

2017 CSR Report

TECO Corporate Social
Responsibility Report



TECCO 2017 CSR Report Corporate Social Responsibility Report



An aerial photograph of a dense, lush green forest. The trees are tall and coniferous, with their tops creating a textured canopy. The lighting is bright, casting soft shadows and highlighting the vibrant green of the foliage.

About this Report



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

Report Compilation Procedures

- 1 Confirmation of report orientation (the CSR task force determines the core direction, material issues, reference standards and verification standards)
- 2 Submission to the CSR Committee for approval (*1)
- 3 Organization of report contents
- 4 Third-party assurance
- 5 Confirmation by CSR Committee
- 6 Posting on the corporate website



*1: The TECO CSR Committee is a functional organization chaired by the President. Business division managers serve as ex-officio members. Various subordinate task forces have been formed. Responsible committee members track progress and submit reports to the committee in accordance with GSE strategies and goals. The task forces are also responsible for CSR report compilation. Starting from 2017, KPI for various business division executives (linked to executive salaries) were introduced along with CSR performance linkages in order to reinforce CSR promotion.

Report Scope and Boundaries

This report covers concrete responses, measures, and performance related to material issues of concern to key stakeholders as determined by the company through materiality analysis. Prior to 2013, the scope of reports was confined to operating areas in Taiwan including company HQ, manufacturing plants and the TECO Technology Foundation. In 2014, the scope was widened to encompass affiliates and TESEN Electronic. As of 2015, overseas affiliates such as TECO-West-inghouse and Taian Technology (Wuxi) were also included. In 2017, important domestic and overseas affiliates such as Wuxi TECO and TECO Electro Devices were likewise included. The report presents achievements and performance data in the dimensions of environmental protection, corporate governance and social engagement from January 1 to December 31, 2017. Financial figures are given in

New Taiwan Dollars, while environmental protection, health, and safety related performances are expressed through international generic indicators.

Reporting Principles

The content and structure of this report is based on the Core Options of the GRI Standards published by the Global Reporting Initiative (GRI) in 2016. The GRI Standards mapping table is attached to this report for reference purposes.

Report Assurance

Internal Assurance

Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of the company and business divisions, and quarterly KPI review meetings (linked to executive salaries). Provided data is subject to review and approval by department executives. In addition, internal annual audits (coupled with external verification) of the quality management system (ISO9001), occupational health and safety management system (OHSAS 18001), environmental management system (ISO14001), and GHG emissions are conducted every year to further guarantee the accuracy of provided data.

External Assurance

TECO commissions PwC to verify the report which was compiled in accordance with the Core Options of the GRI Standards with limited assurance, based on Assurance Standards Announcement No. 1 of the Republic of China (ROC) (formulated with reference to ISAE3000). The assurance statement is attached to this report.

Report Compilation Units

This report has been compiled by the CSR Committee and is available in Chinese and English versions. It is also posted on the corporate website. Annual publication (last publication: August 2017)

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1

TECO's Sustainability Commitment

TECO
DRIVING AND CONN

Chairman Sophia Chiu
2018/08

邱瓊琪

1-1 Management's Pledge

Since being founded in 1956, TECO has pursued sound management and steady growth for over six decades. In the future, the Company will uphold a pro-active and innovative attitude to pave way for TECO's next six decades of prosperity. TECO started out as a manufacturer of motor-related industrial products. Through constant efforts in the development of motor and electromechanical technologies, and active expansion into global markets, the Company has generated momentum for revenue growth as well as advances in industrial and technological development in Taiwan. The evolution of the Company has been inextricably intertwined with global industry trends. As the purveyor of "kinetic energy" in the industry, TECO gradually became aware of increasing environmental burdens generated by industrial development and the rising global demand for clean energy sources, therefore the Company unveiled its "TECO GO ECO" vision in 2008. TECO became actively engaged in the "green energy" industry. In addition to the enhancement of energy efficiency of existing products, the Company began developing clean energy-related products in the field of wind power and vehicle power systems in order to facilitate energy conservation and carbon reduction. In recent years, the Company has responded to new trends such as Industry 4.0 and IoT by developing smart and automated applications. TECO has integrated its core electromechanical technology with information and communication technologies of the Group. The aim is to foster innovations in smart technologies and consolidate the Company's sustainable competitiveness with the ultimate goal of "Driving A Smarter Future!!."

Energy Conservation, Emissions Reduction, Intelligence, Automation

In light of the dramatic changes and impacts caused by global warming, and the greenhouse effect on the environment upon which the survival of mankind depends, TECO's mission as a corporate citizen is to pursue continued industrial and technological development while focusing on the reduction of environmental burdens. Since 2008, TECO's development strategy focuses on "Energy-efficient TECO - Green Technology." The Company is committed to the development of products featuring green technology and utilizing green energy, including industry-leading energy solutions such as high-efficiency motors, motors with integrated inverters, and grade-1 energy-efficiency home appliances. Over the years, TECO has invested heavily in developing green energy products such as vehicle power systems and wind power by relying on its superior electromechanical integration capabilities, thereby making tireless contributions towards sustainable green energy development.

In addition to its dedication to the development of green technology and energy-saving solutions, TECO also became the first company in Taiwan to collaborate with its main suppliers in conducting environmental and water footprint inventories for motor products in 2016. The Company has implemented inspections and monitoring of its raw materials supply chain and production processes with the ultimate goal of materializing green product life cycles and green supply chains.

Following the increasing sophistication of cloud and 4G network infrastructure since 2014, TECO expects IoT to be the main driving force behind the next industrial revolution. Consequently, the Company pursues innovation based on its existing foundation, embracing a smart technology and automation-oriented strategy in conjunction with core product, information and communication technologies to attain growth. The Company develops intelligent equipment monitoring systems, energy management systems, cloud-based intelligent AC systems, and other industrial and consumer products through the integration of technological innovations of the Group. In the field of smart production, TECO has maintained its consistent, down-to-earth traditions. The ultimate goal is to resolve customer problems in the field of manufacturing and user experiences by combining core product technology with innovative applications. The Company also utilizes IoT technologies to provide economical solutions in areas such as smart preventive maintenance, energy management and equipment allocation. TECO actively promotes smart upgrades of the traditional manufacturing sector.

In embracing the next six decades to come, TECO has optimized its smart green production line at the Chungli Plant in Taiwan. Automated management, 3D vision robotic arms, unmanned transport vehicles, and automatic coil winding machinery will be adopted for the electrical wire production area. The goal is to create the largest and most comprehensive smart industrial motor production line in Asia and the first of its kind in the world. This move is expected to generate competitive advantages by increasing the efficiency and reducing the cost of future products. The Chungli Plant utilizes smart motors developed by the TECO Group on a large scale as well as the Machinery Health Management Platform (MHm), Manufacturing Execution System (MES), and Energy Management System (EMS). These measures infuse the spirit of environmental protection to TECO's smart manufacturing in the form of energy conservation and emissions reduction. The newly established punching center in Wuxi also adopts the green building and smart factory concepts. The company plans to expand the application of these concepts to its global factories in an attempt to realize TECO's sustainable development vision of "Energy Conservation, Emissions Reduction, Intelligence, Automation".

Implementation of Corporate Governance, Realization of Sustainable Operations

In addition to pursuing revenues and profits, the Company also strives to realize its business philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainable Operations". TECO aims to achieve its goal of sustainable corporate development through rigorous fulfillment of its role as a corporate citizen. In 2014, TECO established a "CSR Committee" to monitor the implementation efficiency of sustainability issues and ensure the incorporation of the three main indicators (environment, society, governance) into the corporate decision-making process. The Company strives to achieve sustainable corporate growth and fulfill its corporate social responsibility in the fields of social harmony and green economy. The Corporate Governance Center, established in 2015, is in charge of the overall planning and coordination of governance goals and the establishment of a "Corporate Governance Management Platform" to ensure effective organization and tracking of various corporate governance indicators. TECO's progress in the field of corporate governance is monitored in a systematic manner.

In 2016, the "Legal Affairs Office" was renamed "Legal Compliance and Legal Affairs Office", where a dedicated unit was created to oversee all relevant company operations and optimize legal compliance. Since 2015, the Company has conducted self-evaluation in accordance with "Board Performance Assessment Guidelines". In 2017, the Taiwan Institute of Ethical Business and Forensics was commissioned to conduct an external evaluation, and the report was presented to the Board of Directors in order to keep elevating the Company's corporate governance standards.

TECO employs a professional management system, accepts monitoring by juridical persons, and places high emphasis on stakeholder opinions, industry trends, and social development demands as key considerations for corporate decision-making. The Company also maintains open communication channels with stakeholders in all areas. It not only discloses relevant information and directly communicates with stakeholders on a scheduled/non-scheduled basis but also actively participates in external organizations such as Taiwan's Business Council for Sustainable Development, Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), and Taiwan Automation Intelligence and Robotics Association (TAIROA). TECO takes the initiative in external exchanges and solicits opinions from all sectors of society. Due to its active efforts in the field of corporate governance and sustainable operations, the Company has been ranked among the Top 5% of all evaluated enterprises in

the "Corporate Governance Evaluation" held by TWSE for four consecutive years.

Creation of a Blissful Enterprise and a Society Characterized by Techno-Cultural Synergy

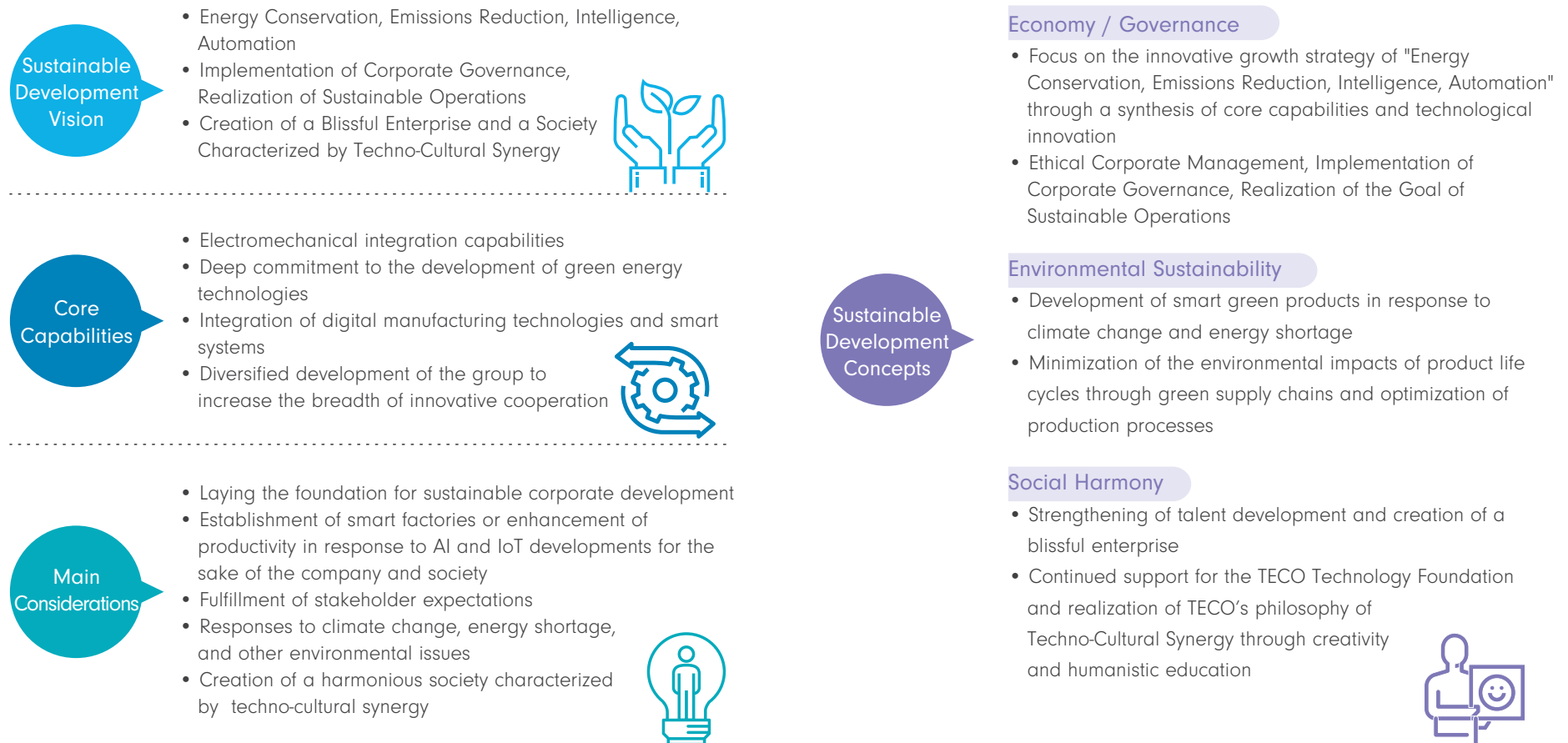
TECO perceives talents as the Company's most important asset, and they are also the cornerstone of sustainable development. In addition to implementing a legally compliant labor system, the Company aims to gain a better understanding of employee expectations and workplace health through regular employee satisfaction surveys and stress assessments carried out by a third-party. In addition to the creation of a comprehensive welfare system and a work environment characterized by work-life balance, TECO highly values employee development and actively pursues innovation in the field of HR. The Company implements key talent development programs and provides opportunities for participation in cross-department and cross-industry projects. It further implements an internal program for the cultivation of entrepreneurial teams, and offers paid overseas vacations as well as the Soaring Talent Program. The aim is to infuse vitality into the Company and create more opportunities for employees to unleash their talents through ongoing innovation.

In terms of social care, the TECO Technology Foundation, which was established through donations in 1993, has been deeply committed to the provision of services in the fields of technology, education, culture, and art over the past 24 years. The Foundation aims to realize TECO's goal of "Techno-Cultural Synergy" through creativity and cultural education. The TECO Award has supported uninterrupted progress in the fields of technology and culture in the Taiwanese society for several decades. The Foundation also organizes "Green Tech" Competitions to foster scientific research in the fields of energy conservation and carbon reduction by youths all over the world. It provides an impetus for the development of "Green Energy Technology" in Taiwan through increased international exposure. The "Exclamation Mark" indigenous cultural heritage program launched the traditional culture of indigenous tribes in Taiwan on to the international stage.

In addition to the long-term promotion of social innovation and technological and cultural development by the foundation, TECO also offers "charity leaves" and internal volunteer opportunities for its employees to motivate and support the participation of employees in social care activities and promote personal practice of social care. The goal is to cultivate and spread the seeds of compassion and generate a positive momentum for society.

Looking ahead, the Company will continue to maximize the usage value of its products and services for customers and promote industrial value upgrades in response to climate change impacts and sustainable development considerations in line with stakeholder demands through technological innovations of its own industry. In its pursuit of sustainable operations, the company continues to forge ahead by embracing a solid and down-to-earth approach and a forward-looking vision with a simultaneous focus on sustainable growth, social harmony, and green economic development.


▼ Sustainability Vision and Business Philosophy



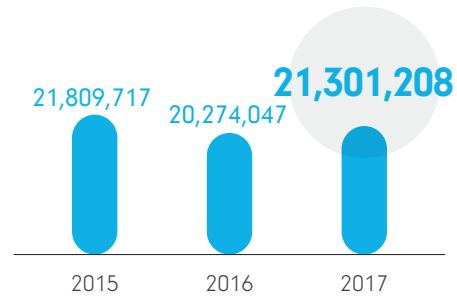
1-2 Overview of Sustainability Performance

Corporate Governance Dimension

Ranked among the **Top 5%** in the "Corporate Governance Evaluation" for four consecutive years

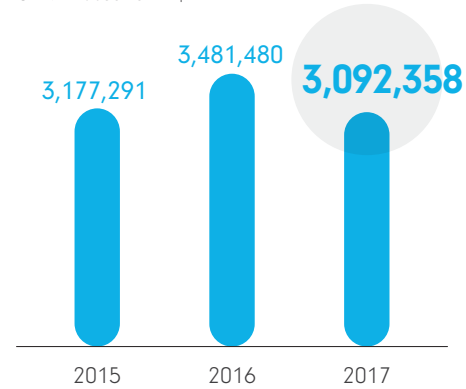


Unit: Thousand NT\$



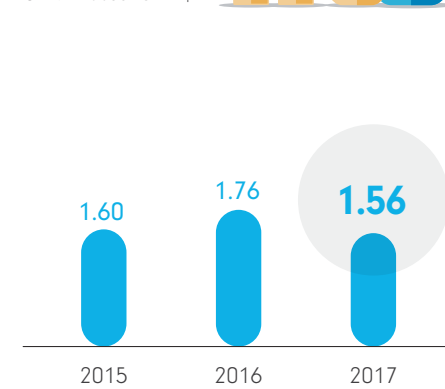
Revenue

Unit: Thousand NT\$



Net income

Unit: Thousand NT\$

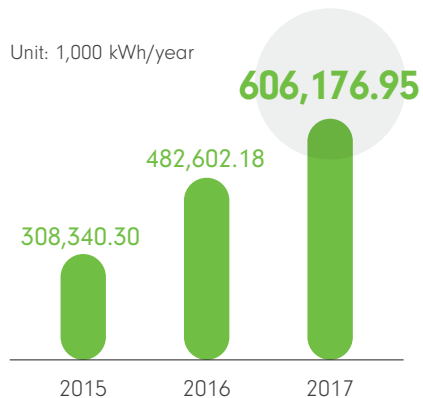


EPS



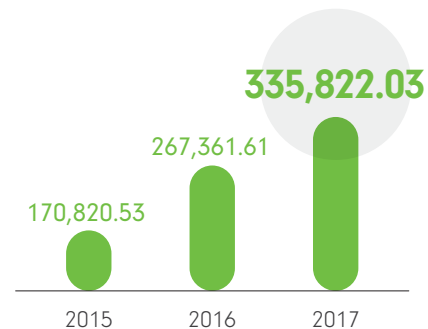
Environmental Dimension

Unit: 1,000 kWh/year



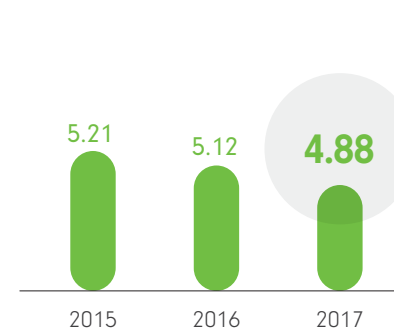
Energy savings through annual sales of high-efficiency motors

Unit: tons CO₂e



Carbon reduction through annual sales of high-efficiency motors

Unit: tons CO₂e/NT\$1 million output

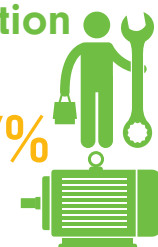


TECO and TESEN GHG emissions intensity

Ration of regenerated raw materials used in motor production in 2017

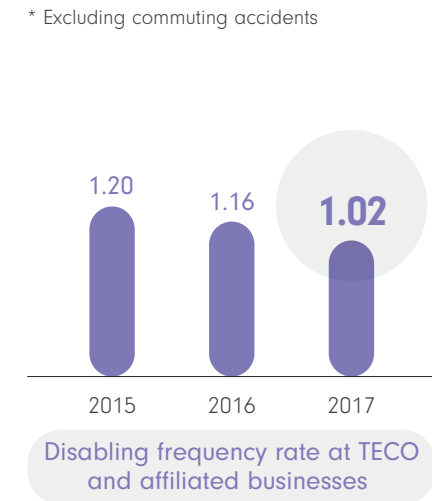
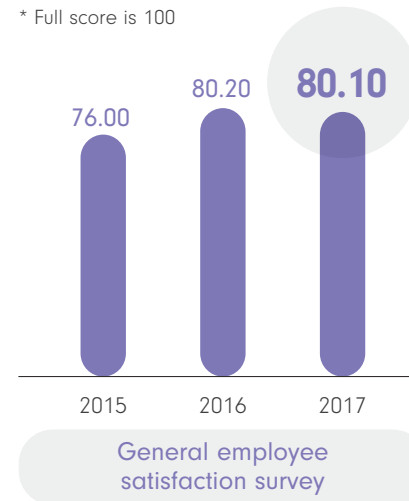
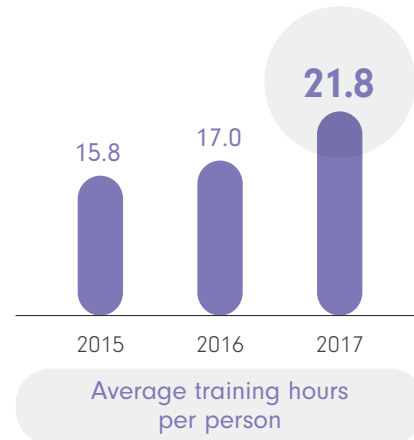
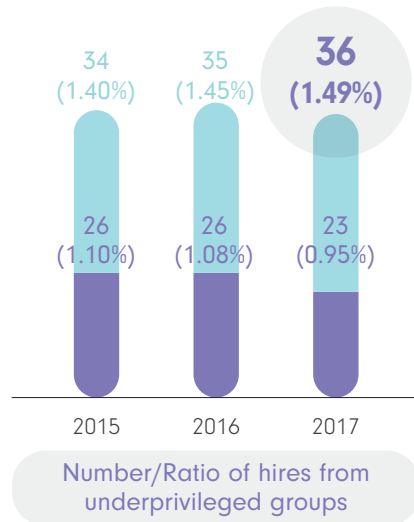
15.97%

(Goal: 10%)

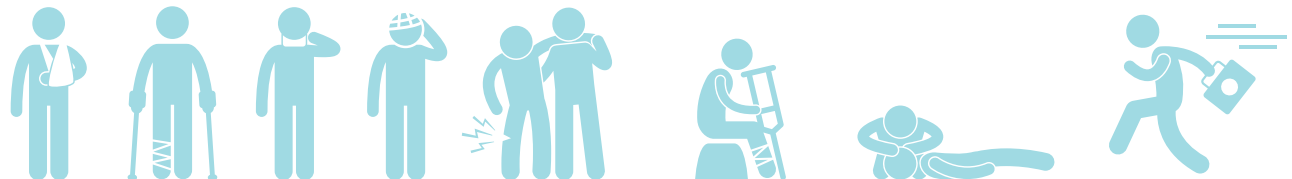
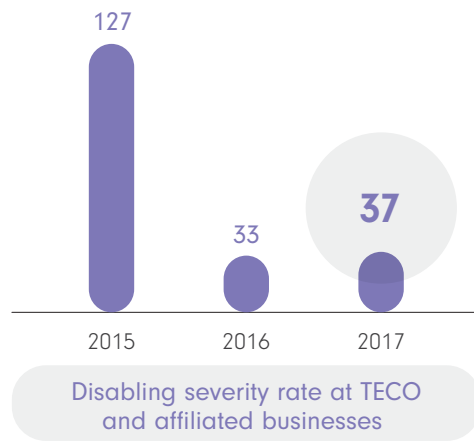


Social Dimension

● Indigenous workers ● Disabled workers



* Excluding commuting accidents



1-3 Awards and Recognitions

01

Ranked among the Top 5%
in the Corporate Governance
Evaluation



05

Taiwan Excellence Award

- Received 16 awards

02

Taiwan Corporate
Sustainability Gold Award

- Corporate Sustainability Report Award – Gold Award
- TOP50 Corporate Sustainability Award
- Best Performance of Specific Categories - People Development Award



06

National Innovation Award

- Energy-saving, smart air quality monitoring service



03

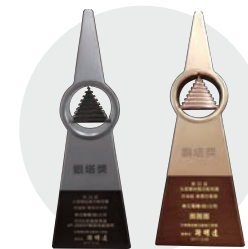
Common Wealth Magazine
Corporate Citizen Award

- Ranked 24th among large enterprises



07

National Unity Circle Competition -
Silver Award and Bronze Award



04

Green Power Corporate
Vision Award

- Purchased 1 million kWh of power



08

Carbon Clean 200™

https://static1.squarespace.com/static/579bd6e8414fb5125750d050/t/58ab914946c3c46d21cfdd17/1487638863375/AYS_CarbonClean200_2017_FIN.pdf



The background of the slide features a series of stylized blue human figures standing on large, glossy blue spheres. The figures are arranged in a receding line, creating a sense of depth. The spheres are connected by thin blue lines, suggesting a network or a path. The overall color scheme is a monochromatic blue with white text.

2 Stakeholder Communication

2-1 Identification of Issues of Concern to Stakeholders

TECO firmly believes that the opinions of stakeholders provide the main impetus for continued improvements. The company actively communicates with its stakeholders to gain a clear understanding of their issues of concern by utilizing different units and contact opportunities to ensure that corporate development does not deviate from stakeholder expectations. A stakeholder questionnaire is posted on the company's CSR website with the goal of soliciting more shareholder opinions.

▼ TECO's stakeholder and material issue identification procedures are as follows:



Stakeholder identification

The CSR task force convenes meetings with relevant units to conduct discussions and identify TECO's key stakeholders with reference to the same-industry experiences and stakeholder definitions in the GRI Standards.



Survey of issues of concern to stakeholders

- The survey topic is based on specific topics and disclosure items of GRI Standards.
- with reference to industry-specific indicators and same-industry questionnaire items.
- Issues of concern to stakeholders are surveyed and compiled through various stakeholder communication channels and direct communication with stakeholders.



Materiality Analysis of Issues of Concern

- Questionnaire surveys are conducted to determine the level of concern of stakeholders for different issues.
- Materiality analysis is conducted internally for the corresponding units to determine the level of economic, environmental and social impact each issue has on Company operations.
- Information on level of concern by stakeholders and internal materiality analysis is compiled and organized; weighting is adjusted.
- Two-dimensional scoring matrix is applied for materiality analysis; issues in the top 40%-45% have a high impact, issues in the middle 30% have medium impact, and others have normal impact.



Reporting

Materials and secondary issues are reported to the CSR Committee for deliberation, incorporated for discussion in the strategic planning process of the company and individual business divisions, and implemented in the annual plans and daily operations of each unit.



Compilation and disclosure

At the end of the year, the implementation results, communication channels, and communication frequency for material (mandatory disclosure) and secondary issues (only some of the relatively important issues are disclosed) are disclosed in the CSR report.

2-2 Materiality Analysis of Issues of Concern

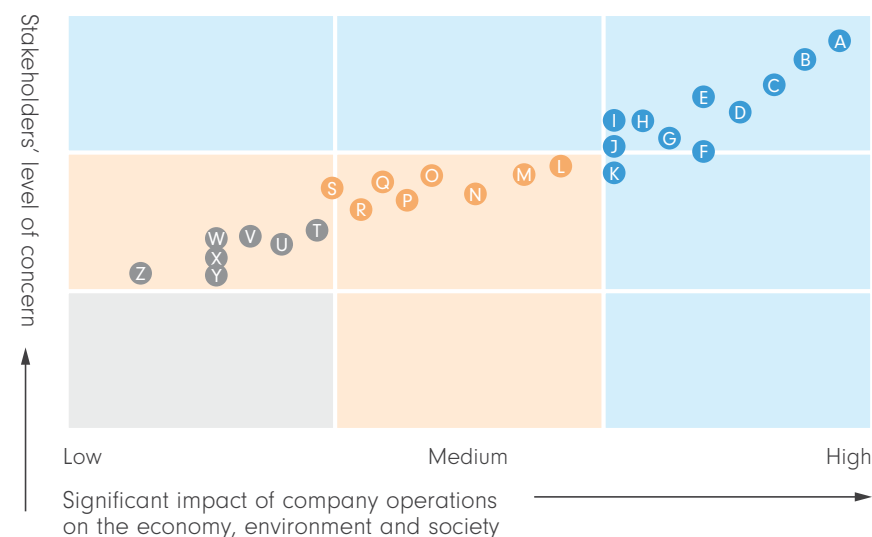
▼ Identifying TECO's stakeholders



Compilation of issues and questionnaire survey

TECO carries out exchanges with stakeholders on a scheduled and non-scheduled basis via the aforementioned communication channels and compiles issues of concern to stakeholders. Issues of concern are identified and compiled into questionnaires with reference to specific topics and disclosure items of GRI Standards, as well as "industry-specific indicators" released by GRI. These issues are compiled into questionnaires are posted on the CSR website, and they can be filled out by stakeholders at their discretion. TECO also sends out questionnaires to stakeholder groups to increase response rates, maximize stakeholder reach, and gain an in-depth understanding of the issues of concern to them.

▼ Materiality analysis of issues of concern to stakeholders



Material issues identified		Secondary issues	General issues
A Economic Performance	N Raw materials/regenerated materials		
B Green products	O Employees' rights (welfare/no forced labor/non-discrimination, etc.)		
C Corporate Governance	P Waste management		
D Workplace Health and Safety	Q Customer Privacy		
E Employee career development, education, and training	R Water Resources		
F Climate change risks	S Social Care		
G Legal Compliance	T Moral/Ethical Code of Conduct		
H Customer Health and Safety	U Marketing Communications		
I Customer satisfaction survey	V Human Rights Assessment and Human Rights Grievance Mechanisms		
J Energy management	W Diversity and Equal Opportunity		
K Green Supply Chain Management	V Anti-corruption		
L GHG and air pollutant management	Y Anti-competitive Behavior		
M Product and Service Labeling	Z Grievance Mechanisms for Impacts on Society		

Connection between material issues and specific topics of GRI Standards and topic boundaries

After determining the materiality of issues of concern to the stakeholders with regard to impact on company operations, unit executives also determine impact boundaries with regard to the corresponding GRI Standards, specific topics and the level of impact on internal subsidiaries and external stakeholders. After the impact boundaries are determined, they are presented to the CSR Committee for approval. With respect to the various issues of concern to stakeholders, the company also proposes future development strategies and concrete actions in corresponding chapters as a response to the main concerns of stakeholders.

Material issues	Specific topics corresponding to GRI Standards	Description of materiality	Corresponding chapters	Internal boundaries	External boundaries
Economic Performance	GRI 201: Economic Performance	Cornerstone of sustainability	3.2	1、2	a、b、d
Green products	GRI 201: Economic Performance GRI 301: Materials GRI 302: Energy	Key to the Company's vision of sustainable development and the sustainability of Earth	3.2~3.5 5.1.1 5.1.3	1、2、3、4、5、6	a、b、c、d、f
Corporate Governance	GRI 102: General Disclosures	One of the key aspects of the Company's vision of sustainability	4.1	1、2	a、d
Workplace Health and Safety	GRI 403: Occupational Health and Safety	Employees are the most valuable asset of the Company	6.6	1、2、3、4、5、6	b、d、f
Employee career development, education, and training	GRI 404: Training and Education	Employees' growth fuels the Company's innovation and growth	6.5	1、2、3、4、5、6	b、d
Climate change risks	GRI 201: Economic Performance GRI 301: Materials, GRI 302: Energy GRI 303: Water, GRI 305: Emissions	They are both risks and opportunities that have an impact on company operations (such as green product development)	3.2~3.5 5.1	1、2、3、4、5、6	a、b、d、f
Legal Compliance	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	<ul style="list-style-type: none"> • InfoCompany image • Avoids impact on production and sales • Avoids fines and losses 	4.2	1、2、3、4、5、6	a、b、d
Customer Health and Safety	GRI 416: Customer Health and Safety	<ul style="list-style-type: none"> • Brand image • Customer quality recognition 	3.6	1、2、3、4、5、6	a、b、c、d
Customer satisfaction survey	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling	<ul style="list-style-type: none"> • Brand image • Customer quality recognition • Enhances sales and revenue 	3.6 3.7	1、2、3、4、5、6	b、c
Energy management	GRI 302: Energy	<ul style="list-style-type: none"> • Mitigates impact of power shortage • Reduces production cost 	5.1.3	1、2、3、4、5、6	b、d、f
Green Supply Chain Management	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	<ul style="list-style-type: none"> • Company image • Customer request • NGO request 	5.2	1、2	b、d、f

Material issues	Specific topics corresponding to GRI Standards	Description of materiality	Corresponding chapters	Internal boundaries	External boundaries
* GHG and air pollutant management	GRI 305: Emissions	<ul style="list-style-type: none"> Carbon emission reduction control and response Avoids affecting air quality 	5.1.3	1、2	b、d、f
* Product and service labeling	GRI 417: Marketing and Labeling	<ul style="list-style-type: none"> Provides customers with correct options and product use information Legal compliance 	3.6	1、2、3、4、5、6	b、c、d
* Raw materials/regenerated materials	GRI 301: Materials	<ul style="list-style-type: none"> Mitigates environmental impact In response to resource shortage trend 	5.1.1	1、2、3、4、5、6	b、d、f
* Employee rights	GRI 401: Employment GRI 402: Labor/Management relations GRI 406: Non-discrimination	Employees are the most valuable asset of the Company	6	1、2、3、4、5、6	a、b、d、f
* Waste management	GRI 306: Effluents and Waste	Mitigates environmental impact	5.1.3	1、2、3、4、5、6	b、d、f
* Customer privacy	GRI 418: Customer Privacy	<ul style="list-style-type: none"> Guideline to controlling important Company information Legal requirement 	3.6	1、2、3、4、5、6	c、d
* Water Resources	GRI 303: Water	Mitigates impact of water shortage	5.1.3	1、2、3、4、5、6	b、d、f
* Social Care	No specific corresponding topic	One of the key aspects of the Company's vision of sustainability	7	1、2、3、4、5、6	a、b、e、f

*1. * Denotes secondary issues disclosed by the Company




2. Company's internal code: 1 TECO, 2 TESEN Electronic, 3 Taian Technology (Wuxi), 4 TECO-Westinghouse, 5 Wuxi TECO, 6 TECO Electro Devices (Taiwan)





Company external code: a Shareholder, b Supplier, c Customer, d Government, e Community, f NGO



2-3 Issues of Concern to Stakeholders and Communication Channels




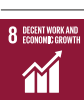




Issues of concern to different stakeholders are identified upon statistical analysis of stakeholder questionnaires, and confirmation and adjustments made during communication with stakeholders. Issues of concern to a certain stakeholder category are determined based on questionnaire statistics of said stakeholder category, issues with high scores and issues frequently mentioned by stakeholders during communication.

