. Sales of home appliances, air conditioners, and system automation products also tumbled, due to languid consumption willingness amid the sluggish economy. Overall speaking, the company's sales decreased 1% compared to 2011.

When analyzed by products, motors and electronic control products accounted for 61%, appliances and air conditioner products accounted for 25%, construction projects accounted for 9%, and others accounted for 5%.

For operating income, benefiting from price decline for raw materials, the company stepped up its effort in improving designs and augmenting production efficiency, lowering costs. Consequently, gross margin gained three percentage points in 2012 over the 2011 level. Strict control of various expenses also drove down operating expenses, thereby enabling the company's operating income to rack up 48% growth compared to 2011.

2. Long-term and Short-term Development

For industrial motor business, the company's long-term goal is to become the world's best motor manufacturer. In the short run, with the company's factories in Wuxi, Jiangxi, and Fujian of China, as well as in Japan and the Middle East, gradually manifesting their benefits, the company will continue its global deployment, enhance manufacturing and cost-control capability, accelerate the establishment of strategic alliances with partners in mainland China, Europe, the U.S., and Japan, so as to augment its global market share. In line with the government's promotion of alternative energy, the company has established a joint venture in China, A-Tech TECO, for producing wind-power generator, which has become a leading manufacturer of the product in Greater China.

For wind-power equipment, the company's long-term goal is become one of the world's 10 largest manufacturers. In the short term, rapidly obtain certification and highly reliable performance record, to pave the way for foraying into the Chinese market. Establish local supply chain for components and parts; seek cross-Taiwan Strait technological and business cooperation, for development of offshore wind-power generation. TECO has obtained TFC2000 onshore wind-turbine certification. Test of LVRT (low-voltage ride-through) technology, a highly regarded technology in China, was already passed by Electric Power Research Institute. Meanwhile, the company will also start to develop and produce the offshore wind power system for adapting the wind condition in Taiwan.

For home appliances, in the long run, the company aspires to become the leading brand in Taiwan and actively penetrate overseas air-conditioning market. For commercial air-conditioners, the company will horizontally integrate the largest domestic chiller OEM to



raise the company's competitiveness from operating cooperation and productive integration. Meanwhile, the company will also expand foreign market in south-east Asia, cooperate in China market business, and arrange air-conditioner's market in Turkey. For LCD TV, the short-term plan is to establish a cross-strait division-of-labor system and strive for OEM (original equipment manufacturer) orders from major international firms, thereby expanding its shares in the world and Taiwan.

In other aspects, backed by abundant experience of electric machinery of buildings, mass rapid transit system, and high-speed rail, the company will dedicate to winning large-scale businesses for office buildings, rapid mass transit system, and rail engineering. The company has sold high-voltage gas insulation switch to Taiwan Power Co., and in addition to continue seeking business from Taipower, the company will also actively explore the private market.

3.6 Participation in Associations and Organizations

TECO actively participate in associations (unions) and organizations events. Through participation, communication, and acting duties in seminars and activities, we maintain a close relationship with the industry as well as making our contribution. For example, TECO Group Chairman, Theodore MH Huang, is serving as the incumbent president of Taiwan and Indonesia Economic Association and the Chairman of Taiwan's East Asia Economic Conference Committee. A summary of the associations (unions) we participate is as followed:

- Taiwan Power Electronics Association
- Chung-Hwa Railway Industry Development Association
- Taiwan Refrigeration and Air-Conditioning Engineering Association
- Taiwan Electrical and Electronic Manufacturers' Association
- Taiwan Association of Machinery Industry
- Taiwan Automation Intelligence and Robotics Association
- Taiwan Nuclear Grade Industry Association
- Taiwan Electrical Contractors Association
- Taiwan Wind Energy Association
- Taiwan Wind Power Equipment Industry Association
- East Asia & Western Pacific Power Industry Association
- Chinese Society for Quality
- Chinese National Association of Industry and Commerce



- Council for Industrial and Commercial Development
- Chinese National Federation of Industries
- Taiwan Industry and Commerce Association
- Taiwan Atmosphere Protection Association
- Taiwan Business Council for Sustainable Development
- Industrial Safety and Health Association

3.7 Awards and Recognitions

- The eighth place winner of the “Commonwealth Corporate Citizenship Award” by the Commonwealth Magazine
- TECO won “A” grade in the evaluation of information disclosure by listed firms from Securities and Futures Institute.
- The “Two-Megawatt Class Wind Turbine Power Generator” won the Taiwan Excellence Gold Award
- 13 products have won medals in the 20th Taiwan Excellence Awards
- Appliance Air Conditioning products have received: 16 Environmental Protection Certifications, 21 Energy Saving Certifications, and 2 Water Saving Certifications
- The company won 36 patents



Gold Award Trophy



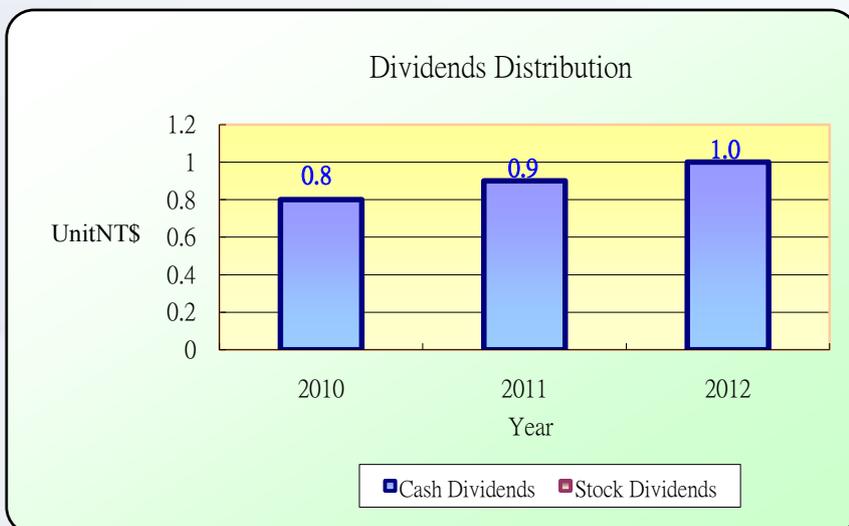
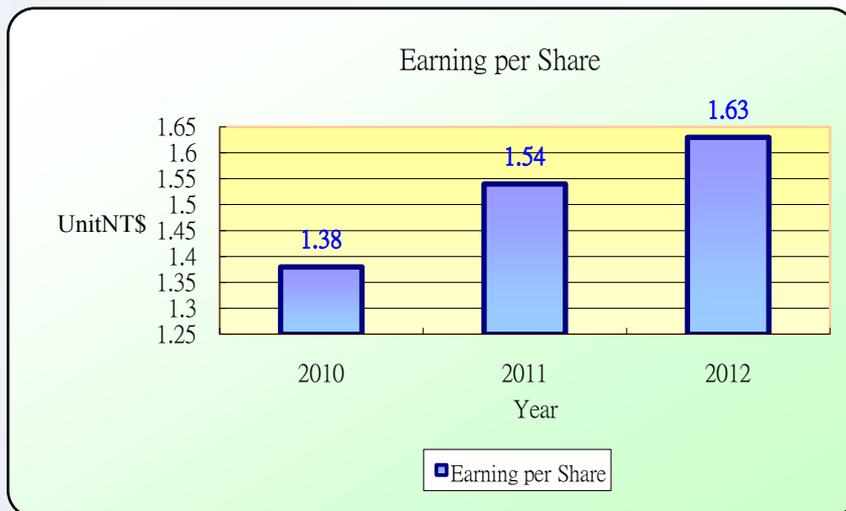
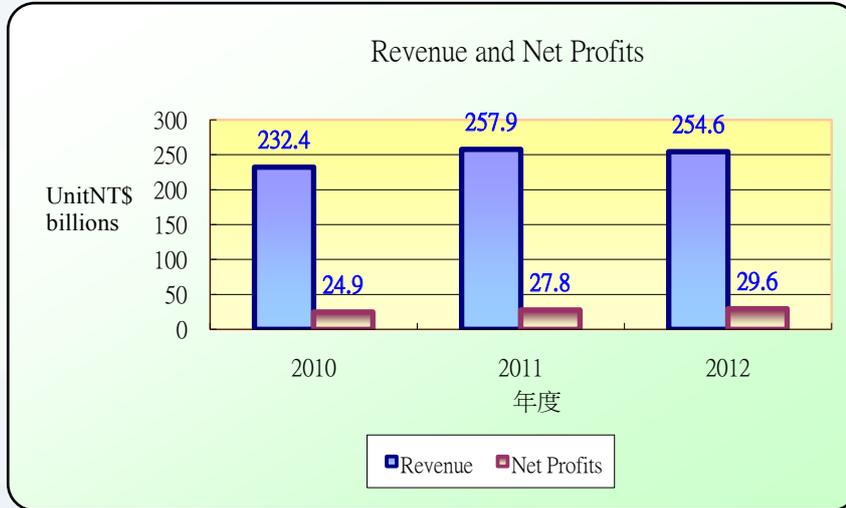
Taiwan Excellence Gold Award



Commonwealth Corporate Citizenship Award

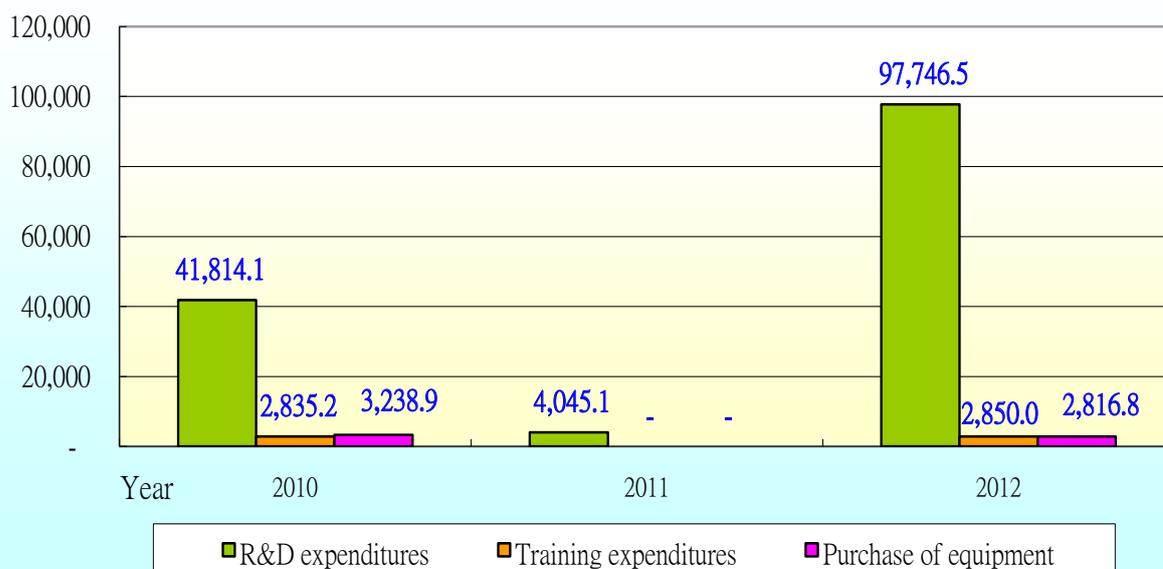


3.8 Financial Performance



UnitNT\$
thousand

Investment tax credit



(Refer to the Investment Section of our company website www.teco.com.tw for more information)



4. Corporate Governance

4.1 Governance Structure



4.2 Board of Directors

The operation of the Board of Directors

The Board of Directors is the highest management level of TECO, it has the duties of nominating and selecting executive managers and formulating the strategy of corporate social responsibilities and sustainable development. In order to continue refining the quality of the corporate governance, TECO has three independent directors based on the Companies Act. The selection of the independent directors follows the candidate nomination rule and in accordance with the Companies Act Article 192.1. The purpose of the independent directors is to monitor all the implementation of the operation plans as well as the presentation of the financial reports, in order to enhance the objective and independence of the board of directors.

In 2012, TECO selected 15 directors in the annual shareholders' meeting (including 3 seats for the independent directors). The term of duties is 3 years and is able to re-elect for the position. TECO's Board of Directors consists one female member and 1/3 of the seats under age of 60. The three seats of independent directors are all leaders of academia in the field of industry, including former Finance Minister Mr. Sush-Der.Lee, member and former Chief Executive Yuan CEPD Chairman, and professor of economics at National Taiwan University Mr. Tian-Jy .Chen, and former Treasury Secretary of the Taipei National Tax Bureau Chin-Chien.Chen. The members of the board of the directors not only possess adequate experience in managing the company as well as industry technology, but also equipped with financial, accounting, and legal specializations. TECO holds board of directors meetings at least once every quarter, and we held a total of 9 meetings in 2012 with actual attendance rate for over 80% (not including delegation). The Chairman of TECO also served as the Chief of Comprehensive Research Institute, the director Sophia Chiu is served as the President, and the director Hong-Xiang Lin is the Assistant Manager of our Industrial Motor & Applications Group.

Conflict of Interests for the Members of the Board of Directors

In order to avoid conflict of interest among the members of the Board of Directors, the newly elected directors must sign a consent form that they will obey the Companies Act Article 23, to honestly conduct business and fulfill the responsibility of goodwill managers. All directors must sign a declaration that they already aware of Article 206 of the Companies Act relating to the exercise of voting rights in violation of the law and avoid the effect of the content. TECO Board of the Directors meeting also expressively states the interests avoidance structure in the Procedure Code, Section 17.



Following Ethical and Moral Behavior Standards

For the directors and managers to strictly follow the ethical and moral behavior standards when they execute business activities, TECO implemented the “Code of Ethical Conduct for Directors and Managers” in December 2012 based on the “Guidelines for the Adoption of Codes of Ethical Conduct by TWSE/GTSM Listed Companies”. It restrains the directors and managers to prevent conflict of interests, avoid private profiting, maintain information confidentiality, fairness in trades and obey the regulations. We hope to establish a more effective Board of Directors, and a well-managed corporation under supervising to ensure the sustainability of the company.

Continuing Education for Directors and Supervisors

Following the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies”, TECO requires new directors and supervisors must receive no less than 12 hours of training at their first year of service, and 3 hours per service year after their initial year of service. TECO periodically hosts training programs for directors and publish the training progress regularly during the annual report and Market Observation Post System. The topic of the 2012 class is “The Antitrust Laws You Don’t Know”.

The Purchase of Liability Insurance for Directors and Supervisors

Considering the balance for directors and supervisors to execute their rights and fulfill their responsibilities, and effectively lower the possible personal liability and financial loss of the directors and supervisors in lawsuits against them while executing their duties, TECO regularly purchase “Directors and Supervisors Liability Insurance” for the directors and supervisors as well as important staff. The insurance policy is reviewed each year to keep the conditions up to date.

Information Revealed and the Communication with Stakeholders

TECO set up Investor Relation area and Corporate governance area in the company website (Chinese and English), to provide investors with real time information and downloads of financial reports, annual reports, and other major financial information, as well as company stock prices and shareholders’ meetings information, etc. Our website is also a contact window for our investors to communicate with us through emails. Furthermore, besides from announcing important notices in the Market Observation Post System, we also occasionally participate in organized domestic and foreign investor forum or road-show, hosted by foreign brokerages, to describe the company operation, financial performance, corporate strategic developments, and sales directions to our investors. Other than the spokesperson system to implement the communication with the stakeholders, we also provide mailbox for the independent director on the Company’s website, so the stakeholders can directly communicate with the independent directors. The company’s intranet also has mailbox for employees to report illegal conducts, to help the company in sustainable development.