Stakeholders	Significance of stakeholders for TECO	Issues of Concern	Issue communication channels/frequency	2017 Communication results
 <p>Shareholders</p>	<p>Identification of shareholders with the company is a pillar of support for business sustainability and long-term development. TECO is firmly committed to maintaining excellent communications with shareholders and incorporating valuable opinions in its business and operational policies to ensure continued approval and support for its business direction by shareholders and thereby lay the foundations for business stability.</p>	<ul style="list-style-type: none"> Operational Performance Corporate Governance Risk management Climate change risks Green products 	<ul style="list-style-type: none"> Market Observation Post System – Over 276 updates in 2017 Shareholders' Meetings – Convened at least once a year Participation in domestic and international investment forums – Total of 8 forums in 2017 Visits by corporate investors – Total of 203 in 2017 Exclusive mailbox for investor relations/stock affairs – Dedicated personnel replies immediately 	<ul style="list-style-type: none"> Strengthened confidence of overseas corporate investors in TECO due to efforts of IR units in the provision of operational information and communication resulted in gradually increasing shareholding ratios. In the 4th Corporate Governance Evaluation held by TWSE in 2017, TECO earned excellent scores on all indicators and was ranked among the Top 5% of all evaluated enterprises for 4 consecutive years.
 <p>Employees</p>	<p>Employees are the key factor determining long-term corporate competitiveness and business results. Good employees are a key pre-requisite of a healthy organization. They generate achievements and facilitate continued growth and sustainable operations.</p>	<ul style="list-style-type: none"> Operational Performance Employee Rights and Interests Career Development, Education, and Training Labor-management Relations Workplace Health and Safety 	<ul style="list-style-type: none"> Labor-management meetings – Once per quarter Employee meetings – Once per quarter Discussions with top executives/Semi-annually Occupational Health and Safety Committee meetings– Once per quarter Employee Welfare Committee Top-Notch Bi-monthly – One issue every two months Employee satisfaction surveys /Annually 	<ul style="list-style-type: none"> Conferences with the president, plant managers, HR center executives and union directors and supervisors are scheduled annually. The attendance rate of the President, plant managers and HR executives was 100% in 2017. Union directors and supervisors had an attendance rate of 82.1%. The annual satisfaction survey for HR services and policies has been completed. The response rate was 38% and executive satisfaction reached 82.7 points, which is 0.3 points higher than in the previous year. General employee satisfaction was 80.1 points, 0.1 point down compared to the previous year.
 <p>Customers</p>	<p>TECO is firmly committed to providing customers with superior products with high cost-performance ratio. The company also aims to gain a better understanding of the expectations of customers with regard to the company and its products to ensure that products and services fully meet customer demands.</p>	<ul style="list-style-type: none"> Product and Service Labeling Customer Health and Safety Customer privacy Customer Satisfaction Survey Marketing Communications Green products 	<ul style="list-style-type: none"> Customer service hotline/Non-scheduled Discussions with dealers/1-4 times per year, non-scheduled dealer visits After-sale service tracking – Follow-up phone interviews every time a service is provided Official website and media – Non-scheduled updates Satisfaction surveys – 1-4 times per year 	<ul style="list-style-type: none"> Customers can contact dedicated service personnel via open communication channels such as phone or e-mail any time. Customers are supplied with the most accurate and up-to-date information through official website updates and maintenance. Catalog labeling is modified in accordance with customer needs to ensure the provision of more valid information.

Stakeholders	Significance of stakeholders for TECO	Issues of Concern	Issue communication channels /frequency	2017 Communication results
 Supplier	Suppliers of key raw materials and components help to ensure quality, price and delivery time.	<ul style="list-style-type: none"> Green Supply Chain Management Business performance Order management Quality management 	<ul style="list-style-type: none"> Supplier evaluations – Non-scheduled Supplier performance appraisals – Once per quarter Supplier guidance – Non-scheduled Procurement liaison – Non-scheduled E-procurement – Non-scheduled 	<ul style="list-style-type: none"> Establishment of an e-procurement platform, creation of a unified internal list of qualified dealers and addition of communication channels between TECO and global suppliers. At least 2 visits are paid to each supplier each year for communication purposes.
 Local communities	TECO places high emphasis on harmonious development with communities where production and operating bases are located.	<ul style="list-style-type: none"> Air pollutant management Social Care Waste management Occupational health and safety 	<ul style="list-style-type: none"> Industrial zone service center – Non-scheduled Industrial zone joint defense – Once per quarter Mailbox on the company website – Non-scheduled Volunteer activities – Non-scheduled 	<ul style="list-style-type: none"> There were no air pollution or waste management violations that affected the communities. Joined regional joint-defense and inter-company disaster prevention meetings to prevent disasters from occurring and affecting community environment and safety.
 NGO	TECO actively communicates with NGOs to gain a better understanding of environmental and social issues of concern to them. The company's sustainable development policy is formulated by incorporating NGO expert opinions and the strategic direction of the company.	<ul style="list-style-type: none"> Environmental protection Social welfare Labor conditions 	<ul style="list-style-type: none"> Disclosure of non-financial information – Non-scheduled Participation in meetings – Non-scheduled Co-organization of activities – Non-scheduled 	Active participation in external organizations and initiatives such as societies, associations and NGOs including Taiwan's Business Council or Sustainable Development, Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), and Taiwan Automation Intelligence and Robotics Association (TAIROA), etc. to promote domestic and international industrial/ economic interactions and exchanges and boost the development of green energy technology in Taiwan.
 Government agencies	TECO occasionally communicates with the government to clarify legal requirements and improve compliance efficiency when formulating internal regulations or planning foreign business operations or investment.	<ul style="list-style-type: none"> Legal Compliance Occupational health and safety GHG reduction Environmental protection Energy management 	Participation in forums, conferences, public legal hearings, and document correspondence organized by competent authorities – Non-scheduled	<ul style="list-style-type: none"> Market Observation Post System – 66 uploads of materials information Establishment of an OHSAS18001 and CNS15506 (Taiwan Occupational Health and Safety Management System) compliant occupational health and safety management system to systematically promote occupational safety and health-related management tasks, and to ensure effective implementation and legal compliance of the management system. In accordance with the "Regulations Governing Formulation of Energy Conservation Goals and Implementation Plans by Energy Users" promulgated in 2014 by the Ministry of Economic Affairs, the company reduced electricity consumption of the Chungli Plant by 0.92% in 2017, resulting in a total average reduction of 1.94% (combined with 2016), exceeding the required reduction of 1%.

2-4 TECO's Response to UN Sustainable Development Goals (SDGs)

Based on the UN's Sustainable Development Goals (SDGs), the CSR Committee has determined 8 items that are pertinent for TECO, and TECO's corresponding chapters on CSR are:

Sustainable Development Goals (SDGs)	Detailed goals and TECO-related audits	TECO's key CSR response	Corresponding chapters
 4 QUALITY EDUCATION	4.5 Channels and occupational training to ensure that underprivileged groups receive various levels of education 4.7 Appreciate cultural differences and the contribution of culture on sustainable development	<ul style="list-style-type: none"> • Social care: Green Tech, science education in remote townships, indigenous cultural heritage • Employee career development and training 	7 6.5
 6 CLEAN WATER AND SANITATION	6.4 Significantly increased water use efficiency for various industries, making sure sustainable supply and recycling of fresh water 6.a Water efficiency, wastewater treatment, recycling and reuse technology	<ul style="list-style-type: none"> • Water Resources 	5.1.3
 7 AFFORDABLE AND CLEAN ENERGY	7.a Increasing clean energy and high-tech energy sources such as renewable energy, energy efficiency, more advanced, cleaner fossil fuel technology, facilitate the creation of energy infrastructure, and invest in clean energy technology.	<ul style="list-style-type: none"> • Green products • Energy management • Creation of renewable energy 	3.3~3.5 5.1.3 3.5.2
 8 DECENT WORK AND ECONOMIC GROWTH	8.2 Increase productivity through diversification, technology upgrade and innovation 8.4 Improve global energy use and production efficiency, mitigate the relationship between economic growth and environmental deterioration 8.8 Protect labor rights and foster work environment safety	<ul style="list-style-type: none"> • Economic Performance • Green products • Energy management • Employee Rights and Interests • Workplace Health and Safety 	3.2 3.3~3.5 5.1.3 6
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4 Improve energy use efficiency through substantial adoption of clean, eco-friendly technology and industrial manufacturing process	<ul style="list-style-type: none"> • Green products • Energy management • GHG and air pollutant management 	3.3~3.5 5.1.3
 11 SUSTAINABLE CITIES AND COMMUNITIES	11.2 Provide safe, affordable, usable and sustainable transportation system for everyone, as well as improve road safety, particularly the expansion of public transportation	<ul style="list-style-type: none"> • Electric vehicle (EV) development • Participation in transportation system projects 	3.5.1 3.2.2
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.4 Manage chemicals and wastes in the most eco-friendly manner to minimize discharging them into the air, water and soil. 12.5 Minimize waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> • Green products • Raw materials/regenerated materials • GHG and air pollutant management • Waste management 	3.3~3.5 5.1.1 5.1.3
 13 CLIMATE ACTION	13.3 Improve education, raise awareness, and enhance the capabilities of people and institutions pertaining to risk reduction, adaptation, impact mitigation and early warning associated with climate change	<ul style="list-style-type: none"> • Climate change risks 	4.2

3 Promotion of Sustainable Operations



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

3-1 Sustainability and Core Corporate Capabilities

TECO Corp. was founded in 1956 and the company's operations currently span over 40 countries and 100 cities in 5 continents. The company initially focused on the manufacture and sale of motors and has gradually diversified into various fields spanning heavy machinery, home appliances, IT, communications and engineering. As of 2008, TECO has gradually become aware of the environmental burden generated by industrial development. The company has therefore embraced the corporate vision of "TECO GO ECO" and has been firmly committed to the development of green energy technologies ever since. TECO continues to develop energy-saving systems including highly efficient motor products and inverters. By tapping its outstanding capabilities in the field of electromechanical integration and through the development of visionary green energy technologies, the company has turned into the first manufacturer of motors specifically designed for electric vehicles (EVs). At the same time, TECO's independent development and production of wind turbine products has catapulted Taiwan to the rank of the 8th largest manufacturer of large-scale wind turbines in the world.

The Company has made strides in the field of smart green products by integrating communication and IT technologies of the subsidiaries within the group, as well as by relying on TECO's existing green energy products and energy-efficient home appliances in response to the rapid developments in IoT driven by the popularization of smartphones and wireless networks, which in turn enhanced data analysis and transmission capabilities. In 2017, TECO aims to materialize the philosophy of Industry 4.0 (Energy Conservation, Emissions Reduction, Intelligence, Automation) to achieve greater efficiency in energy use, and initiate a smart revolution within the traditional industries through the integration and application of innovative new technologies.

▼ TECO Core Capabilities

Electromechanical integration capabilities

Deep commitment to the development of green energy technologies

Infusion of diversified technologies and product upgrades through innovative cooperation

2016

- Continued commitment to developing high-efficiency products has resulted in carbon emission reductions of 319,961.52 tCO₂e in 2016.
- Adoption of automated production lines in the Chungli Plant to realize high efficiency and high performance, achieve effective cost reduction, and strengthen competitiveness.
- Actual achievements in the enhancement of smart green energy solution, aggressive pursuit of business opportunities in the field of IoT4.0, and initiation of industry upgrades.
- Assistance for Yilan County Government in the development of a smart energy conservation system through an integration of smart home appliance and IoT technologies to take the first step toward smart city development.

2017

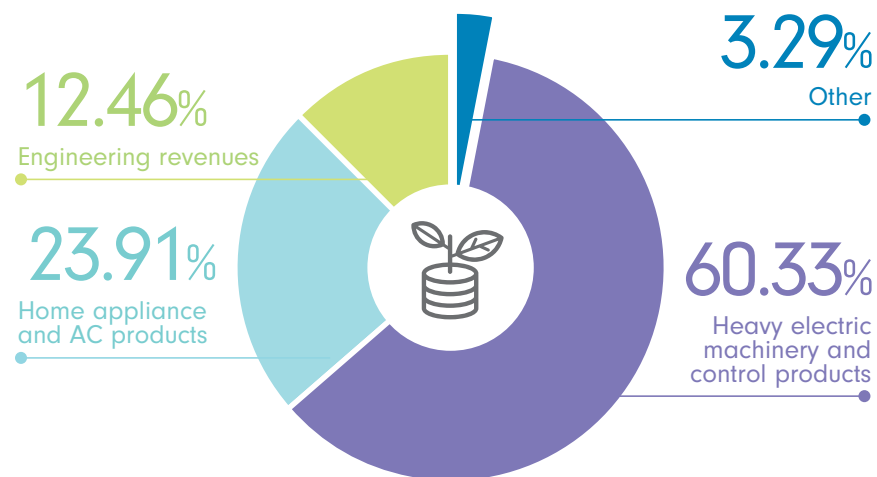
- Continued commitment to developing high-efficiency motors has resulted in carbon emission reductions of **335,822.03** tCO₂e in 2017.
- Energy-saving and emission reduction products account for **37.56%** of total revenue.
- With products emphasizing high-efficiency, energy-saving and smart IoT application, TECO won **16** awards at the 26th "Taiwan Excellence Award", ranking the Company not only among the top 3 of all participating enterprises but the no.1 in the electrical manufacturing industry.
- TECO's "energy-conserving smart air-quality monitoring service" system received the 14th "National Innovation Award". The "energy-conserving smart air-quality monitoring IoT platform" integrates smart air-quality management systems to offer energy-saving monitoring of HVAC (heating, ventilation, and air conditioning) equipment and air-quality.
- Unveiled several new products, including CSPF (Cooling Seasonal Performance Factor) class 1 home DC inverter air conditioner and EMS (Energy Management System).
- Officially inaugurated the "Motor Stator Automated Production Center". Featuring 3D vision robotic arms, unmanned transport vehicles, and automatic coil winding machinery, it is now the largest and most comprehensive smart industrial motor production line in Asia, and the first of its kind in the world. Benefits include reducing the quantity of machineries and cost by 30% and 10%, as well as boosting overall efficiency by more than threefold.
- Collaborated with photovoltaic module manufacturers to construct a 1.7MWp rooftop photovoltaic power station in TECO's Guanyin Plant in March 2018.

Development plans for the future and
2018

- Provision of high-efficiency, energy-saving systems to foster energy conservation and carbon reduction at the user-end.
- Ratio of energy-saving and emission reduction products sold compared to the total revenue.
- Continued development of high added-value products with smart and variable frequency characteristics to maintain the company's competitiveness in the smart green energy industry.
- Active deployment of production line automation and realization of TECO's Industry 4.0 concept of "Energy Conservation, Emissions Reduction, Intelligence, Automation" through optimization of smart green product lines and green building and factory concepts.
- Application of economical smart solutions to increase production availability, stability and facilitate industry upgrade to IoT 4.0.
- Transition from sales of individual products to systems in order to cater to the clients' needs more accurately, and expand the potential for revenue growth.
- Installation of solar power systems with a total capacity of over 10MW by 2020 on the rooftops of the Company's factory buildings.

3-2 Operational Performance

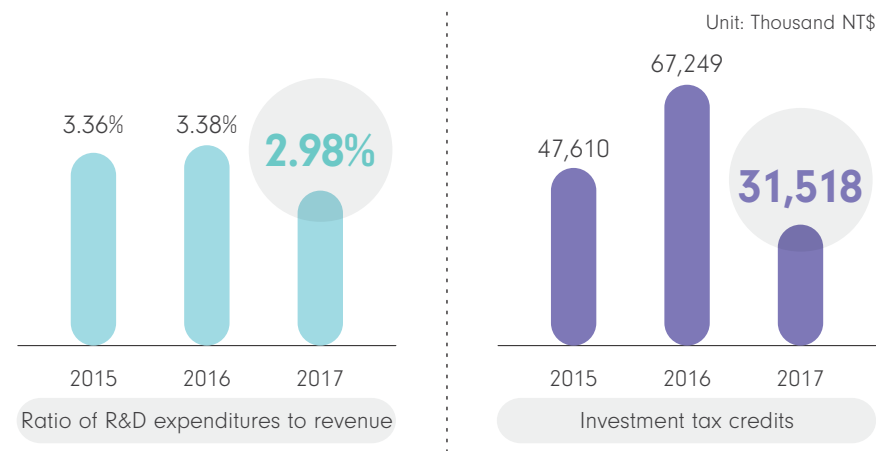
▼ Revenue ratios of various product categories in 2017



▼ Relevant performance

	2015	2016	2017
Operating revenues (in thousand NT\$)	21,809,717	20,274,047	21,301,208
Net profits (in thousand NT\$)	3,177,291	3,481,480	3,092,358
ROE (%)	6.57%	7.16%	6.09%
EPS (in NT\$)	1.60	1.76	1.56
Cash dividends (in NT\$)	0.8	0.88	0.86
Income tax expenses (in thousand NT\$)	329,153	140,944	212,110

* The lower income taxes in 2016 compared to 2015 are attributed to tax benefits of NT\$ 184 million generated by capital reduction in the investee companies THSR and Qingdao TECO.



Operational challenges

Looking back on 2017, the global economy continued to exhibit steady growth, and Taiwan's economic growth rate rose from 1.4% to 2.8%. However, unfavorable factors such as increasing costs of raw materials and labor, as well as fluctuations in exchange rates, all had a negative impact on company operations. However, the Company continues to seek technological innovation by upgrading and expanding automation/smart production-related equipment, and technology. TECO has achieved considerable success in fields of energy conservation, emissions reduction, smart technology and automation. It is able to minimize the impact of unfavorable factors in the external environment to maintain growth and profitability.

Operational strategies and objective

In light of the daunting challenges in the market and long-term development, TECO has continued to invest in the field of "Energy Conservation, Emissions Reduction, Intelligence, Automation" in order to maintain the Company's edge and competitiveness. In 2017, the Company successfully developed products including: ultra high-efficiency induction motors, high-performance shredder motor, 2,000A heavy current motorized brush lifting device, IE3 Exd motor, NEMA Premium high thrust motor, E510s IP66 product series, JSDG2S product series, smart grid, CSPF home air conditioner, CSPF refrigerator, VRF (variable refrigerant flow) and R32 refrigerant series etc. At the same time, the Company also received 16 Taiwan Excellence Awards and obtained 65 domestic/international technology patents and certifications.

According to forecasts by major international forecast agencies, the economy in 2018 will exhibit a steady recovery trend, while the DGBAS, Executive Yuan's forecast of domestic economic growth rate has also increased to 2.42%. Together with public construction budgets, major investment plans for state-owned enterprises and policy on encouraging private companies to participate in public constructions, the revenue of TECO's electric and machinery businesses has increased. However, the rising cost of materials has not changed, and the weak-dollar policy is set to continue, therefore there are still challenging environments ahead for the Company.

Looking ahead to 2018, TECO will uphold the vision of "Energy Conservation, Emissions Reduction, Intelligence, Automation" to develop new products, applications and markets. In terms of energy conservation and emissions reduction, benefitting from the increase global awareness on energy saving and environmental protection, TECO's green products are expected to demonstrate double-digit growth thanks to innovative developments in high-efficiency motors, optimization of inverters and CSPF home appliances. In addition, deployments in wind power, solar power related projects, EV motors, Foresight Program railroad construction and boat motor projects have been completed, serving as the new momentum for the energy conservation and emissions reduction trend.

In 2017, TECO's energy-saving and emissions reducing product sales accounted for 37.56% of the Company's overall revenue. In the future, the sales ratio of energy-saving and emissions reducing products will be increased in order to materialize TECO's vision of achieving growth and sustainability concurrently.

In terms of smart technology and automation, development in Machinery Health Management system (MHm) has become increasingly sophisticated due to strong market demand. At the same time, new digital services combining electric, machinery and Big Data analysis are beginning to generate revenue, while collaborations have been made with machinery manufacturers to expand the Company's servo product sales. Moreover, service robots are introduced, and combined with new market developments for gear reducer motors, related revenue is expected to demonstrate two-digit growth. Industrial Big Data analysis has been introduced to TECO's factories to create a factory-wide industrial IoT in conjunction with AI machine learning. The aim is to improve main production processes and production efficiency. For overseas market, the Company will become actively engaged in Vietnam, Philippines and India in order to expand its overseas locations and global deployment.

The Company received the Taiwan TOP50 Corporate Sustainability Report Award and was ranked among the top 5% of all evaluated enterprises in the Corporate Governance Evaluation for 4 years in a row. Other honors include Commonwealth Magazine Corporate Citizen Award and "Carbon Clean 200", where TECO was the only enterprise in the traditional industry to have been selected. As a forerunner in the field of sustainable development in the electromechanical industry, the Company will continue to uphold its philosophy of ethical corporate management and commitment to the development of smart, eco-friendly products in response to the global trend of energy conservation and carbon reduction. TECO also strives to become the global corporate benchmark, generating the greatest benefits for its stakeholders.



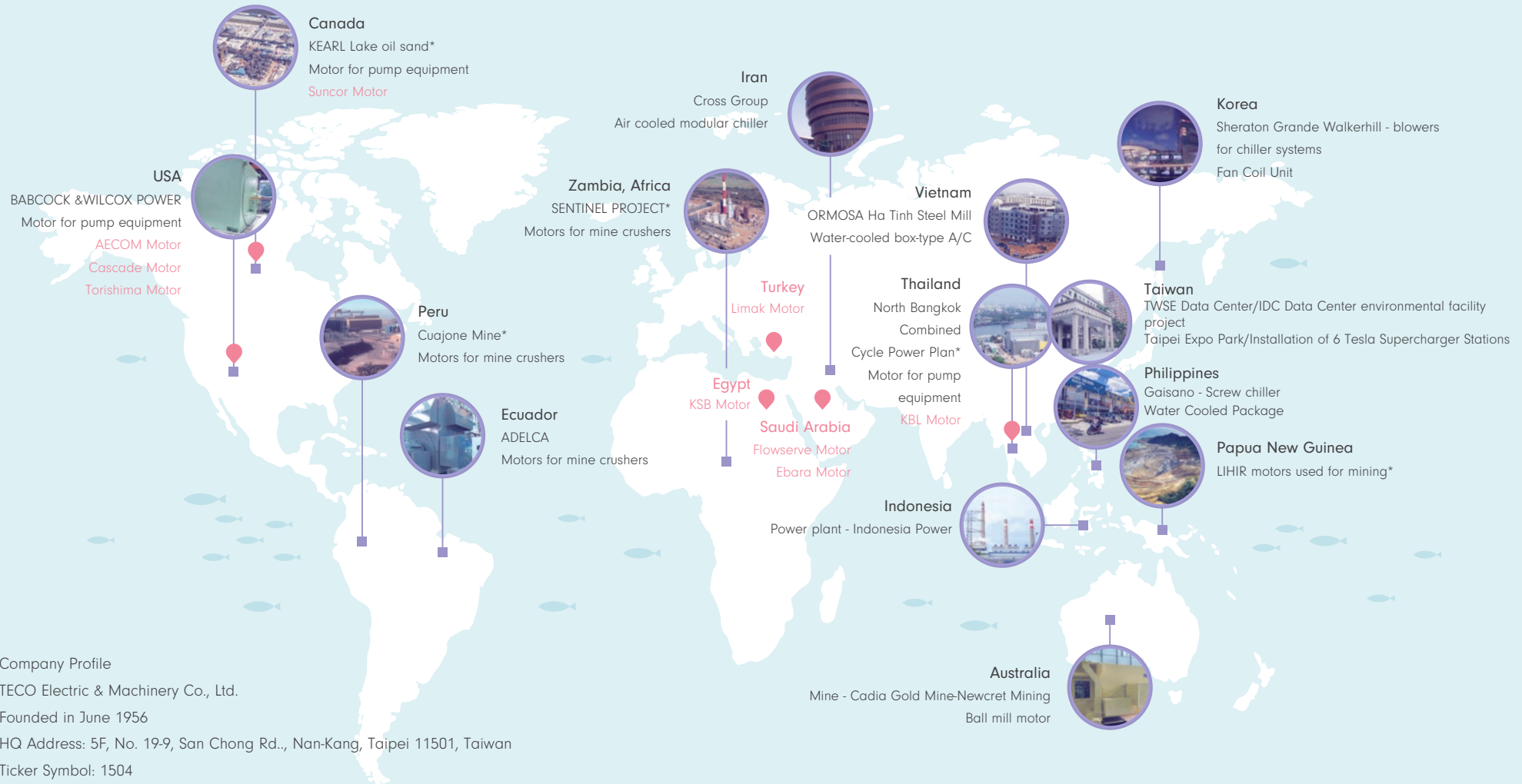
3.2.1 Global deployment

● Distribution ● Manufacturing

Since its inception, TECO Corp. has always been committed to the goal of global operations. The first overseas subsidiary was established in Singapore in 1972 in an attempt to consolidate the company's leadership position in the field of industrial motors in Southeast Asia. In 1980, the company gained a foothold in the Australian market. The acquisition of the US motor manufacturer Westinghouse in 1995 catapulted the company into the ranks of the TOP 3 industrial motor brands in the world. TECO entered the Chinese market in 2000 and has invested in production facilities in China. In 2015, the company further acquired the Italian company Motovario S.p.A. This move rapidly increased the company's share of the European market. TECO's business operations span almost 50 countries across 5 continents, but it continues to pursue sales and investment opportunities in emerging markets including India, Africa, and ASEAN to expand overseas locations and expand global deployment.



3.2.2 Global achievements



Company Profile

TECO Electric & Machinery Co., Ltd.

Founded in June 1956

HQ Address: 5F, No. 19-9, San Chong Rd., Nan-Kang, Taipei 11501, Taiwan

Ticker Symbol: 1504

Company history: <http://www.teco.com.tw/about>

Key products and services: <http://www.teco.com.tw/>

3-3 Development of Smart Industrial Products



3.3.1 Current state of the heavy Electrical equipment Industry

Machines are driven by motors, therefore they have been given the title of "Heart of Industries". According to International Energy Agency (IEA)'s analysis, industrial machines powered by motors are the most power-hungry equipment in the industry, including drills, pumps, air compressors and blowers. Collectively, they account for approximately 46% of the global power consumption. In Taiwan, motor power consumption accounts for 68% of all industrial power consumption. The staggering amount of power consumed by motors means that "energy-saving" has become a key consideration during new product development. In addition to increasing emphasis on the performance of motors, the application of inverters to expand system has also been widely accepted, further increasing efficiency and performance. According to estimates by European Committee of Manufacturers of Electrical Machines and Power Electronics (CEMEP), the ratio of motor + inverter

applications will rise from 22% in 2012 to 45% in 2020.

Development of TECO's high efficiency motors

The chart below shows the roadmap for development of high efficiency motors for major global markets including America (NEMA), Europe (IEC), China (GB), Japan (JIS), and Taiwan (CNS). Relevant product series were completed prior to enactment of IE2 and IE3 related laws and regulations in each market. Despite the fact that no concrete timetable for the implementation of the higher efficiency rating standards IE4 and IE5 exists in these countries, TECO has already completed development of the first aluminum die-cast rotor IE4 high-efficiency induction motors in the world as well as IE4 high-efficiency permanent magnet motors integrated with inverter drives to achieve maximum energy conservation and emission reduction effects for customers and improve the company's technical capabilities. In addition, the company uses no or very little rare-earth magnet for its IE4 synchronous reluctance motors and magnet-assisted synchronous reluctance motors. Even the most efficient IE5-grade permanent magnet motors have already been deployed.

*1: Note: IE1~IE5 are the motor efficiency rating standards formulated by the International Electro-technical Commission (IEC), and IE5 is currently the highest efficiency rating.

*2: Taiwan implemented IE3 motor efficiency rating standards in July 2016; although China announced to follow suit in September 2016, it has not made IE3 mandatory, therefore the market still offers mainly IE2 products.

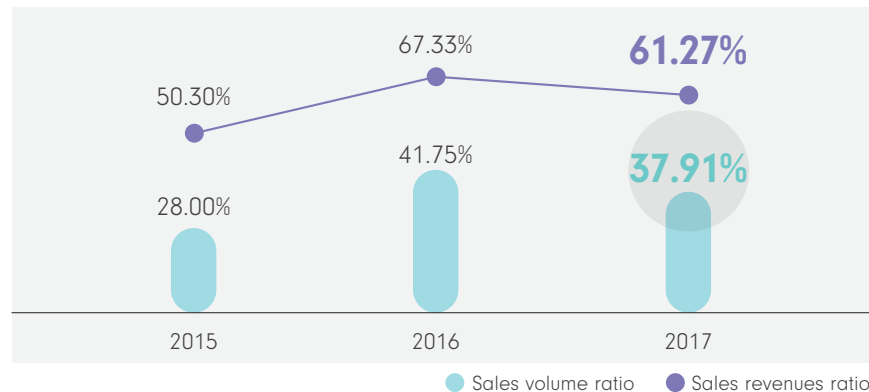
High-efficiency motor roadmap



In 2017, the sales of high performance energy-efficient motors below 300hP (224kW) (IE3+IE4) accounted for 61.27% and 37.91% of TECO's sales revenue and volume, respectively. Total energy savings reached 606 million kWh of electricity (please refer to the charts below):

▼ Green Product Performance

Sales ratios of high performance energy-efficient motors below 300hP (224kW) in 2017 (IE3+IE4)



*: Top chart. Since Taiwan implemented IE3 motor efficiency rating standard in July 2016, thus calculations in 2017 only include IE3+IE4. In 2016, the calculations include IE2 + IE3 + IE4, hence the slight drop in sales ratio.

Compared to IE1-rated motors, high performance and energy-efficient motors (IE3+IE4) sold by TECO all over the world in 2017 generated annual electricity savings of roughly 606 million kWh and emission reductions of 335,800 tCO₂e.

Energy-saving statistics for sales of high performance energy-efficient motors below 300hP (224kW) in 2017 (IE3+IE4)

Total energy savings : **606,176.95** kWh/Year
Total emission reduction : **335,822.03** tCO₂e/Year





*: Calculations based on 5,000 operating hours per year
As per public notice of the Bureau of Energy in 2017, the power emission coefficient is 0.554 (kgCO₂e/kWh)

Energy-Efficient Inverters and Green Energy Solutions

In addition to high-efficiency energy-saving motors, TECO also actively develops industrial low- and medium-voltage inverters and servo drives to pursue business opportunities in the field of energy conservation. In response to global trends of energy conservation, carbon emission reduction, and eco-friendliness, and production automation as the mainstream in global industrial development of, the main focus of electric control business development lies on the development of products that meet demands for high-efficiency, energy conservation and precise control for mechanical systems. On the foundation of the "TECO GO ECO" vision, the company has also developed control components for motors, such as inverters, servo drives and other perimeter protection low voltage products to meet industry needs for safe electricity usage, automation, and energy conservation.

The TECO 510 industrial control series inverters features the 4 initials L, E, A, F, symbolizing the core spirit of harmony and symbiosis with nature and achieving the dual objective of higher energy efficiency and better energy conservation. Optimized inverter design results in reduced environmental burdens, and the use of eco-friendly materials that conform to RoHS and REACH management standards ensures that no injuries or secondary pollution are generated. The company also actively promotes an environmental safety and health management system and has acquired the ISO14001 and TOSHMS/OHSAS 18001 certifications with the goal of maintaining the safety of work operations and minimizing environmental impacts. The 510 series features a complete range of solutions from entry-level to high-end with different specifications and a high cost-performance ratio as far as horsepower is concerned. This series represents a major breakthrough in domestically produced energy-saving inverters in terms of powerful features and application breadth.

▼ Application range

Heavy load General-purpose models	Crane, lift Elevator, drill Punching and pressing machine		A510s <ul style="list-style-type: none"> • 200V 1-150HP • 400V 1-425HP • 575 / 690V 1-270HP
Standard load Air conditioning and heating systems Air conditioner	Building automation, HVAC, fans, and pumps		F510 <ul style="list-style-type: none"> IP20 • 200V 1-175HP • 400V 1-800HP IP55 • 400V 1-100HP
Standard load Industrial machinery applications	Industrial applications, transportation applications, woodworking machinery, sealing machinery		E510s <ul style="list-style-type: none"> P20 / IP66 • 200V 0.5-20HP • 400V 1-25HP
Compact model V/F Control Drive	Conveyor, sealing machinery Food processing and textile machinery		L510s <ul style="list-style-type: none"> • 100V 0.25-1HP • 200V 0.25-10HP • 400V 1-15HP

Images: 510 series inverter applications and capacity

The A510s and F510 series is not only capable of controlling induction motors but has also achieved significant progress in the control of highly complex synchronous motors, breaking through the bottleneck of inverter energy conservation efficiency with an average efficiency of 45%.

Advantages of inverter applications

- A** Energy conservation through motor speed control: The adoption of inverters enables motors and equipment to operate at variable speeds suited to each stage of the work cycle instead of constant operations at maximum speed and power. This generates energy conservation effects.
- B** Reduction of peak currents at motor start-up to achieve energy-conservation effects.
- C** Improved power factor: Inverters with rectified input are capable of improving the power factor and thereby help avoid power supply limitations, lower reactive energy demand, and reduce energy costs.

3.3.2 Future Development of Heavy Electric Business

Era of permanent magnet motors

As the motor development trend advances from IE2 to IE3, there is also increasing market scale for permanent magnet motors. Compared to traditional induction motor, permanent magnet motor has advantages such as simple structure, compact size, lightweight and minimal wear. Furthermore, the cost of rare earth material used for permanent magnet motor has decreased significantly recently, making it more cost-competitive. Moreover, its efficiency is able to exceed IE4 regulations. Not only so, since it needs to work in conjunction with an inverter, the overall energy-saving performance is also improved. TECO's permanent magnet motors are divided according to the application needs of different speeds; in particular, the DVLS series focuses on the 3,000~6,000 rpm market segment, including air compressors and water pumps, achieving a maximum energy-saving of 30%. In the future, permanent magnet motors designed for wind and hydraulic power applications will facilitate TECO's developments in motor products for higher speed applications.

Digital Services

TECO not only strives to refine product performance on an ongoing basis, it also engages in the development of system integration solutions, providing power system modules integrating motors, inverters and gear reducer motors. The Company also proactively listens to the clients' service needs. TECO has implemented motor health examination service for its clients based on the smart equipment monitoring technology. Also known as QRC (Quick Response & Repair Center), the purpose of this initiative is to provide customers with outstanding aftersales service over the long run.

- A** The creation of QRC provides customers with expeditious repair, guarantee, technical modification and replacement services.
- B** Motor repair and maintenance service can be expanded to other equipment replacement opportunities in order to offer one-stop service: inverter, gear reducer motor, switchboard, busway, diesel generator, wind and hydraulic power units, on-site disassembly/modification project and new repair and maintenance monitoring system.



Future Development Plans and Objectives

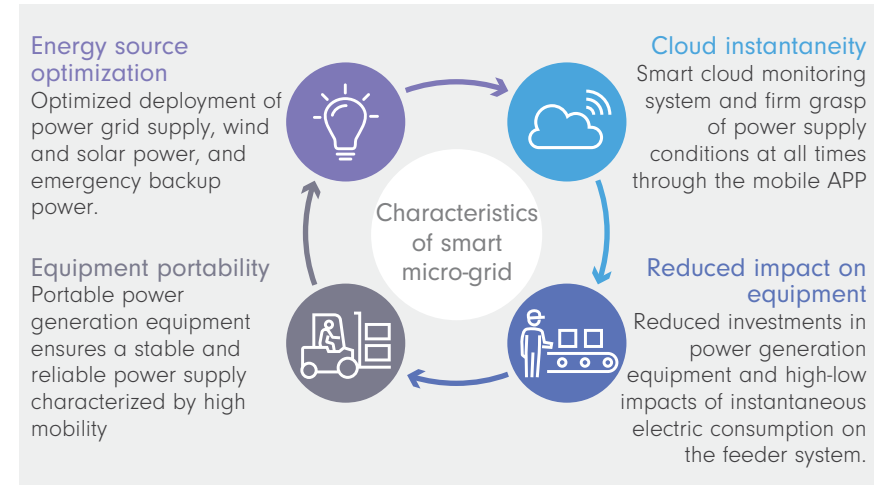
- 1 Expand product sales and services through existing channels
- 2 Develop dedicated machinery market by providing leading industry manufacturer clients with the highest value products and services, thereby increasing their loyalty.
- 3 In order to address increasing demand for motor efficiency of commercial/industrial AC systems, TECO introduced permanent magnet motor to improve energy-saving performance of the systems.

Development of a Smart Microgrid

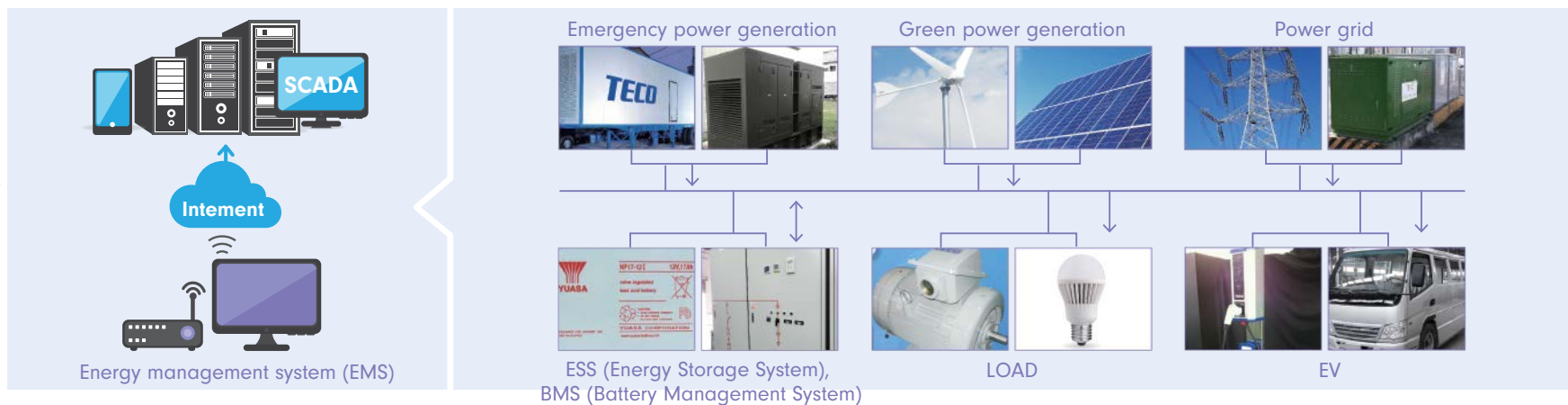
TECO actively deploys Industry 4.0 through IoT data and integration of the power grid and storage and release management of green energy. The company has the ability to conduct self-monitoring and power consumption allocation and combine power grid supply with supplementary renewable energy sources including solar energy, small-scale wind turbines, and fuel cells in a flexible manner. Grid-connected operations generate carbon emission reductions. This system can also operate independently and serve as a large-scale mobile power supply to provide emergency or backup power for the military, power companies, data centers, medical units, emergency rescue units, etc. as well as remote areas or outer islands without stable power supply. Business owners can access the status of power supply at any time through the mobile APP with TECO's smart micro-grid system and cloud-based smart monitoring system. The smart micro-grid utilizes a smart cloud monitoring system. A firm grasp of power supply conditions is maintained through a mobile APP.

Development status of the smart micro-grid

In 2017, TECO has collaborated with its subsidiaries to win the bid for New Taipei City's smart community micro-grid demonstration project. Furthermore, efforts are being made to secure micro-grid projects in areas or countries where electricity is less accessible, including Indonesia, Philippines, remote townships in Taiwan and smart communities.



Architecture of the smart micro-grid energy management system



3-4 Smart, Energy-Saving, and IoT Home Appliances



3.4.1 Development Trends in the Field of Smart Home Appliances

Smart appliances have become the mainstream in the home appliance industry. An international market research company forecasts that the global smart appliance market will rise exponentially from 600 million USD in 2012 to 35 billion USD in 2020. The rapid spread and development of smartphones and wireless network and communication technologies combined with the emergence of IoT and energy conservation concepts has provided a strong impetus for the development of smart home appliances. User-friendly smart controls combined with convenient cloud applications and the development of energy-efficient and power-saving smart home appliances are essential for businesses striving to expand into the green energy and smart grid industries. In addition, smart home appliances are characterized by convenient controls and energy conservation potential, which in turn fosters rapid market growth. Future development directions:

Smart energy conservation and carbon reduction

Global warming and extreme climate are pressing issues that can only be solved through collective efforts of humanity. Smart home appliances can achieve energy conservation through automatic adjustment of operation times and conditions in accordance with the surrounding environment. For instance, Smart AC systems are capable of automatic adjustment of their operating conditions in accordance with different seasons, climate conditions, and user locations to. Automatically adjust its operating conditions, as well as operate in the most suitable mode during peak and off-peak hours in order to avoid unnecessary energy waste.

Composite Interactive Smart Control

In the future, it will be possible to link smart appliances via LAN at home and connect them with manufacturer service stations. Remote control through mobile devices by users and active responses by smart information appliances through active sensors (e.g., temperature, sound, action etc.) are classic examples of people-to-object and object-to-object interactions. This information can also be fed back to mobile devices via mobile devices, which is an example of object-to-people interaction. These people-to-object, object-to-people, and object-to-object modes fully embody the spirit of controlling home appliances over IoT.

3.4.2 TECO Smart Home Appliances Development Plan

TECO is the first domestic manufacturer to incorporate IoT functionality into home appliances. The Company spearheaded the launch of cloud-based AC systems with customer-oriented practical functions, such as scheduling control, power consumption visualization, remote control, shutdown reminder, etc. to establish itself as a leader in the development of smart home appliances in the country. Although key IoT functions have been incorporated into all major TECO home appliance technologies, the Company firmly embraces the core philosophy of "Content Is King" in the field of smart home appliance development, and strives to provide its customers with premium service contents. The second core concept of smart home appliance development is the provision of smart functions to enhance customer value instead of just rudimentary IoT functionality.

Smart Air Quality Management System

TECO's "energy-conserving smart air-quality monitoring service" system received the 14th "National Innovation Award". The "energy-conserving smart air-quality monitoring IoT platform" integrates smart air-quality management systems to offer monitoring of HVAC (heating, ventilation, and air conditioning) equipment and air-quality using energy-saving technology.



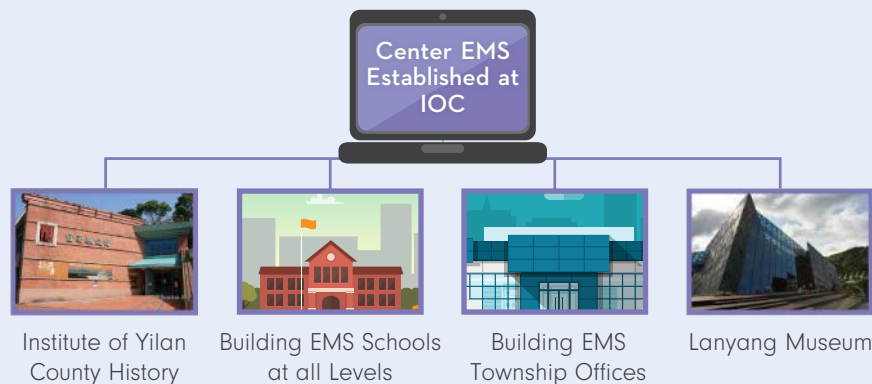
TECO has integrated the Group's ICT technology and chosen Taipei City Hospital Renai Branch as the demo site to install communication modules on hospital equipment that require monitoring. The data collected is uploaded to an integrated server to perform Big Data analysis, extraction and calculations, so as to automatically control equipment such as HVAC, thereby saving energy and ensuring air quality. Electronic signs are installed in the hospital to let the public understand the ambient air quality. Management units of the hospital such as the engineering section can monitor air quality and operating status of hospital equipment via a PC. When the platforms are linked, the equipment is able to adjust to fluctuations in the environment to create the most comfortable environment with the best air quality in the most energy-efficient operating mode.

Aside from hospitals, the project also involves collaboration with business hotel and office buildings. Moreover, working in conjunction with TAF Innovation Base, Industrial Development Bureau's theme research project, the "Smart Home Appliance App and Open API Service Platform" has been unveiled at the TAF Innovation Base.



Smart Energy Management System

In response to energy conservation and carbon reduction demands, an Intelligent Energy Management System has been developed for public buildings (such as schools) and commercial customers (such as chain stores) through the integration of TECO's core competencies in AC systems with power-hungry systems such as lighting and elevators. The Yilan Demo Site is a good example. A centralized management coupled with decentralized control approach has been adopted. Centralized management ensures a firm grasp of the power consumption of each branch organization and formulation of power conservation strategies through the smart IoT capabilities of devices. Another dimension is the development of innovative smart control to reduce electricity consumption by an estimated 40% without compromising comfort.



3-5 New Developments of the Green Energy Industry

3.5.1 EV Motor Development

In 2017, over 1.22 million electric vehicles (EVs) were sold worldwide, up 41% compared to 2016. Propulsion systems for electric vehicles have matured. Over 50 mass-produced EV models are currently available on the market. However, market acceptance of EV range and prices is rather limited. R&D efforts of mainstream EV manufacturers therefore focus on battery technologies and cost reduction. At the same time, every manufacturer is searching for breakthroughs in the field of lightweight design by adopting new materials including high-strength aluminum alloy and carbon fiber reinforced plastic. The development of power modules for special-purpose vehicles has been the Company's main focus in consideration of new technologies adopted by the mainstream EV manufacturers and the prices acceptable to the market. TECO has successfully rolled out EV power modules for E-trikes and minibuses.



Future Development of EV Business

© Substantial developments in the field of EV

Major car manufacturing countries have collaborated to mitigate air pollution and GHG related issues pursuant to increasingly demanding international energy consumption laws and regulations. It is expected that oil consumption will decrease significantly (by 20-40%) in the next 3 years starting in 2018. Since internal combustion engines currently available on the market will fail to meet the required standards in 2020, major car manufacturers have gradually shifted their R&D resources to new energy vehicles in order to achieve the goals stipulated by oil consumption laws. In recent years, TECO has proactively sought cooperation with major car manufacturers to develop motors for new energy vehicles. The Company has drawn up its constantly refining experience in electrical engineering design to develop EV electrical systems. Furthermore, developments in next-generation EV

motor will advance TECO's high quality manufacturing technology, thereby increasing product mass production feasibility and price-performance ratio.

© E-bus achievements

In May 2017, TECO and an European motor manufacturer signed a production/-sales and technological cooperation agreement, targeting enormous opportunities in the e-bus and ship market in Asia. In 2017, the global sales of e-bus reached 380,000 vehicles, with the Asia-Pacific region is one of the fastest growing EV markets in the world. In particular, China is the largest, fastest-growing electric passenger vehicle market in the globe, expected to account for more than 50% of the global market share before 2025. Particularly, e-bus will exhibit a staggering growth rate of 20%. TECO has collaborated with an European manufacturer to apply Synchronous Reluctance assisted Permanent Magnet on e-bus's power module, making it the first company in Taiwan to do so. Compared to traditional induction motor, the new technology is able to reduce size and weight by 75%, achieving the best operating efficiency of 97%. As a result, the overall power performance of this eco-friendly transportation has surpassed that of diesel buses while attaining zero carbon emissions and zero noise pollution.



Bus motor



E-bus

Data courtesy of: TECO's partner manufacturers

3.5.2 Solar Energy Business Development



The government is currently striving to materialize its nuclear-free homeland policy, hoping to achieve the goal of 20% renewable energy (27GW) by 2025, with solar power contributing approximately 20GW. Users with a contract capacity of more than 800KW will be required to install green energy systems that can generate at least 10% of the contract capacity. At the same time, the green energy rooftop total participation program has been implemented, aiming to attain 2GW capacity before 2020.

Besides installing rooftop solar power stations on its factories, TECO has also tapped into the domestic market, which still has a market value of 18.7GW by 2025 (equivalent to NT\$935 billion). In doing so, the Company also endeavors to realize the government's vision of nuclear-free homeland and fulfill its responsibilities as a corporate citizen.

So far, TECO has formed development teams with major solar module manufacturers to create a rooftop solar power station in the Guanyin factory in Taoyuan. The rooftop solar power station at the Guanyin factory will be completed in several stages. Stage one has been completed in March, 2018, with a power generating capacity of 1.7MW; stage two of the project is slated for completion by 2020, estimated to reach a capacity of 10.0MW. At the same time, TECO will continue seeking business opportunities abroad.

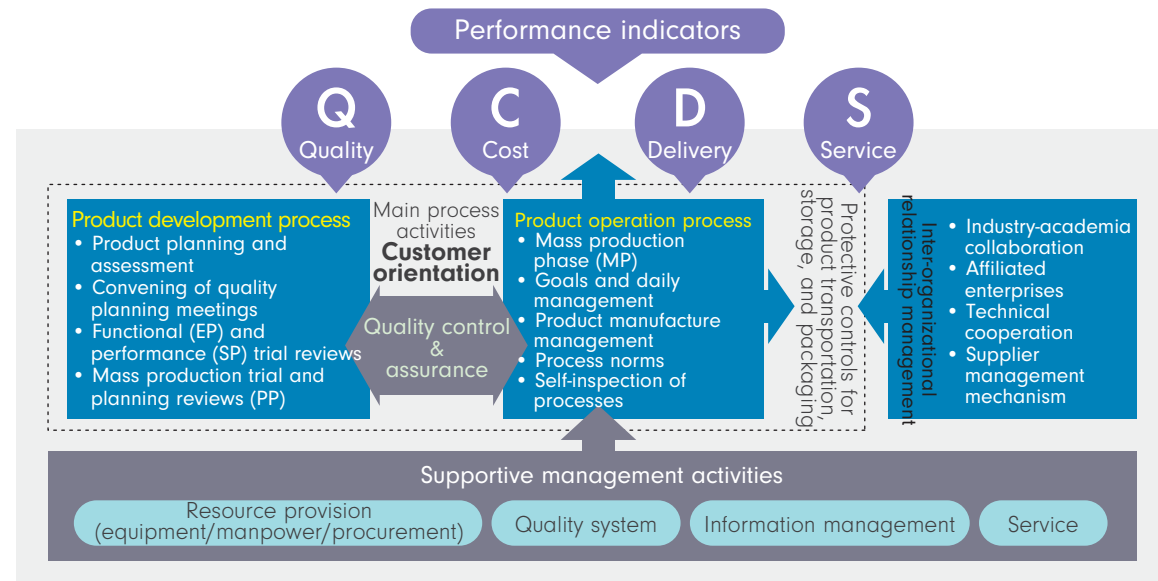


Stage one of the solar power station project in Guanyin factory



3-6 Superior Quality Control

TECO's unremitting commitment is to ensure sustainability, improve service quality, customer satisfaction, cultivate world-class talents and produce outstanding products. TECO constantly strives to improve product quality, service quality and foster an innovative culture in order to satisfy customer demands and expectations. By improving the its corporate qualities, as well as by forging long-term, mutual relationships with the Company's stakeholders such as customers, distributors, and the supply chain, TECO is able to manage risks effectively, deploy in markets with potential, and develop automated, smart, eco-friendly products and solutions. The aim is to create competitive advantages by transforming the Company into a global, high-tech and green-product manufacturer.



Rigorous Product Development Procedures

All of TECO's products must undergo rigorous development, certification and quality control procedures in order to ensure the legal compliance of their design (environmental, labeling, safety and health etc.), as well as their production feasibility. The Company will make sure the products supplied to its customers will comply with product efficiency and safety related inspection standards. Marketing efforts are also compliant with marketing, advertising and customer privacy protection related regulations. Moreover, the Company will continue to track and improve quality, as well as to increase the value of its products, in order to provide safe, high quality products to its clients.

Promotion of quality management systems and lab accreditation to ensure satisfaction of customer demands






All TECO plants and TESEN Electronic Co., Ltd. have acquired ISO 9001:2015 quality management system certifications. Machinery and equipment at the Chungli and Hukou Plant has passed IATF16949 quality management system certification for the automotive industry. Effective implementation of quality management system is ensured through annual internal and external audits. In addition, TECO also strives to acquire lab accreditations to ensure cutting edge product development technologies and product functions. The motor testing lab at Chungli Plant is the first lab in Asia to acquired motor testing certification awarded by the US Department of Energy (DoE) NVLAP.

Overview of acquired quality certifications

Certification type	Certified plant area
ISO9001 Quality Management System	Chungli Plant Hukou Plant Guanyin II Power Equipment
IATF16949 Quality Management System (car production and related components...)	Chungli Plant Hukou Plant Electric Control Products
US Department of Energy (DoE) NVLAP	Motor testing lab of the Chungli Plant
Canadian Standards Association CSA ISO / IEC 17025 lab accreditation	Motor testing lab of the Chungli Plant
Taiwan Accreditation Foundation TAF ISO / IEC 17025 lab accreditation	Motor testing lab of the Chungli Plant High-voltage switchboard lab of the Hukou Plant Calibration lab of the Chungli Plant

Product certification

TECO employs registration of product certification for its products in Taiwan. Every item sold on the domestic market conforms to the registration regulations of the Bureau of Standards, Metrology, and Inspection. The Company applies for the label in accordance with international standard certifications for products sold overseas to safeguard user rights and interests. For instance, the following certifications have been acquired for the Company's high-efficiency (IE1-IE4) motor series:

<div> <div>○ Completed</div> <div>● Pending</div> </div>				
NO	Countries/regions	Efficiency rating	Product certification	Status
1	USA	IE2	  	○
	Canada	IE3		○
2	Europe (International Electrotechnical Commission)	IE1	CE	○
		IE2		○
		IE3		○
		IE4		●
3	Taiwan	1E1+		○
		IE2		○
		IE3		○
4	Japan	IE3		○
5	Australia	IE2	MEPS	○
	New Zealand	IE3		○
6	Mainland China	GB1 (IE4)	GB2	○
		GB2 (IE3)	GB3	○
		GB3 (IE2)		○

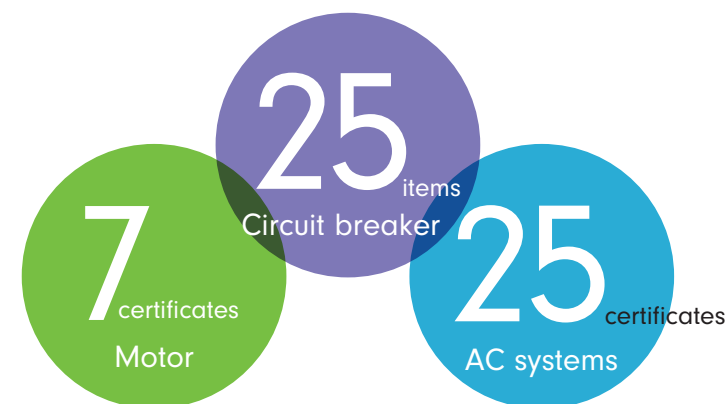
Product Safety, Labeling, and Sales

TECO has formulated management procedures for restricted materials to safeguard consumer rights and interests. Non-use of harmful substances is controlled from the source. Design and production are carried out in strict compliance with relevant standards. During the product testing stage, "simulated malicious testing" is conducted to ensure product safety. Accurate information is provided on product packaging, in user manuals, and sales messages pursuant to the Commodity Labeling Act to facilitate correct purchase decisions by consumers and ensure usage safety. Marketing activities are carried out pursuant to regulations set forth in the Fair Trade Act. In addition, TECO and its service provider subsidiary (AOK Co., Ltd.) have formulated management measures to safeguard the privacy of customer data obtained through product sales and services. In 2017, TECO has no record of violations of relevant laws and regulations related to product and service information, advertising and promotional activities.

Major achievements in the field of quality management in 2017 are as follows:

1. Superior products

In 2017, 57 certificates for registration of product certification were acquired, including:



68 CNS Explosion-proof certificates were acquired for motor product series and single items in 2017.



In 2017, TECO acquired 23 energy-saving labels and 8 water-saving labels as a result of its firm commitment to environmental protection and energy conservation for its home appliance products. The following products have been awarded energy-saving labels.

Energy-conserving/ water saving products	Number of models
Ductless AC	4
Electric fan	3
Thermos	1
Warm and hot water dispenser	1
Dehumidifier	1
Refrigerator	3
Washing machine	Energy-saving: 3 water-saving: 8
Display	7



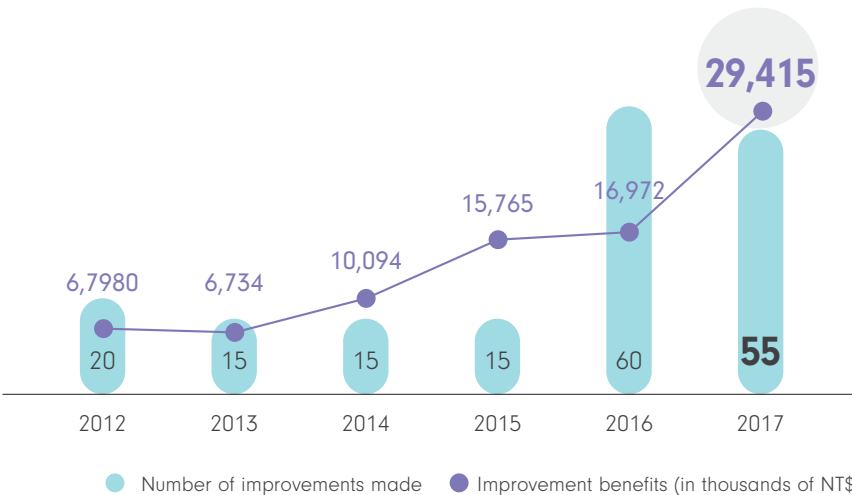
With products emphasizing high-efficiency, energy-saving and smart IoT application, TECO won **16** "Excellence Award" in 2017, ranking the Company not only among the top 3 of all participating enterprises but the no.1 in the electrical manufacturing industry.



2. Constant Improvements

Since TECO introduced the quality circle and quality improvement project more than 4 decades ago in 1971, it has continued to utilize systematic, logical improvement processes and tools to facilitate the PDCA management cycle. Through problem analysis, resolution and team improvement activities, it is able to satisfy customer needs, improve company operating efficiency, as well as foster personal growth and cultivate self-awareness. Since 2015, TECO's improvement efforts have received recognition at the National Unity Circle Competition by winning bronze and silver awards repeatedly.

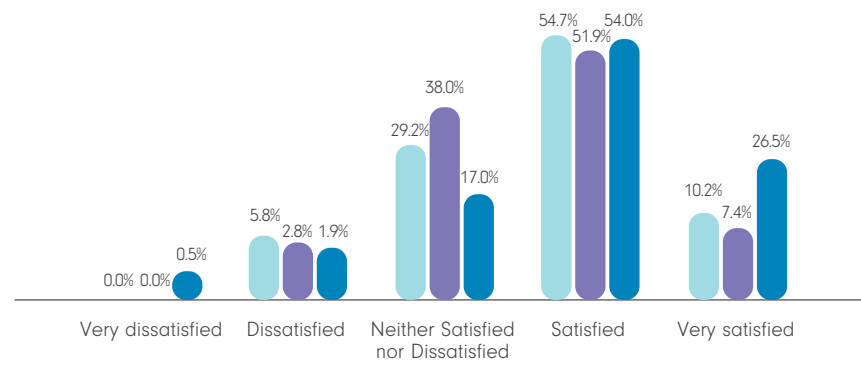
In 2017, a total of **55** quality improvement projects were implemented, including **37** quality control circles and registration of **18** project improvement teams, generating a whopping **NT\$29,415K** of improvement benefits.



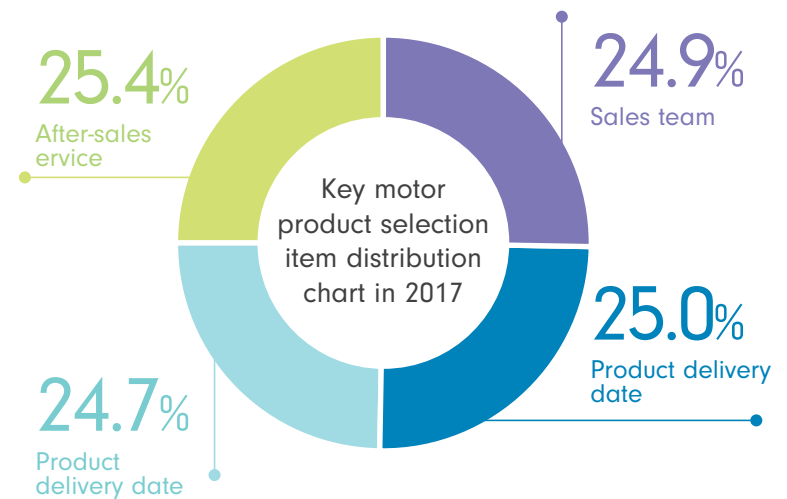
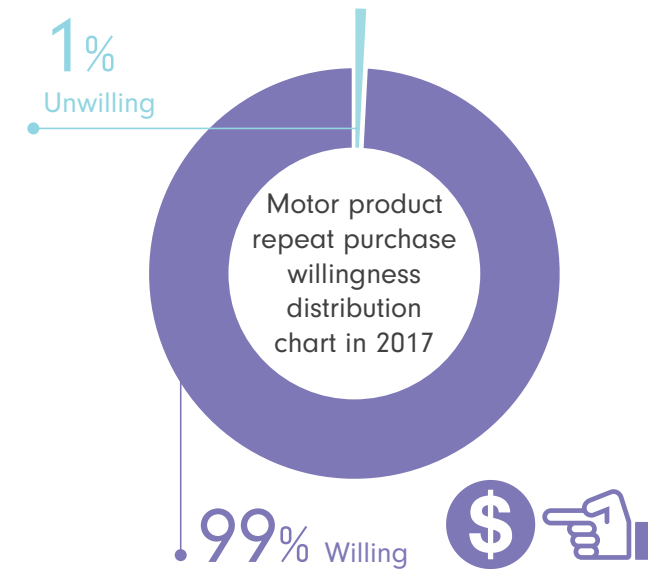
3-7 Customer Satisfaction

3.7.1 Customer Satisfaction Levels towards Motor Products

▼ Comparison of satisfaction levels with TECO motors 2015-2017



▼ Distribution of customer survey items 2015-2017



Delivery improvement strategies

Design improvement

- Standardized design to improve production consistency and shorten unproductive work hours during operation.
- Low voltage motor advanced design
- Forecast mechanism for long production process components is augmented (axle/frame/bracket)

Mod. Shop construction and modification

Establish motor return and modification ability, minimize piecemeal orders and shorten production LT in order to meet the customers' short delivery dates.

Materials improvement

- Shorten the delivery date of welded frames and brackets
- Create an inventor for part of the most frequently used materials

Production schedule improvement

- Complete MES system as well as on-time, accurate production job number and schedule to enable the unit executive to effectively keep track of production progress and address any differences immediately.
- Production management schedule and quantity are adjusted in response to the weekly load ratio in order to increase the on-site load balancing ratio.

Production bottleneck improvement strategy

Inter-departmental multi-skilled workers provide versatile support.

Quality variation management

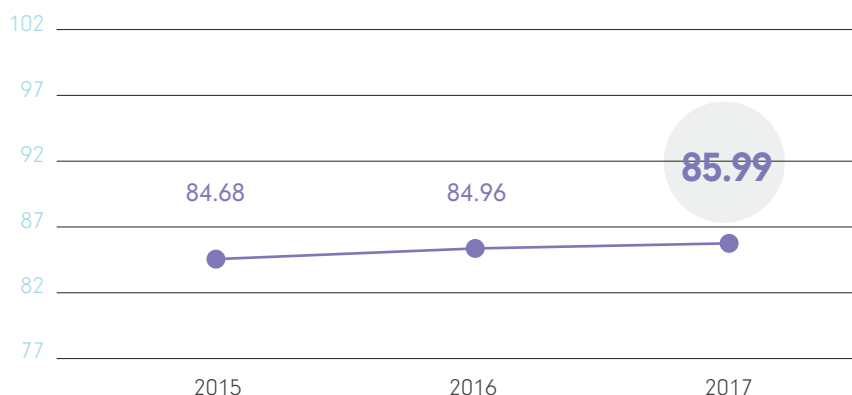
Form a quality variation management team, where dedicated personnel can track different categories of quality variation in real time and address the problems accordingly.

Future ongoing improvement strategies

Optimized scheduling system program. Production key connections between 5 major departments are determined in order to improve synchronization, minimize wait time and shorten delivery date.

3.7.2 Customer satisfaction levels with home appliances

▼ Customer satisfaction levels 2015-2017



Customer satisfaction increased by 1.03% in 2017 compared to 2016 for the following main reasons:

- Quality of televisions and refrigerators have improved, resulting in decreased complaints
- Improvement of material preparation and management helps to minimize the impact of supply delays.
- Improve on-site repair to minimize the impact of product exchanges.
- Increase service budget and service personnel, thereby increasing 3-day completion rate.
- Sales executives pass on customer interaction experiences to service personnel in order to improve their communication skills.

In 2018, the aforementioned improvement projects will continue to be implemented in an effort to further increase customer satisfaction.



4 Corporate Governance and Risk Management



4-1 Corporate Governance

4.1.1 Corporate Governance Strategy

Organizational Culture

The Company continues to consolidate an organizational culture characterized by integrity and uprightness based on a business philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility, and Pursuit of Sustainable Operations". The Company aims to ensure that every TECO employee internalizes these concepts as his/her inner beliefs and action guidelines and pursues enhanced corporate governance in a spontaneous manner.

Action Guidelines

TECO constantly reviews and improves business practices in all areas pursuant to the latest standards and items of "Corporate Governance Evaluations" promulgated by TWSE on an annual basis to ensure constant advances in the field of corporate governance quality.

System Norms

The existing internal management mechanism is adjusted in an adequate manner through the pursuit of outstanding results in "Corporate Governance Evaluations" and utilization of information provided by competent authorities and external consultants with the goal of incorporating the latest corporate governance trends in daily operations and processes.



4.1.2 Corporate governance performance and future development goals

2016

- Ranking in the Top 5% of all evaluated enterprises in the "Corporate Governance Evaluation" held by TWSE for Three consecutive years.
- Self-evaluation of performance pursuant to the "Board Performance Assessment Guidelines" and linkage of director compensation with performance assessment results.
- Amendment of the Corporate Social Responsibility Best Practice Principles, Corporate Governance Best Practice Principles, and Ethical Corporate Management Best Practice Principles.
- Investment in solar power systems on the roofs of the group's own factory buildings.
- The corporate governance tasks related to the Company's business operations have been incorporated into the five main dimensions of the manager performance appraisal system.
- The Legal Affairs Office has been restructured into the Legal Compliance and Legal Affairs Office to strengthen legal compliance.

2017

- Ranked among the Top 5% of all evaluated enterprises in the "Corporate Governance Evaluation" for four consecutive years.
- Officially inaugurated the "Motor Stator Automated Production Center" in Chungli.
- TECO and Finnish electric manufacturer Visedo signed a "production/sales and technological cooperation agreement".
- Commissioning of an external impartial unit to conduct professional assessments of board performance.

Development
plans for the
future and
2018

- Continued pursuit of rankings in the Top 5% of "Corporate Governance Evaluations"
- Planned establishment of task forces subordinate to the Auditing Committee and implementation of corporate governance on all business levels through increased participation of independent directors in company operations.
- Potential addition of functional committees.
- Inclusion of significant CSR issues into the Board meeting agenda in order to reinforce corporate management strategy and connection to the three facets of ESG (Environmental, Social and Governance).

Realization of sustainable corporate development through rigorous fulfillment of the Company's role as a corporate citizen based on the corporate vision of "Energy Conservation, Emissions Reduction, Intelligence, Automation" and the business philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility, and Pursuit of Sustainable Operations". The management level is highly committed to the fulfillment of corporate social responsibility, active promotion of corporate governance, and adoption of an advanced and high-quality corporate governance system to achieve international standards in the field of corporate governance and bring the Company in sync with international trends.

Establishment of a cross-departmental unit in charge of monitoring and implementation of sustainability

In 2014, TECO established the CSR Committee, which is a cross-departmental dedicated unit in charge of monitoring of the implementation results of sustainability issues to ensure the incorporation of ESG (Environmental, Social and Governance) into the corporate decision-making process with the ultimate goal of fulfillment of CSR through a simultaneous focus on sustainable growth, social harmony, and green economic development.

Establishment of a corporate governance platform in charge of supervision of corporate governance performance

TECO has established a "Platform for Orders issued by Competent Authorities in the field of Securities" to guarantee that the governance system is in sync with the latest developments and ensure regular updates of information regarding laws and regulations and competent authorities which is related to the Company's business operations. The goal is to give relevant units a real-time grasp of the latest external information. In addition, the Company established a "Corporate Governance Center" in charge of the creation of a "Corporate Governance Management Platform" in 2015 to facilitate the effective compilation and tracking of corporate governance indicators and ensure a firm grasp of progress in the field of corporate governance. The management platform is based on the TECO corporate governance vision and conforms to the evaluation indicators and items of the "Corporate Governance Evaluation" held by TWSE. It creates a framework for joint review and discussion of corporate governance related items with relevant units and formulation of corporate governance goals on a regular basis. The platform tracks implementation status and results of competent units with regard to corporate governance items on a regular basis to monitor sustainability performance.