4.3 Audit Committee

The Operation of the Audit Committee

TECO set up the Audit Committee on June 15, 2012 to replace the original Supervisors System. The committee members are served by the three seats of independent directors, and one independent director is nominated by everyone to be the convener and chairperson. The operation of the committee follows TECO's Audit Committee Organizing Chapters, and the auditing should include: corporate financial reports, corporate auditing and accounting policy and procedures, internal control system, important assets or derivative transactions, raise or issuance of securities, the appointment, dismissal or bonus for the CPA, as well as the appointment and dismissal of the financial and accounting managers. The TECO Audit Committee meets at least once every quarter, and there were a total of 5 meetings in 2012 with overall attendance rate of over 90% (not including delegation).

The Communication of Independent Directors

The independent directors of TECO has direct communication with the internal auditing manager and the CPA, and they periodically review and verify the corporate financial and sales status, and report directly to the management or supervising units. After the CPA completes the semiannual and annual financial reports, they need to report their review results in the audit committee, and fulfill any communication needs by other regulations. Besides the monthly auditing report to the independent directors, the auditing manager must also conduct individual sales report to the independent directors when they request so; during the quarterly audit committee meeting, internal audit report is also conducted, to fully communicate the implementation of auditing and sales status.

4.4 Compensation Committee

In order to create a sound Salary compensation system for the directors, supervisors, and managers, TECO passed the votes on the establishment of the "Compensation Committee" in August 2011, and implemented the "Compensation Committee Organizing Chapters". The committee members include one independent director, two outside experts, and all three members must have financial and accounting specializations with college lecturer qualifications in relevant department in university or college, and have abundant practical experience.

(Please log in to our website at <http://www.teco.com.tw>, Investor Relation area for more detail)



4.5 Risk Management

TECO thinks the major risks of our organization are the employee behavior risk, economic environmental risk, climate change risk, and legal risk. In terms of the employee behavior risk and legal risk, we aggressively promoting and deep rooting the five core values of “Aggressiveness, Customer oriented, Team spirits, Honest and Integrity, and New” into each and every employees. We try to make our employees in take these values and show them in their work habits, and set up their own behavior standards to regulate their ethical and moral behaviors to avoid illegal and corruption conducts that bring risks to the corporate operations. As for the economic environmental risk and climate change risk, we will respond with three new strategies of “new organization”, “new products”, and “new markets”, and cope with re-organization, high efficiency, and new energy source products to turn risks into new opportunities.

The Board of Directors also set up the audit team, and its function is to assist the organization to identify and evaluate important risk exposures, and to contribute in the improvement of the risk management and control system. The audit team will evaluate the risks of each and every business departments each year, and setup the annual auditing plan. After the Audit Committee and the Board of Directors have approved the plan, audits are carried out and depend on the situations, special auditing may be required. When the audits are completed, and the reports are prepared, the audit team need to report at the Audit Committee and the Board of Directors, to implement the will of the management.

4.6 Follow the Rules and Regulations

The Board of Directors has established the legal department, its main function is to help the organizations understand and comply with the relevant regulations. The legal department will regularly announce new or modified regulations on the company intranet, and to provide related education and training internally and revise company regulations. All business activities shall be reviewed by the legal department and prepare contracts, to avoid doing business with any customer who is illegal or shows dishonest behaviors in the past. Professional fields such as safety and hygiene and environmental protection also have dedicated team to modify related Companies’ Acts according to the regulations, and conduct internal audits and external verifications to ensure legal compliances.



5. Environmental Protection

Under the current situation where energies are being abusively over use and abnormal climate changes, the operating costs for TECO have inadvertently increased and the demand for our products also shifts; nonetheless this it is an opportunity for us. With in depth core technologies, TECO develops and manufactures high efficiency motor IE2~IE4 that meet the needs of many countries. Beside the inverter controller and appliances marked with domestic energy saving certificates, we also dedicate in the development of electric vehicle motors, and renewable wind turbine power generators. TECO utilizes our technical expertise to play its best efforts to protect the earth. We started the investigation on the greenhouse gas emission at our Chungli factory in 2012; and the investigation for the entire corporate was also conducted and passed in September 2013. We hope to use this opportunity to start save energy and reduce carbon emission, and review the possibility of energy and resource reduction and their renewability, to achieve the corporate vision of “TECO GO ECO, Green TECO, Green Technology”.

5.1.Green Energy Development

5.1.1. Current Development

Wind energy is literally the world’s primary target of renewable energy development and has developed very rapidly, with an average annual growth rate of 28 %. In 2007, the Strategy Review Board of Executive Yuan officially took wind energy as one of the prioritized items of promotion for renewable energy. The building of system integration technique for commercialization of wind turbine has become the primary goal in the next stage for the industry. Currently, even some Taiwan industries own the OEM technology of wind turbine parts, but most of the wind turbines are imported in Taiwan due to lacking of key technical capability. As the result, it is still impossible to supply the integrated wind power technology to both domestic and overseas markets.

The 2011 new announced rate of renewable energy wholesale purchase price of on-land wind power has been increased 9.67% compare to the wholesale purchase price last year, while offshore wind power wholesale purchase price is substantially higher than last year which has been increased 32.5%. It is expected future wind power will play a more important role in renewable energy since the Japan Fukushima nuclear power plant crisis.

With the specialized techniques already obtained, TECO combines Taiwan’s leading firms to initiate the “Wind Power System Development Alliance of Taiwan”. The Alliance will introduce more devotion to the wind power projects, and try to upgrade Taiwan’s new green energy industry to next generation.



TECO own-brand 2MW wind turbine system has been connected to the grid in Mongolia and obtained performance data. The orders from Mainland China and south-east Asia of TECO wind turbine system are actively negotiating. It is expected that would be a huge contribution to TECO's revenue in the future. TECO 2MW Wind Turbine has received the Wind Turbine C-Design Assessment on August 17, 2011, and has won the 20th Taiwan Excellence Awards, and won the Taiwan Excellence Gold Award in August 2012. On December 2, 2012, we then received the Wind Turbine A-Design Assessment.



(TECO own-branded large wind turbine, FC2000/2MW)



(TECO TFC 2000 wind turbine in Mongolia)

5.1.2 Features of Product

The company extends its existed core technique of motors and electric control to become a supplier of wind power generators and power converter. The US TECO-Westinghouse Motor Company (TWMC) injects funds to the setup of wind turbine assembly plant to grab the OEM business opportunity in the US market and to deploy the global supply chain. This recent introduction of wind power system techniques will boost TECO's technical strength in the field of alternative energy.

5.1.3 Future Development

Currently, Taiwan already has the land-based wind turbine power generators that assume the responsibility of generating powers. But due the limited land space, sea-based wind turbine development becomes necessary. Because of this reason, the Green Energy Institute of the ITRI and TECO are working together to promote the establishment of our own domestic off-shore wind turbine power generation alliance. The members of this alliance are delegated with different duties, and the ITRI is responsible for bringing in the technologies and equipment of off-shore wind turbine power generator system, and TECO is responsible for the manufacturing of the wind turbine power generator system as well as the testing and certifying the prototype, the China Steel Company is responsible for the management of marine engineering and steel members, the Ships Center is responsible for maritime engineering design and planning, and team up with the top European off shore



wind turbine power generating companies, in hope to establish a complete industrial chain of the off shore wind turbine power generation. Furthermore, we also cooperate with local companies in China to manufacture wind turbine power generating system, to help TECO's new wind turbine power generation business grow faster.

5.2 Product Innovation and Energy Efficiency

5.2.1 Current Development

Global warming issue is getting serious, so making good use of technology to mitigate the climate change has become a core strategy of TECO's operation. Besides green energy development, the improvement of energy efficiency by the entire society is a major direction. All advanced countries are trying to concentrate on the development and arrangement of this energy field.

The company has focused and made efforts in developing high-efficiency and energy-saving products in recent years, and has achieved certain levels in special techniques in different field. "Smart energy saving" is always the core idea in product design. The main products of recent development include the eye-catching IE4 super high-efficiency motor with performance exceeding EC standards, and the full range of energy saving home appliances.

5.2.2 Features of Product

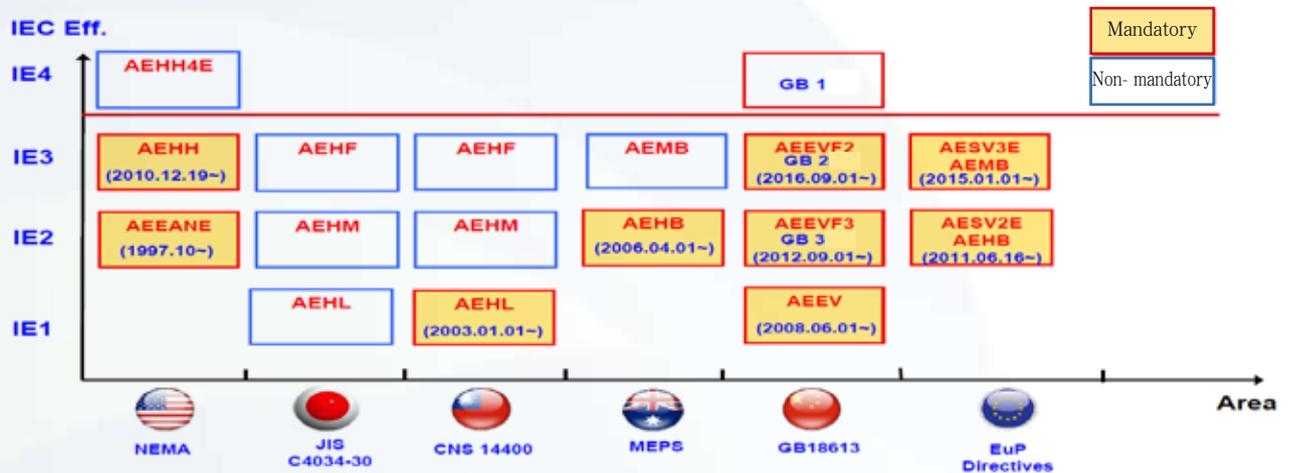
In 2012, the company's high-efficiency motors have met the quality standards in various countries, including NEMA Premium in the U.S., EuP directive of the European Union, GB 18613-2012 version of mainland China, and CNS 14400-2012 version of Taiwan.

Backed by 56 years of experience for the development, design, and manufacturing of motors, TECO boasts complete lineup for high-efficiency motors, including IE1-IE3, IEC, and NEMA, which are shipped to five major continents in the world and rank first place in market share in Taiwan, Southeast Asia, and Canada. The company's testing laboratory has obtained the NVLAP accreditation of the U.S. Department of Commerce and the motor efficiency has secured the CC002A certification of the U.S. Department of Energy, making TECO the first company outside the U.S. to pass the certification. IE3 IEC series has successfully penetrated the Japanese market, meeting the fussy demand for quality and service by major Japanese clients. IE3 JIS series has also hit the Japanese market, ahead of major Japanese firms, and the company is actively seeking ODM (original design manufacturer) orders for the series. The new IE4 NEMA induction motor series embraces cast-aluminum rotor and process technology (instead of rare-earth permanent magnetic material). 1-100HP has successfully entered mass production. IE4 model was acknowledged by the 2011 Taiwan Excellence Award.



TECO ELECTRIC & MACHINERY CO., LTD.

The Implementation Schedule of the World's Major Energy-Efficient Motor Control Nations



(TECO has a complete line of high efficiency motor products and are selling them to all five continents; IE3 products are being mass produced, and comply with 2015 Euro Standards and 2017 Taiwan CNS Standards)

About inverter, the inverter used in industrial automation and home appliances, can reduce manpower and improve the efficiency. TECO in 2010 launched the “constant pressure pump inverter”, using the PI controller to control the pump so that pump speed can be started with stepless variable frequency. The noises by traditional frequent starts can be totally avoided. In addition, constant pressure pump is designed for specific parameters, such as water testing, leak detection, sleep control and other functions to be friendlier to the operators. For certain places which require higher water quality standard, such as high-tech industry, factories, motels, SPA sauna and government school authorities, the above-mentioned pump series are also able to parallel connect several pumps to adjust the water supply volume with operating pump numbers to extend the lifetime of the whole system while ensure zero problem of water supplying. In proper use, compared with traditional water supply system, the energy savings is up to about 30% to 50%. In the current market, there are still a lot of commercial air conditions with fixed frequency. By developing plug-in air conditioning frequency energy modules, the users do not need to replace their air conditioner; they could achieve the frequency energy effects (save about 30% of energy) just by adding this module.

As for saving energy in the house, we developed the unique household air conditioning frequency energy saving technology that the power consumption can be easily seen; the wind tunnel and heat exchange design can both reach top performance. MA20VC3 is the smallest model in the entire industry, which can save energy and resources. Our refrigerator models also utilize this frequency energy technology as well as the use of VIP, a material that effectively prevents the thermal conductivity. With proper development, we could achieve the kf value to a super high standard of 0.002, with energy saving efficiency above 145%. Because the temperature inside the refrigerator is kept at a constant level,

not only we could save energy, foods can also be kept fresh. In water conservation aspect, automatic inverter-type energy-saving washing machines that utilize inverter-controlled technique have been developed. In addition, the technique of reducing clean water used during the washing cycle is employed to achieve high-efficiency washing and up to 25% (compared with conventional washing machines) effective water saving. TECO's new TVs not only comply with R.O.C (Taiwan) CNS14336 or CNS14408 standards, but also comply with EU (RoHS) and Japan (Follow) regulations. The product quality and energy efficiency are TECO's highest priority issues. For instance, the latest 32-inch models, can reach the maximum power rate of 47.2%.



In consideration of home appliances and the environment, TECO incorporates the thinking of corporate social responsibility and environmental sustainability in every link to product design, manufacture, packaging and delivery. TECO rethinks about the harmony among consumer, society and Mother Nature. TECO dedicate itself to minimizing the impact to environment and carbon emission. Also since 2011, Taiwan government implement the energy efficiency classification system of air conditioners and refrigerators, the new refrigerant in air conditions and refrigerator energy consumption on all new TECO products can meet the government regulations. Even certain air-condition models can go beyond the national standard of 2016, while the new development on 1-level refrigerator is under processing. All these efforts can show the importance for the development of energy-saving products in TECO.

5.2.3 Product Impact and Message Communication

About the product liability, from product designing, manufacturing, quality control, marketing, servicing and waste recycling, each stage has its responsible unit. Standardized operation procedures are practiced to ensure the consumers can purchase the safest and hazardous substance-free products. It is also the fundamental policy of TECO.

As for product related messages, marking on packages is provided for identifying the safety of the designed products. In addition, there are operation instructions, maintenance manuals and demonstrative presentations to offer information and measures of safe usage. Proper operative teaching is provided, methods of use are explained and consequences of improper use are reminded to consumers. TECO takes initiative in providing contact numbers and other approaches to contact with TECO.