In recent years, TECO's achievements in the field of corporate governance have been recognized with major awards. The Company has been ranked among the Top 5% of all evaluated companies in the 1st, 2nd, 3rd and 4th "Corporate Governance Evaluation" held by TWSE, and it has earned the "Taiwan Corporate Sustainability Award" TCSA for four consecutive years. TECO has also been honored with the "CommonWealth Magazine Corporate Citizen Award" for six consecutive years since 2012. This bears witness to the impressive achievements of the Company in the field of corporate governance, transparency, and integrity. In the future, TECO will continue to enhance its corporate governance standards to fulfill its pledge to make constant improvements in this area.



▼ Corporate governance management platform process

- 01 Confirmation of task indicators for corporate governance evaluations of the respective year
- 02 Assignment of task indicators to responsible units and stipulation of completion dates by organizing units
- 03 Responsible units indicate projected completion schedules and contents
- 04 Confirmation of mission objectives for corporate governance evaluations during the current year
- 05 Regular follow-up by the management platform after the stipulated completion date
- 06 Closure by organizing units upon verification of actually completed contents specified by competent units

Establish the "One TECO Operation Platform" to improve financial transparency

"One TECO Operation Platform" (Enterprise Resource Planning integration) was completed in 2017 for the primary purpose of consolidating the databases of TECO's clients, accounts, suppliers and materials, so as to effectively integrate the Group's resources and adopt a standardized management SOP.

Functions of the "One TECO Operation Platform:"

- Customer database: Allows various business groups to share all-channel, consistent sales management capabilities. Systematic product sales fosters more effective management of global sales.
- Accounts: Facilitates the timeliness and comparability of the Group's financial reports, thereby enhancing financial transparency.
- Supplier database: Facilitates centralized purchasing in order to obtain the most competitive procurement prices.
- Material database: Helps to achieve the goal of centralized purchasing and supply distribution, thereby optimizing production efficiency.



E-voting system

A case-by-case voting method has been adopted for motions voted on in TECO's Annual Shareholders' Meetings to achieve information transparency and optimal communication with shareholders. As of 2012, an e-voting system has been implemented to safeguard shareholder rights and interests. The e-voting system was first implemented in 2012, achieving a turnout (attendance rates) of 44% (36%). The figures increased every year, reaching a turnout (attendance rates) of 79% (57%) in 2017. In addition, TECO board members actively participate in Annual Shareholders' Meetings, and the attendance rate of board members reached 87% in 2017

Annual Shareholders' Meeting	E-voting system turnout rate	Shareholder attendance rate	Board member attendance rate
2012	44%	36%	80%
2013	56%	42%	93%
2014	68%	49%	87%
2015	63%	52%	80%
2016	77%	55%	92%
2017	79%	57%	87%
Average	64%	48%	87%

Stakeholder communication and information disclosure

TECO places high emphasis on communication with stakeholders, information disclosure, and transparency. The Company discloses information and communicates directly with various stakeholder categories on a scheduled/non-scheduled basis via open communication channels. The following channels are used to provide related information for different stakeholders in order to materialize ethical and transparent corporate governance.

Annual Shareholders' Meeting

- Convenes annually
- Explains the Company's operational conditions and its management plan

Investor Relations

- An investor relations section has been created on the Company's website (www.teco.com.tw/announce) to disclose TECO's latest announcements, major information, financial information, as well as Annual Shareholders' Meeting and investor-related information.
- TECO also explains the Company's operating status, financial performance, strategic development, and business policy directly to investors by in domestic and overseas investor forums organized by foreign securities firms from time to time.

Market Observation Post System (MOPS)

- Contains company operation and management related information

Stakeholders

- Specialized staff/section has been put in place to respond to shareholders and stakeholders
- Direct communication via telephone, fax or email
- The Company has established an auditing and grievance mailbox to encourage employees to report violations of relevant laws and regulations

Corporate Social Responsibility

- TECO publishes CSR reports every year, disclosing information on the Company's operating and development conditions, environmental protection, green product, corporate governance, employee relations and social participation etc.
- The Company's website features a CSR section, providing all relevant information (<http://www.teco.com.tw/csr/default.aspx?gid=1>).



4.1.3 Improving Board of Directors' Competence

The TECO board of directors is the highest executive organ of the Company and is authorized to appoint and nominate top managers. It is also in charge of formulation of CSR, corporate citizen, and sustainable development strategies.

As per the amended "Articles of Incorporation" and "Director Election Guidelines" ratified by the Annual Shareholders' Meeting in 2014, a candidate nomination system has been adopted for the election and appointment of directors (including independent directors) to strengthen the information transparency of director nomination and review procedures and thereby safeguard shareholder rights and interests and perfect corporate governance. A sound and efficient Board of Directors is the foundation of excellent corporate governance. TECO carried out a reelection of the board of directors during the Annual Shareholders' Meeting in 2015 to strengthen the independence and diversity of the board. 15 directors were elected for a term of three years. One of the 15 newly elected board members is female and two are Japanese nationals. Only two board members concurrently serve as TECO managers. External directors account for 67% of the board membership. Board members actively participate in board meetings (the attendance rate reached 88.89% in 2017) to gain a full understanding and monitor the implementation of business plans. Two functional committees (the Auditing Committee in 2012 and Remuneration Committee in 2011) subordinate to the board of directors were formed to assist the board in the execution of its monitoring functions. The Auditing Committee is comprised of the three independent directors, while the Remuneration Committee is composed of appointed independent directors and experts (a total of three). The organizational charters of all committees which are required to report are subject to approval by the board.

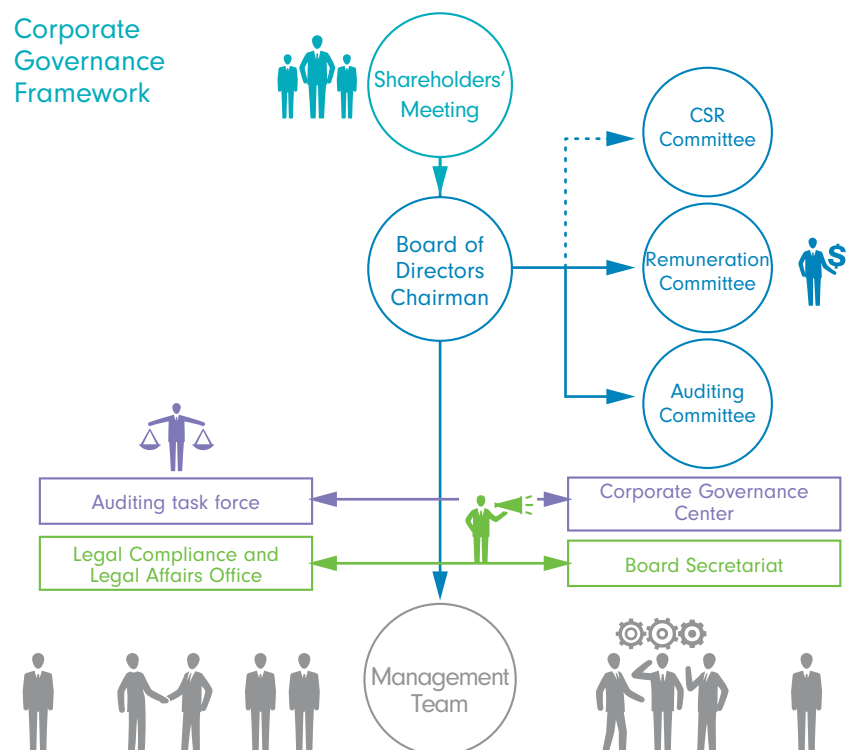
In 2015, the board ratified the "CSR Best Practice Principles" to ensure fulfillment of corporate social responsibility based on the key principles of corporate governance, development of a sustainable environment, maintenance of social welfare, and strengthening of CSR-related information disclosure. In accordance to the norms and regulations set forth in the "Corporate Governance Best Practice Principles", concepts of gender equality shall be observed in the election and appointment of board members who shall possess strong competencies in the fields of operational judgment, accounting and financial analysis, business management, and crisis handling as well as industry-specific expertise, international market perspective, leadership and decision-making abilities to ensure achievement of the goal of optimal corporate governance. The composition of the Board should be based on the principle of diversity, and appropriate diversified policies should be formulated with regard to board operations, operation modes, and development demands including, but not limited to, standards on the following two dimensions:

Basic terms and value → Gender, age, nationality, or culture

Professional expertise and skills → Professional background, professional skills, and industry experience

TECO formed the CSR Committee in 2014, which convenes at least three meetings per year (March/August/November). The Committee is chaired by the President, with business division managers serving as ex-officio members. Various subordinate task forces have also been formed. The Committee reports directly to the Chairman and keeps track of TECO's CSR goals, and policy implementation status. Furthermore, it compiles the Company's CSR-related accomplishments in order to compile and publish the annual CSR report. TECO's CSR implementation performances are presented to the Board of Directors on a non-scheduled basis. Starting from 2017, KPI for various business division executives (linked to executive salaries) were introduced along with CSR performance linkages in order to reinforce CSR promotion.

Corporate Governance Framework



▼ Brief resumes of directors

Title	Name	Date of Appointment	Main professional (educational) background	Concurrent positions at TECO or other companies
Chairman	Great TECO Investment Co., Ltd. Representative/Chwen-Jy, Chiu	2015.06.11	University of Michigan/MBA	<ul style="list-style-type: none"> Chairman of Taiwan Pelican Express Co., Ltd. Chairman of Motovario S.p.A Chairman of Appliance Service Provider
Standing Director	Donghe International Investment Co., Ltd. Representative/Chao-Kai, Liu	2015.06.11	University of Illinois/ PhD in Electromechanical Engineering	<ul style="list-style-type: none"> Chairman of Tecom Co., Ltd. Chairman of United View Global Investment Co., Ltd. etc.
Standing Director	Cheng-Tsung Huang	2015.06.11	Fu Jen Catholic University/ Department of Economics	<ul style="list-style-type: none"> Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation
Standing Director	Creative Sensor Inc. Representative/Yu-Ren, Huang	2015.06.11	Columbia University/ MA in Electromechanical Engineering	<ul style="list-style-type: none"> Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation
Standing independent director	Chien-Yuan Lin	2015.06.11	University of Washington/ PhD in Traffic Engineering	<ul style="list-style-type: none"> Chairman of An-Shin Food Services Co., Ltd. Professor and Dean of College of Environmental Design, Chinese Culture University
Independent Director	Jing-Shown, Wu	2015.06.11	Cornell University/PhD in Mechanical Engineering	<ul style="list-style-type: none"> Distinguished Professor, NTU
Independent Director	Ting-Wang, Cheng	2016.06.16	University of Missouri/MA and PhD in Accounting	<ul style="list-style-type: none"> Standing Independent Director of Asia Pacific Telecom
Director	Mao-Hsiung, Huang	2015.06.11	University of Pennsylvania/MA in Economics	<ul style="list-style-type: none"> Supervisor of An-Shin Food Services Co., Ltd. Chairman of Century Development Corporation Chairman of Australia Pty Limited
Director	Po-Chih, Huang	2015.06.11	MA, Graduate School of Engineering, Tokyo University	<ul style="list-style-type: none"> Supervisor of Tecom Co., Ltd.
Director	Hsien- Sheng, Kuo	2015.06.11	Department of English, Tamkang University	<ul style="list-style-type: none"> Chairman of Pingtung Bus Transportation Co., Ltd. Chairman of Nantou Bus Transportation Co., Ltd.
Director	Yaskawa Electric Corporation Representative/Hiroyuki Ougi	2015.06.11	Keio University Bachelor of Electrical Engineering	<ul style="list-style-type: none"> Managing Executive Officer of Yaskawa Electric Corporation Chairman of Yatec Engineering Corporation
Director	Guangyuan Co., Ltd. Representative/Shih-Chien Yang	2015.06.11	PhD in Electromechanical Engineering, US Northwestern University	<ul style="list-style-type: none"> Chairman of Global Strategic Investment Inc. Chairman of Huanxun Investment Co., Ltd. Independent Director of Topkey Corporation
Director	Great TECO Investment Co., Ltd. Representative/Hong-Hsiang, Lin	2015.06.11	MA, Institute of Mechanical Engineering, University of Houston	<ul style="list-style-type: none"> Chairman of TECO Electric & Machinery Pte Ltd. (TEK)
Director	Lien Chang Electronic Enterprise Co. Ltd. Representative/Ming-Feng, Yeh	2015.06.11	Department of Industrial Management, Minghsin University of Science and Technology	<ul style="list-style-type: none"> Director of Yubantec Standing consultant, Chinese National Association of Industry and Commerce, Taiwan
Director	Maoyang Co., Ltd. Representative/Yung-Hsiang, Chang	2015.06.11	Department of Industrial Management, Minghsin University of Science and Technology	<ul style="list-style-type: none"> Chairman of Hongtong Co., Ltd. Director of Taiwan Styrene Monomer Corporation

Board operations

In accordance with the regulations set forth in the Articles of Incorporation, the board convenes at least once every quarter to gain a better understanding and monitor business plan execution, financial statements, auditing reports and tracking of relevant items. A total of 6 board meetings were convened in 2017. The average attendance rate of the Directors reached 88.89% (excluding attendance by proxy). In addition, accountants are invited to attend board meetings on an annual basis to allow board members to gain a full understanding of the Company's financial affairs through discussions with accountants regarding annual reports and accounting matters. Major board resolutions are made public on the Market Observation Post System and in the special section for investor relations of the corporate website in a prompt manner. Important company regulations such as the Articles of Incorporation, Corporate Governance Best Practice Principles and Internal Audit Regulations are made available for online queries.

▼ 2017 board operations

Number of board meetings	Average attendance rate of Directors	Formulation/amendment of important regulations
6 times	88.89%	<ul style="list-style-type: none"> Amendment of "Corporate Governance Best Practice Principles". Amendment of "Auditing Committee Charter" °

Milestones in the Strengthening of Corporate Governance

- Establishment of an Independent Director position.

2008

- Formulation of "Corporate Governance Best Practice Principles" pursuant to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies".
- Amendment of the "Articles of Incorporation".
- Amendment of the "Director and Supervisor Election Guidelines".
- Amendment of the "Rules of Procedure for Board of Directors Meetings".

2009

2010

- Passing of the "CG6005 Corporate Governance Evaluation" administered by the Taiwan Corporate Governance Association.
- "A" rating in the information disclosure appraisal for listed companies.

2011

2012

- Establishment of three Independent Director positions
- Formation of an "Auditing Committee" and formulation of an "Auditing Committee Charter".
- Adoption of an e-voting system for Shareholders' Meetings.
- "A" rating in the information disclosure appraisal for listed companies.

2013

- Amendment of the "Corporate Governance Best Practice Principles".
- "A" rating in the information disclosure appraisal for listed companies.

2014

- Amendment of the "Articles of Incorporation" and "Director Election Guidelines" and adoption of candidate nomination system for Director (Independent Director) elections and appointments.
- Revision of the internal control system pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies".
- Formulation of "Ethical Corporate Management Best Practice Principles" pursuant to the "Ethical Corporate Management Best Practice Principles" for TWSE/GTSM Listed Companies.
- Formulation of "CPA Appointment and Assessment Guidelines" pursuant to regulations set forth in the "Corporate Governance Best Practice Principles"; the independence and competency of CPAs is evaluated on an annual basis.
- Received A ++ rating in the information disclosure appraisal for listed companies.
- Ranked among the Top 5% in the inaugural "Corporate Governance Evaluation" held by TWSE.

- Establishment of a "Remuneration Committee" and formulation of a "Remuneration Committee Charter".
- Formulation of a "Code of Ethical Conduct for Directors and Managers" in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEx Listed Companies.
- Amendment of the "Articles of Incorporation".
- Amendment of the "Director and Supervisor Election Guidelines" which were renamed to "Director Election Guidelines".
- "A" rating in the information disclosure appraisal for listed companies.

2015

- Amendment of "Corporate Governance Best Practice Principles" pursuant to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".
- Formulation of "CSR Best Practice Principles".
- Amendment of the "Code of Ethical Conduct for Directors and Managers".
- Formulation of "Board Performance Assessment Guidelines" pursuant to the regulations set forth in Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- Amendment of the "Function and Authority Chart".
- Re-election of the board.
- Creation of a Corporate Governance Platform.
- Ranked among the Top 5% in the 2nd "Corporate Governance Evaluation" held by TWSE.

2016

- Completion of the 2015 board performance assessment report.
- Amendment of "Corporate Governance Best Practice Principles" pursuant to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".
- Amendment of the "CSR Best Practice Principles".
- Amendment of "Ethical Corporate Management Best Practice Principles" pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".
- Restructuring of the Legal Affairs Office into the Legal Compliance and Legal Affairs Office to strengthen legal compliance.
- Ranked among the Top 5% in the 3rd "Corporate Governance Evaluation" held by TWSE.

2017

- Completion of the 2016 board performance assessment report.
- Amendment of "Corporate Governance Best Practice Principles".
- Amendment of "Auditing Committee Charter".
- Ranked among the Top 5% in the 4th "Corporate Governance Evaluation" held by TWSE.
- Commissioning of an external, professional and impartial unit to prepare the 2017 board performance assessment report.

Conflicts of interests of board members

Newly appointed Directors are required to sign an agreement to abide by the regulations set forth in Article 23 of the Company Act, perform their duties in a faithful manner and exercise the due care of a good administrator. Furthermore, all Directors are required to sign a declaration that they are fully aware of the regulations regarding recusal from the exercise of voting rights and the consequences of legal violations set forth in Article 206 of the Company Act. Article 32 of the Corporate Governance Best Practice Principles and Article 17 of the Rules of Procedure for Board of Directors Meetings clearly stipulate a recusal system for conflicts of interests of Directors. These rules are strictly enforced. In 2017, a total of 6 proposals involved conflicts of interest of board members. A total of 19 Directors recused themselves due to such conflicts of interest.

▼ Recusal of directors due to conflicts of interest

Director	Agenda	Reasons for recusal	Participation in the voting process
Yu-Ren, Huang Po-Chih, Huang Ming-Feng, Yeh	Approval of the donation of 2017 activity funds to "TECO Technology Foundation".	Agenda involving personal interests of directors	Recusal from discussions and voting
Sophia Chiu, Chao-Kai, Liu, Yu-Ren, Huang, Mao-Hsiung, Huang, Ming-Feng, Yeh, Hong-Hsiang, Lin	Discussion of the continued provision of endorsements/guarantees to affiliated enterprises and overseas subsidiaries.	Agenda involving personal interests of directors	Recusal from discussions and voting
Sophia Chiu, Chao-Kai, Liu, Mao-Hsiung, Huang, Hong-Hsiang, Lin, Cheng-Tsung Huang	Discussion of loaning of funds by the Company and affiliated enterprises.	Agenda involving personal interests of directors	Recusal from discussions and voting
Mao-Hsiung, Huang, Ting-Wang, Cheng	Discussion of adjustment of disposal prices of long-term equity investments.	Agenda involving personal interests of directors	Recusal from discussions and voting
Sophia Chiu, Mao-Hsiung, Huang	Discussion of capital increase re-payment and loan by TVIG. TG TECO Vacuum Insulated Glass CORP.	Agenda involving personal interests of directors	Recusal from discussions and voting
Hong-Hsiang, Lin	Plant construction project at My Phuoc, Vietnam	Agenda involving personal interests of directors	Recusal from discussions and voting

Compliance with code of ethical conduct

The Company formulated a "Code of Ethical Conduct for Directors and Managers" pursuant to the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies" in December 2011 to ensure that Directors and managers strictly abide by behavioral norms and ethical standards when engaging in commercial activities. This Code of Ethical Conduct contains clearly formulated provisions regarding prevention of conflicts of interest, pursuit of personal gain, information confidentiality, fair transactions, and legal compliance to ensure an effective corporate governance system, sound monitoring functions, and sustainable operations.

Continuing education for Directors

Pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and Tippedex Listed Companies", the Company requires newly appointed directors to complete a minimum of 12 and 6 hours of continuing education in their first and second year of office, respectively. Re-elected directors are required to complete a minimum of 6 hours of continuing education a year. All of TECO's directors met these requirements in 2017, completing a total of 93 hours of continuing education. The Company organizes continuing education courses for directors annually to let them acquire new knowledge. Relevant details are made public in the Company's annual reports and the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>).

Liability insurance for directors and supervisors

According to Article 39 of "Corporate Governance Best Practice Principles", the Company should purchase liability insurance for the directors during their term of office to cover any compensation that may be incurred. The aim is to minimize and disperse potential risks or damages caused to the Company or shareholders due to the Directors' fault or negligence. The insurance coverage is reviewed every year to ensure the completeness of the renewed coverage. Important details such as insured amount, coverage and fee are reported to the Board.

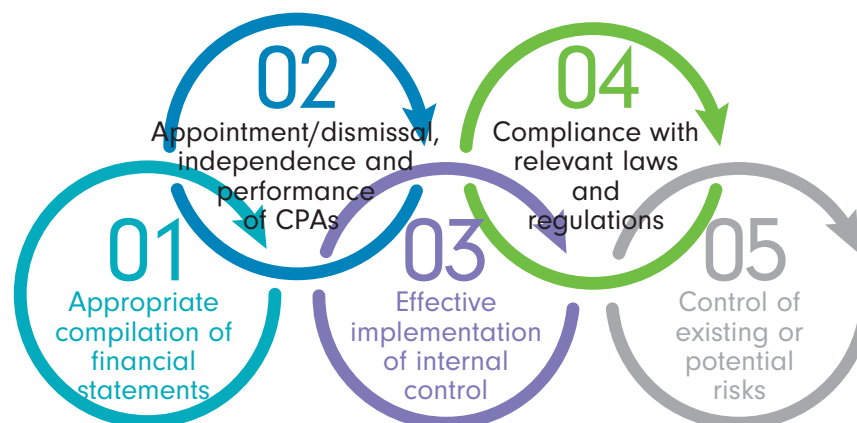
Social engagement

TECO established the "TECO Technology Foundation" in 1993 to uphold the spirit of "giving back to society". This organization is deeply committed to "technology and cultural awards and grants", "creativity education" and "sustainable education for indigenous peoples". Social development concepts inspired by "techno-cultural synergy" are promoted through tangible actions. TECO provides adequate funds and subsidies on an annual basis in accordance with event plans submitted by the Foundation. In 2017, the Foundation organized the "TECO Green Tech International Creativity Competition", a "Creative Teaching Workshop", a "Life and Art Creativity Experience Activity", and an "Indigenous Children's Night".

4.1.4 Auditing Committee

The Company established an "Auditing Committee" in 2013 to replace the supervisor system. The Committee is comprised of three independent directors. An independent director is appointed as the convener and chairman of the committee. Independent director Ting-Wang, Cheng served as the convener for this term. The meeting of the Auditing Committee was conducted in accordance with the Company's "Auditing Committee Charter", where at least one meeting is convened every quarter. In 2017, 8 meetings were convened, and the attendance rate of the entire Auditing Committee achieved **100%** (not including attendance by proxy).

▼ Items monitored by the Auditing Committee



Communication with Independent Directors

Independent Directors have direct communication channels with internal auditing executives and CPAs. They conduct regular audits of the Company's financial and business conditions and directly communicate with management and governance units. Upon completion of semi-annual audits of financial statements by CPAs, they report the results of their audit to the Auditing Committee and communicate with regard to other relevant legal requirements. In addition to providing Independent Directors with monthly auditing reports, auditing executives also compose separate business reports in accordance with the demands of Independent Directors. They also deliver internal audit reports during quarterly Auditing Committee meetings and fully convey the implementation status and results of auditing operations.

4.1.5 Remuneration Committee

The Company established a "Remuneration Committee" in August 2011 to ensure a sound remuneration system for directors and managers. Committee members are appointed by board resolution. The committee consists of a minimum of three members. At least one member must be an independent director and the committee members must elect a convener and Chairman. Standing independent director Chien-Yuan Lin serves as the convener for this term. The Remuneration Committee is responsible for the formulation and regular review of Director and manager performance assessment and remuneration policies, systems, standards and structure. Pursuant to the "Remuneration Committee Charter", the committee convenes at least twice a year. A total of 2 meetings with an average attendance rate of **83.33%** were held in 2017.

Director compensation policy

Director compensation is determined in accordance with industry standards, personal performance, company business performance and future risks. The Board Performance Assessment Guidelines which were formulated in 2015, stipulate regular assessments of Directors based on comprehensive financial and non-financial performance indicators including duty awareness, level of participation in company operations, management of internal relations and communication, professionalism and continuing education, internal control and corporate social responsibility. According to the Company's Articles of Incorporation, Director compensation may not exceed 5% of the annual profit (annual profit refers to pretax profit before the deduction of employee and director remuneration). Director performance is assessed and earnings are distributed in accordance with the "Measures for Director Compensation Distribution".

Manager remuneration policy

Manager remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPI). Each business division formulates key performance indicators on an annual basis in accordance with the Company's annual development plans. Indicator items encompass business performance of the division, development of energy-saving products and process/product line optimization. Talent cultivation encompasses balanced development of various dimensions including global manpower development, key talent cultivation and passing on of experience. KPIs are imposed from top to bottom encompassing all units at every level. Performance appraisals based on said indicators are carried out on a quarterly basis. The results of these

appraisals reflect both individual and team performance. They are reported to the Remuneration Committee for review and the Board of Directors for approval in accordance with the relevant laws. Relevant information is also disclosed in the Company's annual reports as deemed appropriate (Annual report P.19~P.20 <http://www.teco.com.tw/Content/filepool/cc43c9d4-92b8-47f4-94dc-fc6dbae007cd.pdf>). This gives all stakeholders a full understanding of the linkage between director and manager compensation and the Company's business performance. The Company reviews the reasonableness of salaries offered and external salary standards on a regular basis to ensure the Company's competitiveness. The aim is to attract, motivate and retain talents.

▼ Compensation brackets

Director/Manager compensation brackets	Directors	Managers
Below NTD2,000,000	3	
NTD 2,000,000 ~ below NTD 5,000,000		1
NTD 5,000,000 ~ below NTD 10,000,000	8	8
NTD 10,000,000 ~ below NTD 15,000,000	4	
NTD 15,000,000 ~ below NTD 30,000,000		1
NTD 30,000,000 ~ below NTD 50,000,000		
NTD 50,000,000 ~ below NTD 100,000,000		
Over NTD 100,000,000		
Total	15persons	10persons

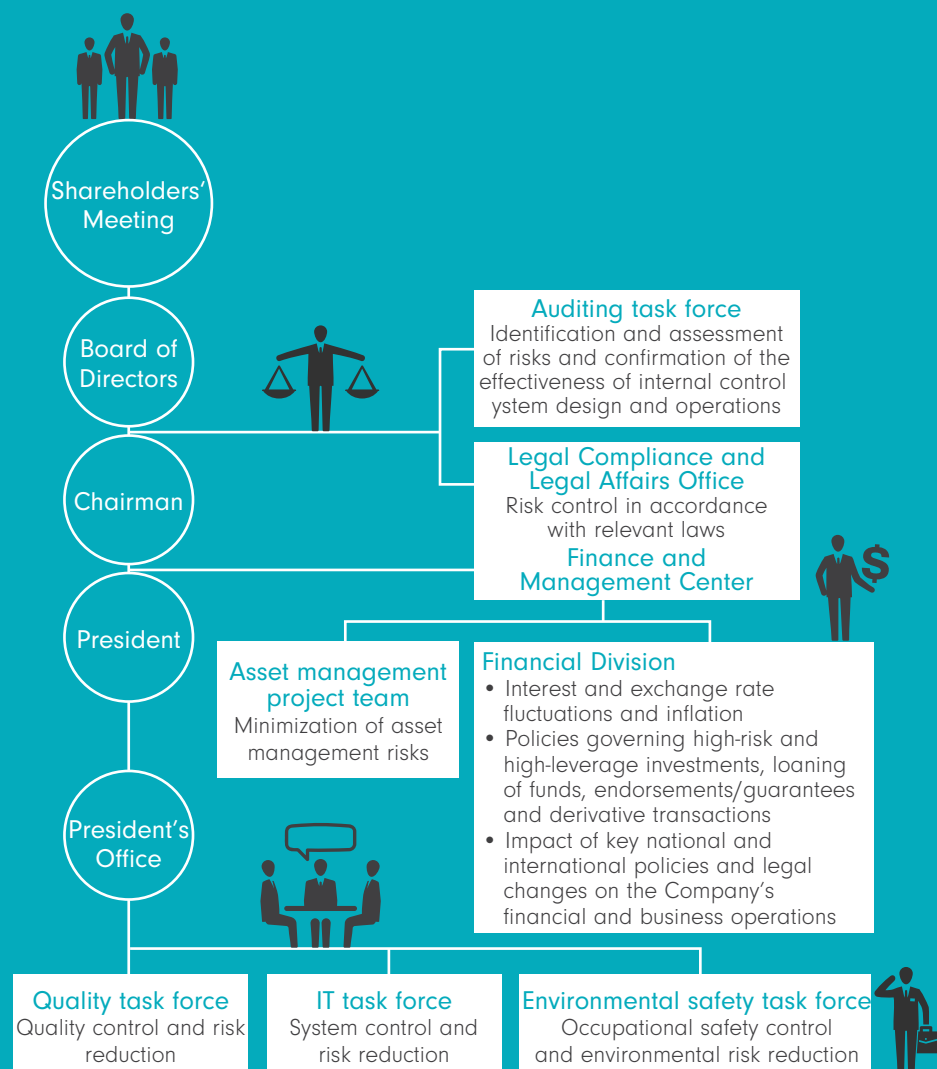
Unit: 1,000 NTD

Year	Total compensations paid to directors, the president and vice presidents	Ratio of total compensations to net income after tax (in %)
2017	204,026	6.60%
2016	193,236	5.55%



4-2 Sustainable Development and Risk management

Risk management framework



TECO is firmly committed to the establishment of a sound risk management system. The Company actively deals with and controls risks associated with operational processes by relying on existing management systems and internal control cycles. This enables the Company to maintain stable growth, realize outstanding achievements and achieve the goal of sustainable operations. Risk control is implemented at different levels through a clear and professional division of duties for the following risk categories: "internal risks", "financial risks", "investment risks", "legal risks", "environmental health and safety risks".

TECO utilizes a rigorous internal control system to guarantee the effectiveness and efficiency of operations and ensure the reliability, instantaneity, transparency, and conformity to relevant regulations of internal and external reports as well as compliance with relevant laws and regulations. At the same time, the continued efficiency of the internal control system is guaranteed through the audit system.

Auditing task force

TECO has formed a professional auditing task force directly subordinate to the board. This task force assists the board and management level in the identification and assessment of risks as well as the review and confirmation of the effectiveness of internal control system design and operations. The task force formulates annual audit plans in accordance with the five main components of COSO internal control based on past audit experiences, the budget draft for the following year, and the current organizational framework. The level of control of external environmental risks by the management level, control of operational risks by business divisions, and the effectiveness of internal control system design and operations is reviewed based on these plans. The task force delivers auditing reports upon completion of auditing operations and regularly reports to the board and the Audit Committee.

TECO incorporates the three main indicators (environment, society, governance) into internal control considerations at all levels to ensure continued integration of sustainable operation concepts in the overall company strategy. Green product design, green operations, green supply chain and social responsibility are incorporated as sustainability evaluation items. The Company also reviews the professionalism of board members in various dimensions (including internal control design and execution monitoring capabilities, market and organizational knowledge, financial and legal expertise). Together with the implementation of the Independent Director system, Auditing Committee, and information transparency, the ultimate goal is to materialize the vision of environmental, social sustainability, and corporate sustainability.

▼ Internal control items

Environmental control – All levels



External environment

Economic growth rate, exchange rate, interest rate, politics and prices



Corporate Governance

Board composition and professionalism, Independent Director system/Audi Committee and information transparency



Sustainable operations

Green product design, green operations, green supply chain, social responsibility and legal risks

Operational risk assessment – Business division level



Sales

Operational, demand and surplus risks



Management

Strategy, manpower structure, supply, procurement, RD, productivity risks



Finance

Operating profit margin, return on assets, cash flow, inventory turnover days and days receivables outstanding risks

Control operations

2017 audit results

Effectiveness of internal control design and execution.

2017 audit results

Various business divisions exhibit low/extremely low risk.

2017 assessment results

Low risk levels are maintained for all environmental indicators.



Information communication

2017 audit results

Timeliness, accuracy, integrity, protection and verifiability and unobstructed external communication channels.



Monitoring operations

2017 audit results





Monitoring of stratified responsibility and actual execution.







▼ Implementation procedure of the auditing system



In 2017, the auditing task force completed various auditing operations and improvements for detected shortcomings in various units have been completed within the stipulated time limit. Auditing units assess the overall impact of different risks in business divisions on TECO and adjust the frequency of conducted audits with the goal of maintaining low or extremely low risk levels for all company operations.