TECO sets out company standards for banned and restricted substances in response to international environmental requirements. Any material used in products, components (accessory), packing and transport materials and consumption materials used in processes should comply with the laws and regulations and meet customer's environmental requests on the product.

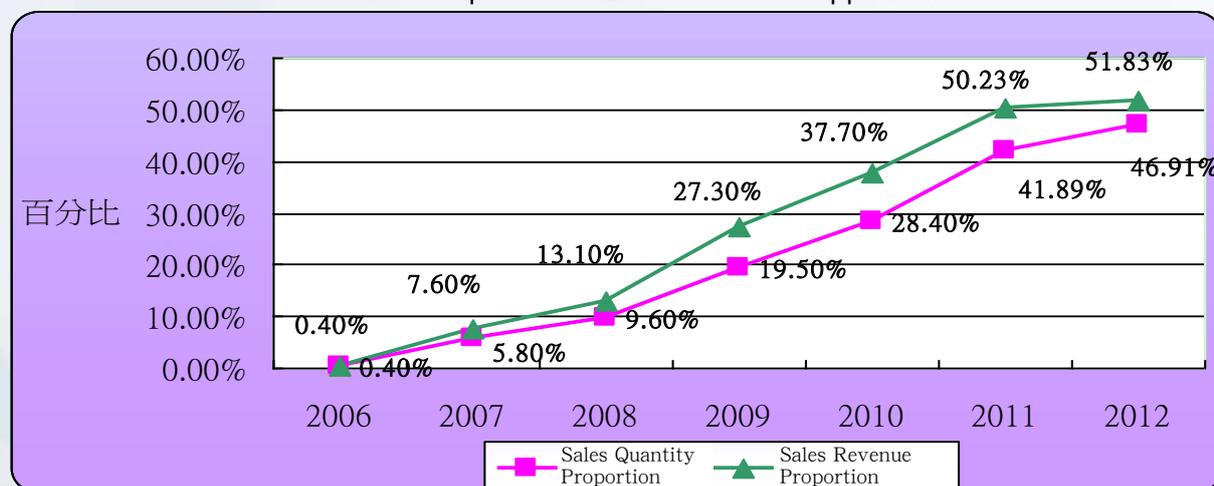
5.2.4 Results and Future Goal

TECO has accumulated 50 years of experience in motor production. The sales of high-efficiency motors have been increased significantly in recent years because of stronger capacity in R&D. TECO developed high-efficiency motors which complied with local energy efficiency standards, such as Taiwan-CNS, North America-NEMA, Australia-MEPS, EU-IEC and China-GB. December 2010, North American has implemented NEMA Premium standard; June 2011, EU would also carry out IE2 and IE3 efficiency standards. It shows that TECO's future market potential in high-efficiency motors because of the rapid growth of new international high efficiency regulations.

TECO's inverters have passed UL and CE marking to assure their quality. Besides quality assurance, TECO introduced lead-free production of inverters to comply with RoHS Directives. The product does not contain hazardous substances. Due to the global tendency of energy saving, it is foreseeable that the market potential of inverter related products will be rising sharply. The appliances of inverter in TECO will also extend to livelihood products from original industrial products.

The sales from 2006 to 2010 of Eco-Household Appliances (based on Air-conditions) which have obtain eco-labels, energy-efficiency levels (energy/water saving) is shown as following figure. It is obvious the sales volume and profit had been increased yearly. Especially in 2009, TECO followed the government's subsidies policy on eco-products, TECO promoted more products to consumers. It not only have shown TECO's determination on promoting eco-products, but also demonstrated that the eco-products acceptance to the public has been increasing.

The Sales Proportion of Eco-Household Appliances



TECO ELECTRIC & MACHINERY CO., LTD.



5.3 Environmental, Safety and Health

5.3.1 Policy and Organization

An environmental, safety and health (ESH) team is set up under the President office, and responsible for the implementation of the company's environmental, safety and health policies. The ESH policies at present are as follows:

- (1). Comply with domestic and international laws and regulations and meet the expectation of stakeholders.
- (2). Idealize the ESH management system and realize environmental protection and pollution prevention.
- (3). Reinforce risk assessment and training, and carry out ESH auditing to maintain the safe, healthy and tidy working environment and to enhance the industrial safety and environmental performance.
- (4). Be dedicated to energy saving, eco-efficiency and cleaner production.
- (5). Promote green products and motivate research and innovation to achieve win-win situation between economic growth and environmental protection.
- (6). Engage all the employees and subcontractors involvement in ESH activities, and enhance communication and coordination, fulfilling the corporate citizenship.

5.3.2 Managing System

(1) The Establishment of the Managing System and Structure

- The establishment and verification of the Environmental Managing System: currently, the three manufacturing bases in Taiwan are Chungli, Hukou, and Guanyin Second Plant. Both Chungli and Hukou have received ISO 14001 management system certification (the Guanyin plant manufactures air conditioning and household appliances, and that belongs to our affiliates Dongsheng Electric Company, so the energy statistics information related to their production are not included in this report; and Guanyin Second Plant is incorporated into TECO in July 2011).
- The establishment of the Greenhouse Gas Emission Checking System: with the help from BCSD Taiwan in 2007, they conducted the greenhouse gas investigation for our Chungli and Hukou plants, and gradually improved to annual environmental management plan for each plant. We started record the emission volume statistics since 2005, and input our greenhouse gas emission volume into the National Platform of the Environmental Protection Department in 2010. Our Chungli plant was the first to apply for the greenhouse gas emission volume investigation (ISO 14064-1) and passed (the whole TECO Corporation passed investigation in September 2013).
- OHSAS 18001 and Taiwan Occupational Safety and Health Management System (TOSHMS): in pursue of higher occupational safety and health standards, the Chungli and Hukou plants in Taiwan received counsel for establishing the TOSHMS in 2008 and have been passed the certification. We also applies the performance recognition from Council of Labor Affairs.



- Center-satellite system: in order to decrease the production waste, TECO also strongly champions the establishment and operation of center-satellite system to let the downstream suppliers work with us in reducing the waste, which also mitigates the impact to environment.

(2) Promote green office

While TECO reduces the environmental impact, TECO also promotes relevant environmental measures in the office area, which include:

- practicing e-document, including education system, announcement or environment and safety information.
- Cancelling paper dish tray, using reusable utensils at restaurant
- conducting water and electricity conservation measures in office area, re-using production waste water.

5.3.3 Performance and Results

The differences of the 2012 annual report compared with reports from 2011 and prior are:

- (1) The 2010 and 2011 versions of the report focused on the factories only, and our affiliates Dongsheng Electric Company which manufactures household appliances and air conditioners (Guanyin Plant) was included, but the headquarter was not included. All the environmental protection effectiveness calculations in 2012 excluded Dongsheng Electric Company. The greenhouse gas investigation calculation included the headquarters and Guanyin Second Plant. The energy and resources and waste calculations only counted the production plants (Chungli, Hukou, and Guanyin Second Plant).
- (2) The greenhouse gas data of 2012 used the externally verified data from 2013, so the calculations would have differences from 2011 and prior data. Starting 2012, all data are verified by external source, to ensure the data accuracy and consistence in the calculation.

5.3.3.1 Energy and Climate

In the management of energy and climate issues, we started receiving helps from ROC Enterprise Council for Sustainable Development, and started implementing the investigation on the greenhouse gas emission volume (ISO 14064-1). We started promoting energy saving activities in 2007 and have achieved significant results. Our greenhouse gas emission volume is declining each year and the information is as followed:

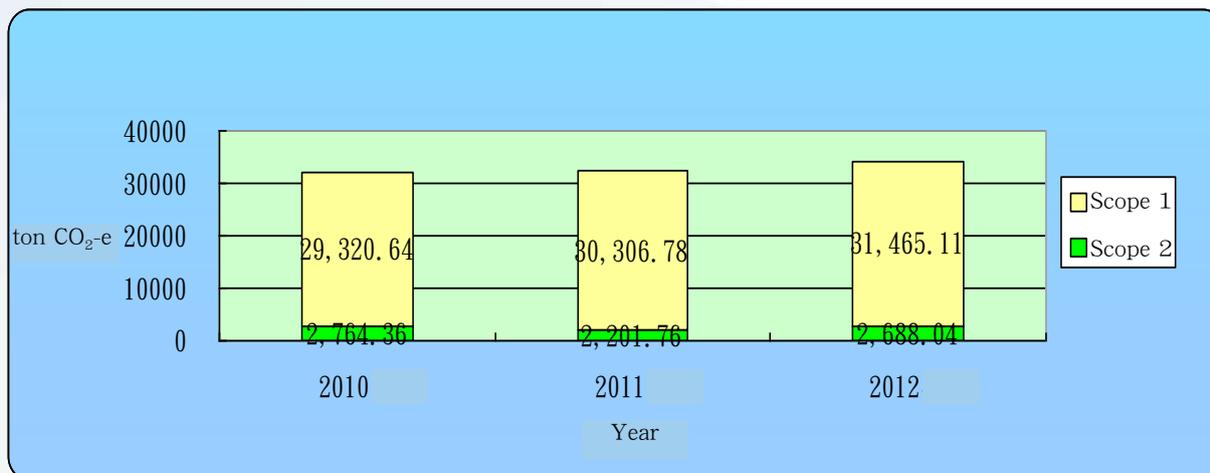
The overall greenhouse gas emission volume from 2010 to 2012 was respectively 32,085.00 tons CO₂e, 32,508.55 tons of CO₂e and 34,153.15 tons of CO₂e. The main reason why 2012 was an increase is because the Chungli plant increased their power consumption to increase the production. All factories continue to implement saving energy and reducing carbon emission.



The direct emission of greenhouse gas from 2010 to 2012 was respectively 2,764.36 tons CO₂e, 2,201.76 tons CO₂e, and 2,688.04 tons CO₂e. We can see an obvious reduction here, it is because since 2007 the production method was improved and we started using recycled steels which greatly reduced the char used in the production. The fuel for the furnaces also changed from char to LNG (liquid natural gas) in 2007, so the overall emission volume was greatly reduced and maintained less than 2,800 tons CO₂e.

The indirect greenhouse gas emission is generated from the use of electricity. From 2010 to 2012, the volume was respectively 29,320.64 tons CO₂e, 30,306.78 tons CO₂e, and 31,456.11 tons CO₂e. As for other indirect greenhouse gas emission, because we cannot control their activities, we only conducted the emission source investigation in 2012, and did not quantify the results. This included employees' commuting and business travelling, product transportation, raw materials transportation, vehicles and wastes processing from outsourcing agents and suppliers.





2012 Greenhouse Gases Emissions Verification Opinion Statement

Note: Quantitative method for measuring emission of greenhouse gases

- (1) Power emission coefficient publicized by the Bureau of Energy, the Ministry of Economic Affairs, on Sept. 14, 2012.
- (2) GWP value is based on the 1995 edition of IPCC.



Emission, Production V.S. Base Year

TECO's major energy consumptions can be divided into four kinds:

- (1). Power: TECO has used 54,805,000 kWh in 2010, 56,543,000 kWh in 2011, and 59,145,000 kWh in 2012. Scope 2 indirect emission was 92% of the power use in 2011, and scope 1 direct emission was 8% of the total emission in 2012.
- (2). LPG: during 2010~2012, TECO consumed about 116 tons, 40 tons and 77 tons, respectively, in Chungli and Guanyin plants. In 2008, the Chungli plant improved the process and replaced LPG with LNG to cut down cost, reduce GHG and pollutant emission and lessen the hazard to safety. The LNG consumption from 2010 to 2012 was 669 kWh, 692 kWh and 834 kWh.
- (3). Diesel: from 2010 to 2012, TECO consumed diesel 122 kL, 127 kL and 132 kL respectively, in all plants—Chungli, Guanyin, Guanyin Second Plant and Hukou for diesel forklifts, hot water boilers and generators dormitory.



(4). Gasoline: from 2010 to 2012, TECO consumed gasoline 4 kL, 10 kL and 21 kL , respectively, in all plants—Chungli, Guanyin ,Guanyin Second Plant and Hukou for corporate vehicles.

Energy Consumption Statistics

Item \ Year	2010	2011	2012
Electricity (kWh)	54,805,000	56,543,000	59,145,000
LPG (tons)	116	40	77
LNG (kilo-liters)	669	692	834
Diesel Gas (kilo-liters)	122	127	132
Gas (kilo-liters)	4	10	21

To enhance energy efficiency and to realize the aim of reducing GHG emission, TECO conducted energy conservation projects in the plants in 2012, as shown in the table below. These projects resulted in 413.52 tons CO₂e of reduction.

2012 Energy Saving Summary

No.	Project Name	Description	Efficiency (unit/yr)	Tons of CO ₂ e/yr
01	Replacing Energy Saving Light Bulbs	The office building of the Chungli plant replaced the 136 40W florescent lights T8 (95W) with LED lights	15,975	8.50
02	Install the frequency energy module to the air conditioning units	Installed 5 air conditioning units with the frequency energy module in our electrical engineering unit	14,985	7.97
03	Install the frequency energy module to our air compressor units	3 air compressors each in the punching area and the mechanical engineering area were improved: 1. Installed frequency energy modules 2. Installed air storage tanks in areas with big volume to reduce the loads on the compressors	63,677	33.88
04	Pressing machine motors changed to high efficiency motors	6 sensor motors from the assembly team were replaced with PM motors	77,299	41.12
05	Hydraulic equipment changed to high efficiency motors	2 hydraulic machines 40T and 30T in the dispatching team were replaced with PM motors	7,504	3.99
06	Heat energy recycle on the B3 assembly line and drying furnace	Quartz heating tube→ infrared + thermo circulation	37,385	19.89
07	Florescent lights T8 is replaced with T5 lights	The florescent lights in the assembly team were changed from T8 to T5 for a total of 1,769 lights (the operating environment is not suitable for LED lights)	123,292	65.59
08	Warehouse lighting	Mercury lamps → LED lights (400W→ 100W) x 30 units	76,205	40.54
09	Warehouse lighting	Florescent lights in the Manufacturing First Unit and Second Unit were changed to Induction Lamps x 39 units	67,954	36.15
10	Replace new lighting domes in the warehouse	The lighting domes in the roof of the Maintenance Unit warehouse were replaced with new domes, to enhance the transmittance of natural lights and reduce the use of lights	114,048	60.67
11	Install thermo system	Installed thermo net on the roof of the Manufacturing Second Unit - Electrical Engineering (the roof temperature at summer is as high as 45° , after the installation the temperature dropped to 35° , without air conditioning)	146,986	87.77
12	Old T8 lights changed to T5	90 old T8 lights were replaced with T5 lights	10,529	5.60
13	Florescent lights changed to LED lights	Traditional 10W emergency exit lights were changed to 2W LED lights	3,456	1.84
Total			777,295	413.52

Remark: Quantifying method for greenhouse gas emission volume is based on the announcement of electricity emission factors by the Bureau of Energy in 2012.



5.3.3.2 Resources Usage

Chungli plant, where the Industrial Motors & Applications Group and Green Electric Machine Group operates with main produces of motors of various sizes, which use metal materials (ferrous alloy, magnetic sheet, round steel, pig iron, etc.), nonmetal materials (coke, enameled wire, etc.) and others (wood, plastic bag, cardboard box, etc.).

Hukou plant, where the Industrial Products & System Automation runs, produces chiefly distribution panel and inverter using mostly materials of mechanical parts, wires, insulating wires and so forth.

Guanyin Second Plant is the home of the Power Business Group and the ECO Energy Group. Its main production is the sulfur SF6 gas insulated switchgear below (and including) 161KV, and renewable energy equipment peripheral application products. Most of the materials used are mechanical parts and electrical wires, insulated wires, etc.

The main materials and their quantities used by TECO in 2012 are listed below.

Main materials and their usages

Main Materials	Silicon steel	Iron	Aluminum
Usage Quantity	40,004.28 tons	10,460.02 tons	863.88tons

We use tap water to supply our needs of water. From 2010 to 2012, the overall water usages for our three plants were respectively 174,880 tons, 192,348 tons, and 174,971 tons. Our plants continue to implement water saving practices, including adding water-saving devices, replace water-saving toilets, etc. As for the waste water, the water quality of the waste waters from the three plants are examined and checked by outside agents, and only when the water quality does not exceed regulations, it is then released to industrial waste water processing plant. Since all three plants are inside the industrial zones, and there are no environmental protection areas, bio habitats or high biodiversity areas nearby, we have minimal impacts to the ecological system. If we use 80% of the water usage as our waste water discharge volume, then from 2010 to 2012 the discharge volume were respectively 139,904 tons, 153,878 tons, and 139,977 tons. TECO company only has factory paint job, though there is water recycling, the proportion is very low, so the wastewater recycling utilization is approaching 0%.



2012 Waste Water Processing Approaches and the Final Discharge Destinations

Facility	Processing Approach	Final Discharge Destination
Chungli Plant	Released to Chungli Industrial Waste Water Processing Plant	Lao-Jie Creek
Hukou Plant	Released to Hsinchu Industrial Waste Water Processing Plant	Hsin-Feng Creek
Guanyin Second Plant	Released to Guanyin Industrial Waste Water Processing Plant	Shu-Lin Creek

2010 to 2012 Waste Water Discharge Volume for our Plants

Unit: m³

Plants	Chungli Plant	Guanyin Second Plant	Hukou Plant
2010	132,726	--	7,178
2011	145,687	815	7,376
2012	129,755	962	9,259

In the resource reuse aspect, the packaging wooden box and the butterfly box used in the manufacturing of the motors in the Chungli plant already achieved a recycle ratio of 50% and 100% respectively. The packing paper box used in the Hukou Plant and the Guanyin Plant both are recycled and reused. To focus on eco-efficiency, we will continue to consider other reusable materials to improve the re-utilization, and reduce material consumption.

5.3.3.3 Waste Treatment and Pollutant Management

In order to implement waste reduction and resource recycling, TECO has set up "Waste storage and clean management procedure" in EMS. It is regulated that all the wastes from the plants need to be put in the same storage area, the cleaning process need to be traced and recorded. Relevant records shall be kept at least for 3 years. During 2010-2012, the total amounts of industrial waste at the three factory compounds of Chungli, Guanyin Second Plant, and Hukou reached 7,523 tons, 8,351 tons, and 6,664 tons, respectively. The amount in 2012 is 20% lowerer than 2011(output value is 0.18% up). The company will strive to convert industrial wastes into resources, to cut the amount of industrial wastes.

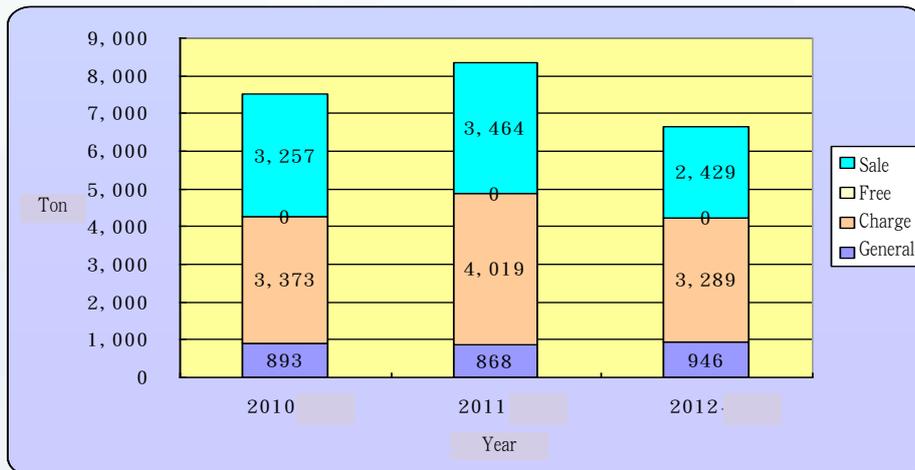
TECO is dedicated in raise the waste materials recycling and reuse ratio, so these resources can be effectively reused. The resale of these resources in 2010 accounted for 43%, and in 2011 it was 41% and 36% in 2012. The major processing approach TECO use toward waste materials is reuse (recycle or resale), followed by incineration, physical treatments, outbound processing and burial. Outbound processing mostly is to ship the waste electrical wires and cables to China for physical treatments. Refer to the chart for the ratio of all the waste processing approaches.

In the aspect of reusing resources, since the manufacturing process has improved for our

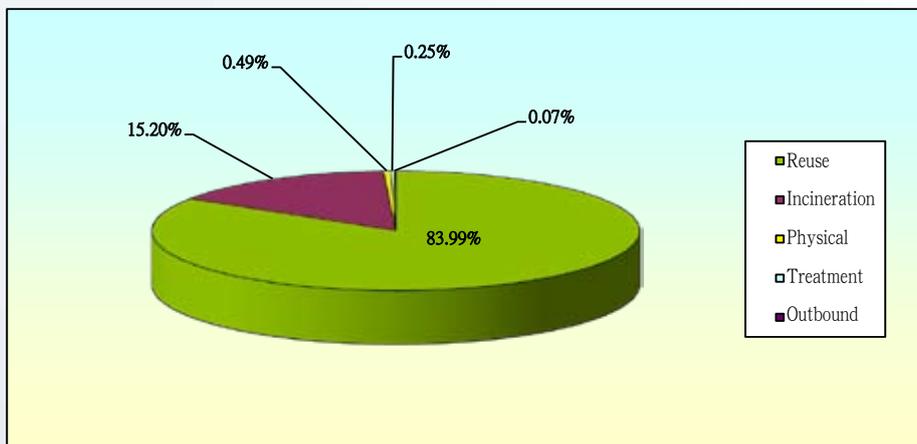


Chungli Plant in 2008, we are able to recycle the silicon steel plates and dusts and recast them to form the outer shells of the motor products. The recycle rates of the silicon steel plate from 2010 to 2012 were respectively 28.12%, 31.44% and 34.06%. To focus on eco-efficiency, we will continue to consider other reusable materials to improve the re-utilization, and reduce material consumption.

2010~2012 TECO Waste



2012 The ratios of all the waste processing approaches in 2012



The TECO plant that produces air pollution is the Chungli Plant. We installed qualify air pollution prevention equipment according to the law, and assigned dedicated air pollution response personnel to conduct measures based on the related environmental protection regulations, and do our part in reducing the concentration of the pollution to comply with the air pollution standards. The types of pollutants TECO produced are sulfur oxides, nitrogen oxides and volatile organic compounds. The emission volumes from 2010 to 2012 are displayed in the following chart.



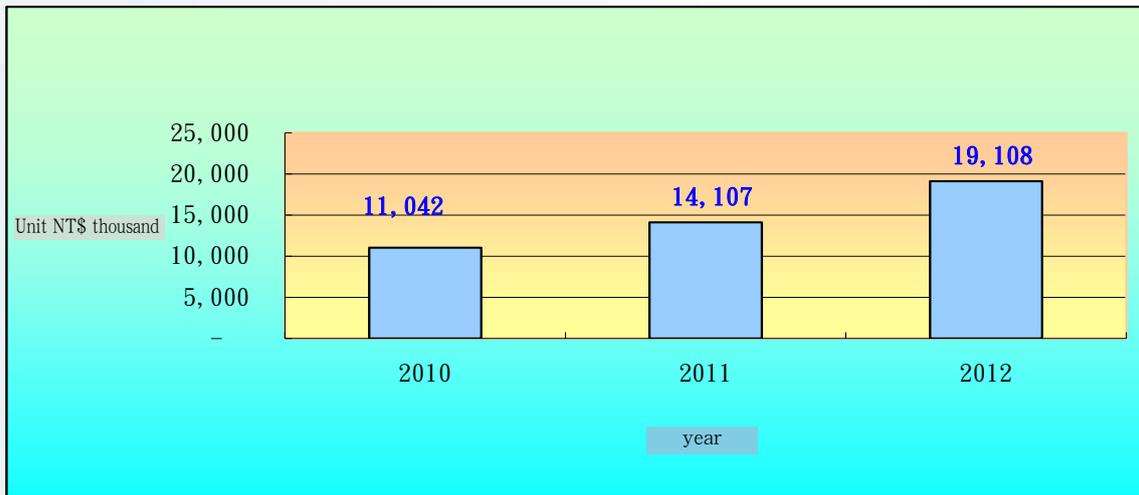
Air Pollution Emission Volumes from 2010 to 2012

Unit: tons

Pollutants	2010	2011	2012
Sulfur oxides (SOx)	1.22	1.98	2.14
Nitrogen oxides (NOx)	2.64	1.24	1.16
Volatile organic compounds (VOCs)	103.43	107.77	123.90

5.3.3.4 Environmental Protection Expenditures

To avoid the possible contaminations from the pollutants produced by the operations of our facilities, TECO has focused on the topics of saving energy and reduce carbon emission, waste materials processing, and contamination preventions, with assessment and budgeting plan to be included in the environmental protection expenditures. Our environmental protection expenditures from 2010 to 2012 are displayed below.



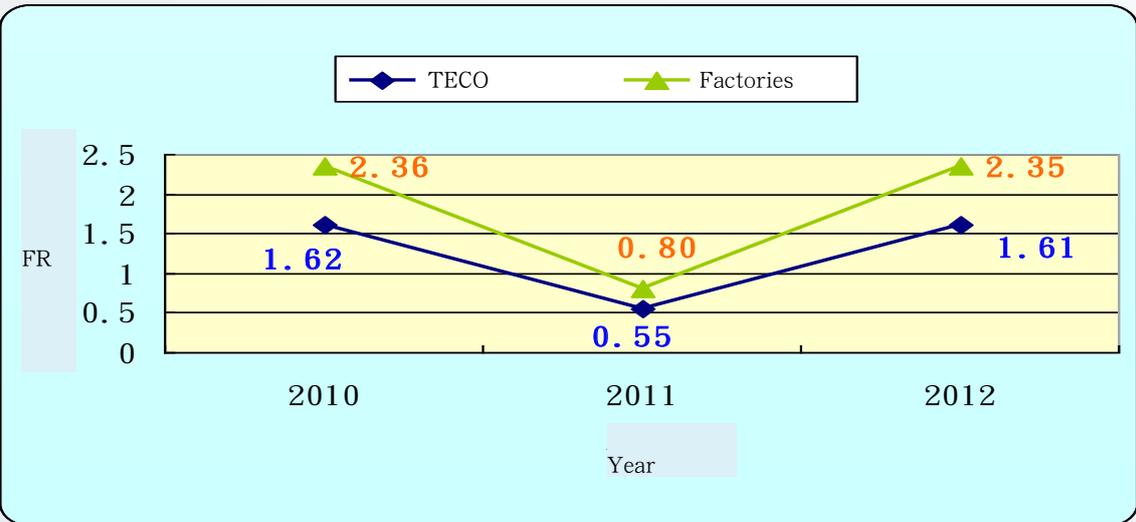
5.3.3.5 Safety

Creating a safe and hygienic sound workplace is a constant goal of TECO. We setup our management system according to OHSAS 18001, TOSHMS (Taiwan Occupational Safety and Health Management System), to systematically promote safe and hygienic work habits. Not only we have internal audits for this matter, but we also receive external verification to ensure our management system complies with the regulations and are effectively implemented. In order to reduce occupational hazards from happening, our executive managers not only have to conduct monthly safety check and safety audits with outside experts, but they also regularly hold safety education training. Every July we also have our annual environmental safety event to correctly promote safety and health related information. We also have a dedicated environmental safety area the irregularly announce information and case study for employees to self-read, to create their correct safety and health awareness.



Each plant also signs employee safe working practice agreement with the unions to specify safety and hygiene regulations relating to their works. Every employee should receive a copy of the agreement and follow it as guidelines. Each production should also conduct pre-operation hazard identification; risk assessment and change management, to ensure the equipment and the production process comply with the regulations. Accident Response Approaches to identify the response procedures and post-accident analysis for improvements. Emergency response practices are also prepared for each different operations; annual drill is also executed to prepare and prevent hazards. Our goal is to setup a safe and healthy workplace, so each employee can come to work happily, and return home safely.

In practical performances, TECO has no fatal accidents or occupational sickness from 2010 to 2012. The occupational hazard revealed for 2012 do not include traffic accidents outside the plants. There were a total of 9 disabling occupational injuries resulted in loss working days of 812 days, the disabling injury frequency rate of the entire company was 1.61, if just counting the manufacturing plants it was 2.35. The disabling injury severity rate for the entire company was 146, if just counting the manufacturing plants it was 212. Most occupational injuries happened in the first half of the year with 8 incidents. Analysis showed that they were the results of employees failed to follow the guidelines. Therefore, other than strengthen the safety training, we invited outside experts to assist us with the safety checks for each facility, and tied the occupational safety with performance evaluations to team leaders and chiefs, so all the employees will be aware of their own safety to obtain obvious effectiveness. There was no disabling occupational injury since September. TECO has a platform for occupational safety and health committee, led by the general manager, to consider the effectiveness of continuous improvement of the performance and the safety in the workplace in order to achieve the goal of zero occupational accidents.