Risk categories	Risks	Control methods
 Financial risks	Interest rate fluctuations	Regular assessment of market capital conditions and bank interest rates to minimize the impact of interest rate fluctuations on the Company
	Exchange rate fluctuations	<ul style="list-style-type: none"> Hedging is conducted through natural hedging in the field of asset and liability positions combined with forward exchange transactions. Financial departments and foreign exchange departments of financial institutions that the company has business dealings with are in close contact. Information pertaining to exchange rate fluctuations is constantly collected to ensure a firm grasp of international exchange rate trends and fluctuations. Negative impacts caused by such fluctuations are dealt with pro-actively and serve as a key reference for forward exchange transactions and settlements. Financial departments compile internal assessment reports with regard to net foreign currency asset (liability) positions requiring hedging on a regular basis. The Company's management determines the necessary hedging measures based on these reports.
	Inflation	<ul style="list-style-type: none"> Price negotiations for raw materials procurement are based on contracts and spot prices are adjusted upon agreement with suppliers in accordance with rising price levels. Price fluctuations therefore have no significant impact on the company. In the future, the company will conduct meticulous assessments of metal price trends and formulate suitable procurement strategies in line with business demands.
 Investment risks	High risk High leverage Merger risks Plant expansion	In addition to the Credit Limit Review Committee, the company has also formed an Investment and Disposal Review Committee, which is a task-based body comprised of 8-9 external (scholars, experts and Directors) and internal members (business group representatives and investment executives). The committee is responsible for investment strategies, asset allocation, formulation of investment assessment SOPs, review of new investments, tracking and appraisal of investment performance and monitoring and promotion of asset disposal plans with the goal of minimizing or avoiding risks and ensuring sustainable operations.
 Legal risks		<ul style="list-style-type: none"> The newly formed Legal Compliance and Legal Affairs Office, which is subordinate to the board, is responsible for legal audits of contracts signed by the company and its affiliated enterprises and the provision of legal counseling. It also assists business units in the handling of litigation, patent, trademark, and IPR related matters. It formulates internal rules and regulations of the company such as guidelines for the handling of legal cases, contract, patents and trademark management regulations. It also implements personal data file security and management and has formulated "Personal Data File Security Management Regulations" in response to international trends. A personal data protection task force has been formed to conduct regular reviews of data security conditions. Anti-Trust Principles have been formulated to prevent and avoid the risk of violations of "Anti-trust regulations" by the company in its operations. "Ethical Corporate Management Principles" and the "Regulations for the Handling of Reported Cases of Illegal, Immoral and Unethical Conduct" were formulated to establish a corporate culture of sustainable development and ethical management. Internal e-newsletters familiarize employees with new laws, legal amendments and practices. Legal training is provided for employees to facilitate legal compliance and minimize risks in the performance of duties. The office constantly formulates contracts of various formats for different business units to control transaction risks in advance and minimize the incidence of losses.
 EHS risks	Legal violations Employee hazards Financial hazards Environmental hazards	<ul style="list-style-type: none"> An environmental and occupational health and safety management system has been established and relevant norms and regulations have been formulated in accordance with ISO 14001, OHSAS 18001 and the Taiwanese Occupational Safety and Health Management System (CNS 15506) to ensure systematic operations that meet or exceed legal requirements. "Accident Handling Regulations" and related "Emergency Response Measure Regulations" have been formulated and annual drills are conducted in accordance with various emergency response measure management regulations to prevent accident risks. "Management Regulations Governing Prohibited and Restricted Substances" have been formulated to guarantee against the use of such substances. Air pollution, wastewater discharge and solid waste treatment conform to the relevant laws and regulations and the company carries out constant improvements in these areas.

Risk categories	Risks	Control methods
 Information security risks		<ul style="list-style-type: none"> • A Disaster Recovery System has been established for the ERP system to prevent interruption of operations and guarantee that major operations and activities are not affected by malfunctions and disasters. Disaster recovery drills are conducted on an annual basis. Preventive measures ensure business continuity and rapid restoration of operations after disasters or accidents. • In view of constant advances in the field of Internet technology, the company has implemented the following preventive measures to mitigate impacts on information security: <ol style="list-style-type: none"> 1. Regular weakness scanning for all WEB application systems 2. Formulation of Internet usage norms to enhance online security management 3. The system forces users to update passwords on a regular basis and the use of unsafe passwords is not allowed. 4. Regular organization of training and education on new trends in the field of information security. • Creation of information security systems including Firewalls, IPS (Intrusion Prevention Systems), network antivirus programs, and e-mail screening.
 Climate change risks	<p>Disruption of regional supply chains</p> <hr/> <p>Cost increase</p> <hr/> <p>Impact on production and delivery</p> <hr/> <p>Flooding and water shortage</p> <hr/> <p>Power shortage</p>	<ul style="list-style-type: none"> • Alternative supply sources are developed for risk dispersion purposes. • Increase of local procurement ratios to minimize transportation risks and environmental impacts. <hr/> <ul style="list-style-type: none"> • tandardization of materials and support in price negotiations and supply • Development of green energy, green products (opportunities) <hr/> <ul style="list-style-type: none"> • Resource coordination and contingency plans at global production sites • Flexible adjustment of production and marketing planning in response to sudden risks <hr/> <ul style="list-style-type: none"> • Storage and disaster prevention considerations in different areas • Water storage facilities and water conservation measures <hr/> <ul style="list-style-type: none"> • Development of green energy, green products (opportunities) • Investing in green energy generation business (opportunities) • Energy conservation measures and solar power installations at plants
 Technology risks		<ul style="list-style-type: none"> • Constant strengthening of competitive advantages in the field of high-performance motors, application of eco-friendly refrigerants in home appliances and energy conservation through variable frequency technologies. • Close scrutiny of international technology trends and market trend reports and adoption of innovative methodologies. • Planning of several technology-related discussion forums, development of long-term technology development blueprints, and realization of planned strategies and schedules.
 Corporate image risks		<ul style="list-style-type: none"> • Pursuit of business success through "diversified operations" and "global layout". • Deep social concern by TECO Technology Foundation combined with rigorous requirements in the field of products and services and active omunication of a superior corporate image of an international enterprise. • Risk management plans encompass production bases all over the world; sudden major incidents are simulated and response plans are formulated constantly.

4-3 Participation in External Organizations and External Initiatives

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

Taiwan's TECO Group Chairman Mao-Hsiung, Huang enthusiastically promotes economic and cultural exchanges between Taiwan and countries all over the world. He currently serves as Honorary Chairman of the Chinese National Association of Industry and Commerce, Taiwan (CNAIC) as well as chairman of the R.O.C. East Asian Economic Association, the Taiwan India Business Association and the Taiwan-Turkey Business Association. He has made exceptional contributions in the reception of foreign VIP visitors, international visits of Taiwanese enterprises and the signing of private investment agreements. Mr. Huang is firmly committed to expanding international exchanges in the field of economy, trade and culture and the provision of assistance to Taiwanese enterprises in the pursuit of international business opportunities in line with government policies.

In relation to corporate sustainability, the Group's Vice Chairman Chao-Kai, Liu is also the Director of Center for Corporate Sustainability (CCS). With the philosophy of "nurturing benchmark enterprises, social values and the heritage of corporate sustainability", he has collaborated with other managers in the industry to fulfil corporate social responsibilities and promote corporate sustainability. TECO has been a long-term member of the Business Council for Sustainable Development of Taiwan (BCSD-Taiwan); Group Chairman Mao-Hsiung, Huang was appointed as the 3rd and 4th term Director; Chairman Sophia Chiu was appointed as the 7th term Supervisor; Cheng-Tsung Huang is the current Standing Director. This clearly demonstrates TECO's unwavering commitment to environmental protection

and resource sustainability in the pursuit of business growth.

The government in Taiwan has stipulated energy-savings and emissions reduction targets. Particularly in the development of offshore wind power, the predicted capacity is expected to be reached in 2025, and the objective of domestic production is stipulated in the invitation for bid during stage one. The Company has pro-actively supported government policies with its strength in motors. In terms of domestic production of generators, TECO has also signed joint-development MOUs with tender winners in order to negotiate manufacturing specifications.

In September 2017, TECO submitted the "Recommendations for Expanding the Procurement and Adoption of High-efficiency Motors and Subsidy Plan" to the Bureau of Energy, MOEA through the Taiwan Association of Machinery Industry. The current regulations limit subsidies to squirrel-cage rotors rated IE3 or above. On October 3, TECO attended the Expanded Power and Public Facility Subsidy Meeting convened by the Bureau of Energy, MOEA and proposed the following: Expand the adoption of high-efficiency motors for power and public facilities focusing on motor efficiency as the main consideration of subsidy to include motors rated IE3 or above (such as permanent magnet motors, synchronous reluctance motors) in power and public facility subsidies. The ultimate aim is to elevate the energy efficiency and emissions reduction performance of domestic industries.

TECO also participates and serves as director, supervisor, or above in the following societies and associations:

Transnational Commercial Cooperation Organizations

- Chinese International Economic Cooperation Association
- Taiwan-Turkey Business Association
- Taiwan India Business Association
- R.O.C. East Asian Economic Association

Corporate sustainability-related organizations

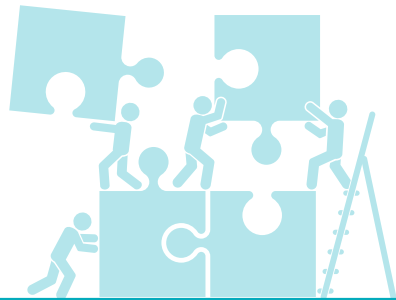
- Center for Corporate Sustainability (CCS)
- Business Council for Sustainable Development of Taiwan (BCSD-Taiwan)

Renewable/Clean Energy Organization

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

Other organizations

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



5 Environmental Sustainability and Green Supply Chain



5-1 Environmental Sustainability



TECO places great emphasis on environmental protection and sustainability issues. The company not only actively develops highly effective green products and solutions by relying on its core technologies but also conducts inspections from the perspective of product life cycles to achieve the key policy goal of prevention of additional environmental burdens. TECO is fully committed to the minimization of environmental impacts generated by product life cycles, product development, materials input and production processes, warehousing, and transportation. As of 2016, the company utilizes the monitoring and analysis functions of the self-developed EMS system to enhance the energy usage efficiency of the whole production process in plants and implements constant improvements with the goal of enhancing product life cycles from the perspective of energy management, realizing clean production, improving recycling rates, achieving sustainable development and in fulfilling the vision of protection of our natural environment.

▼ Key aspects of environmental strategy

01

The company takes concrete action in response to climate change and

02

Formulates tangible goals in the 3 dimensions of "energy-saving products, decreased energy and resource consumption during production processes, and the reduction of pollutants and wastes".

03

Product life cycle inspections are conducted to implement minimization of environmental impacts as a key consideration at every stage of the product life cycle.



2016

- Overall energy conservation effects reached 2.63% in 2016.
- Product carbon and water footprint inventories were carried out for 3 motor models to facilitate the planning of subsequent improvement targets and strategies.
- Green power purchases of 1 million kWh starting in 2016.
- Optimization of the energy management system at the Chungli plant, monitoring and analysis of high power consumption items to improve energy-efficiency.

2017

- Continue to purchase 1 million kWh of green energy on an annual basis.
- Industrial inverters passed product carbon and water footprint inventory.
- In 2017, TECO reduced energy consumption by 0.93%.
- The use of renewable materials in motor products reached 15.97% (the target is 10%).
- Disclosure of GHG emissions intensity for TECO and TESEN: Reduction of 7.3% in 2017 compared to 2016 (the target is a reduction of 16% by 2020 compared to 2016).

Development plans for the future and 2018

- Continue to make large motors more compact and lightweight: In 2018, an extra frame number was added to the motor product series (continue to decrease the use of copper and iron raw materials).
- Renewable materials used for motor products > 10%.
- Annual energy conservation > 1%.
- Disclosure of GHG emissions intensity for TECO and TESEN: Reduction of 16% by 2020 compared to 2016.
- Wastes: Reduction of 5% in 2018 compared to 2017.
- Climate change risks and opportunities: Continued analysis and assessment of risks and opportunities and adoption of response measures.

5.1.1 Green product life cycle

The green product life cycle from product development, materials input stage, production, warehousing, transportation and sale, usage and recycling of scrapped products is based on the 4R concept (Reduce, Reuse, Replace, Recycle) and energy conservation principles. These concepts are applied to the development and production of energy-saving, emissions reduction green products. During the development stage, environmental factors are taken into consideration and superior technologies of the Group are integrated to achieve high performance with compact size and light weight. The main focus of the production stage lies in the reduction of energy and resource consumption, recycling and reuse. Eco-friendly products lead to reduced energy consumption on the user end. IE3~IE4 energy-saving motors sold in 2017 generate annual power savings of 606 million kWh for TECO's clients every year. Scrapped products are easy to disassemble, recycle and re-use (recycling rate of over 90%). The main consideration of green life cycles from the development stage to scrapping, and recycling lies in the minimization of environmental impacts.

▼ Implementation of 4R

Reduce

Making the products more compact, lightweight, standardized with simplified packaging, as well as ensure transportation efficiency, energy conservation, waste and pollution reduction during production process.

Reuse

Repeat use of transport containers, recycling and re-use of refrigerants.

Replace

Develop and utilize more eco-friendly substitute materials, for instance: Use of refrigerants free from ODS (ozone-depleting substances), and focus on mitigating the impact of greenhouse effect; R134a refrigerator refrigerant is replaced by R600a refrigerant, significantly lowering GWP (greenhouse warming potential) from 1,300 to 3. TECO is the first home A/C system manufacturer to replace R410A refrigerant with R32 refrigerant, lowering GWP from 1,923.5 to 677 (reduction of about 65%), thereby lowering the greenhouse effects caused by escaped refrigerants.



Recycle

Silicon steel scraps are melted to cast the outer casing of motors, products employ recyclable materials, easy-to-disassemble designs, recycling labels, sorting and management of process waste.

Case studies on product life cycles, energy conservation and emissions reduction:

1 Making large motors more compact and lightweight: High-performance motor development technology is applied to improve materials use efficiency. In 2018, an extra frame number will be added to the motor product series (reducing iron and copper consumption by 20%)

Unit: Metric tons

	Model	Reduction in 2015	Reduction in 2016	Reduction in 2017
Copper use	Steel case	10	14	14
	Cast iron case	3.1	2.6	3.3
Steel use	Steel case	48	68	68
	Cast iron case	27	23	29

2 Energy-saving and emissions reduction plan statistics: (in 1,000kWh/year)



3 Re-use of transport containers



Recycling and reuse of cartons



Recycling and reuse of wooden pallets



Recycling and reuse of mesh cages

4 Product packaging simplification and re-use



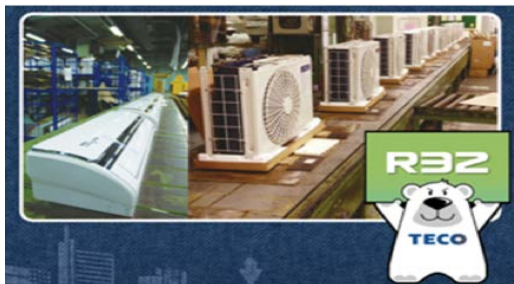
Domestically sold motors are shipped in mesh cages with simple protection to avoid excessive packaging. The mesh cages are recycled and re-used.



Simple packaging of commercial A/C system. A wood base can be used for transportation, and they can also be used by customers as the base of A/C systems to minimize resource waste.

5 More eco-friendly materials are used during product development:

TECO is the first company to replace R410A refrigerant with R32 refrigerant for home A/C systems, reducing GWP (Global Warming Potential) from 1,923.5 to 677, equivalent to a reduction of 65%; this suggests that the impact of GHG effect will be significantly reduced at the production end or when installing or scrapping the product (reduces 1,246.5kg of GHG emissions per 1kg of refrigerant released into the atmosphere)



Carbon emission reduction

65%

6 Recycling and reuse

Ratio of renewable materials used for manufacturing TECO's main motor products (the target is 10%):

Achievements
in 2017
15.97%

*: By improving production technology, TECO is able to produce motor cases using renewable or recycled iron (scrap metal and silicon steel scrap etc.) totaling 10,162 tons/total weight of motors produced 63,644 tons = 15.97%, thereby reducing material depletion.

Silicon steel scrap recycling and reuse ratio **> 75%**

	2015	2016	2017
Silicon steel plate rejects (unit: metric tons)	10,698.44	8,077.18	10,022.42
Plant recycle and reuse quantity (unit: metric tons)	9,620.88	7,508.65	7,642.63
Silicon steel scrap recycling and reuse ratio (%)	89.93%	92.96%	76.26%

* To gain a better understanding of the impact of product life cycles on climate change and the environment, TECO carried out environmental and water footprint inventories for its motors and inverters in 2016 and 2017, respectively. The goal is to better understand the production process and usage hot spots to facilitate the search for opportunities to minimize relevant impacts.



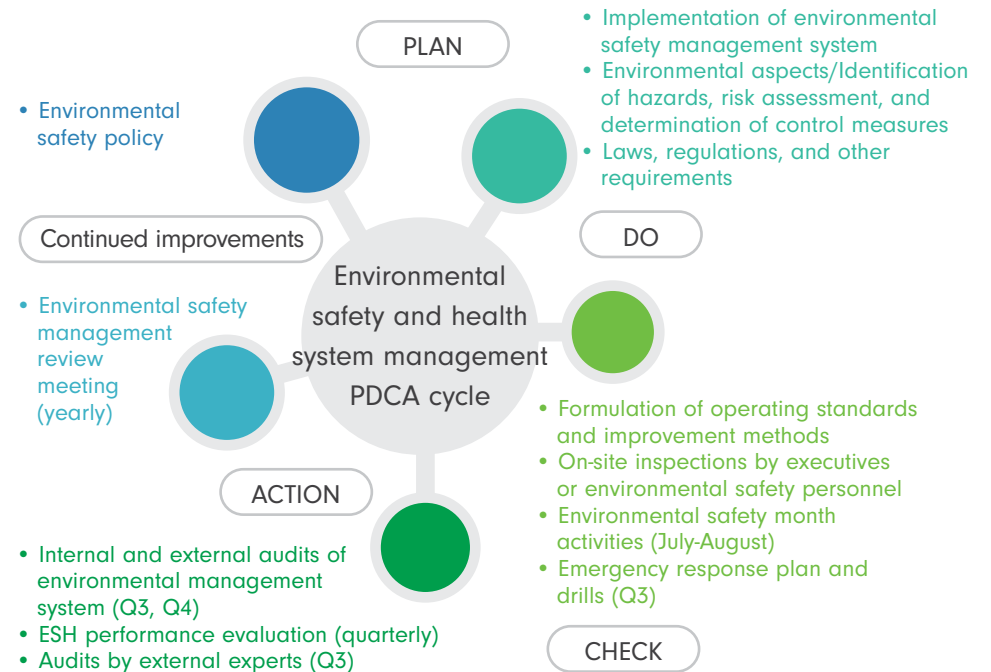
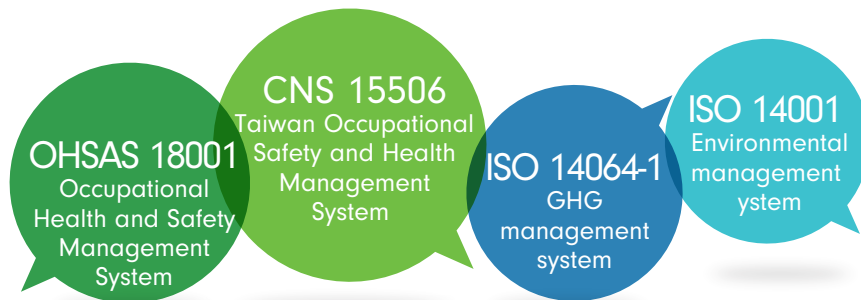
5.1.2 Environmental safety and health organization and management system

Policy and organization

TECO has formed an environmental safety task force which is subordinate to the President Office. Dedicated environmental safety units have also been established in all plant areas. These units are in charge of formulation of environmental safety and health policies, program management and internal supervision for the whole company and all plants as well as the proper functioning of the environmental safety and health management system. The company's environmental safety policies can be summarized as follows:

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

▼ Comprehensive environmental safety management system



TECO has established an environmental safety management system and ensures proper operations of the system in accordance with ISO 14001, OHSAS 18001, and CNS 15506 (Taiwan Occupational Safety and Health Management System). The Company has also acquired relevant management system certifications. Internal audits and external verifications are carried out annually to ensure the effective implementation of the management system. In addition, the Company has been conducting ISO 14064-1 GHG inventories since 2013. Systematic inventories ensure data accuracy and serve as the foundation for energy conservation and carbon reduction activities. The company aims to ensure legal compliance and achieve the goals of environmental protection and minimization of environmental impacts through sound management system operations, improved PDCA management, and self-expectations exceeding legal requirements. TECO organizes Environmental Safety Month Events in Q3 every year. In addition to the

display of event banners and environmental safety related posters, the event also features environmental safety training and Q&A activities with prizes. All employees are encouraged to participate in these edutainment activities which aim to impart new environmental safety-related knowledge and build relevant awareness. Plant audits conducted by external experts ensure constant improvements in the field of environmental safety implementation performance.

▼ ISO 14001 Environmental management system certificate



5.1.3 Achievements and performance in the environmental dimension

Energy consumption and management

1. GHG inventories

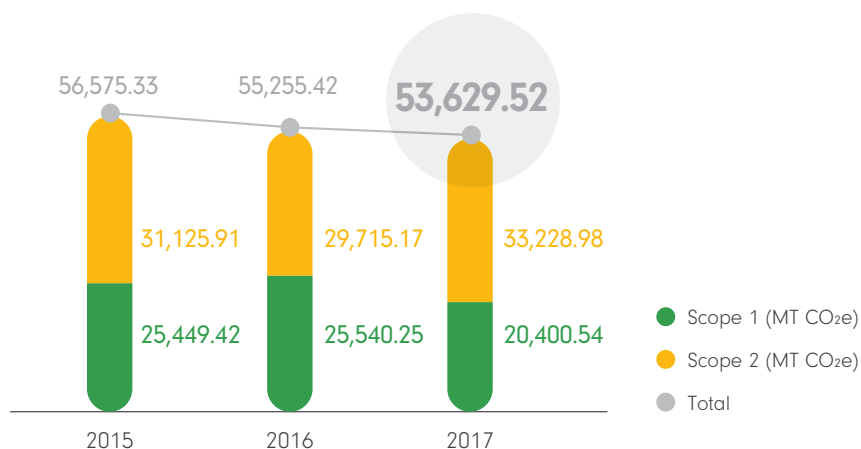
As of 2013, external verification of GHG emission inventories for the whole company (HQ, Home appliance service centers, and four plant areas) and TESEN ensure the accuracy of inventory data. Internal inventories and external verifications give the company a firm grasp of emissions generated by various activities and guide efforts to reduce emissions and thereby minimize environmental impacts. The 2017 GHG audit passed BSI (British Standards Institution)'s ISO 14064-1 (GHG audit) verification and earned a "reasonable level" certificate. In 2017, TECO and TESEN GHG emissions decreased by 2,565.62 metric tons compared to the total amount of the base year 2013 (TECO and TESEN started conducting GHG audit and external verification in 2013, hence it is designated as the base year). The main reasons for this decrease lie in the constant promotion of energy conservation and improvement of machinery/equipment energy efficiency, and finding substitutes for high GHG emission substances (such as refrigerant). TECO's main goal lies in the reduction of GHG emissions, and GHG-related information is disclosed in the annual report, the Company's official website and CSR report.

▼ Direct and indirect emissions generated by TECO and TESEN in 2017

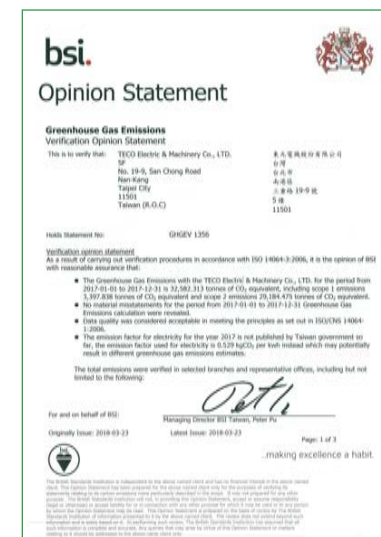
GHG emission categories	Direct emissions (Scope 1)							Indirect emissions (Scope 2)	總計
	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Electricity	
TECO's emission amount Metric tons CO ₂ e/year	1,945.59	238.55	5.60	15.65	0.00	1,192.44	0.00	29,184.48	32,582.31
TESEN's emission amount Metric tons CO ₂ e/year	661.97	6.75	1.16	16,332.82	0.00	0.00	0.00	2,545.01	19,547.71
TECO and TESEN's combined emission amount Metric tons CO ₂ e/year	2,607.56	245.29	6.76	16,348.48	0.00	1,192.44	0.00	31,729.48	52,130.02

Description: 1. TECO and TESEN started conducting GHG audit and external verification in 2013, hence it is designated as the base year
2. Electricity coefficient: As per public notice of the Bureau of Energy in 2017, the power emission coefficient is 0.554 (kgCO₂e/kWh)

▼ Direct and indirect emissions generated by TECO and TESEN from 2015 to 2017

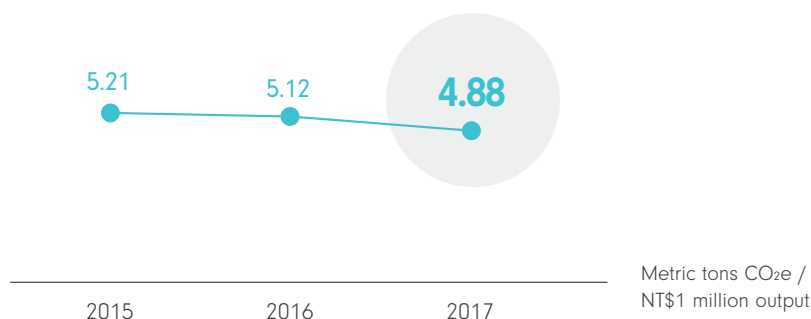


2017 GHG Assurance Statement (TESEN)



2017 GHG Assurance Statement (TECO)

▼ TECO and TESEN GHG emissions intensity from 2015 to 2017



*: Explanation for scope 1, scope 2, and scope 3 emissions: TECO and TESEN's GHG inventories only cover scope 1 and 2, not including scope 3. Due to the fact that it is impossible to monitor activities that generate scope 3 emissions, therefore only emission sources are identified and no quantification is carried out.

2. Energy use management

The challenges posed by the advent of the low-carbon era forced companies to incorporate reduced energy consumption and GHG management as a key strategy in the pursuit of sustainable development. TECO closely monitors and controls energy consumption to improve energy performance, enhance equipment operation efficiency and reduce energy costs. TECO is firmly committed to the execution of energy conservation and emission reduction plans during production processes. Energy conservation effects are achieved through energy conservation measures and investment in high-efficiency facilities.

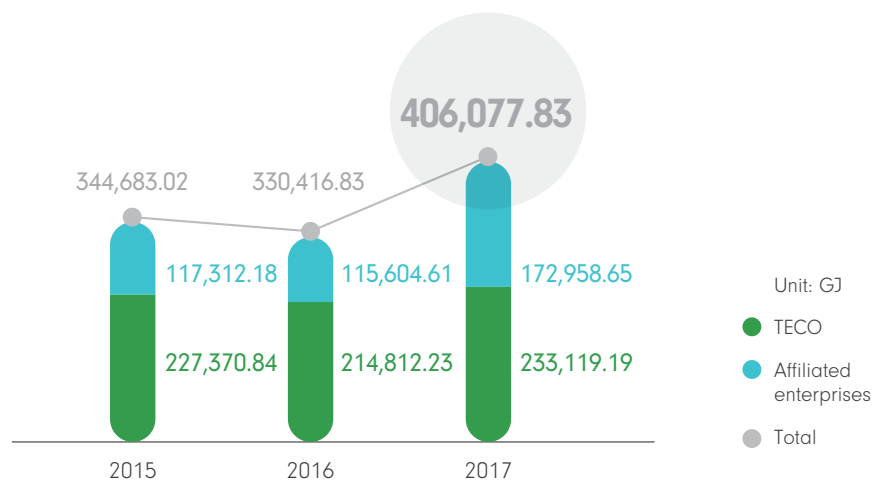
One of the main energy conservation measures in 2017 was the adoption of a rebound-type dynamometer through cross-division cooperation instead of the original 1,100kW dynamometer for motor testing, which converted testing energy into waste heat that is dissipated via cyclical cooling towers. The new meters can recover 80% of the testing power, this is fed into the main grid. This measure led to annual power savings of 354,816kWh in 2017 with no extra water consumption.

In the future, besides continuing the aforementioned energy-saving measures, TECO has also commenced green energy procurement in 2016, and will purchase an additional 1 million kWh in 2017. At the same time, in supporting the government's renewable energy development, TECO has collaborated with manufacturers to install rooftop solar power stations on its buildings in 2017, thereby minimizing the environmental impact of energy consumption.

TECO emission sources can be divided into the following five categories:

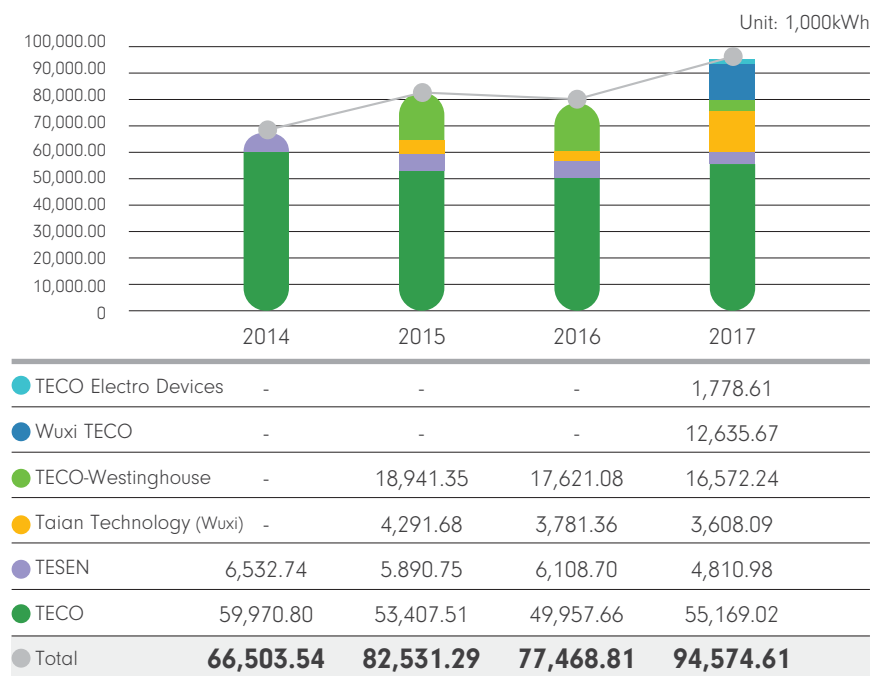


▼ Total energy consumption by TECO and affiliated enterprises



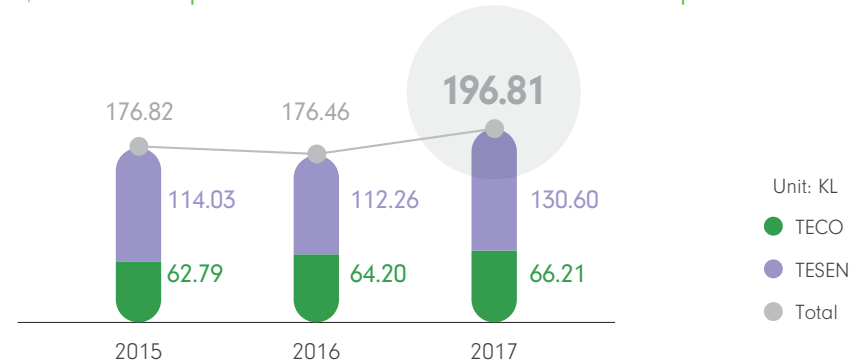
*: New affiliated enterprises created in 2017 include Wuxi TECO and TECO Electro Devices

● Power consumption statistics for TECO and affiliated enterprises

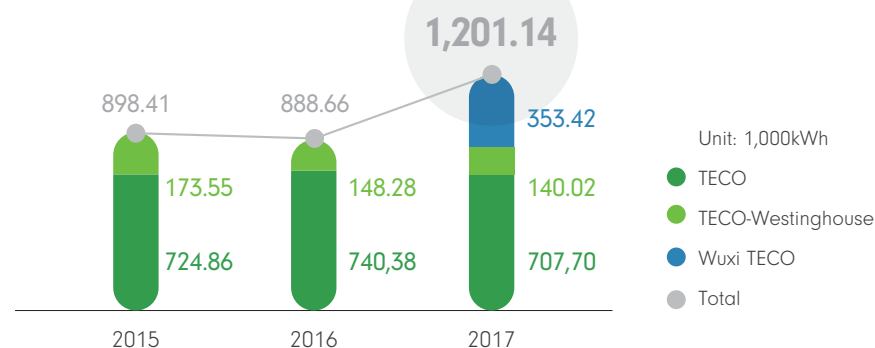


*: New affiliated enterprises created in 2017 include Wuxi TECO and TECO Electro Devices

● LPG consumption statistics for TECO and affiliated enterprises

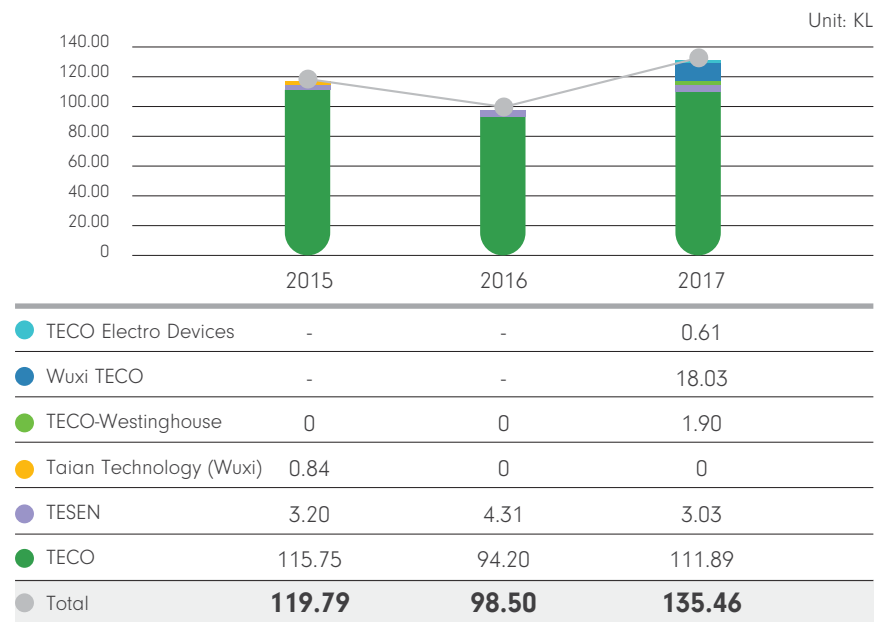


LNG consumption statistics for TECO and affiliated enterprises



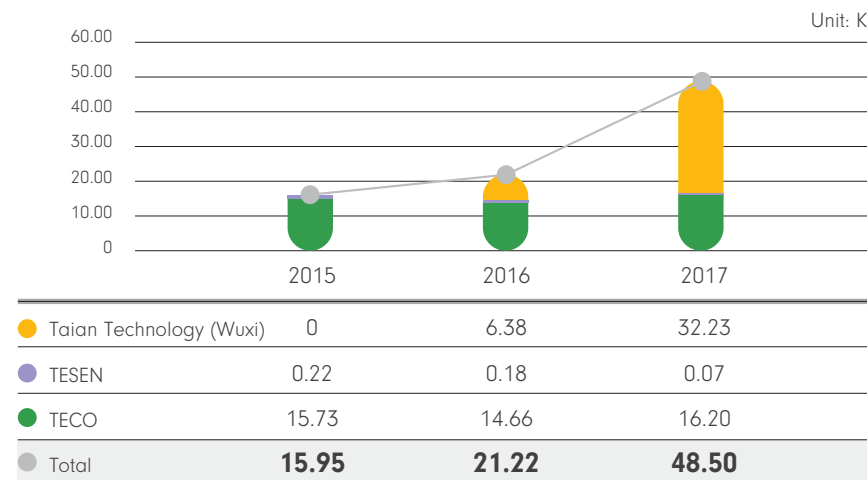
*: New affiliated enterprises created in 2017 include Wuxi TECO

Diesel consumption statistics for TECO and affiliated enterprises



*: New affiliated enterprises created in 2017 include Wuxi TECO and TECO Electro Devices

Petroleum consumption statistics for TECO and affiliated enterprises



Resource consumption and management

Chungli plant, subordinate to the heavy electric business department and green electric machinery department, mainly produces motors of all sizes (same as Wuxi TECO) with main materials including metals (iron alloy, silicon steel plates, round iron, pig iron, aluminum ingots, copper wires, etc), as well as non-metals (such as water-based paint, oil paint, wood and cardboard boxes, etc.)