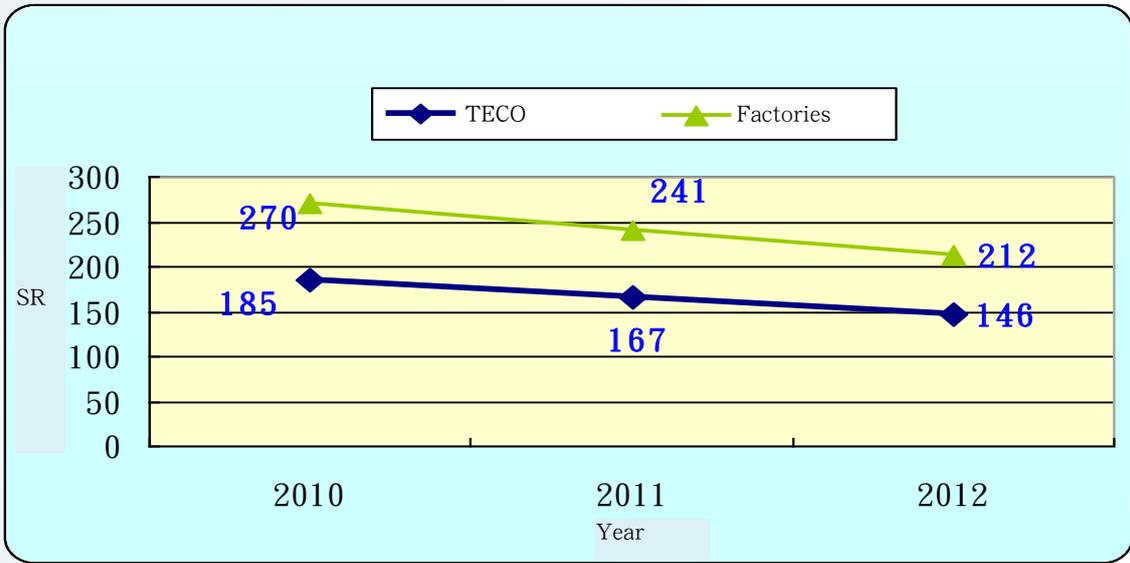


TECO DISABLING INJURY FREQUENCY RATE (Not including traffic Accidents)

Remark: DISABLING INJURY FREQUENCY RATE

(FR) = No. of Disabling Injury / Total Working Hour x 1,000,000





TECO DISABLING INJURY SEVERITY RATE (Not including traffic accidents)

Remark: DISABLING INJURY SEVERITY RATE (SR) = Total loss of working days / total working days x 1,000,000



Environmental Health and Safety Protection



Occupational Hazard Case Study Board

TECO

職災素例四

災害地點:	中壢二廠製二級裝六機 線子平衡機
災害時間:	2010年2月11日上午約8點20分
災害類型:	設備故障
災害簡述:	<ol style="list-style-type: none"> 二位員工受傷, 手部、腳部二處正統受傷(20%-30%) 造成通入性骨傷 斷腿或骨折送醫院叫救護車, 一位斷腿送醫院做斷腿手術並裝假手肘 2月6日送院在休養中
災害發生經過:	<p>線子平衡機操作員徐員(二廠製二級)同仁在平衡機後例以給香水擦線子平衡機, 徐員(二廠製二級)在平衡機前而以瓦斯機清潔加熱而導致燙傷, 因給香水擦線子平衡機, 造成徐員及康哥二人手部及腳部受傷及燙傷。</p>
災害防止措施:	<ol style="list-style-type: none"> 當天下午12:00製一機、製二級裝卸機及修設備之瓦斯機清潔停止使用, 全部集中在適當位置 500呎屋頂機房之清潔機, 2月18日後停止使用 以電氣檢修單瓦斯機清潔, 氣壓機裝不潔者均歸 全面停止以香煙油、給香水、香露水等有機液體擦機及地面 管制有機液體擦機數量, 現場使用量以僅做一機為原則 現場吸煙有吸煙則使用場所與火源至少應保持 5 公尺 平衡機之潤滑油應定期清理 此外於 12:00 分立即召集所有員工宣導安全注意事項
災害防止圖:	

Occupational Hazard Advocacy



6. Employees Caring

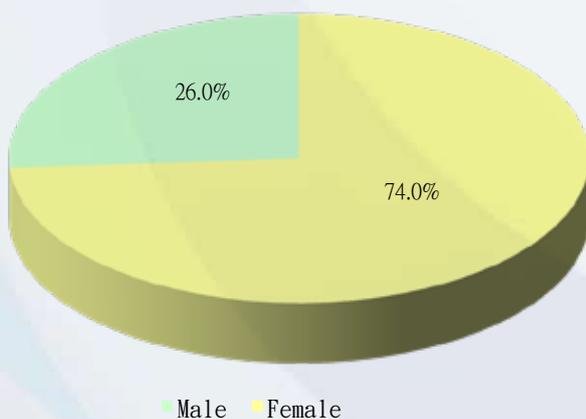
Employees are the most important asset of TECO, and they are also the foundation for the sustainability of the company. TECO is aggressively promoting and deep rooting the concepts of the five core values to our employees in recent years, and they are “Aggressiveness, Customer oriented, Team spirits, Honest and Integrity, and New”. With these core values, we hope each and every employee could in take the meaning of these values, to re-inspire their potentials at work, and produce organizational cohesion to cope with the challenges of the competitive environment and to catch up with the pulsating industrial competitiveness. As for the employees composition, hiring, communication, training and development, health and safety, rights and welfare, are all internalization of the five core values. Emphasis on human rights, anti-discrimination, anti-corruption and integrity, gender equality and the training and development planning, sound communication mechanisms and wellbeing promotion, and the periodic performance appraisal of the entire staff, benign competitions, caring and better workplace conditions and abiding by law, to establish a happy workplace, employees and the company can both reach a win-win objectives.

6.1 Employee Structure and Employment

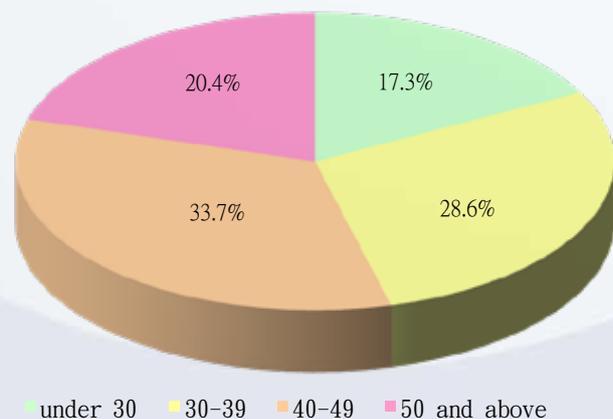
Employees are the most important asset of a company and the key for the sustainable operation. The recruitment and training of talents matter for TECO. Adhering to the principle of fairness, rightfulness and good faith, TECO follows up government laws and regulations in the recruitment, selection and engagement of any employee. No discrimination is practiced based on race, class, language, ideology, religion, political party, native, birth place, gender, sexual inclination, age, marriage, appearance, five senses, disability or past union membership. TECO recruits employee according to the job description with the specialties and conditions required.

By the end of 2012, TECO has 2,749 employees, with background as follows:

Employees' Gender Proportion



Employees' Age Proportion

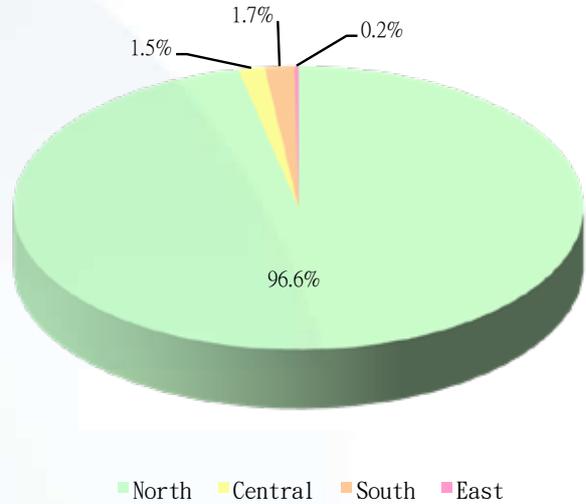


TECO ELECTRIC & MACHINERY CO., LTD.

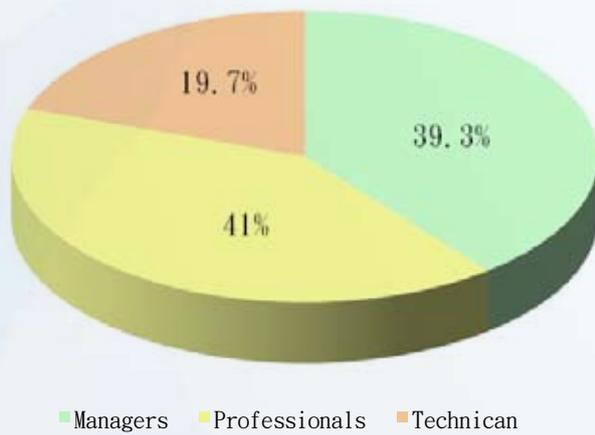
Employees' Working Seniority Proportion



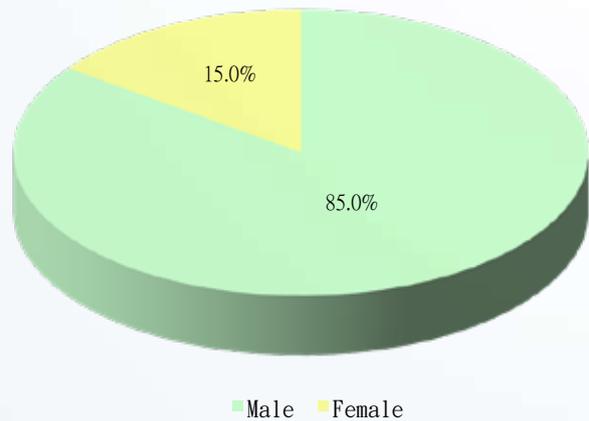
Employees' Working Area Proportion



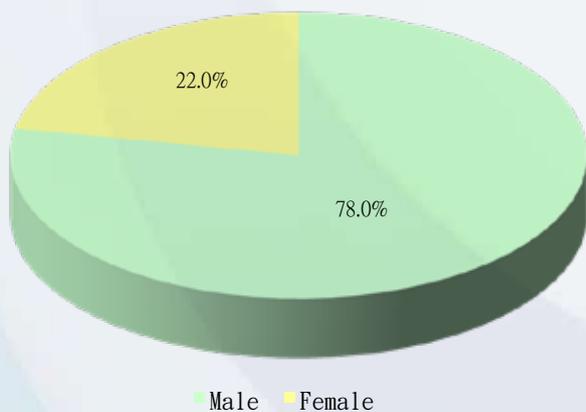
Employees' Job Proportion



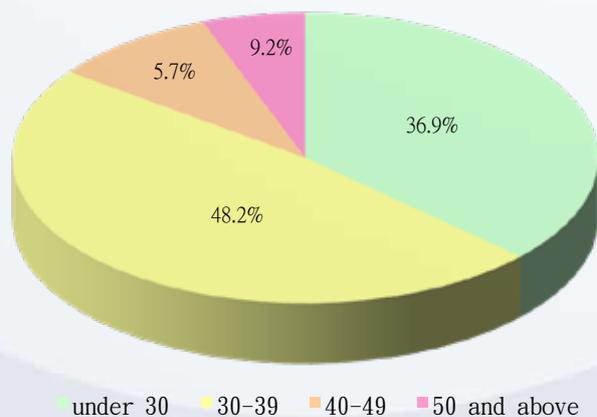
Managers' Age Proportion

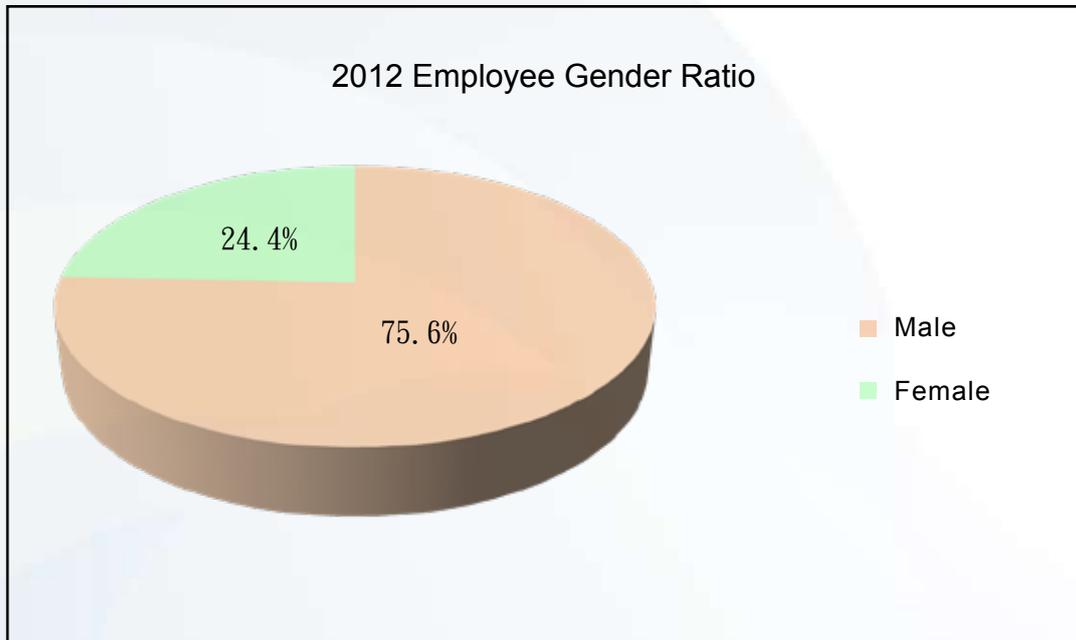


Departing Employees' Gender Proportion



Departing Employees' Age Proportion





2012 Employee Gender Ratio (by districts)

North	Middle	South	East
Male: 71.7%	Male: 1.9%	Male: 0.9%	Male: 1.2%
Female: 24.3%	Female: 0%	Female: 0%	Female: 0%

2012 Employee Gender Ratio (by ages)

Under 30	30 ~ 39	40 ~ 49	Over 50
Male: 39.8%	Male: 26.3%	Male: 8%	Male: 1.6%
Female: 13.5%	Female: 8%	Female: 1.6%	Female: 1.2%

Following the Labor Standards Act, TECO does not hire any employee under 15 years old. For apprenticeship students who under 16 years old, TECO provides them thorough life-caring and workplace cultivation. In order to guarantee the working opportunity of local labors, the company only hire Taiwan local labors to conduct manufacturing jobs. TECO also offers suitable positions for handicapped people. There are 34 mental/physical disable people working in TECO at present.



6.2 Employee Communication

TECO has applied multiple mechanisms to build up the communication channels with employees, including TECO's quarterly employee assemblies, and morning assemblies in each plant. In those occasions, the senior manager can talk face to face to the employees and indicate the current operation performance with challenges. It is also a good chance to praise particular colleagues' working achievement or performance in this assembly occasion.

In addition, to pursue the enhancement of working efficiency and improvement of working conditions, and to facilitate the closer coordination of point of views between employers and employees, in July 1974, TECO established TECO Electric & machinery Industrial Unions.

On March 1980, employer and employee meeting were setup for each plant, and equal numbers of representatives were elected from both sides according to the regulation periodically. The meeting is to discuss issues concerning employees' rights, and decisions were made with consents from both sides, then report to the authority department for records. In order to maintain harmonic relations and to keep the rights of both sides, TECO and the industry unions signed a group agreement on December 28, 1981, and all employees are covered by with agreement. Furthermore, Labor Safety and Health Committee was setup, and employee representatives accounted for one third of the committee and they are nominated by the unions. Please see below for details. Union meetings were held regularly, to provide an open channel for communication. All operation activities of TECO comply with the Labor Standards Act. Significant changes made to the employees regarding their duties should be announced 7 days ahead.

2012 Labor Safety and Health Committee Labor Representative Ratio

plant	Labor Representative Ratio
Headquarter	33.33%
Chungli Plant	33.33%
Guanyin Plant	42.86%
Hukou Plant	33.33%
Average	35.71%

TECO was awarded by the Council of Labor Affairs for the "National Labor Relations Excellent Institutions Award", "Labor-Management Conference Demonstration Observation Award" and "Taoyuan County Excellent Industrial Relations Institutions Award" in 1999. Each year around Labor Day, Exemplary Employee Conference is held in recognition of the hard works of the employees. This is why TECO was awarded the eighth place of the "Commonwealth Corporate Citizenship Award in Comprehensive Category" and the first place in the traditional industries by the Commonwealth Magazine. We emphasize on communication and the unity of employer and employees, and this relationship has received many appreciations.





Chairman Speaks at the 2012 TECO Quarterly Meeting



Service Award Ceremony at the 2012 TECO Quarterly Meeting



Scenes from the 2012 TECO Quarterly Meeting





2012 Exemplary Workers Award Ceremony



General Manager Speaks at the 2012 TECO Union Meeting



Scene from 2012 TECO Union Meeting



6.3 Training and Development

TECO has a complete and comprehensive staff training and development system, so the colleagues can have adequate learning resources to upgrade their abilities, and also get good career development opportunities when they work in TECO. Accordingly, the company won the Taiwan Training Quality System (TTQS) Silver Award in 2010; and in 2011, won the sixth annual HRD InnoPrize. This training system have been proved TECO development system has not only received public recognition but also become a model in this industry.

Training in TECO has been developed a complete system, TECO also invests 1/1000 of the annual turnover in staff training. For all-level-employees, TECO provides professional and managerial courses on a regular basis or arrange for external trainings. Through the various stages of career training programs, TECO cultivates excellent enthusiastic and innovative employees.

TECO training system can be divided into orientation training, senior manager orientation training, senior manager training, management staff training, professional practical training, training on general knowledge, external training, labor safety and health training, etc. Training methods are including internal training, external training, online training courses, on-job training, and self-development training, etc. Since 2007, TECO has established e-learning learning platform that enables the employees to obtain all the training or curriculum information without time limitation. By detailed recording of each colleague's individual development plan (IDP) and his/hers training process and learning outcomes, the platform can effectively manage the learning and development situation of each colleague. In 2012, total of 15,544 man-time participated in TECO's training courses, training hours per person on average is 25.34 hours.

Based on the special requirement from inside of the corporation or factory plants, we have special training classes available, such as the environmental protection category (fire drill, crane operation training, traffic safety training, etc.), laws and regulation category (Labor Standards regulations, antitrust law, management measures of foreign personnel in Taiwan), import and export category (import and export declarations matters, and import custom clearance practices seminars, etc.), financial category (financial report analysis, practical corporations merger report, and the impact on the investor's tax levied by the government, etc.), an auditing category (internal auditor training, etc.), and internal control category, etc. The attendance of the above classes as well as the course completion graduates and the average training hours for both genders and three major work classes are listed below:



Training Class Statistics for All Categories

No.	Category	Completion
1	Environment and Safety Protection	1,006 people
2	Laws and Regulation	914 people
3	Import and Export	135 people
4	Financial and Accounting	380 people
5	Auditing	97 people
6	Internal Control	26 people

The Average Training Hours Comparison Ratio for Both Genders

Category	Management	Professional	Technical
Female	1	1	1
Male	1.12	1.38	1.96

The Learning Blueprint of Each Level

Working Level	Job Title	OJT	TECO Learning Center				Internationalized Staff Cultivation	Personal Learning				Learning Period	
13	Senior Manager		Senior Manager Orientation Training			Senior Manager Training						5 years and above	
12													
11													
10	Middle Manager			Level 3	Middle Manager Training	Key Staff Cultivation Plan	Internationalized Staff Training	External Profession Learning	3rd Foreign Language Learning	RD Association	Sales Association	Production/Tech Association	5 years
9													
8	Primary Manager	Mentoring System	Professional Practical Training	Orientation Training	Personal Management Skill	Company Policy and Institution	Primary Manager Training						3 years
7													
6	Staff			Level 1									
5													
4													
3													
Working Level	Stage	OJT	Core Training			Job Training	Management Staff Training	Outside Training	Outside Training	Self Development		Learning Stage	

TECO ELECTRIC & MACHINERY CO., LTD.

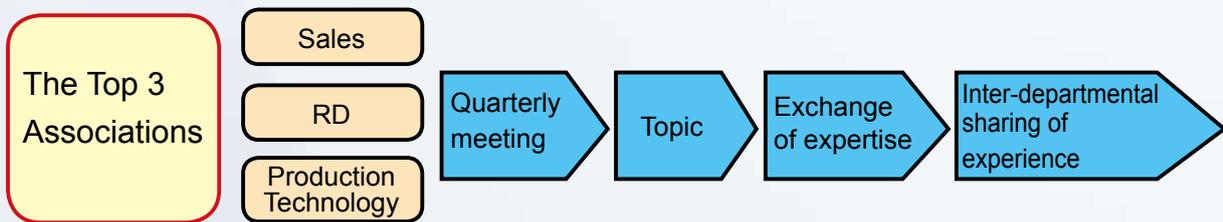




2012 Training Framework

In addition, several professional associations have been set up company-wide by TECO, such as bio-tech association, RD association or sales association. The main purposes of those associations are to increase the experiences exchanging of professional colleagues in similar field, and to encourage colleagues to learn and grow.

The Top 3 Associations in TECO



RD Association



Sales Association



Production Technology Association



In staff development, TECO has built up a complete career development path. The employees can follow his/her needs to choose the most suitable career approach in promotion, job rotation or assignment. During the semiannual performance appraisal, when supervisors interview the staff about performance, the IDP implementation result must be reviewed, as well as set up future learning plans to ensure that every colleague can find the best position in job with his/her specialties.



Won the 6th National HRD InnoPrize

6.4 Health and Safety

Employees with healthy body and mind can create high efficiency and high quality work performance. In order to take care of our employees physically and mentally, TECO has setup infirmaries and doctor's offices in each factory plant. Other than the resident professional nurses, we also invite professional doctors to come in on the weekly basis to look after the health and safety of our employees. To well keep the good health of our employees, TECO spares no efforts to create a safe and healthy work place. Take our Chungli Plant for example, besides re-designate the smoking area following the "Smoke Hazard Prevention Management", the entire facility other than the outdoor designated area is prohibited from smoking. Our Chungli Plant also received the "Taoyuan County Employee Health and Safety Exemplary Workplace" in July 2008. TECO also actively promotes all kinds of health promotion activities year round, such as labor safety and health training, annual health checks, pap smears, smoke-free workplace, weight loss activities, yoga activities, health gymnastics activities, spiritual growth programs to ease the pressure of



course, health talks, blood donation, staff activities, hiking, ball games, fun competitions, etc., and colleagues in the regular health information to enhance knowledge of health care colleagues. In addition to assisting employees a full range of health management and health promotion and, more tentacles and then extended to the care home staff, hoping to improve morale, improve work quality.

For those who are exposed to specific dangers in each plant (including dust, noise, toluene diisocyanate, ionizing radiation, and n-hexane operations, etc.), we arrange annual health checkups for them, and the health care personnel of each plant will follow up with them and provide special needs if there is any abnormal signs. We also cooperate with the environmental protection units to audit the condition of each work station, to ensure all station comply with the regulations and safe operation practice. All operators must follow their responsibility, such as wearing proper protective equipment and to ensure the safety during operation.

he workplace health promotion in TECO has been achieved a distinction performance, winning the Taipei City Government, Taoyuan County Government and the National Health Council awards in recognition of public. Hokou plant even had been recommended to be the factory representatives of Hsinchu County to participate in a national competition of best healthy workplace. From 1,969 business candidates, Hukou won the “Sociabling Health Award,” with the high degree of recognition.



TECO ELECTRIC & MACHINERY CO., LTD.



6.5 Rights and Welfare

TECO provides every employee with multiple insurances, including laborer insurance, health insurance and free group insurance that cover life, medical, cancer and accident insurances. Additionally, a worker's spouse and his/her children are entitled to life, medical, accident and medical group insurances. The workers' parents are entitled to accident injury and medical insurances. These measures ensure TECO's co-workers can work free of worries and feed back the company and the society with their best performances. As to the retirement scheme, it is practiced according to the Labor Standards Act and related regulations. In addition to business leave and special leave, staffers can apply for suspension of jobs for military service, major injury and disease, and baby caring and resume their positions later on, so that staffers can care for their families and works simultaneously. In 2012, there were 28 people who took maternity leaves, with 3 people resigned after their maternity leaves (1 person resigned right after her maternity leave, and 2 people resigned after their 6 months parental leaves), the reinstate rate is 89%; there were 12 people who took parental leaves (8 females and 4 males), with 5 people (3 females and 2 males) resigned after their leaves for personal reasons, the reinstate rate is 58% (position reinstated but do not stayed for 12 months were counted as resignations).

s for the salary and bonus, TECO's salary standard, compared to the market, is above the average. The basic salary for new employees is also higher than the minimal wages set by the government. TECO automatically adjust the salary, bonus and dividends based on their performances. We also offer complete career development with different position levels which are non-discriminated to both male and female employees. We also conduct two performance evaluations each year. The purpose of the evaluation not only is to review the effectiveness of their performance, but also to provide consultation to the employees to further develop their professions to advance in their career. The evaluation mechanism and performance interview process is applicable to both male and female employees and should be carried out together. We hope all employees, disregard their genders, can grow together and share the profits of the company. The salary and bonus for managers are directly linked to the performance of the organization and are adjusted quarterly. All the rewards not only are our payments for the efforts from our employees, but also are our recognitions for their dedications and continuous hard works to achieve the operation goals.

The Average Salary Comparison Ratio for Both Genders on the Different Positions and Nature of Works

Position	Professional	Management	Technical
Regular Personnel (Level 1-6)	Male: 1.08	Male: 1.05	Male: 1.15
	Female: 1	Female: 1	Female: 1
Chief Level (Level 7-8)	Male: 1.02	Male: 1.08	No Female for Level 7-8
	Female: 1	Female: 1	
Manager Level (Level 9-10)	Male: 1.08	Male: 0.91	No Female for Level 9-10
	Female: 1	Female: 1	
Directors Level (Level 11 and above)	Male: 0.72	Male: 0.57	No Female for Level 11 and above
	Female: 1	Female: 1	



TECO has established the Employee welfare committee since 1964, which carries out various welfare measures entitling the employees to the corporate profits. Welfares this company provides are as follows:

1. Board: canteens serve lunch to employees.
2. Apparel: new recruits are given winter and summer uniform and winter jacket.
3. Dwelling: dormitories are disposed in every plant to provide dwelling to co-workers from out of town.
4. Transport: commuter buses are provided in each plant to take the co-workers to and from work.
5. Education and recreation: the Welfare committee sets up clubs, such as hiking club, fishing club, Dong-Hui Association and swimming club, each of which sponsors activities on regular basis. The Welfare committee also holds corporate activities each year, such as TECO family day and vacation trip, to enhance centripetal engagement of the co-workers.
6. Other subsidies: The Welfare committee provides subsidies, such as scholarships for students, funeral subsidy and hospitalization subsidy.

Because the employees are fully cared, the turnover rate of employees is far below the industry standards, the staff turnover rate was only 6.6% in these 2 years. It shows that TECO's colleagues are proud of TECO, are willing to grow and work hard with the company.



2012 Employees Softball Game



2012 Employees bowling Game



2012 Year-end Party

TECO ELECTRIC & MACHINERY CO., LTD.

7. Consumers Caring

TECO has the quality policy of “Elite Talents, seeking value added works; elite products, zero customer complaints”. We also have ISO quality management system (ISO 9001, ISO/TS 16949) ISO Environmental Management System (ISO 14001), and Occupational Safety and Health Management System (OHSAS 18000, TOSHMS), etc., in place. They are reviewed by product managers, to sample production, and prototype production, to provide feedbacks on massive production, sales, services and quality for improvement. Customer satisfaction is our goal and the circulative PDCA continue to correct and improve.

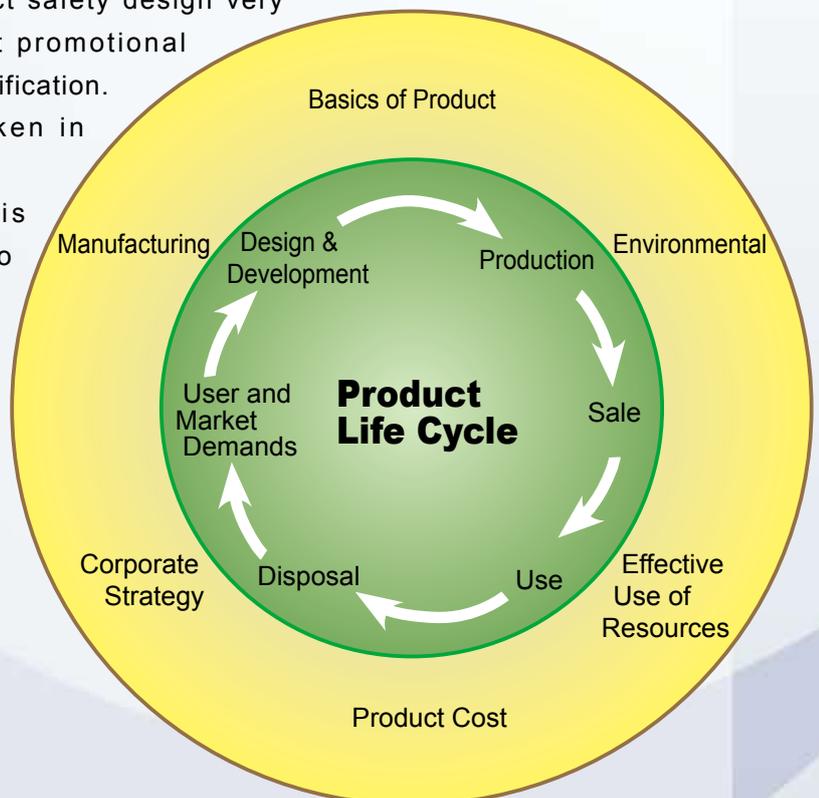
From the design stage to production, sales, and services, we must consider the compliance of related regulations in each stage, and to conduct product safety checks and certified by certifiers. User manuals must be written from the consumer’s point of view with the friendliest language, to remind the consumers about the correct usage to ensure safety. This practice should also be broadening to cover all the supply chain, so they share TECO’s visions of respecting regulation compliances, and customer’s safety and satisfactions. We hope to achieve the tri-win situation for TECO, supply chains, and customers.

7.1 Health and Safety Impact during Product Life Cycle

TECO has been responsible for product liability in every stage from product design, manufacture, quality control, marketing, service for disposal and recycle. Manufacturing and selling the safest products which are free of hazardous substances is the company’s basic policy.

TECO regards the evaluation of product safety design very seriously. It also ensures the product promotional documents all have complete safety identification. Necessary control measures are taken in stages during the production process.

The technique of safety designing is employed right from the design stage to analyze the potential factors of product safety. Based on the analysis results, the precaution measures are taken to assure product safety. TECO has also integrated energy conservation and carbon reduction into the product design. Rigorous control and safety test of components are conducted during the stage of manufacturing. The hazardous substance-free products produced are inspected scrupulously for assurance. Product manufacturing and use of



TECO ELECTRIC & MACHINERY CO., LTD.



material are dominated by the principle of minimized pollution, recyclability, resource conservation and low toxicity.

In product marketing, marks are provided on packaging material for identifying the safety of the designed products. Information and measures of safety for product usage are provided in the operational safety and maintenance manuals.