Hukou plant, subordinate to the electrical control department, mainly produces switchboards and inverters and its main materials include machinery components, electric wires and insulated wires. Guanyin plant is the backbone of TECO's home appliances department, whereas TESEN Co., Ltd. supplies home and commercial A/C systems, refrigerators and other products to the home appliances department for sales. Guanyin plant is also in charge of R&D personnel. Raw materials can be divided into 2 categories: metals (including steel sheet, copper pipes, and aluminum coil sheet), and non-metallic materials (including plastics, cardboard boxes, oil paint, and refrigerants (with 0 ozone depletion potential (ODP) etc.)

Guanyin II plant, subordinate to the power department and wind-turbine department, mainly produces 161 KV and smaller SF₆-insulated switching equipment and peripherals for renewable-energy equipment. Main materials include machinery components, electric wires, and insulated wires.

TECO Electro Devices mainly produces servo motors, and its materials can be divided into metals (enameled wires, electric wires etc.) and non-metals (such as water-based paint, oil paint, wood and cardboard boxes, etc.)

▼ Bulk raw materials usage statistics for TECO and affiliated enterprises from 2015 to 2017

Unit: Metric tons

Items	Raw materials consuming plants	Raw materia consuming product categories	2015	2016	2017
Iron	Chungli plant, Hukou plant, aian Technology (Wuxi), TESEN	Motors, no fuse breakers and home appliances	26,504.56	21,936.00	41,570.30
Copper	Chungli plant, Hukou plant, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, TESEN	Motors, no fuse breakers and home appliances	4,143.66	3,725.00	6,962.10
Aluminum	Chungli Plant	Motors	733	581	1,022

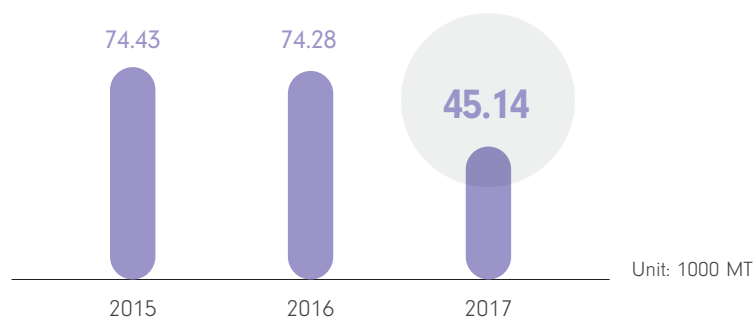
A significant achievement in the field of resource re-use is the recycling of silicon-steel scraps generated during the manufacturing process as materials for motor cases, as a result of manufacturing process improvements at Chungli plant in 2008; the recycling rate of silicon-steel plates averaged above 75% between 2015 to 2017. TECO also constantly aims to increase the re-use rates of other recyclable materials to reduce resource consumption and achieve ecological benefits. TECO refrains from the use of ozone depleting substances (ODP) in its production activities.



Water resource management

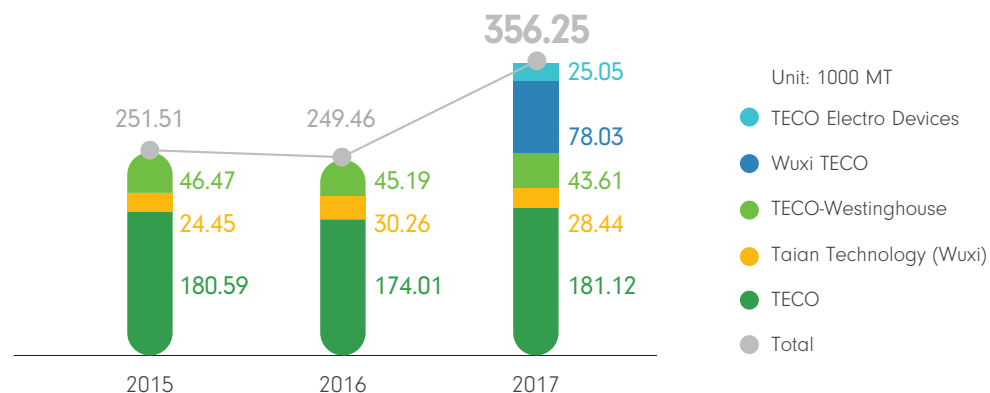
TECO uses tap water throughout its operations, with the sole exception of TESEN, which relies on groundwater. TESEN has a sewage treatment facility although the company is not located in an industrial zone. Treated sewage is tested to ensure that it meets relevant standards prior to discharge. TECO (HQ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

▼ TESEN groundwater consumption from 2015 to 2017



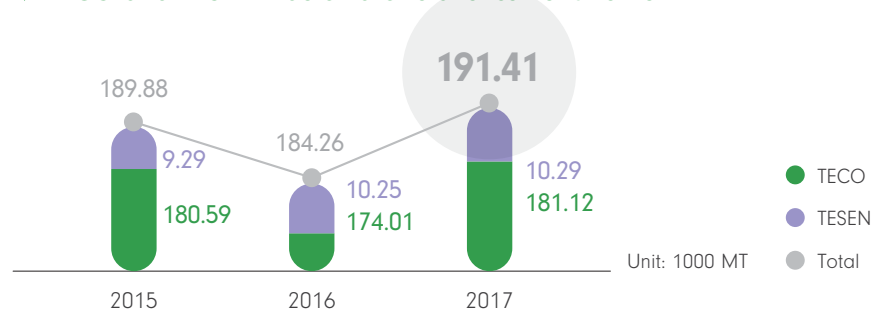
▼ Water consumption by TECO and affiliated enterprises between 2015 to 2017

(*: New affiliated enterprises created in 2017 include Wuxi TECO and TECO Electro Devices)



TECO estimates that its total wastewater discharge equals 80% of the total water consumption. TESEN wastewater discharge calculations, on the other hand, are based on process wastewater amounts. Total wastewater discharge between 2015 and 2017 is shown in the chart below. The quality of wastewater discharged by TECO and its plants is inspected by qualified third-parties to ensure conformity to relevant standards. TECO plants discharge the tested wastewater to treatment facilities in their respective industrial zones. Upon proper treatment by such facilities, the quality of the discharged water meets relevant legal requirements. TESEN treats generated wastewater in its own sewage treatment facility and conducts inspections to ensure conformity to the relevant standards prior to discharge. The quality of the discharged water meets current legal requirements. Water recycling and re-use has only been implemented in TECO's Chungli plant which conducts painting operations, but the ratio is very low. The wastewater recycling rate is therefore just slightly over 0%. In addition, there are no environmental protection zones, habitats or areas with high biodiversity in the close vicinity of the 3 TECO plants or TESEN. The impact on existing ecosystems is therefore minimal.

▼ TECO and TESEN wastewater statistics 2015 to 2017



▼ Wastewater treatment methods adopted by TECO and affiliated enterprises and receiving water bodies

Plant areas	Treatment method	Receiving water body
TECO	Chungli Plant: Discharge to the sewage treatment plant of Chungli Industrial Zone	Laojie River
	Hukou Plant: Discharge to the sewage treatment plant of Hsinchu Industrial Zone	Sinfong River
	Guanyin II plant: Discharge to the sewage treatment plant of Guanyin Industrial Zone	Shulin River
Affiliated enterprises	TESEN: All generated wastewater is properly treated in sewage treatment facilities prior to discharge. The water quality conforms to current legal requirements.	Dajue River

Treatment of waste and pollutants

1. Waste management

TECO has formulated waste storage and disposal management guidelines as part of its environmental safety management system to implement waste reduction and resource recycling in the company and affiliated enterprises. A unified storage area has been established for waste generated by all plants. Tracking is implemented and records are created during the disposal and treatment process. Relevant records are preserved for 3 years. Total amounts of general industrial waste generated by TECO and affiliated enterprises between 2015 and 2017 are shown in the chart below.

Unit: Metric tons

Year/item	Company	2015	2016	2017
General industrial waste	TECO	3,938.41	2,719.16	2,974.72
	TESEN	101.85	88.61	83.26
Total		4,040.26	2,807.77	3,057.98
Hazardous industrial waste (waste electrical wire)	TECO	12.51	6.56	18.65
	TESEN	-	-	-
Total		12.51	6.56	18.65

		2015	2016	2017
Resource recycling	Quantity of waste iron generated by TECO and affiliated enterprises	1,762.30	1,541.55	1,631.07
	Quantity of waste copper generated by TECO and affiliated enterprises	123.57	72.478	68.495
	Quantity of waste paper generated by TECO and affiliated enterprises	116.16	74.72	115.22

*: New affiliated enterprises created in 2017 include Wuxi TECO and TECO Electro Devices

Waste treatment methods employed by TECO and TESEN can be divided into the following categories:

Reuse, incineration, physical treatment, offshore processing, landfill. Waste electric wires and cables are shipped to Mainland China for physical treatment. TESEN focuses on re-use, incineration, physical treatment, and landfill as shown in the table below.

▼ Waste treatment methods employed by TECO and TESEN

	Unit: Metric tons		
	2015	2016	2017
Reuse	3,471.48	2,412.03	2,575.47
Incineration	539.64	412.91	512.19
Physical treatment	51.97	32.22	26.55
Offshore processing	10.44	6.56	7.49
Landfill	8.65	6.68	7.65
Total	4,082.2	2,870.4	3,129.4

2. Air pollutant management

Air pollutants are mainly generated during motor production in Chungli plant and consist mainly of Volatile Organic Compounds (VOCs). The Company has implemented improvements at the source by replacing the base coat for motors with VOC-free water-based paint. TECO has also adopted low-voc varnish, and the measures are expected to be fully introduced and verified in 2018. Although the reduction efforts have paid dividends in 2016, the Taoyuan City Department of Environmental Protection and the plant conducted another inventory of the pollutant sources, it has been determined that certain aspects must be declared in 2017 and therefore the total emission amount has increased.

Plant locations that generate air pollutants include TECO Chungli and TESEN. Air pollution control facilities have been established in accordance with the relevant laws and standards and dedicated personnel have been assigned to carry out operations in accordance with environmental protection-related laws. The company is firmly committed to reducing pollutant concentrations to conform to air pollution standards. TECO and TESEN pollutant categories include Sox, Nox, and VOCs. Emission amounts between 2015 and 2017 are shown in the table below.

Unit: Metric tons				
Pollutant	Company	2015	2016	2017
SOx (Sulfur Oxide)	TECO	1.60	1.18	1.57
	TESEN	1.06	1.01	0.98
Total		2.66	2.19	2.55
NOx (Nitrogen Oxide)	TECO	0.94	0.78	0.90
	TESEN	0.67	0.59	0.60
Total		1.61	1.36	1.50
VOCs (Volatile Organic Compounds)	TECO	179.03	163.89	206.36
	TESEN	3.16	3.30	3.22
Total		182.19	167.20	209.58

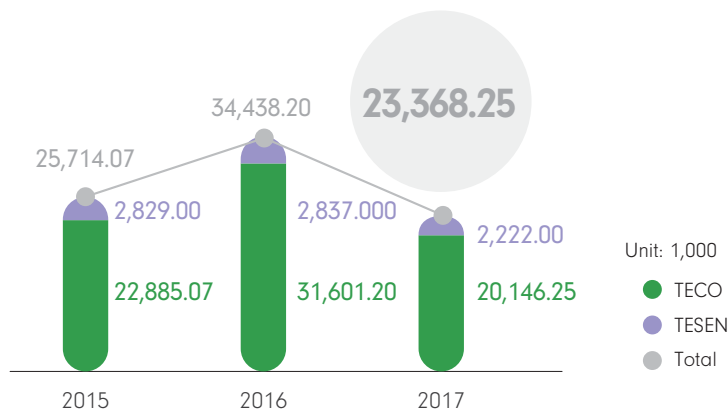


5.1.4 Compliance with environmental laws and regulations

TECO continues to improve and invest in air pollution control equipment and strengthen on-site audits and autonomous controls. The Company also constantly revises and implements environmental operating standards in line with legal requirements. No violations of environmental laws and regulations occurred in 2017.

5.1.5 Environmental expenditures

TECO constantly assesses energy conservation and carbon reduction, waste disposal, and pollution control equipment to minimize environmental pollution caused by pollutants generated during plant operations. Relevant expenses have been incorporated into environmental expenditure items. Environmental expenditures for 2015 to 2017 are shown in the table below.



5-2 Green Supply Chain

TECO is the technology leader in the global motor industry and the Group's product portfolio encompasses home appliances, wind power and electrical equipment etc. Through professional allocation of work with its material suppliers, equipment contractors and service providers (such as transportation, logistics contractors), TECO has established a close relationship with its partners, thereby creating a long-term, steady supply chain via upstream and downstream integration. In order to adopt materials and production processes that have the minimum impact on the environment, we have monitored key suppliers that account for 80% of annual procurement amount. Moreover, green supply chain development strategic goals are formulated along with KPI in order to reinforce CSR management.



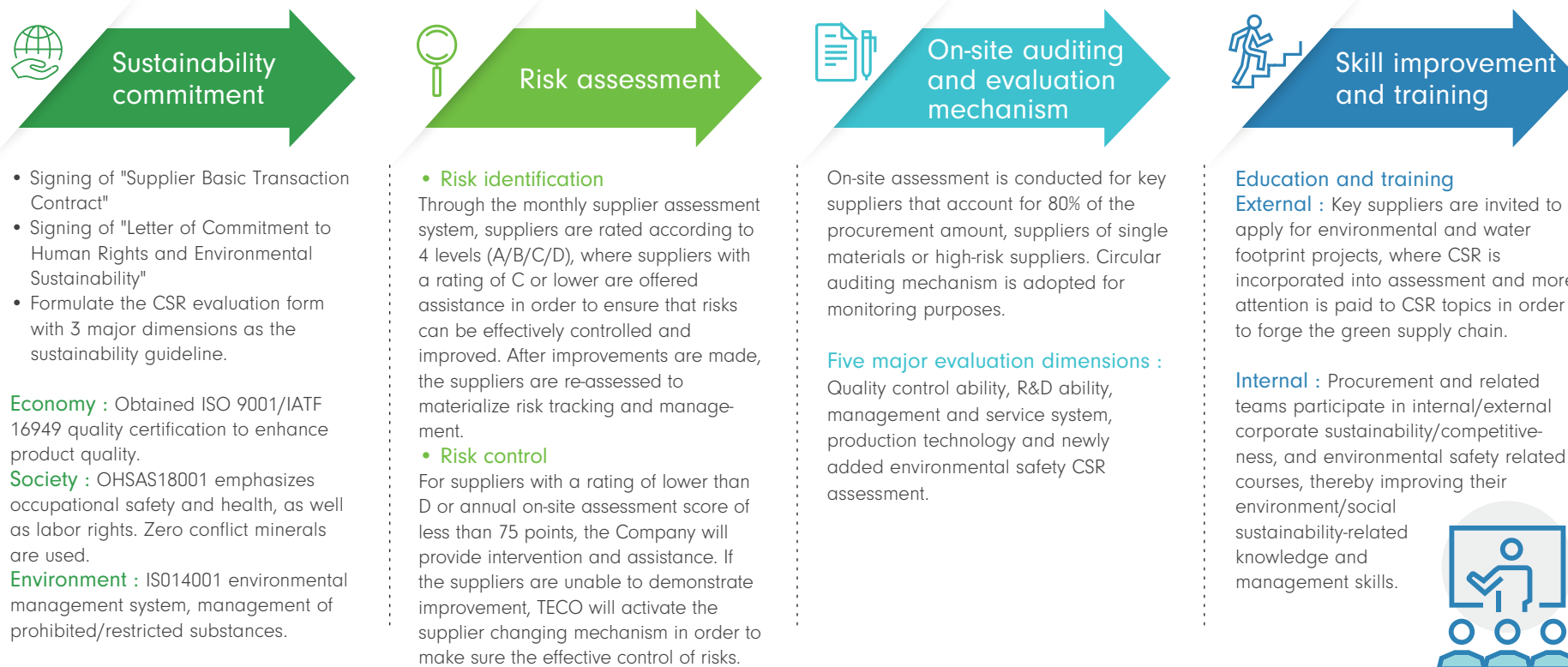
Key developments in TECO's green supply chain

- 2016**
 - Attachment of a "Letter of Commitment to Human Rights and Environmental Sustainability" to the Supplier Transaction Contracts to be signed by all suppliers.
- 2017**
 - Addition of a clause to the "Letter of Commitment to Human Rights and Environmental Sustainability" stipulating contract termination or rescission in case of violation of this commitment by suppliers.
 - Increase the letter of commitment signing rate by 15% every year.
 - Invite key suppliers to participation in environmental and water footprint projects.
- 2018**
 - Expected to raise the signing rate of "Letter of Commitment to Human Rights and Environmental Sustainability" to 85%, and the plan is to expand second-tier supplier management in order to gain a comprehensive understanding of the entire supply chain.
 - "Supplier Evaluation Form" combines "CSR" evaluation and on-site audit. Aside from demanding the quality, cost, delivery date of products as well as service and technical skills, emphasis is also placed on society, labor rights, environmental management and energy conservation/emissions reduction actions.
 - CSR-related topics are incorporated into various plants' annual KPI in order to implement the supply chain management system.

5.2.1 Green supplier sustainability management procedure

TECO strives towards sustainability through efforts in energy conservation, emissions reduction, smart technology and automation. In order to forge long-term, steady partnership with its suppliers, it has progressively assisted suppliers to align their philosophy in sustainable management with that of TECO's and the 3 major aspects of economy, society and environment have been incorporated into the supply chain sustainable management guideline. TECO ensures suppliers meet relevant quality, environmental, safety, and health criteria and their products conform to green management and control requirements prior to initiation of transactions. The Company has assisted its suppliers to improve their quality by obtaining ISO9001, IATF 16949 international certifications. It has also demanded suppliers to design green, eco-friendly products, as well as implement ISO 14001, OHSAS 18001 or other hazardous substance control capabilities. Regular audits and appraisals are conducted after transactions to monitor changes in standards.

The signing of "Letter of Commitment to Human Rights and Environmental Sustainability" allows the Company to terminate the contracts if any violation of social commitment is discovered. The letter aims to regulate the suppliers' fulfilment of social responsibilities during the production process. In the future, the Company will continue to improve the abilities of its employees and suppliers. The program will be expanded to second-tier suppliers in order to gain a complete understanding of the entire supply chain.



5.2.1.1 Qualified supplier evaluation method

TECO screens suppliers using 3 major dimensions of environment, society and governance performance to ensure that the supplier management system's condition, capability, potential and performance fulfills the required needs. The "Procedure for Vendor Assessment" is formulated and used as the basis for supplier assessment and selection. Furthermore, in order to make sure that its suppliers fulfill their social responsibilities and provide a healthy, safe work environment, CSR has been incorporated into TECO's qualified supplier selection criteria in 2017. Assessment operations are conducted in two stages:

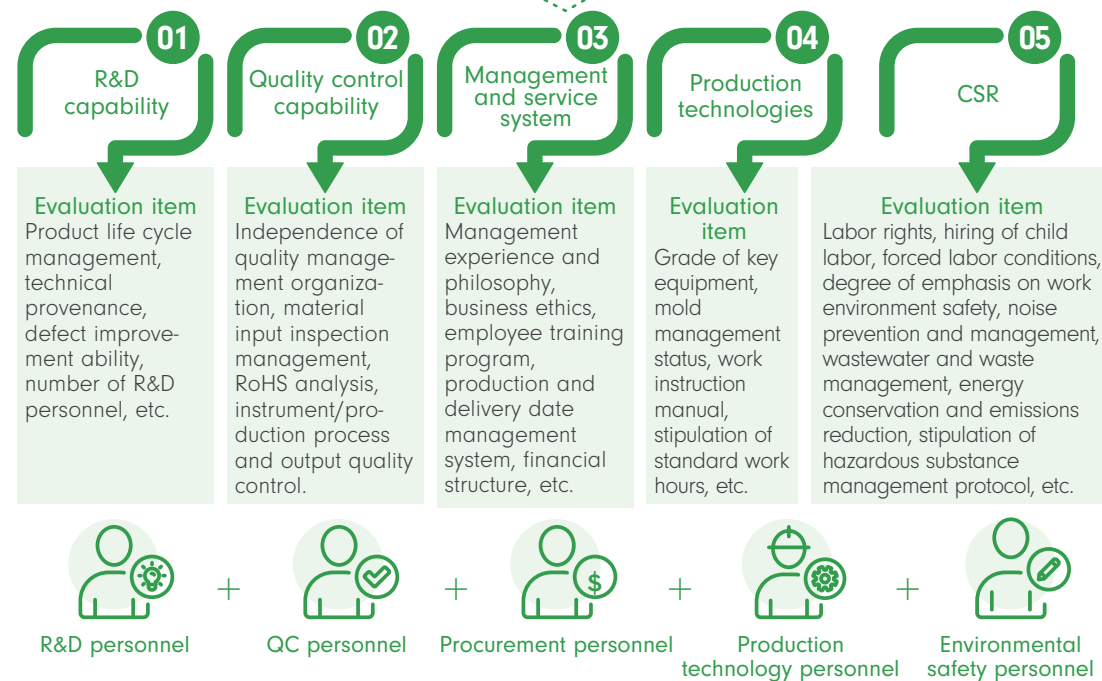
First stage: Written review system

Newly selected suppliers are required to fill out a "Supplier Survey Form" to gain an initial grasp of supplier conditions in the field of operations, organization, scope, modes, products, clients, and production testing equipment etc. Moreover, relevant international certifications including ISO9001 (quality), ISO14001 (environmental protection), and OHSAS 18001 (safety and health) are used as the environmental and social screening standard for new suppliers. Raw materials suppliers are also requested to provide test reports from third-party verification institutions such as RoHS or REACH in order to ensure that prohibited/restricted substance management policies comply with international environmental regulations. TECO's tracking and management system is conducted once every 3 years.

Second stage: On-site assessment system

For new suppliers, high-risk suppliers identified through risk identification or key suppliers, TECO has formed a supplier evaluation team consisting of personnel from R&D, quality control, biotechnology, procurement, environmental safety and auditing related fields to conduct on-site evaluation based on 5 major dimensions: "quality management ability, R&D ability, operations management and service system, production technology, newly added CSR". The results of these assessments are compiled into "Supplier Evaluation Reports" which are submitted to authorized executives of relevant units for review.

Five major dimensions of supplier evaluation



New suppliers must achieve a score of at least 75 points to become one of TECO's qualified suppliers. If a supplier achieves an on-site evaluation score lower than 60 points, the procurement department will activate the new supplier searching mechanism and procurement will be ceased immediately after a new supplier has been secured.

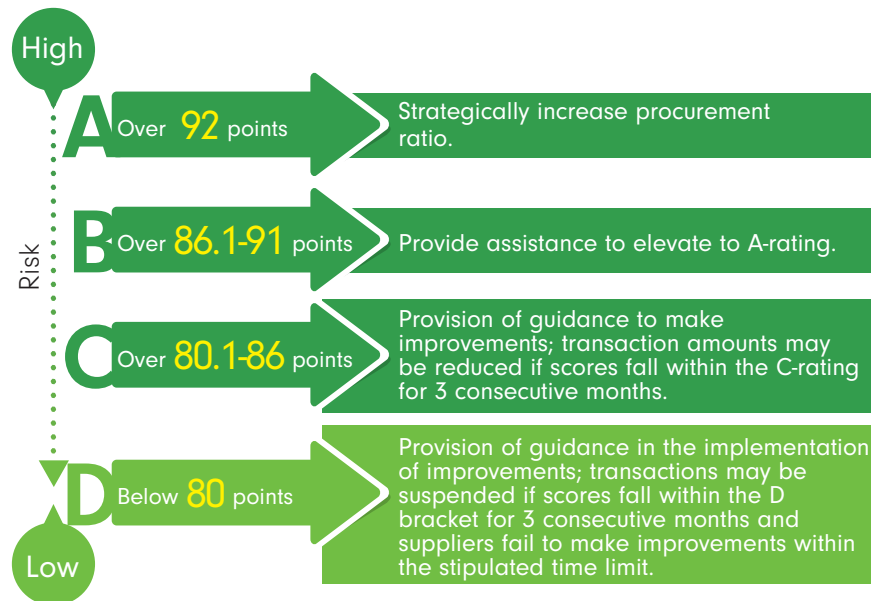
Supplier evaluation results

Average score	Assessment results	Description
Below 60 points	Disqualified	Out of the 5 major capability categories (R&D, quality management, management service, production technology, CSR), if any item falls below 60 points, or if zero point has been obtained for items such as the hiring of child labor, discharge of waste gas/wastewater, and waste management, the supplier will be disqualified.
60-75 points	Guidance required	Depending on the supplier's potential and TECO requirements towards the supplier, an assistance period of one year may be granted, and the supplier will be re-evaluated after improvements have been made. °
Above 75 points	Listing as a qualified supplier	Guidance may be provided to raise relevant standards and satisfy procurement requirements, if deemed necessary.

5.2.1.2 Supplier performance appraisal and incentive mechanism

TECO strives to enhance competitiveness with its suppliers and ensure a constant supply of materials. Besides maintaining a steady strategic partnership with its suppliers, the Company also carries out monthly risk evaluation and the "Procedure for Exercise of Vendor Evaluation and Rewards" using quality and delivery coordination as the evaluation standard. The procurement department conducts monthly supplier evaluation based on this procedure. The risks identified are categorized into A/B/C/D and used as the benchmark on which procurement decisions are made. When a supplier is rated as D, or if it has incurred a social/environmental incident, TECO will assist the supplier for 3 months. At the end of the said period, if the supplier is still unable to demonstrate improvement, the supplier changing mechanism will be activated and its contract will be terminated.

In addition to quality and delivery, detailed evaluation items include other indicators such as delivery coordination, after-sales service, flexibility, supplier location, and the efficiency in addressing quality abnormalities etc.



5.2.2 In-depth management of green supply chain and CSR

Being a green supply chain conscious company, TECO strives to achieve optimum overall environmental benefits throughout its operations, including green environmental policies such as: introducing green design concepts to the product life cycle, implementing energy-saving, emissions reduction green production process, green product marketing, as well as the recycling, reuse of wastes. Furthermore, eco-friendliness awareness is internalized to the entire supply chain via green transaction strategies to establish a more stable, trustworthy relationship with its upstream and downstream suppliers, thereby elevating the industry's "green competitiveness" together.

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



In-depth management items

Increased signing of Letter of Commitment to Human Rights and Environmental Sustainability

CSR is incorporated as one of the annual supplier evaluation dimensions

Strategy/goal

"Letter of Commitment to Human Rights and Environmental Sustainability" is incorporated as an attachment of the supplier transaction contract. The signing ratio will be increased by 15% per annum in order to expand and compel TECO's suppliers to place more emphasis on the issue of CSR.

- "Corporate social responsibility" evaluation is incorporated into the supplier appraisal form, making it one of the critical terms in becoming a qualified TECO supplier. If the hiring of child labor and violation of wastewater/waste gas discharge appear in the appraisal form, the supplier will be blacklisted.
- Key suppliers with a procurement amount of more than 80% are priority evaluation targets.

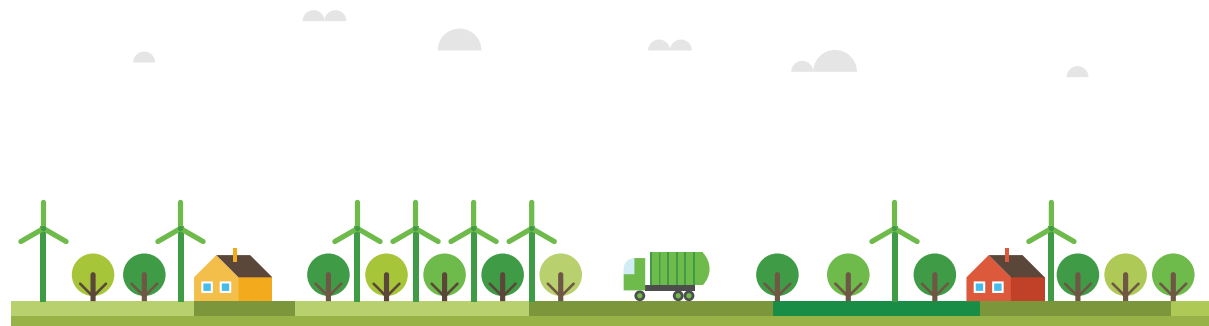
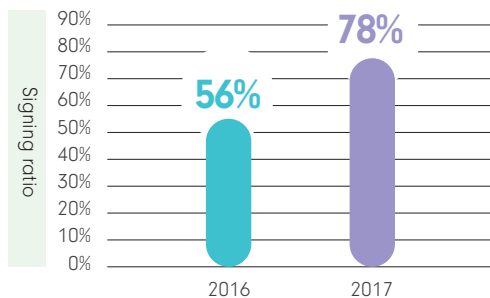


Performance review

The signing ratio was increased from 56% in 2016 to 78% in 2017.

CSR was incorporated into the supplier appraisal form in 2017, and key suppliers will be incorporated into the annual appraisal program in 2018 according to regulations.

Increased signing condition of "Letter of Commitment to Human Rights and Environmental Sustainability"

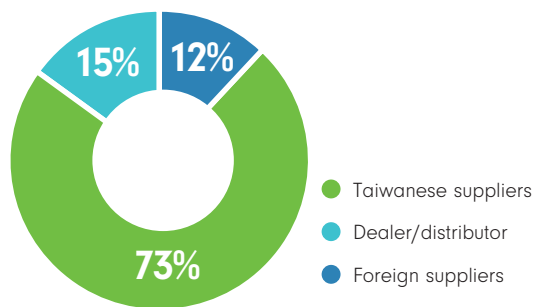


Localized procurement principle

In terms of procurement policy, TECO upholds the principle of local procurement and supporting local suppliers, hoping to provide employment for local residents and foster local development. At the same time, the intention is to minimize carbon emissions generated from the transportation of materials. The ratio of Taiwanese key suppliers that account for at least 80% of TECO's procurement amount is approximately 70%. The remaining procurement ratio is adjusted flexibly based on risk assessment of the overall supply situation, where suppliers from different regions are used to disperse materials related risks. Ensuring a steady supply of raw materials.

Ratio of Taiwanese suppliers in 2017 was about 73%.

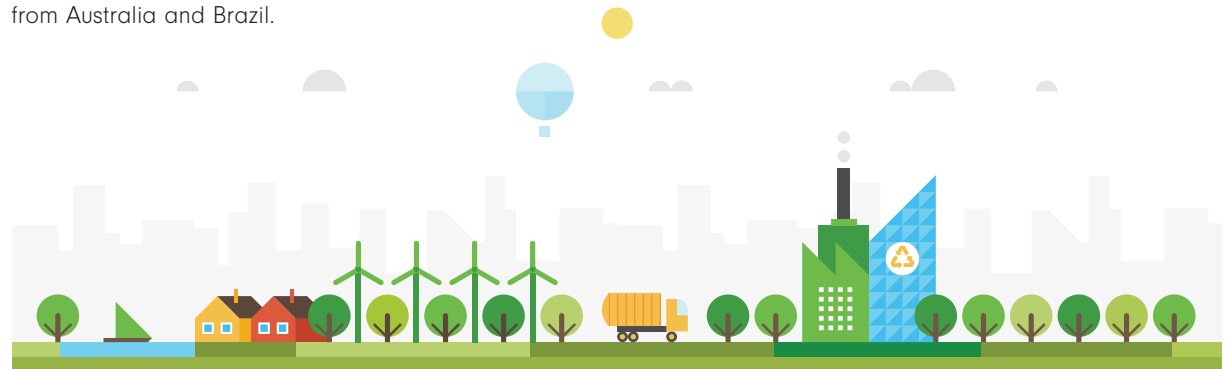
Procurement ratio from local key suppliers



Non-use of conflict mineral management

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

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



Grow with suppliers - Application for environmental and water footprint projects

Carbon reduction trends are on the rise worldwide and this issue is expected to evolve into a new rule for industry chains. Products with carbon labels or seals will become hot sellers on the market. Following the successive implementation of carbon labeling plans by Japan, UK, USA, Canada, Thailand, Australia, and other countries, Taiwan became the 11th country to implement a carbon labeling system. To this end, TECO has applied for environmental and water footprint projects, inviting key suppliers to join the initiative.

In 2016 and 2017, TECO's key motor and inverter supplies have been invited to apply for carbon and water footprint assurance statement.



6 Creation of a blissful enterprise



6-1 Human Resource Policy

▼ HR strategic theme

Reinforce talent cultivation and development through company strategies and industry-academia collaboration

Strengthen communication and social engagement in order to enhance employee happiness

Create a diverse, friendly workplace and cultivate international talents



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

TECO's diversified deployment has secured a strong presence in numerous industries including heavy machinery, electric control, home appliances, wind power, electronics, and infrastructure. Over the past 6 decades, the Company has expanded into different industries and gained a firm foothold in Taiwan with operating bases spread all over the globe. This has created numerous unique challenges for TECO in the field of HR management. A diversified manpower resource strategy and approach is the key direction in response to global deployment and talent development. The current organization and manpower structure of TECO as of December 31, 2017, is as follows:

- The company has **6** business departments, **1** research institute, and **1** smart automation and biotech center, employing a total workforce of **2,410**. (2016, 2,406 persons)
- The educational background of TECO's employees is improving every year. Over 66% of all staff members have a college degree or higher, serving as the backbone for the sustainable development of the Company.
- **TECO employees have an average age of 43.5 and 15.3 years of service.** The passing on of knowledge and expertise and cultivation and retention of key talents represent paramount tasks in the field of talent development. (In 2015, TECO employees had an average age of 43.1 and 15.3 years of service)

TECO conducts annual employee satisfaction surveys, interviews and assessments in accordance with the needs of various business units. The Company also reviews company strategies as well as internal and external circumstances in order to formulate annual strategies. The following 3 key strategies were adopted in 2017 based on the Group's strategic development demands: (1) Reinforce talent cultivation and development through company strategies and industry-academia collaboration, (2) Strengthen communication and social engagement in order to enhance employee happiness, (3) Create a diverse, friendly workplace and cultivate international talents. The goal is to fully develop and utilize available talent, ensure sustained operations and create a win-win situation for employees and the enterprise.