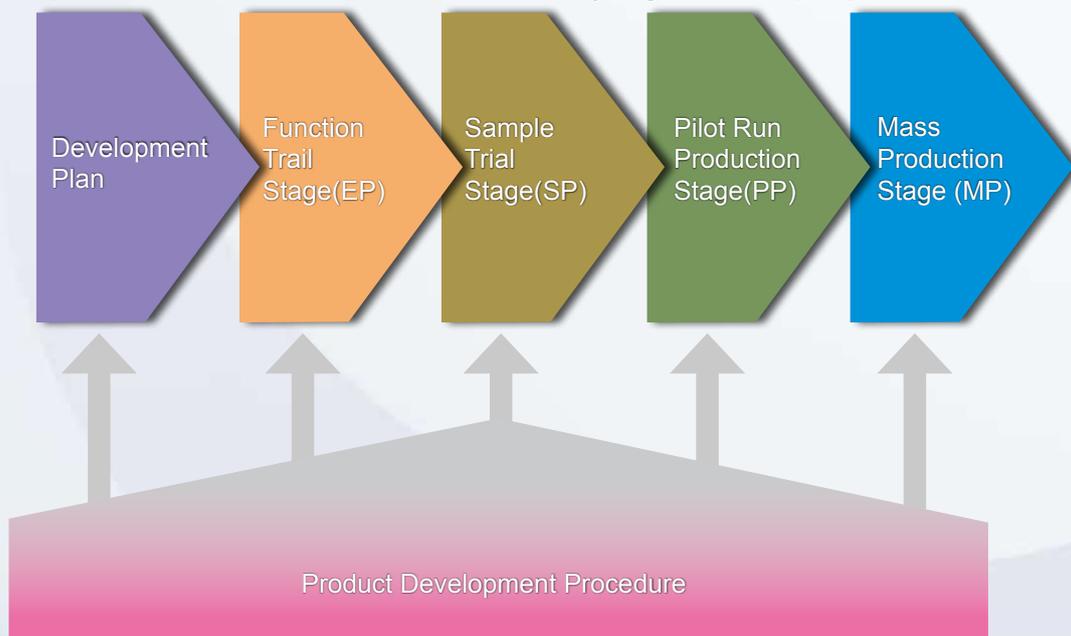
Product disposal and recycling should be compliant with WEEE related regulations.

7.2 Product Information

In response to the requirements of international environmental regulations, a plan for phasing out the restricted and banned substances was made by TECO. Materials, components (accessories), packaging and transport materials used for products and the consumption materials used in the process should all meet the legal requirements and satisfy customer's requirements for environmental friendly products.

To comply with international environmental protection related regulations, and base on QC 080000 standard, TECO established restricted substances management procedures (102E-II-R-CB-085) with "Non-hazardous Substances Management Organization" which leded by President. The organization members are including key managers of each plants, such as directors, RD Directors and Purchase Directors. The main goal of this organization is to ensure the products are hazardous substances free (HSF), and comply with the Directives and requirements (WEEE, RoHS, EPA, EMS, REACH, EuP, etc.) and the HSF requirement of customers.

From the design stage, the material, parts, packaging or any other materials that TECO selected has to comply with HSF requirements. TECO has to ensure that the products have complied with relevant regulations and customers' requirements. Some products even have to comply with REACH Directive (Registration, Evaluation, Authorization and Restriction of Chemical) to control the SVHC (Substances of Very High Concern) in products.



TECO ELECTRIC & MACHINERY CO., LTD.



7.3 Custom Satisfaction

Each business unit of TECO engages professional institutions to conduct customer satisfaction survey at least once in six months. Reviews and improvements are carried out at quality review meetings and business meetings in respect to the survey findings and customer complaints. The feedback opinions in customer satisfaction survey are taken as the key element of consideration in the stages of marketing planning, after-service and measurement, analysis as well as improvement in quality management system. By doing these, attempts are made to reduce design costs and time taken and to fix the design decision as early as possible during the cycle of product development. It is also possible to improve communication and converged strength within the product development and improvement team.

Such attitude of “making it more perfect” is recognized by the majority of the customers, allowing the company to maintain a considerably high percentage of satisfaction each year. In TECO’s TQM program, TECO engage the suppliers to upgrade their quality management system. TECO works together with suppliers in pursue of products with higher quality and without hazardous substances. TECO’s suppliers should comply with RoHS Directives. Suppliers that provide parts containing HSF are further evaluated for grading. A supplier auditing program is conducted regularly to assure and assist TECO’s suppliers to maintain the high but stable quality level.



7.4 Supply Chain Management

TECO’s supply chain management handles the interactions with supplier, freighter, customer, retailer and those who deal with the used product disposal. An organization may affect the supply chain; accordingly, interactions between these up- and down-streams are subject to change. Effective communication throughout the supply chain would facilitate cooperation, minimize misunderstanding and enhance synergy of the actions taken within the supply chain. Other objectives of the supply chain management include:



In order to complete the goal of producing green products, TECO considers environmental relevant regulations in product development, design and producing stages. In addition, the company also takes the suppliers as one manufacture stage in the whole production line. It is one of TECO's TQM plans and objectives that TECO should work with suppliers to enhance the quality and management standards, to achieve the goal high quality and HSF products. TECO's suppliers should follow the regulations and make sure the parts that they provided comply RoHS Directive. The company evaluates certain HSF material suppliers with qualify levels. To maintain suppliers' stable quality, TECO not only check the suppliers by the requirements of quality/environmental protection/safety & health, but also regularly audit suppliers to ensure the product meet the green management and control.

When quality and cost conditions are met, TECO will first consider using the factories closer to us as our local suppliers. Not only the delivery term is easily met, short distances also meant reduce carbon emissions.

TECO requires suppliers to provide basic information about themselves, and require them to pass the certifications such as ISO quality management system (ISO9001、ISO/TS 16949, ISO environment management system (ISO14001), occupational health and safety information system (OHSAS 18000, TOSHMS). During the audit process, TECO focus on suppliers' internal control effectiveness of project management, product design, material sourcing, business development, material inspection, transportation, after sale service and manufacturing processes.

TECO claims all the suppliers shall follow RoHS, REACH and any new environmental protection related Directives or regulations in suppliers' quality assurance agreement which signed by both sides of supplier and TECO.

Supply chain management: due to the globalization and out-sourcing trend, the supply chain management is getting more important nowadays. Supply chain management means the interaction and handling process among suppliers, distributors, customers, retailers and waste dealers. Base on the possibilities of affections from organization to the entire supply chain, the interaction between upstream and downstream can be changed. Effective communication can enhance cooperation, reduce misunderstandings and affect the



action from organization to the supply chain. The related tasks to supply chain management are described as follows:

1. raise the environmental awareness of suppliers and customers;
2. specify and discuss environmental requirements for the supply chain managements;
3. improve suppliers' environmental performance;
4. set up programs related to the reuse and recycling of packaging material, raw materials, components/parts or the entire product;
5. engage the suppliers in the environmental programs

7.5 Quality Control System

TECO's vision for quality is "top quality talents who work for added values and top quality products that customers cannot complain".

The mission for TECO's quality control system is to satisfy customer's needs by continuous improvement on the quality of product and service. The culture of incessant perfection and innovation is the means for anticipating and overreaching customer expectation. We continue in improving to create competitive edges. TECO's international brand image is also strengthened by TECO's quality control measures.

In regard to product quality, TECO actively seeks to become a globalized enterprise with high technology and green products. TECO persists in sustainable operation, create competitive edges, uplift service quality, foster top quality talents and make most excellent products which are all ensured to meet legal and customer requirements throughout the product life cycle.

TECO's quality management system complies with the standards of the ISO9001. international quality management system. By means of continuous improvement on the quality, TECO's efforts have resulted in creating competitive edges and increasing customer satisfaction.

The internationalized TECO provides local service with international vision. TECO sets up corporate quality policy as "Best staff—working value add; Best product—zero complain" to cultivate best workers and create best products. The highest operation principle is "technique, quality & service." TECO follows the principle to operate the core business and develop diversified businesses. By continuous improving products and service quality, TECO satisfies customer's need. Through constant enhancement and creative culture, TECO goes beyond consumer's expectation. Uplifting corporate constitution can create competitive strength, and enhance the international brand image of TECO.

About the product quality, the company actively approaches to be a globalized, high-tech, and green producer business. Insisting on sustainable operation, and creating competitive strength, TECO improves service quality, cultivate excellent employees and creates best products. TECO assures all the products in the life cycle from design, procure, manufacture, sale, scrap to recycle stage can comply with related laws, regulations and customers' requirements.



In the meantime, the TECO's quality management system certified by ISO quality management system—ISO 9001:2008 standard. Continuous improvement and quality enhancement are the key factors to create TECO's competitive strength and increasing the consumers' satisfaction.

7.6 Service System

“Quality first, technology-based, service-oriented” is always the idealism that TECO insists. Only good product with service can reach the highest customer satisfaction. TECO's service points scatter all over the world, including Europe, Asia, America, Oceanic and Africa. It is always easy to connect to TECO's global design & research centers, production bases, marketing and service network, and strategic planning. The same is with providing high-quality and fast-delivery excellent products through TECO's globally logistic service of production and sale.

TECO is dedicated to the provision of global service and steady operation of the core business in the supreme principle of “technique, quality, service” for operation.

The consistent 5S of business ideas about customer service are:

Smile—to give the merriest heart and the greatest enthusiasm for service to serve our customers.

Smart—to accurately comprehend customers' demands, to offer the service they need.

Speed—to serve fast, satisfying customer demand in shortest time.

Skill—to provide professional technical service.

Safety—to make customer assured and worry-free with the firmest and most sincere attitude of service.

TECO's service has been certified for both ISO and GSP systems, which result fully displays TECO's ambition in service industry.

Independent research and development and possession of techniques are TECO's unrelenting persistence. Providing products that cater for customer demands is TECO's impulse to innovate. The market oriented product designing and planning is the means to reinforce the brand marketing, to refine the channel layout and to provide quality service and logistic support management. There have been and will still be highly matured consumer markets facing TECO. Based on its idea, TECO has always pumped massive resources into every step of its operation to best satisfy the consumers demand for service. Any of these steps can be product R&D, designing, production, manufacture or back-end sales and service, or even in the service industry like logistics and restaurant. As “Quality first, technique basic, service No. 1” has been the concept TECO firmly embraces, only with good products and services can it obtain customer satisfaction. Over time, “Reform to create and innovate to move forward” has steered TECO along the way taking challenges. Now it leads TECO toward a new future.





8. Social Caring

TECO believes in the saying that “taken from the community, giving back to the community”, and has set up the “TECO Technology Culture Education Foundation” in 1993. The purpose of this foundation is to care and execute any social issues that TECO is concerning about, and to dedicated in the cultivation of “Technological Cultural Awards”, “Creative Education” and “Sustaining Education for the Aborigines”, and lead by examples to promote the social development concept of combining technology and culture. The Technological Cultural Awards” was first established to recall the creative minds of the society, by set up the TECO Award, and later it was developed into “Technological Cultural Award” to award special contributive individuals in technology and culture, and to create an advanced society with creative prospects and care for the cultural aspects. We also established a creative technology competition that focuses on Green Tech, and use high prize money to encourage the participation of our college students, and allow the young to showcase their flexibility and creative thinking on renewable energy, reducing carbon dioxide emissions, or more environmentally friendly processes. In the area of sustaining education for the aborigines, we are hoping to make the Taiwanese aboriginal cultures that only has languages but not written words, to continue flourish and pass down to generations. We hope to combine resources from the society and create a non-profit platform that mediates between demands and supply.

8.1 Technologic Humanism Awards

8.1.1 The “TECO Award” is setting a model of technological humanities

Talents are the pillars of the national social ascendancy, and they are the indispensable force of technological progress. This award is to fulfill the goals of “nurturing technological talents, and promoting forward thinking, and advancing social progress”, and award anyone who contributes to the technological development of Taiwan, to recall the creative and

innovative minds of the society. As we realized that the cultural spirits are getting weaker in the advancing technology development, from the sixth award, in order to promote balance development for technology and cultures, and the harmony of cultures and livings, we established the cultural award section, and officially rename the award to “TECO Award” at the 11th award, to help promoting an advanced society combines technology and cultures.



The TECO Award bringing in innovation, encouragement, and recognition energies go the technology industry, and enhance the innovative minds of domestic scientific technological researches, as well as the enhancing the innovative minds of domestic cultural cultivations to promote creative development. TECO also tries to effectively encourage individuals and teams who contribute to the cultural fields; by using the specializations of the award winners, and the Fellowship of TECO Award Winners, we provide consultations and technical supports to the society, to promote dynamic industrial development.

This award is the only award in Taiwan that emphasizes on the balance of technology and cultures which aggressively promotes the realization of the social development spirit of combining technology and culture. All the award winners have substantial influences on the industry and society, and the award is also well recognized. Up until the 19th awards (2012), there were a total of 97 elite individuals who received the awards and over 140 scholars and experts who joined the evaluation process. The total award amount issued was NT\$46.20 million dollars. The cultural award winner of 2012 was Professor Xinguo Wu, who devotes his entire life to drama, even when facing severe financial struggles, he still continue to contribute his talents in the performance arts. We sincerely honor him with our greatest respects and encouragements.

8.1.2 TECO Technological Creative Competition (Green Tech)

Given the urgent needs for the energy crisis and environmental protection, we established a technological creative competition (Green Tech) and use high prize money to attract college students to participate in the topics of renewable energy, how to reduce carbon monoxide emissions, or friendlier environments. We started inviting foreign participants to join the competition from 2010. Nearly 20 teams from 5 different nations all compete for the same prize, which also activates the international academic and educational exchanges for the “Green Tech”.



TECO ELECTRIC & MACHINERY CO., LTD.



The competition combines the professions of the award winners with ITRI, National Science Council, and international resources and influence of the Department of Foreign Affairs, to invite top universities from Asian countries to participate, which could effectively enhance the international image of Taiwan's technological and academic aspects.

The competition first started at 2006. The original idea was to promote the well beings of humans, and build robots that are energy saving and environmental friendly. Since 2008, because the energy sources and environmental problems became serious, and they are both closely tied to our lives, we chose "Green Tech" as the theme of the competition. We are entering the 7th competition in 2012; our long supports in hosting the competitions and awards and the resources we put in, they are all to convey to the public the urgency and importance of the issues.

The participating teams increase dramatically, reaching 159 teams in 2012 with over 600 people. As of 2012, there were a total of 492 teams that participated, Taiwanese teams accounted for 467 teams and 25 teams from overseas. Energy saving and carbon reduction technology and industrial needs are never ending expectations requiring continuous refinements. The ideas and actions of young scientists can create the sustainability and future of the technology. For 6 years, we have seen over 2000 young people, devoting themselves into the research and development of "Green Tech".

Through final competition arena and information broadcasted over the internet, we are able to allow the green technology creativity in the schools and expand it outside the schools, into theories, researches, practical practices, technologies, and achievement. Through the competition platform, we are able to communicate and share our creativities and technology achievements with each others, to promote the long term development of the cooperation between the schools and the industry.