2016

- Public announcement of TECO's human rights policies and declaration
- Formulation of "Supplier Letter of Commitment to Human Rights and Sustainability"
- The company was awarded a seal of approval for its breastfeeding room facilities
- Honored with an excellence award at the 10th Taoyuan City Outstanding Enterprise Awards

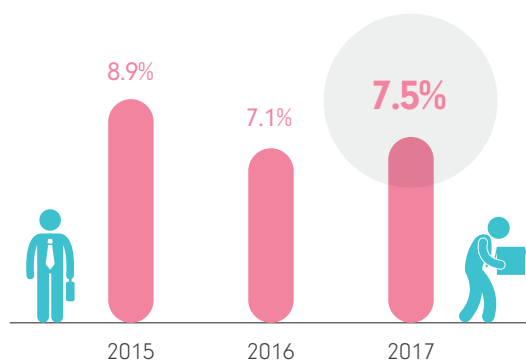
2017

- Scholarships are granted to help high school and vocational school talents to receive university education. A total of 6 persons received the scholarship.
- Establishment of a weekly information sharing mechanism for employees to strengthen employee communications.
- In 2017, the retention rate after paternal leave was 82%.
- Received a certificate of appreciation from Thailand Trade and Economic Office (Taipei) in recognition of TECO's efforts in managing foreign worker and looking out for their welfare.
- Employee satisfaction is maintained above 80 points.
- Organized TECO "Adopt 66m² Rice Field" and "Donghui Club" corporate volunteer service. In 2017, a total of 1,440 hours of volunteer service hours were carried out.

Development
plan for
2018
and the
future

- Founded the TECO Academy to facilitate comprehensive talent training and development.
- Established an international talent cultivation system and Group-wide talent exchange mechanism.
- Continue to conduct employee surveys and maintain an employee satisfaction level of 80 points or higher.
- Organized energy conservation education in local schools and communities coupled with sustainable community development using the Company's expertise.
- Encourage social engagement, accumulating over 1,500 volunteer service hours.

▼ TECO employee turnover rate



6-2 Talent Structure and Hiring

TECO Group has a workforce of 4,481 persons, consisting mainly of permanent employees (3,794 persons, accounting for about 85%). The following gender ratio, job position ratio, age and seniority distribution statistics are all based on permanent employees.

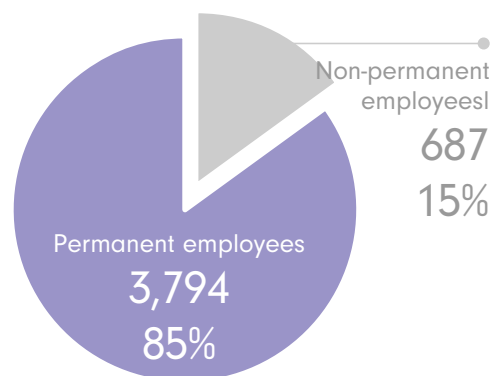
*: Companies included in the statistics: Taiwan - TECO Electric & Machinery Co., Ltd. (including TESEN Electric & Machinery Co., Ltd.), TECO Electro Devices; China - Wuxi TECO, Taian Technology (Wuxi); North America - TECO-Westinghouse (TWMC)

Statistical data

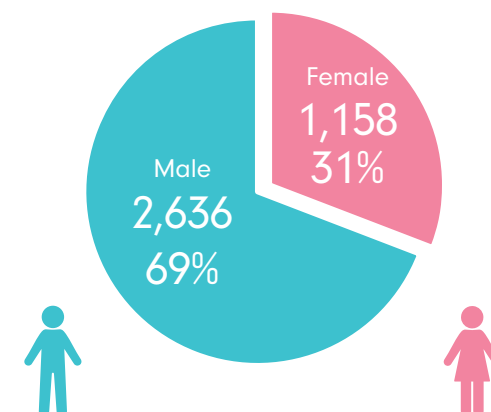
2017 manpower structure

● Female ● Male

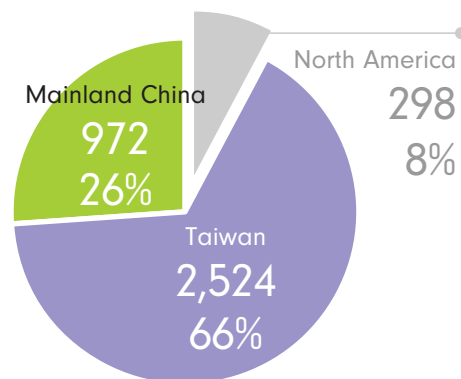
▼ Number of permanent/non-permanent employees



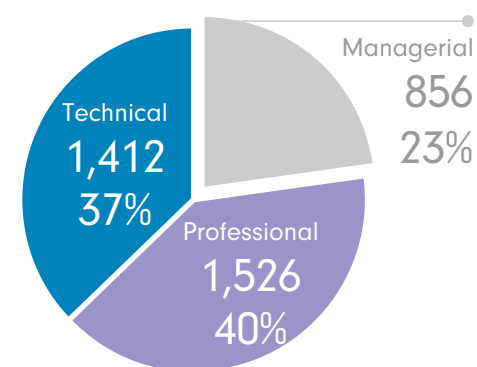
▼ Gender ratio (permanent employees)



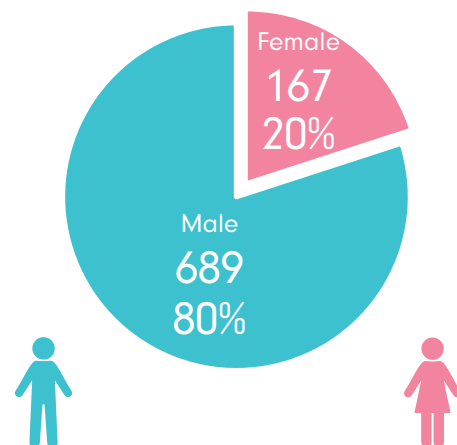
▼ Number of employees in various regions (permanent employees)



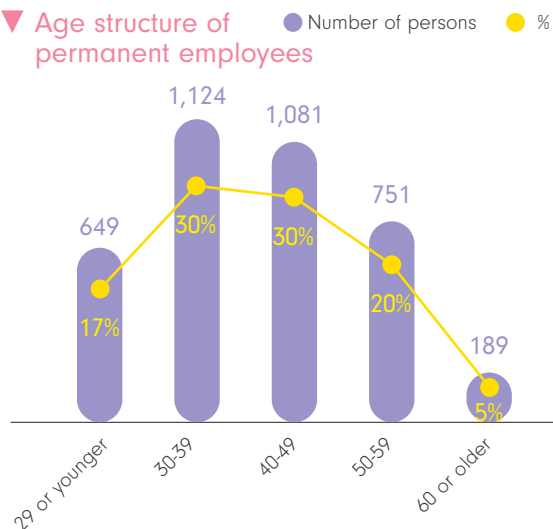
▼ Number of employees in various job positions (permanent employees)



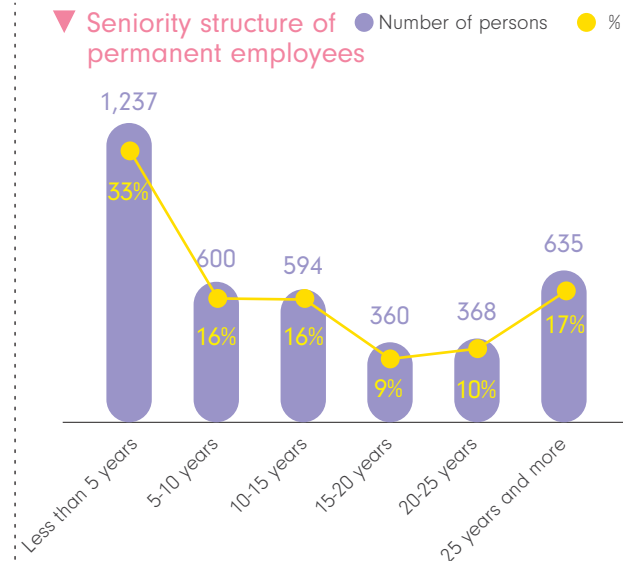
▼ Gender ratio of managerial positions (permanent employees)



▼ Age structure of permanent employees



▼ Seniority structure of permanent employees



TECO hiring methods

Multiple recruitment channels and industry-academia collaboration:

In addition to routine hiring methods, the company employs diverse recruitment channels and various industry-academia collaboration initiatives to ensure systematic cultivation of talent and a synthesis of theory and practice.

Internship program

As of 2010, TECO has offered summer vacation internship opportunities to boost youth employment and enhance the competitiveness of adolescents after graduation. The Company hires 5-12 interns per year, recruiting students from major colleges and universities in order to cultivating suitable talents, and endow them with knowledge and applied expertise. The Company also hires interns from Germany, Hong Kong, Malaysia, and the Netherlands to create a learning environment characterized by international perspectives and cultural diversity.

R&D Substitute Service

Since 1999, the Company has offered an employment channel for R&D talents after graduation. This is in line with the defense industry reserve duty and R&D substitute service policy of the government. In the "Draftees' Favorite Enterprise Survey" conducted by a job bank, TECO has been voted among the top 5 most popular enterprises in the traditional machinery industry.



Industry-academia collaboration

1. Industrial master's program

TECO offers industrial Master's programs in cooperation with National Cheng Kung University, National Taiwan University of Science and Technology, and National Taipei University of Technology to bring students up to speed with industry demands, as well as to cultivate future talents for the Company. By late 2017, a total of 18 students had enrolled in the program.

2. R&D talent scholarship

The scholarship program for science and engineering graduate and doctoral students aims to cultivate talent through cooperation with universities. 5 students have benefited from such scholarships. 2 of them currently serve as R&D executives.

3. Scholarships for outstanding science and technology students

Vocational high school students who have won awards in national science and technology competitions are selected to receive university scholarships and summer internships. The goal is to transform these students into future managers of the Company (6 students are currently receiving this scholarship, and the Company will continue to provide the scholarships in 2018).

4. Industry Internships and Cooperation with Schools

- Taipei City University of Science and Technology Internship Program: As of 2014, the Company offers 4-year internships for 7 Mechanical and Electrical Engineering students every year. So far, 8 interns have chosen to stay with the Company after graduation.
- Cooperation with vocational high schools: The Company currently collaborates with Kao-yuan Senior High School of Technology & Commerce, Chung Shan Industrial and Commercial School, and Wanneng High School of Industry and Commerce. The Company offers 80 internship opportunities for students enrolled in these schools each year. Furthermore, the "TECO Employment-Oriented Program" has been created in cooperation with Kao-yuan Senior High School of Technology & Commerce. A total of 23 students have been recruited for this program since 2014. The program includes course conducted by industry professionals, and industry internships lasting a total of one year (Company internships were launched in June 2016).



National Hualien Industrial Vocational Senior High School - TECO scholarship briefing

Priority given to internal recruitment of talent

TECO has established an open internal talent recruitment system. Internal recruitment is conducted for job openings in order to provide TECO employees with spontaneous and autonomous career development opportunities. The purpose is also to let outstanding employees take on new challenges, so as to unleash their full potential. Employees who have demonstrated at least one year of excellent service are eligible for mid-level management positions in the Company.

Information security and care for underprivileged groups

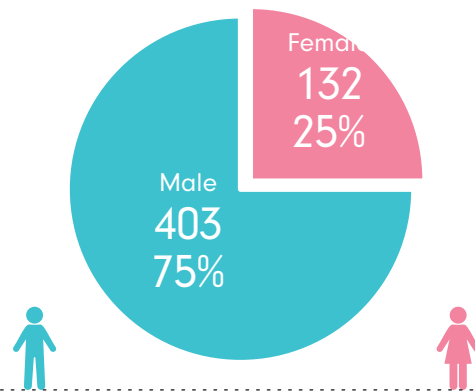
TECO safeguards the security of personal information provided by job seekers pursuant to the Personal Information Protection Act. Such information is not used for purposes other than the recruitment and selection process without the express consent of job seekers. The Company's hiring policies are in strict compliance with the regulations set forth in the Labor Standards Act. The Company does not hire minors under the age of 15. Interns under the age of 16 receive comprehensive workplace and life guidance, and counseling. TECO provides suitable employment opportunities for workers with mental and physical disabilities and indigenous workers. The Company currently employs 36 disabled and 23 indigenous workers.

		Hiring of disabled workers	Hiring of indigenous workers	Total
2017	Number of persons	36	23	59
	Ratio	1.49%	0.95%	2.45%
2016	Number of persons	35	26	61
	Ratio	1.45%	1.08%	2.54%

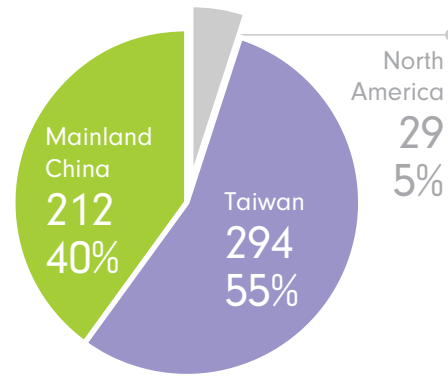
New employee structure (permanent employees)

In 2017, the Group hired 535 new employees, which is equivalent to an employment rate of 14.1% compared to the number of the Group's permanent employees (3,794 persons).

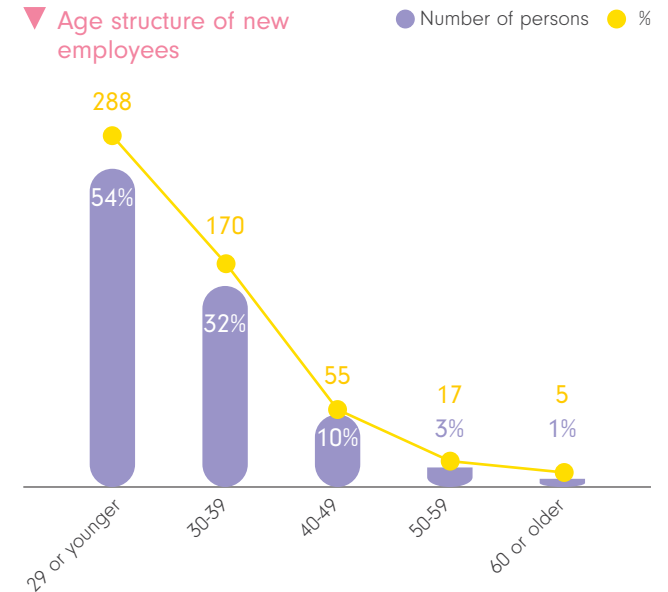
Gender ratio of new employees



Number of new employees in various regions (permanent employees)



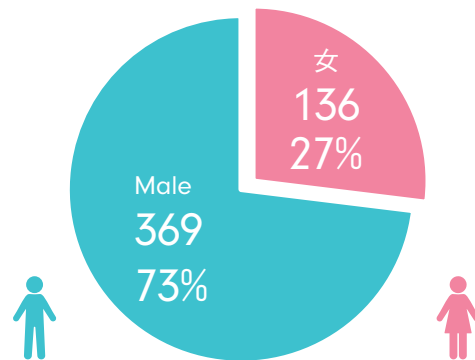
Age structure of new employees



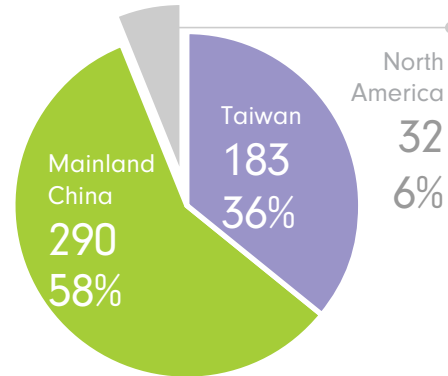
Resigned employee structure (permanent employees)

In 2017, 505 permanent employees resigned from the Group, which is equivalent to a turnover rate of 13.3% compared to the number of the Group's permanent employees (3,794 persons).

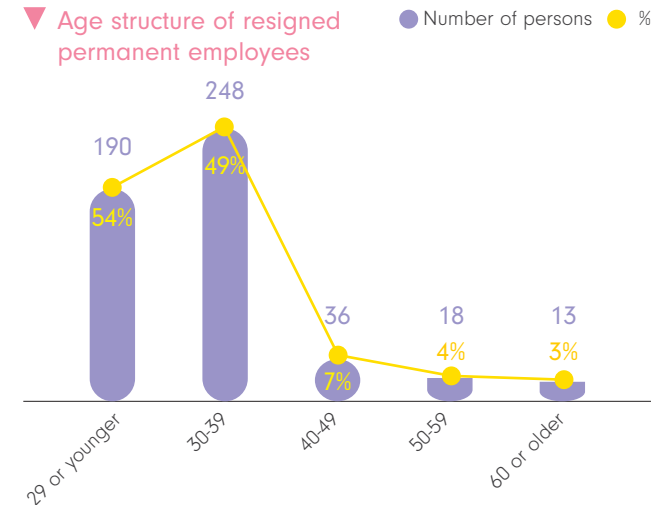
Age structure of new employees



Age structure of new employees



Age structure of resigned permanent employees



6-3 Communication Channels

TECO offers numerous communication channels for its employees Including quarterly events for employees at company HQ and morning meetings at plants. These events allow high-level executives to directly communicate with employees, clearly explain current business achievements and challenges, and commend employees for their outstanding performance.

Main communication channels include:

1. Labor union and labor-management meetings

TECO set up its own labor union in July 1974 to pursue higher work efficiency, improved labor conditions, and open communication of opinions of labor and management. The company further signed a collective agreement with union representatives on December 28, 1981 which safeguards the rights and interests of all employees pursuant to the Labor Union Act and the Collective Agreement Act to safeguard the rights and interests of both sides and ensure harmonious relationships between labor and management. The union convenes annual general meetings for the election of representatives, 11 Directors and 4 Supervisors by all members in attendance. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. Labor union offices have been set up in plant areas to give employees a chance to communicate and exchange opinions with union representatives during working hours. The company also organizes semi-annual conferences that serve the purpose of direct communication between union Directors and Supervisors and the president. In addition, model workers (one for every 100 employees) are selected and recognized on an annual basis. A total of 24 model workers were selected in 2017. All business activities of the company strictly conform to the Labor Standards Act. Employees are notified of major operational changes 7 days in advance.



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

TECO Labor Union

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



In 1999, TECO was honored and recognized with the "National Award for Enterprises with Excellent Labor-Management Relationships" and "Award for Exemplary Labor-Management Meetings" granted by the Council of Labor Affairs and "Award for Enterprise with Excellent Labor-Management Relationship" granted by the Taoyuan county government. Meetings to commend model workers are held annually after Labor Day to recognize employee contributions.

2. Quarterly employee conferences and plant morning meetings

Quarterly employee conferences with around 200 participants are organized at company HQ. During these meetings, the chairman describes the quarterly operating status and major strategic directions. After these conferences, employee satisfaction surveys are carried out. In 2017, the average satisfaction score was 87 which clearly indicates that employees approve of this channel which provides a better understanding of company strategies and operating conditions. TECO plants hold morning meetings with roughly 950 participants on a quarterly basis to provide safety and health education for employees and brief them on the company's sales and operational performance.



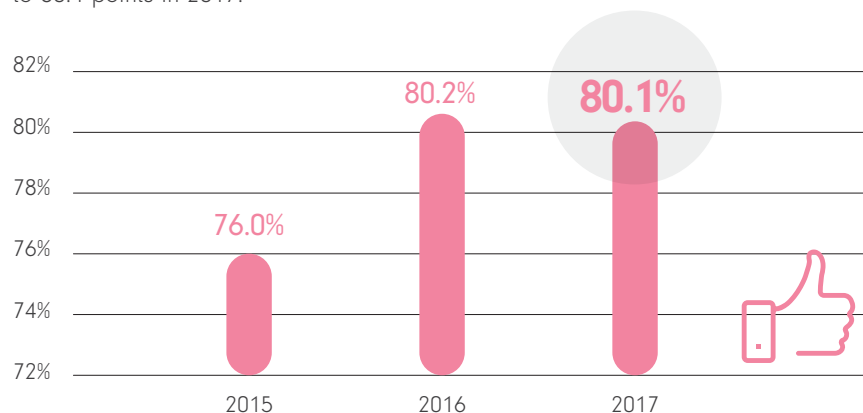
3. Overseas Affiliate Meetings

The company organizes annual overseas affiliate meetings which are attended by mid- and high-level executives of the Company and high-level executives of overseas affiliates. These meetings represent a Group-wide communication platform and serve the purpose of conveying the annual operating status and future strategies of the Group.



4. Employee satisfaction surveys

Employee satisfaction surveys are conducted via anonymous questionnaires on an annual basis. Respondents include company executives and all staff members. Response rates exceed 40% of all survey participants and employees are notified of the survey results. According to 2016 survey results, most factory employees are not equipped with computers to receive the Company's electronic information, and they expect more communication and information channels. As a result, TECO launched TWBS (TECO weekly Briefing Session) in 2017, a weekly publication that is verbally communicated to the colleagues by the shift supervisor. In addition, the information is also posted on bulletin boards and disseminated via factory-wide email. After responding to the demands of employees, the average satisfaction score reached 80.1 points in 2017, which is on par with last year's score of 80.2 points. However, on-site employee satisfaction increased from 78.7 points in 2016 to 80.4 points in 2017.



TECO weekly Briefing Session



TWBS
201711-03

TECO's future outlook

TECO celebrates its 61st anniversary this year! At the sexagennial anniversary celebration last year, the Chairman announced the Company's vision of "Energy conservation, emissions reduction, smart technology and automation". Therefore, TECO will not only continue investing in the R&D of green products but also smart technology and automation technology in an effort to foster industry upgrade. TECO's unchanging goal is to become the global leader in the field of electromechanical engineering

The Motor Stator Automated Production Center in Chungli and green punching center in Wuxi are the best examples!



As the backbone of TECO (stand up straight), we have to be familiar with the Company's vision and appreciate its meaning in order to help us achieve better work targets! They are explained below:

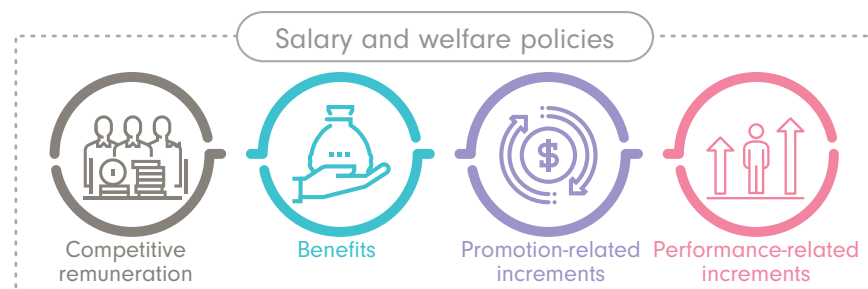
Key points	Description
Energy conservation	Committed to developing green energy technology, focusing on high-efficiency products and production processes.
Emissions reduction	Two major themes: high-efficiency and clean energy. Mission: Earth's sustainability.
Smart technology	Respond to customers' needs with smart products, and devise smart solutions for the traditional manufacturing industry in order to promote industry upgrade.
Automation	Improve production efficiency through automation and transformation, thereby increasing operational flexibility and competitiveness.

5. Internal publications: Top-notch biweekly

TECO started releasing its internal publication "TECO Top-Notch" in 1970 as a channel for the transmission of corporate culture and employee communication. In line with digitization trends and the spread of new broadcast media, the company started to release online digital editions of this magazine in addition to the paper version which is still available for on-site personnel and visitors. A "Top-Notch Biweekly Interactive Platform" based on this edition to increase the frequency of real-time exchanges and interactions between colleagues. An English version of the magazine has been issued since 2016 to strengthen the communication between foreign employees and the Group.

6-4 Compensation and Benefits

TECO offers employee compensations superior to the average value of its competitors. There is no gender discrimination in determining starting salaries for new employees, and the basic salary is higher than the minimum salary requirements stipulated by the government. Rewards and compensations including pay raises and bonuses are adjusted based on annual evaluations of personal performance and contributions. The Company has also developed a complete system for job classification and ranking, which is applied impartially to both male and female employees. In addition, the Company conducts performance appraisals on a semi-annual basis to determine achievements and provide guidance for employees. The aim is to advance their abilities and competencies. Compensations for executives of the rank of manager or above are adjusted quarterly, since they are directly related to the Company's operating performance. The purpose of all compensations and rewards is to motivate co-workers to make dedicated contributions and recognize their commitment to fulfilling their duties and responsibilities and joint efforts to achieve the operational goals of the company. Generally speaking, the 4 reward categories are illustrated in the following diagram:



1. Competitive remuneration policy

The company has formulated "Guidelines for Compensation Management", as the basis for salary determination and adjustment for employees. It also has a firm grasp of salary standards of same-industry businesses and regularly reviews the company's compensation policy, to facilitate recruitment and retention of exceptional talent. In addition, the Company offers allowances depending on the unique nature of different work stations to recognize the efforts and commitment of its employees. Various bonuses for contributions in the field of sales, patents, proposals, and competency qualifications are available to motivate employees to make valuable contributions to their work. A complementary reward and compensation

system is in place to retain outstanding talents at key positions. The Company shares business achievements with its employees in the form of year-end bonuses and compensations, creating a favorable remuneration and benefits system, so that they can work with peace of mind.

2. Annual performance-based increments conform to market standards

Increments are awarded pursuant to the "Guidelines for Compensation Management" in consideration of market standards, living-cost indices and the company's financial ability. In principle, increments are carried out on April 1 each year based on the employees' performance over the previous year. Performance-based increments have been implemented annually in the last 3 years. Base-level personnel ranked in the top 80% of evaluated employees is eligible for increments. Employees with exceptional performance are entitled to increments in excess of 3%.

3. Promotion-related increments

Employees who receive promotions pursuant to the Promotion Guidelines are eligible for increments in accordance with the "Guidelines for Compensation Management" to maintain compensation competitiveness.

Pay gap statistics, based on average salaries of male and female employees with different job grades and duties are shown below:

Job grade	Gender	Pay gap statistics				
		TECO	TECO Electro Devices	Wuxi TECO	Taian Technology (Wuxi)	TWMC
General staff	Female (blue triangle down)	1.10	1.07	1.03	1.33	0.98
	Male (red triangle up)	1.00	1.00	1.00	1.00	1.00
Director	Female (blue triangle down)	1.03	0.90	1.05	1.30	1.04
	Male (red triangle up)	1.00	1.00	1.00	1.00	1.00
Manager	Female (blue triangle down)	0.96	7.80	1.88	1.14	-
	Male (red triangle up)	1.00	1.00	1.00	1.00	-
Factory manager, division chief or higher	Female (blue triangle down)	0.56	9.80	-	-	0.95
	Male (red triangle up)	1.00	1.00	-	-	1.00

*: Pay gap statistics for different gender and job grade are calculated based on the average salary of female employees

4. Benefits

TECO has adopted comprehensive benefit and employee/family care programs for employees and their families. The EAP platform integrates the 3 dimensions of health promotion, family care, and life/social development. A series of employee assistance programs are available and employees can utilize this platform to search for assistance and required resources in accordance with their personal needs.

Comprehensive leave system

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

- Special personal/sick leaves benefits: Applicable to full-time employees with at least 3 months of service. Employees receive their full salary if personal and sick leaves so not exceed a total of 3 days per year.
- Convalescent leave: In consideration of the need to recuperate after hospitalization, employees are eligible to apply for paid convalescent leave of an equal length as their hospital stays (maximum 30 days per year). They receive half of their salary for the 30th to the 60th day.
- Welfare leaves: The Company offers welfare leaves to encourage its employees to engage in welfare activities and fulfill its responsibility as a corporate citizen. Employees are eligible for a total of 3 days of paid welfare leave per year without affecting their performance appraisal.

In order to foster work-life balance, TECO has implemented a leave management system to review various department's special leave ratio. This is incorporated as a benchmark for company executive performance appraisal.

Preferential group insurance

All employees are eligible for free preferential group insurance. Life insurance, accident, medical, and critical illness coverage is superior to group insurance provided by other same-industry businesses. Employees also have the option of obtaining the same coverage at a preferential rate for their family members at their own expense. (792 employee relatives were insured through this program in 2017.) When employees face serious illness or accidents, this policy will cater to their pressing needs.

Comprehensive benefits system

Staff canteen	Soothing massage service
Scholarships for children of employees	Cinema bookings
Staff trips with family member	Exclusive blazers for employees
Festival gifts/coupons	Diverse array of discount stores, group buying activities, New Year's goods bazaar
Wedding/ child birth bonus	Home appliance discounts
Birthday cake/gift coupon	



6-5 Talent Training and Career Development

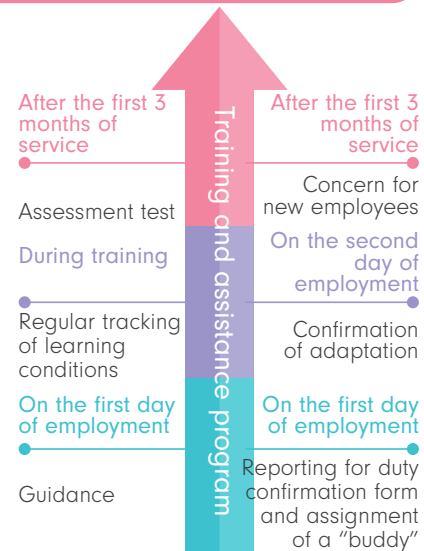
New employee orientation system

The company provides comprehensive training and care for new employees starting from their first day of employment to fulfill its responsibility in the field of talent cultivation and care. A systematic guidance system encompassing "initial support," "orientation training" and "settling-in assistance" is in place. In addition, an electronic tracking system has been adopted to strengthen the identification of employees with the company and enhance the quality of learning through systematic planning. This enables them to maximize their potential, acquire new abilities, and develop their careers. According to annual statistics at the end of 2017, turnover rate of new employees with less than 3 months of employment has remained below 10% for 3 years in a row (9.4% in 2017, a decrease of 3.2% compared to 12.6% in late 2014).

New employee proficiency and quality indicator: Questionnaire surveys administered for new employees and their supervisors after the first 3 months of service indicate higher scores in the key area of workplace learning after implementation of the program. Employee self-assessment scores rose by 8.2% from 81.8 points to 88.5 points in 2017, while supervisor assessment scores increased by 7.8% from 80.7 points to 87.0 points, both scores are higher than the target growth value of 5%.

- Guidance system for TECO's new employees •

- 1 **Initial assistance for new employees:** Assistance during the first 2 days of employment, including appointing senior employees as Buddies by supervisors, introduction of the environment, organization and work etc.
- 2 **Orientation training:** Guidance and training for new employees include "general courses," "introduction of business units," "product and product information," "various SOPs" and "production process information."
- 3 **Settling-in assistance :** After the first 3 months of service, questionnaire surveys of new employees and their supervisors are administered for the following 4 dimensions: 1. Cultural system 2. Employee interactions 3. Workplace learning 4. Life adjustment.
- 4 **E-operations:** Creation of online forms, duty confirmation forms, guidance plan forms and questionnaires that show concern for new employees allow supervisors and new employees to inspect/track learning progress and adaptation problems online, thereby ascertaining the status of the new employee orientation training programs.

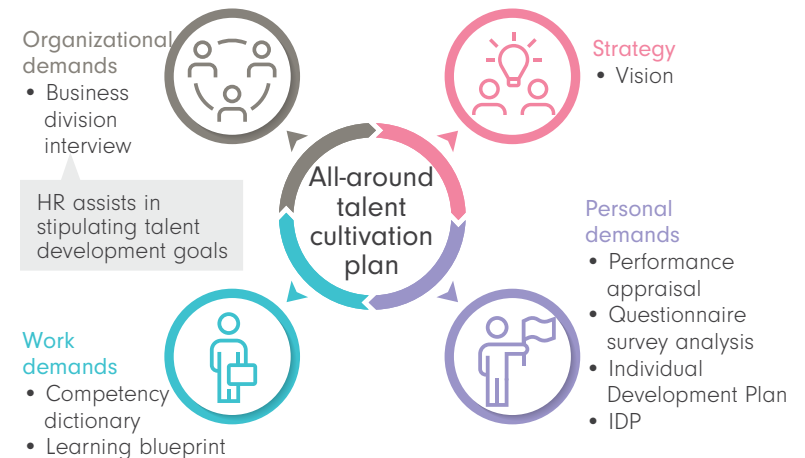


Comprehensive career development path

The company's training and development mechanism strictly conforms to the PDDRO principles.

- The following 4 dimensions represent the main considerations and serve as the basis for overall analysis during the annual planning of training courses: Strategy/organization, work and personal needs.
- Training courses are divided into the 4 main categories based on the company's "Talent Development Implementation Rules:" Management ability, professional competence, general knowledge and corporate policies.

In addition to the development of training blueprints for different positions, the company also conducts annual training needs surveys. Individual Development Plans (IDP) for every indirect employee serve as the foundation for better communication between employees and supervisors regarding career development. Furthermore, employees are nominated and appraised for promotion on a semi-annual basis to give staff members with outstanding performance and great potential an opportunity for advancement. The Company makes constant efforts to create complete career development paths.