8.2 Creativity Education

8.2.1 Creative Teaching Experience Workshop

To promote the basic theory of creativity: the brain is like a heavy network, the effectiveness of the network connections decides our wisdom. Therefore, in order to have creativity, we must have accessible and closely connected neural connections. The light waves our eyes see and the sound waves our ears hear all transformed into electrical signals when entering our brain, and the electrical signals can activate other neural circuits and stimulate other neural circuits connected together. The density of the neural connection relates to our creativity, and



TECO ELECTRIC & MACHINERY CO., LTD.



the acquisition of experiences must be from what you actually experienced, learnt or from studying the experiences of others. This simplified theory became the basis for TECO to promote creativity education around Taiwan for the past decade. Teachers also practically experience the close relationship between the brain and studying through theoretical and practical exercises during their participations in the TECO Creative Teaching Experience Workshop.

8.2.2 Life and Creative Arts Experience Program

The foundation has successfully integrated local non-profit organizations, local government departments, and educational centers in the remote counties of Taitung, Pingtung, and Hualien, to promote and popularize creativity education. This allows teenager living in remote area who never set foot in an art center to appreciate cultural performances. This full day of arts appreciation event is the deepest cultural education in the central mountain region. By using life and arts, we enrich the cultural lives of aboriginal teenagers, and activate the dynamic education in remote areas, and integrate into the human spirit and the continuation of the cares, enhance learning, and thus practice creativities.

Since 2005, we continuously hosting events in the county cultural center performance art theaters in Hualien, Taitung, Pingtung, Nantou, and Miaoli , for a total of 24 events with attendance of 22,352 teenagers who live remotely. The feedbacks were great and many teachers and students are requesting additional events. In 2012, we effectively enriched 3,687 aboriginal children in arts and creative leaning, motivated 79 aboriginal schools with a total of 471 teachers. As for arts appreciation, life experience, and creativity enhancement, we invited 3,687 aboriginal students to the county cultural centers to participate cultural arts events, and encouraged their understandings to orchestra, Chinese drama, tap dance, chamber music and ethnic orchestra. By using life and arts, we enrich the cultural lives of aboriginal teenagers, and activate the dynamic education in remote areas, and integrate into the human spirit and the continuation of the cares, enhance learning, and thus practice creativities.

8.2.3 Aboriginal Scientific Creative Experience Plan

TECO actively promotes creative educations to remote townships, to popularize science education and enhance the scientific levels of the children in those areas, by providing “mechanical vectors”, “pitch concepts”, “analysis of light”, “thermal knowledge”, “air dynamic”, “air resistance and reaction”, “persistence of vision”, “sound”, “magnetic”, “white effort principle”, “circular motions” and other scientific principles related learning topics. By raising their interests in learning sciences, we help promote the science study atmosphere, and enhance the scientific knowledge of the students of aboriginal tribes, and encourage schools to actively participate in scientific competitions. This plan began in 2009 and spanned across seven counties, overcame traffic barriers into the deep mountain tribes. We served a total of 129 schools just this year alone. We activated the teaching styles for 90 schools in aboriginal tribes in 2012 and 5,563 students were benefited.





8.3 The Sustainable Education for Aborigines

8.3.1 The Exclamation Mark – The Sustainable Education for Aborigines Project

“Let the Taiwanese aborigines who have no written languages, can continue to flourish in long history”.

This plan adopts “sustainable aborigines” as vision, and combines resources from different places to create a non-profit platform that mediates between demands and supply. By assisting mountain tribes to develop an educational plan to pass down their traditional songs and dances, and produce amazing “traditional cultural arts, educational effectiveness, and aboriginal sustainable powers”. This, to the Taiwanese aborigines who have no written languages”, has the meanings of heritage, promotion, and sustainability, and that is why it is named the “exclamation mark”.

In order to achieve the above goals, “the exclamation mark” integrates resources, technology, and professionals, and summons 26 local non-profit organizations, 25 private corporations, 4 non-government organizations, 16 urban school clubs, and over hundreds volunteers and 40 adoption teams, to create this resource platform that balances between demands and supplies. This “strategic alliance” starts to take shapes in 2004, and started operation in 2006. By using operation that pursues performance, we utilize and manage related sources, and conduct annual fund raising to implement the followings:

1. Support traditional songs teams, and develop traditional songs educations
2. Support traditional dance teams, and develop traditional dance educations
3. Support traditional crafts teams, and develop traditional crafts educations
4. Support physical competition teams, and develop physical talents trainings
5. Support talents learning teams, and develop potential talents educations
6. Support 10 education plans

- (1) The Traditional Songs and Dances Teachers Cultivation Plan
- (2) Traditional Songs Education
- (3) Traditional Dances Education
- (4) Traditional Crafts Education
- (5) Talents Learning Plan
- (6) Physical Talents Training Plan
- (7) Aboriginal Children's Night
- (8) Science Education
- (9) The Life and Arts Creativity Experience Plan
- (10) Teaching Creativity Experience Workshop for Teachers

The aboriginal tribes are unique in the traditional songs, dances, life rituals and ceremonies. Up until the end of 2012, "the exclamation mark" has support the developments for 10 aboriginal ethnics and over 35 tribes. We continue to use "the traditional songs and dances teachers' cultivation plan" to actively enhance the leadership, companionship, guidance, training, resource integration, administration skills of the teachers. The "strategic alliance" use resource integration to sponsor the trainings for songs, dances, drums, percussions, wood carvings, tap dances, judo, physical educations, etc., of the aboriginal children. In order to showcase the results of the teams, we have the "aboriginal children's night" and "the life and arts creativity experience plan" for the children to perform their hard works. In 2012, we also received the recognition of the Lifelong Learning Circle by the Ministry of Education.

8.3.2 The Traditional Songs and Dances Teachers Cultivation Plan

- (1) Support the learning, progressing and growth of the inheritance teachers of the exclamation mark program to achieve the highest effectiveness.
- (2) Enhance the administration management and development of the potentials and technology.
- (3) Enhance the inheritance teachers' beliefs and faiths of their teachings, as well as their school organizational skills.
- (4) Promote the competitive group experiences, ethnical cultural communication, benign interactive and harmonic development.
- (5) Develop the certification process with the aboriginal associations for the inheritance teachers.
- (6) Serve 60 inheritance teachers each year, with over 40 benefited tribes.

8.3.3 Aboriginal Children's Night

Each year, we choose 9 sponsor teams out of the 40 teams, which covered six to seven different ethnic groups. Since 2010, we perform each year at Sun Yat-sen Memorial Hall at the Chinese New Year vacation. The total performers, including teachers and students, participated over time were 350 to 400 people. We also arranged a three days two nights



townships communication events, to explore the teen's life experience in remote areas. Through this event, the students not only could open their vision to appreciate the different cultures, and challenge their ambitions in performing traditional arts, but also encourage the society and the government to value and emphasize aboriginal cultures, and do their parts to inheriting aboriginal cultures.



Technological Cultural Awards



Creativity Education





The Sustainable Education for Aborigines

TECO ELECTRIC & MACHINERY CO., LTD.



9. Appendix

9.1 GRI G3.1 Index

● : Fully disclosed ◎ : Partially disclosed ▲ : disclosed

GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
1.Strategy and Analysis			
1.1 Statement from the most senior decision-maker of the organization.	●	1.1	1
1.2 Description of key impacts, risks, and opportunities.	●	3.4.4 , 4.5	9 , 24
2.Organizational Profile			
2.1 Name of the organization.	●	3.1	7
2.2 Primary brands, products, and/or services.	●	3.3	8
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	3.1 , 4.1	6 , 20
2.4 Location of organization's headquarters.	●	3.1	7
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	3.1 , 3.4.1	7 , 9
2.6 Nature of ownership and legal form.	●	3.1	6
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	3.4.1	9
2.8 Scale of the reporting organization.	●	3.1 , 4.1	6 , 20
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	●	4.1	20
2.10 Awards received in the reporting period.	●	3.7	17
3.Report Parameters			
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	●	About the Report	
3.2 Date of most recent previous report (if any).	●	About the Report	
3.3 Reporting cycle (annual, biennial, etc.)	●	About the Report	
3.4 Contact point for questions regarding the report or its contents.	●	About the Report	
3.5 Process for defining report content including:Determining materiality;Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.	●	About the Report	
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	About the Report	
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	About the Report	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	About the Report	
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	About the Report	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	About the Report	

GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	5.3.3	32
3.12 Table identifying the location of the Standard Disclosures in the report.	●	9.1	69
3.13 Policy and current practice with regard to seeking external assurance for the report.	●	About the Report,9.2	76
4. Governance, Commitments, and Engagement			
4.1 "Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	4.2	21
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	●	4.2	21
4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	4.2	21
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	4.2	23
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	4.2	21
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	4.2	21
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	4.2	21
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	3.2 , 3.8 , 6	7 , 18 , 42
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	4.5	24
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	4.4	23
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	4.5	24
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	3.6	16
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	3.6	16
4.14 List of stakeholder groups engaged by the organization.	●	2	3



GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
4.15 Basis for identification and selection of stakeholders with whom to engage.	●	2	3
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	2	3
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	2	3
G3 DMA			
DMA EC Disclosure on Management Approach EC			
DMA EN Disclosure on Management Approach EN			
DMA LA Disclosure on Management Approach LA			
DMA HR Disclosure on Management Approach HR			
DMA SO Disclosure on Management Approach SO			
DMA PR Disclosure on Management Approach PR			
Economic			
DMA	●	3.5	14
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	3.8	18
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	4.5 , 5	24 , 25
EC3 Coverage of the organization's defined benefit plan obligations.	●	6.5	53
EC4 Significant financial assistance received from government.	●	3.8	18
EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	6.5	53
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	◎	7.4	57
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	6.1	42
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	3.1	6
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	TECO does not evaluate indirect economic impacts	
Environmental			
DMA	●	5	25
EN1 Materials used by weight or volume.	●	5.3.3.2	36
EN2 Percentage of materials used that are recycled input materials.	◎	5.3.3.3	37
EN3 Direct energy consumption by primary energy source.	●	5.3.3.1	31
EN4 Indirect energy consumption by primary source.	●	5.3.3.1	31
EN5 Energy saved due to conservation and efficiency improvements.	●	5.3.3.1	31
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	5.1 , 5.2	25 , 27



GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
EN7 Initiatives to reduce indirect energy consumption and reductions achieved.	●	5.3.3.1	32
EN8 Total water withdrawal by source.	●	5.3.3.2	36
EN9 Water sources significantly affected by withdrawal of water.	●	Our water source is 100% from city water	
EN10 Percentage and total volume of water recycled and reused.	●	5.3.3.2	36
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	No relevant issue	
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	No relevant issue	
EN13 Habitats protected or restored.	▲		
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.	▲		
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●	No relevant issue	
EN16 Total direct and indirect greenhouse gas emissions by weight.	●	5.3.3.1	32
EN17 Other relevant indirect greenhouse gas emissions by weight.	●	5.3.3.1	32
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	5.3.3.1	32
EN19 Emissions of ozone-depleting substances by weight.	▲		
EN20 NO _x , SO _x , and other significant air emissions by type and weight.	●	5.3.3.3	37
EN21 Total water discharge by quality and destination.	●	5.3.3.2	36
EN22 Total weight of waste by type and disposal method.	●	5.3.3.3	37
EN23 Total number and volume of significant spills.	●	No relevant issue	
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	▲		
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	5.3.3.2	36
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	◎	7.1 , 7.2	55 , 56
EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	◎	5.3.3.2 , 7.1	36 , 55
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	No relevant issue	
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	▲		
EN30 Total environmental protection expenditures and investments by type.	●	5.3.3.4	39

GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
Social: Labor Practices and Decent Work			
DMA	●	6	42
LA1 Total workforce by employment type, employment contract, and region broken down by gender.	●	6.1	42
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region.	●	6.1	42
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	●	6.5	53
LA4 Percentage of employees covered by collective bargaining agreements.	●	6.2	45
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	6.2	45
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	6.2	45
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	◎	5.3.3.5	39
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	6.4	51
LA9 Health and safety topics covered in formal agreements with trade unions.	●	5.3.3.5	39
LA10 Average hours of training per year per employee by gender and by employee category.	◎	6.3	48
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	6.3	48
LA12 Percentage of employees receiving regular performance and career development reviews by gender.	●	6.5	53
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	◎	6.1	42
LA14 Ratio of basic salary of women to men by employee category, by significant locations of operation.	●	6.5	53
LA15 Return to work and retention rates after parental leave, by gender.	●	6.5	53
Social: Human Rights			
DMA	●	6	42
HR1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	▲		
HR2 Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	◎	7.4	57
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	6.3	48



GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
HR4 Total number of incidents of discrimination and corrective actions taken.	●	No relevant issue	
HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	◎	6.5 , 7.4	53 , 57
HR6 Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	◎	6.1 , 7.4	42 , 59
HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	◎	6.1 , 7.4	42 , 59
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	All security personnel of TECO are required to complete training regarding reception courtesy.	
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	●	No relevant issue	
HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	▲		
HR11 Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	●	No relevant issue	
Social: Society			
DMA	●	6	42
SO1 "Percentage of operations with implemented local community engagement, impact assessments, and development programs.	▲		
SO2 Percentage and total number of business units analyzed for risks related to corruption.	●	4.5	24
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures.	◎	6.3	48
SO4 Actions taken in response to incidents of corruption.	●	No relevant issue	
SO5 Public policy positions and participation in public policy development and lobbying.	▲		
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	▲		
SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	6.3	48
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	No relevant issue	
SO9 Operations with significant potential or actual negative impacts on local communities.	●	No relevant issue	
SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	●	No relevant issue	

GRI Index	Extent of Reporting	Related CSR Report Section	Page(s)
Social: Product Responsibility			
DMA	●	7	55
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	7.1	55
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	No relevant issue	
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	7.2	56
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	No relevant issue	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	7.3	57
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	▲		
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	No relevant issue	
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	No relevant issue	
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	No relevant issue	



9.2 Assurance Statement

bsi. Opinion Statement



SUSTAINABILITY REPORT ASSURANCE

TECO Electric & Machinery Co., LTD.
5F,
No. 19-9, San Chong Road
Nan-Kang
Taipei
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

Holds Statement No: **SRA-TW-2012032**

And participates in the mission of the AA1000 Assurance Standard (2008) consistent with the GRI G3.1 Guidelines (2011)

TECO Electric & Machinery Co., LTD. has published the 2012 Corporate Social Responsibility Report, which has been assured by BSI. BSI has assured this report by providing an Independent Assurance Opinion Statement.
This statement is only valid in connection with the Independent Assurance Opinion Statement.

For and on behalf of BSI:

Managing Director BSI Taiwan, Peter Pu

Originally Issue: **15/01/2014**



Page: 1 of 2

...making excellence a habit.™

Taiwan Headquarters: 5th Floor, No. 39, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.

TECO ELECTRIC & MACHINERY CO., LTD.



Statement No: **SRA-TW-2012032**

Location

TECO Electric & Machinery Co., LTD.
5F,
No. 19-9, San Chong Road
Nan-Kang
Taipei
Taiwan
象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

Scope

The assurance covers the whole report and focuses on systems and activities during the 01/01/2012 to 31/12/2012 on the TECO headquarter and relevant operations in Taiwan.

Originally Issue: **15/01/2014**

Page: 2 of 2

Taiwan Headquarters: 5th Floor, No. 39, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.