Key aspects of talent cultivation

Key talent training, management competency training and smart talent cultivation represent the main aspects of training to ensure sustainability:

A. Key talent training

Enhanced scope and vision of top-executive candidates:

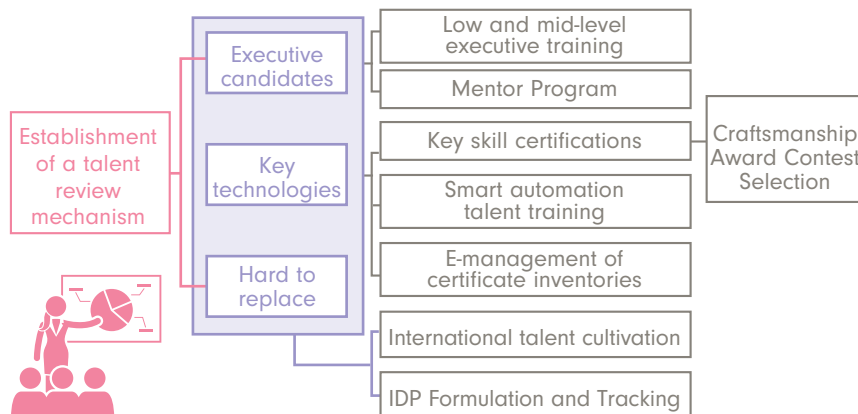
- Completion of talent development path for key top-management personnel.
- Arrange overseas visits by top-level executives to endow them with a better understanding of cutting-edge technology standards and practices worldwide.
- Organization of discussion forums on high-level political and economic trends (Industry 4.0)
- Completion of top-level executive training and BU strategy briefings.

Cultivation of potential key personnel:

The Company has an internal system in place for “key personnel” of grade 8 or below to actively cultivate managerial candidates. Talent development plans are developed annually for key personnel. Key personnel accounts for 8% of the total staff. 51% of the key personnel have been selected for “grade promotions,” “executive assignments,” “rotation” or “overseas assignments.” This ratio is significantly higher than that of the Company’s overall ratio.

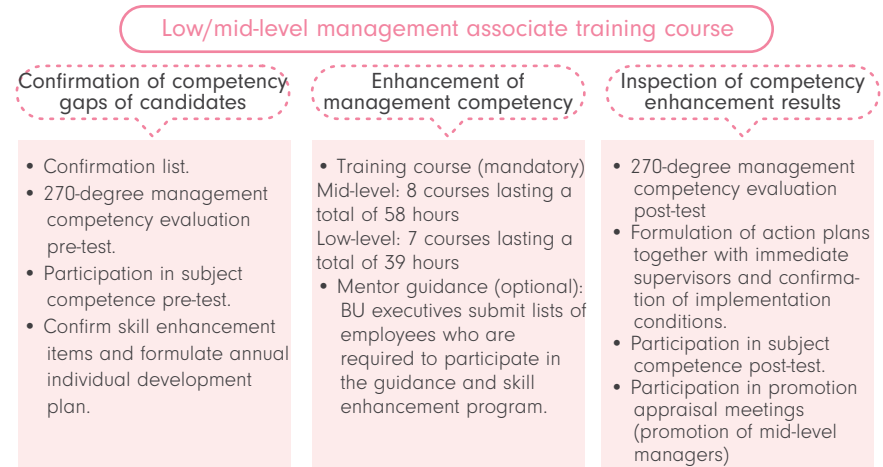
Strengthening of key technologies:

- Organization of job skill certifications
- Award of craftsmanship awards to 4 employees in 2017



B Management competency training

Regular organization of management competency training including low/mid-level management associate training, mentoring programs for newly appointed executives, benchmark learning and talent cultivation projects to strengthen the management skills of potential talents.

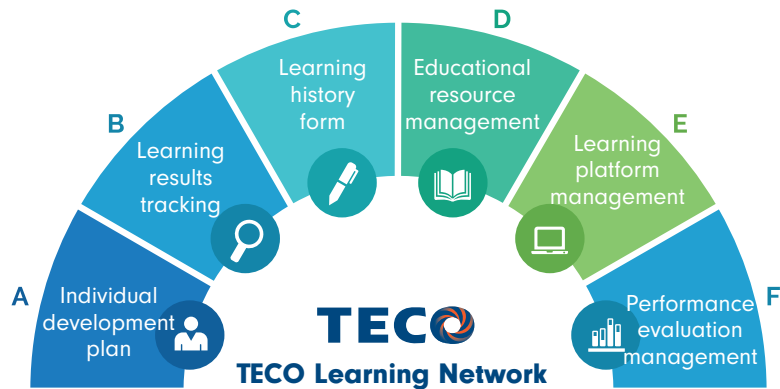


C. Smart automation and smart technology course

The Company’s smart automation and smart technology talents are trained with TECO’s development vision in mind. Dedicated empowerment courses are designed in conjunction with the National Taiwan University of Science and Technology and the National Taipei University of Technology. 124 hours of courses were arranged for 35 students in the smart automation class and 216 hours of courses were arranged for 32 students in the smart technology class. A graduation exhibition was held at the conclusion of the course to present possible future applications.

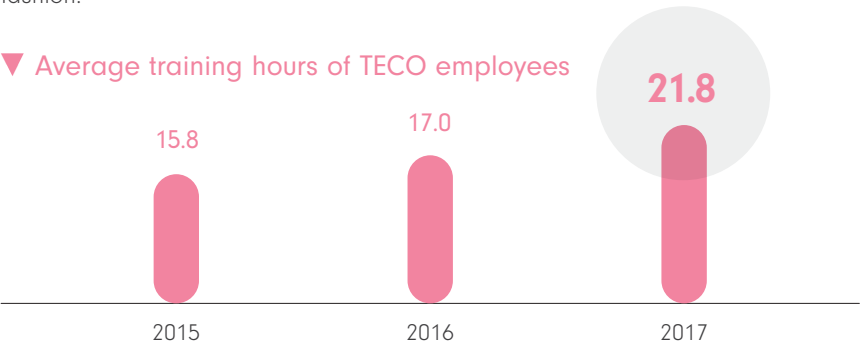
Comprehensive talent training performance tracking and improvement mechanism

Talent cultivation is managed in a systematic manner to strengthen results tracking



In 2017, a total of 1,827 courses were offered independently by TECO business divisions or in accordance with the training plan. The average annual training hours per employee totaled 21.8 hours. The Company continues to organize CSR-related courses. In 2017, the following courses were held: 12 CSR-related policy and regulation courses; 23 employees’ legal rights and promotion-related courses; 17 employee healthcare and burnout prevention courses; 4 anti-corruption and employee code of conduct-related courses. 40 safe work environment related courses; trainees included high, mid, and low-level executives as well as regular employees. CSR-related training and awareness were established in a top-down fashion.

Average training hours of TECO employees



Cross-divisional associations to facilitate in-depth professional exchanges

The Company has also established cross-division professional associations for biotech, R&D and sales personnel to generate more opportunities for exchanges in learning, and growth among employees in these professional fields.



R&D association Sales association Production technology association

Employee training course (2017)

	Category	Course title	Class name
1	CSR promotion	2017-Re-seeing Taiwan from the Heart (Policy - Environmental Safety)	1st group in 2017 (Guanyin)
2		2017-Re-seeing Taiwan from the Heart (Policy - Environmental Safety)	2nd group in 2017 (Hukou)
3		2017-Re-seeing Taiwan from the Heart (Policy - Environmental Safety)	3rd group in 2017 (Nangang)
4		2017-Re-seeing Taiwan from the Heart (Policy - Environmental Safety)	4th group in 2017 (Chungli)
5		2017-Re-seeing Taiwan from the Heart (Policy - Environmental Safety)	5th group in 2017 (Chungli)
6		2017 - Plant executive safety and health education and training (Policy - CSR)	1st group in 2017 (Hukou)
7		2017 - Plant executive safety and health education and training (Policy - CSR)	2nd group in 2017 (Guanyin)
8		2017 - Plant executive safety and health education and training (Policy - CSR)	3rd group in 2017 (Chungli)
9		2017- Health Risk Management Practices and Training In line with the Occupational Safety and Health Act (Policy-CSR)	1st group in 2017 (Chungli)
10		TWSE/GTSM Listing Auditing Committee Organization and Operating Practices	1st group in 2017
11		TWSE/GTSM Listing Briefing	1st group in 2017
12		Circular Economy of Wastes	1st group in 2017

	Category	Course title	Class name
13	Safe Work Environment	2017 Briefing on the Prevention of Dangers Caused by Human Factors	1st group in 2017
14		2017 Emergency Rescue Personnel Safety and Health Education and Training Course	1st group in 2017
15		2017 Radiation Protection Education and Training	1st group in 2017
16		2017 Radiation Protection Education and Training	1st group in 2017
17		2017 Civil Defense Regiment Fire Drill I (General Education)	1st group in 2017 (Chungli)
18		2017 Civil Defense Regiment Fire Drill (General Education)	1st group in 2017 (Chungli)
19		2017 Civil Defense Regiment Fire Drill (General Education)	2nd group in 2017 (Chungli)
20		2017 - HA Kaohsiung Fire Prevention Lecture and Team Practical Drill (HA) for the first half of the year	1st group in 2017 (Kaohsiung)
21		2017 - Industrial Safety (SA)	1st group in 2017 (Hukou)
22		2017 - Industrial Safety (SA)	2nd group in 2017 (Hukou)
23		2017 - Industrial Safety (SA)	3rd group in 2017 (Hukou)
24		2017 - Hazardous Chemicals General Education (SA)	1st group in 2017 (Hukou)
25		2017 - Hazardous Chemicals General Education (SA)	2nd group in 2017 (Hukou)
26		2017 - Hazard Identification and Risk Evaluation Practical Training (FA)	1st group in 2017 (Chungli)
27		2017 - Self-Defense Fire Protection Grouping Training (2) (SA/PB)	1st group in 2017 (Hukou)
28		2017 - Self-Defense Fire Protection Grouping Training (1) (SA/PB)	1st group in 2017 (Hukou)
29		2017 - Operational Safety Standard Operations Training (FA)	1st group in 2017 (Chungli)
30		2017 - Confined Space (hypoxia) Operations (SA)	1st group in 2017 (Hukou)
31		2017 - Fire Drill and Civil Defense Training (HA)	1st group in 2017 (Guanyin)
32		2017 - Fire Drill and Civil Defense Training (HA)	2nd group in 2017 (Guanyin)
33		2017 - Fire Drill (PB&ECO)	1st group in 2017 (Guanyin plant II)
34		2017 - Fire Drill (PB&ECO)	2nd group in 2017 (Guanyin plant II)
35		2017 - Kaohsiung Renwu District Fire Prevention Lecture and Team Practical Drill (HA) for the first half of the year	1st group in 2017 (Kaohsiung)
36		2017 - Emergency Response Drill (SA)	1st group in 2017 (Hukou)

	Category	Course title	Class name
37	Safe Work Environment	2017 - Environmental Consideration/Hazard Identification and Risk Evaluation Description (SA)	1st group in 2017 (Hukou)
38		Soil and Groundwater Pollution Remediation Fee Levy Promotion and Description of the Levy System and Regulations (3rd session))	1st group in 2017
39		Factory safety and health practices	1st group in 2017
40		Hazardous chemicals evaluation and grading management practical training	1st group in 2017
41		Fire prevention manager repeat training	1st group in 2017
42		Radioactive substance or ionizing radiation-emitting equipment operator course	1st group in 2017
43		Air pollution prevention personnel on the job training	1st group in 2017
44		Rooftop operations supervisor	1st group in 2017
45		Rooftop construction safety seminar	1st group in 2017
46		High-level operating vehicle	1st group in 2017
47		Formulation of monitoring plan and exposure risk evaluation technology	1st group in 2017
48		Innovative application of wastewater treatment and recycling technology	1st group in 2017
49		Noise control practices	1st group in 2017
50		Occupational safety manager	1st group in 2017
51		Occupational safety and health supervisor repeat training (including the construction industry)	1st group in 2017
52		Occupational safety and health manager professional training and practices	1st group in 2017
53	Legal rights and interests	2017 corporate governance evaluation system, e-vote introduction and shareholders' meeting improvement briefing	1st group in 2017
54		2017 labor retirement system and regulation briefing	1st group in 2017
55		2017 labor retirement system and regulation briefing	1st group in 2017
56		2017 (January to November) tax and financial law update and seminar (financial management)	1st group in 2017 (Nangang)
57		2017 - One Fixed Day Off, One Flexible Rest Day policy promotion, service center attendance login course and overseas case study using Singapore's WEN2 project as example (PB)	1st group in 2017 (Nangang)
58		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	9th group in 2017 (Chungli)
59		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	10th group in 2017 (Chungli)

	Category	Course title	Class name
60	Legal rights and interests	2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	11th group in 2017 (Chungli)
61		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	5th group in 2017 (Nangang)
62		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	6th group in 2017 (Nangang)
63		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	7th group in 2017 (Nangang)
64		2017 - Key aspects and impacts of the "One Fixed Day Off, One Flexible Rest Day" policy (Policy - HR)	8th group in 2017 (Chungli)
65		2017 - Labor dispute (PB)	1st group in 2017 (Nangang)
66		2017 - Labor dispute (PB)	1st group in 2017 (service center)
67		2017 - Labor dispute (PB)	2nd group in 2017 (service center)
68		2017 - Labor dispute (PB)	2nd group in 2017 (Changhua)
69		2017 - Labor dispute (PB)	3rd group in 2017 (service center)
70	Health Care	2017 - The Taxpayer Rights Protection Act (Policy - Legal Affairs)	1st group in 2017 (Nangang)
71		2017 - Contractor management (Policy-CSR)	1st group in 2017 (Chungli)
72		2017 - Employee's obligation to preserve confidentiality and Trade Secrets Act related issues (Policy - Legal Affairs)	1st group in 2017 (Nangang)
73		2017 - Amendment of the Code of Ethical Conduct for Directors and Managers (Legal Affairs)	1st group in 2017 (Nangang)
74		Legal self-preservation - How to face investigation and trials	1st group in 2017
75		Labor pension system and Labor Pension Act briefing	1st group in 2017
76		2017 On the job education and training for labor health service personnel	1st group in 2017
77		2017 - Q1 health lecture - Simple stress-relieving techniques (Policy)	1st group in 2017 (Nangang)
78		2017 - AED+CPR course (General Education)	1st group in 2017 (Nangang)
79		2017 - CPR (Cardiopulmonary Resuscitation) training and AED (Automated External Defibrillator) operation (SA/PB)	1st group in 2017 (Hukou)
80	Anti-corruption	2017 - AED (Automated External Defibrillator) education and training (General Education)	1st group in 2017 (Chungli)
81		2017 - Emergency rescue personnel training (FA/GE)	1st group in 2017
82		2017 - Health lecture (FA/GE)	1st group in 2017

	Category	Course title	Class name
83	Health Care	2017 - Health lecture (How to prevent heart diseases - General Education)	1st group in 2017 (Chungli)
84		2017 - Health lecture - Fall/winter nourishment strategy (General Education)	1st group in 2017 (Nangang)
85		2017 - Health lecture - Who stole our health? (General Education)	1st group in 2017 (Nangang)
86		2017 - Hukou plant: Prevention of dangers caused by human factors key indicator method (SA)	1st group in 2017 (Hukou)
87		2017 - Wellbeing of staying drug-free (HA)	1st group in 2017 (Guanyin)
88		2017 - Tobacco hazards and drug prevention education (SA/PB)	1st group in 2017 (Hukou)
89		2017 - Common office shoulder/neck discomforts and lower back pain prevention and simple stretching exercises and health lecture (SA/PB)	1st group in 2017 (Hukou)
90		2017 - Hidden killer - Lung adenocarcinoma and office syndrome - Stress relieving DIY health lecture (SA/PB)	1st group in 2017 (Hukou)
91		Health promotion and workplace certification briefing	1st group in 2017
92		Occupational disease identification	1st group in 2017
93	Anti-corruption	2017- Orientation training for new employees (General Education)	1st group in 2017 (Nangang)
94		2017- Orientation training for new employees (General Education)	2nd group in 2017 (Nangang)
95		2017 - Employee's obligation to preserve confidentiality and Trade Secrets Act related issues (Policy - Legal Affairs)	1st group in 2017 (Nangang)
96		2017 - Amendment of the Code of Ethical Conduct for Directors and Managers (Legal Affairs)	1st group in 2017 (Nangang)



6-6 Occupational Safety and Health



Employees are the most important assets in TECO, therefore providing them with a healthy, safe workplace is one of the most crucial indicators of corporate management. Consequently, the Chairman issued a directive in 2015 that investments in safety and health may not be reduced and they must be monitored to ensure proper implementation.

TECO's occupational safety and health goals: Building of safety and health awareness and forming of a corresponding culture in order to guarantee employee health, safety and well-being (including contractor staff) at work and while commuting. The aim is to create a healthy workplace with zero disaster.

TECO has established an occupational health and safety management system in accordance with OHSAS 18001 and CNS15506 (Taiwan Occupational Safety and Health Management System). Moreover, internal and external audits are carried out, and ongoing improvements are implemented via PDCA. Every year, management improvement plans are formulated, while training and related emergency drills are conducted accordingly. Furthermore, a proposal on improvement and grievance channel was created, encouraging TECO's base level employees to partake in and reflect on any hidden risks that must be resolved. Every month, executives will inspect and audit the plants, while the headquarters has arranged for quarterly performance appraisals in order to audit the performance of each plant. In addition, external experts are hired to conduct safety audits in Q3 each year, and improvement strategies are proposed and reviewed by the Occupational Safety Committee every quarter.

For instance, in terms of emergency response drills: Besides regular emergency response drills for different hazards at different plants, random, unscheduled drills are also conducted in all plant areas since Q4, 2017, where headquarters staff arrive at plants unannounced to issue drill instructions and observe how the responders report and initiate the emergency response mechanism. The commander and various teams will spring into action, including evacuation guidance, headcounts, use of related emergency response facilities (electrical



Evacuation guidance

Conduct a headcount and report the number of persons present

wiring diagram, chemical allocation diagram, firefighting facilities, alarm, lighting equipment etc.), reporting to the fire department and relevant organizations. If they fail the random inspection, another random inspection will be conducted in order to improve everyone's disaster prevention awareness and emergency response abilities, thereby achieving the objective of disaster prevention.



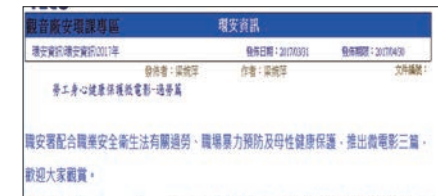
Command center: Various emergency response facilities (allocation map, radios, lighting etc.), evacuation, number of injured persons, disaster status monitoring, reporting to the fire brigade, and directions for responding to the disaster etc.

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



Headquarters Occupational Health and Safety Committee

The Company has established an environmental safety platform to announce related regulations and update related information from time to time. The aim is to let every employee browse and understand regulations and information pertaining to environmental safety.



Plant environmental safety platform

Events and competitions: The Company holds annual environmental safety and quality month activities for all employees, including a pop quiz with prizes to increase employee participation in work health and safety. "Green Cross" boards showing daily and accumulated zero accident statistics are displayed in every plant area for the employees to see. Zero accident competitions are held in plants on an annual basis, and the results are reported to the Occupational Health and Safety Committee. At the end of the year, zero accident areas are publicly recognized and honored with awards to raise the health and safety awareness of all employees.



Plant zero accident working hours award ceremony

Environmental safety pop quiz

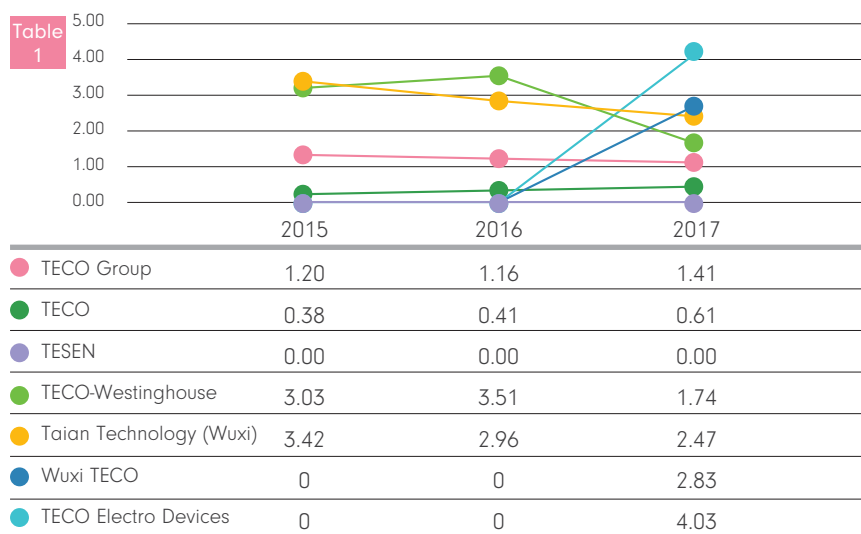
Environmental safety month announcement

Improvement of specific operating environments: The Chairman has promised to union representatives in the Q4 Meeting of the Occupational Health and Safety Committee in 2016 that noise levels in plant operating environments will not exceed 85dB. Every plant has analyzed and proposed time limits for different operating areas. All plant areas will achieve the goal of providing employees with an excellent operating environment prior to the end of 2019. Hukou plant has completed the objective in Q2, 2017.

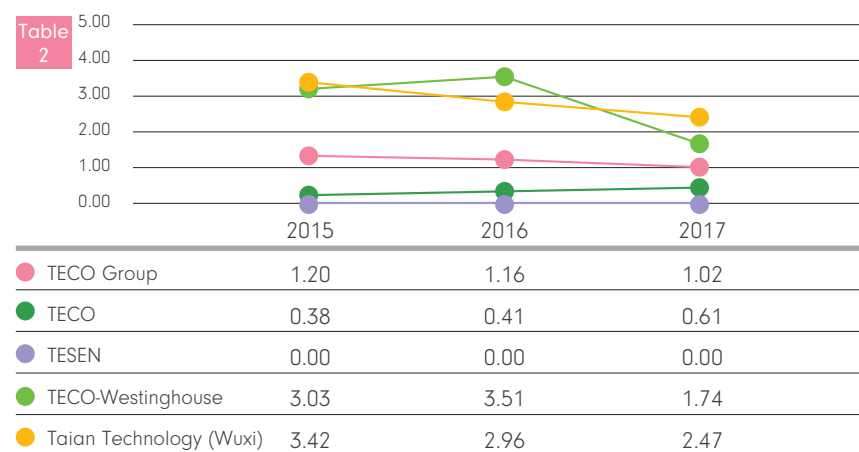


Chungli plant's continuous stamping press noise prevention, insulation and mitigation

▼ 2015-2017 TECO Group (Taiwan plants and affiliated enterprises) Disabling Injury Frequency Rate (excluding commuting accidents)



* : 1. TECO Group: HQ, Taiwan plants and affiliates (TESEN, TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices).
 2. TECO Electric & Machinery: HQ and Taiwan plants.
 3. Description of TECO Group's overall data: Data for affiliates was not kept in 2013; data was collected for TECO and TESEN in 2014; in 2015, TECO-Westinghouse and Taian Technology (Wuxi) was added; in 2017, Wuxi TECO and TECO Electro Devices were added.

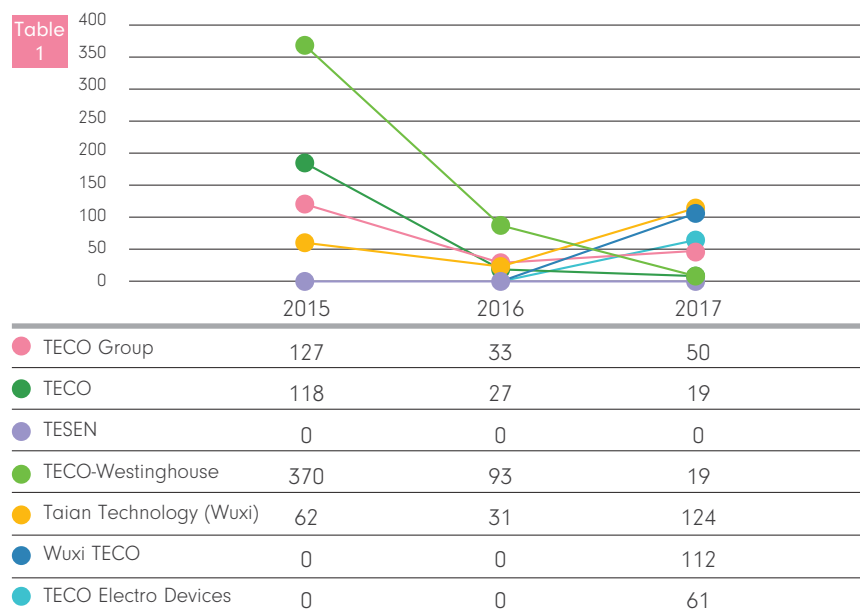


4. Due to formula discrepancies, Taiwan SR numerical values are calculated based on the value defined by the International Labour Organization: 5 times the value of 200,000.

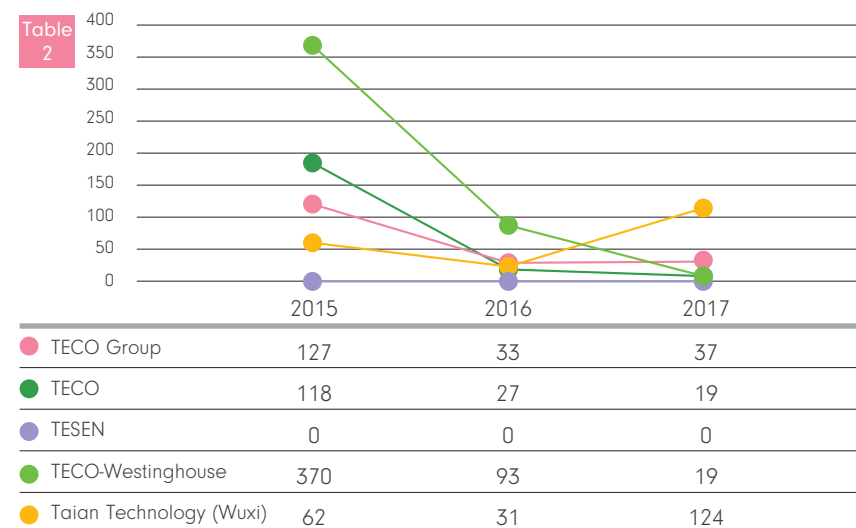
$$\text{Disabling Injury Frequency Rate (FR)} = \frac{\text{Number of disabling injuries} \times 10^4}{\text{Total working hours}}$$

5. Table 2: Comparison data between 2015 and 2016, excluding the newly added affiliates in 2017 such as Wuxi TECO and TECO Electro Devices.

▼ 2015-2017 TECO Group (Taiwan plants and affiliated enterprises) Disabling Injury Severity Rate (excluding commuting accidents)



- * : 1. TECO Group: HQ, Taiwan plants and affiliates (TESEN, TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices).
 2. TECO Electric & Machinery: HQ and Taiwan plants.
 3. Description of TECO Group's overall data: Data for affiliates was not kept in 2013; data was collected for TECO and TESEN only in 2014; in 2015, TECO-Westinghouse and Taian Technology (Wuxi) were added; in 2017, Wuxi TECO and TECO Electro Devices were likewise added.



4. Due to formula discrepancies, Taiwan SR numerical values are calculated based on the value defined by the International Labour Organization: 5 times the value of 200,000.

$$\text{Disabling Injury Severity Rate (SR)} = \frac{\text{Total days lost} \times 10^6}{\text{Total working hours}}$$

5. Table 2: Comparison data between 2015 and 2016, excluding the newly added affiliates in 2017 such as Wuxi TECO and TECO Electro Devices.

Explanation for fire that broke out in Building B of TECO's Guanyin plant on July 16, 2017:

On July 16, 2017 (Sunday), on-duty employees at the Guanyin plant discovered smoke in Building B. Upon observation from the gate, the fire could not be extinguished by the plant staff, therefore the emergency response measure was activated and the fire brigade was notified immediately. The fire caused damage to refrigerators and part of the commercial A/C system. A makeshift production line was established in Building A of the same plant, and some of the products were substituted in response, to minimize impact on Company operations. A public announcement was made to let TECO's stakeholders understand the incident. The fire brigade subsequently determined that the fire was caused by electrical wiring; since the electrical wire had just passed insulation inspection, therefore the Company conducted infra-red inspection at the low voltage terminal alongside insulation inspection during electrical safety examination. Furthermore, fire segregation planning at the operating area was reinforced to prevent the disaster from spreading.

6-7 Employee Assistance and Work-Life Balance

TECO was recognized with a Two-Star Blissful Enterprise Award at the “3rd Blissful Enterprise Awards” organized by the Department of Labor, Taipei City Government. TECO has a comprehensive benefit and care system in place and provides excellent care and development opportunities for its employees. This ensures outstanding performance of the company in the five dimensions of work environment, compensation and cultivation, benefits and rewards, friendly workplace and social concern. TECO formed an Employee Welfare Committee in 1964 and jointly promotes various welfare measures in cooperation with this committee to share its business profits with its staff. In recent years, psychological issues associated with personal or family problems or work pressure have generated an increasing burden for the general public. TECO has therefore established an EAP platform that provides assistance for employees in accordance with their personal needs. In addition, various employee assistance programs have been formulated to help employees improve their family relationships, enhance their personal abilities, and thereby improve their work performance. TECO’s EAP program can be divided into the following components:



Health

TECO is concerned about the mental and physical health of its employees and assists them in health maintenance through various health and medical care facilities and services to enhance the quality of their work and life.



Family

The family is one of the main sources of motivation for employees. TECO therefore shows concern for employees and their families through a series of welfare measures to enable employees to apply themselves to their work in a worry-free manner.



The company assists employees in solving personal issues that affect their work including personal relationships and financial and legal problems. TECO organizes a series of lectures and services to assist employees in solving their personal problems.

Employee family care policy

The company shows concern and cares for families which are the main source of motivation for employees. In addition to student grants, scholarships, and family insurance, the Company also invites family members of employees to participate in sports meets since 2014, in order to give them a chance to strive for glory by relying on team spirit and relaxing their minds. The company also organizes

various edutainment activities (e.g., family days, Moon Festival barbecues, etc.) and interacts with family members to increase their sense of identification with the company and give them a better understanding of the work environments.

1. Family care program

- In addition to free preferential group insurance, employees also have the option of obtaining the same coverage at a preferential rate for their family members at their own expense. Coverage is superior to group insurance packages provided by other same-industry businesses. (792 employee family members were insured through this program in 2017)
- Care for employees injured in the line of duty: for colleagues unfortunately injured or who fall seriously ill in the line of duty, the Company provides insurance claim consultation and assistance in related procedures. Furthermore, TECO regularly cares about its employees’ family conditions to offer them and their families peace of mind.
- The Company has created the “Mr. Shui-mu Chien Memorial Scholarship Regulations” to provide its employees’ children with scholarships and study grants, thereby encouraging them to become academic achievers with good moral conduct. In 2017, 10 children of staff members received scholarships amounting to NT\$ 50,000.
- The Company will provide employees with allowance or elegiac couplet in the event of the death of their parents, spouse or children, or when the employees are getting married or giving birth, in order to express TECO’s care.
- When employees apply for unpaid parental leaves, the Company continues to provide labor and health insurance coverage and assists in the application for relevant allowances, as well as re-instatement.
- Mother-friendly environment: The Company was awarded a seal of approval by Taipei City for its breastfeeding room facilities in 2016.
- Employees can plan their starting and finishing hours from 07:50 to 18:10 in a flexible manner in accordance with the needs of their families without the need to submit an application.



2. Participation in company activities by employee family members

- Model employee commendation: Employees and their family members are invited to participate in annual commendation ceremonies for model employees. The Company also plans staff trips to show its appreciation for their dedication, and to increase the sense of belonging of employees and their family members towards TECO. A total of 24 model employees was commended for their outstanding performance in 2017.
- 2017 sports competitions: The Company invited employees and their family

members to participate in various competitions to promote harmonious family relationships. The 4 sports events, including basketball competition, badminton competition, sports meet and bowling competition which were held in July, September, and November, respectively, attracted a total of 1,000 participants.

- Family activities: In 2017, the Company organized a hiking trip and the 60th anniversary family day event, as well as handed out lanterns for the Lantern Festival and carnations for Mother's Day for its employees and their family members. A cake DIY activity was also held. The aim is to increase their sense of belonging towards TECO. The aforementioned activities attracted a total of 4,156 participants in 2017.

▼ Unpaid parental leave statistics

No.	Items			Sub-total
A	Number of persons qualified for unpaid parental leave in 2017	141	53	194
B	Number of persons who applied for unpaid parental leave in 2017	4	9	13
C	Number of persons who should be reinstated after unpaid parental leave in 2017	3	11	14
D	Number of persons actually reinstated after unpaid parental leave in 2017	3	10	13
E	Number of persons reinstated after unpaid parental leave in 2016	6	5	11
F	Number of persons who has worked for one year after unpaid parental leave in 2016	4	5	9
G	Reinstatement rate	100%	91%	93%
H	Retention rate	67%	100%	82%

Description:

- Number of persons qualified for unpaid parental leave (A): Number of female or male employees who have applied for maternal leave or paternity leave within the last 3 years (2015/1/1-2017/12/31)
- Re-instatement rate formula (G): $D/C \times 100\%$
- Retention rate formula (H): $F/E \times 100\%$

3. Staff health promotion

Healthy employees are more efficient and perform better at work. TECO has established infirmaries and medical stations in plant areas to safeguard the mental and physical health of its employees. The company strictly prohibits any form of forced

or compulsory labor and utilizes medical services provided by hired professional nurses and physicians who visit the company on a weekly basis to guarantee the safety and health of its employees.

Regular inspections of the physical condition and nature of duties of employees in accordance with the newly formulated "Plan for the Prevention of Work Overload Dangers" and the "Plan for the Prevention of Dangers Caused by Human Factors" help prevent the physical harm caused by burnout or human factors. In case of abnormal conditions, relevant prevention mechanisms are initiated.

TECO is fully committed to the creation of a friendly and healthy work environment to safeguard the mental and physical health of its employees. The company also organizes various health promotion activities including labor health and safety training, annual health checks, pap smears, promotion of a smoke- and betel nut free workplace, weight loss, yoga, and gymnastics activities, spiritual growth and stress relief courses, health lectures, blood donation drives, employee health walk and ballgame activities, and fun contests. The company also provides employees with health-related information on a regular basis and organizes occupational health and safety training courses.

Main programs include:

- Looking after the physical and mental wellbeing of employees: TECO has organized health promotion activities, provided an EAP platform and professional consultation mechanism, as well as implemented various stress-relieving measures such as corporate message therapist service (a total of 1,512 applications was received for the service in 2017).
- Concurrent emphasis on prevention and application: organization of preventive education and lectures (6 lectures with 270 participants were organized in 2017), planning of protective measures, assistance in the administration of regular health checks, regular tracking and health counseling for employees with health disorders (415 employees were tracked in 2017), physical fitness tests, and aerobic exercise classes (90 employees registered for 3 courses offered, registration and participation rate of 100% in 2017).
- Health counseling for pregnant employees in interviews conducted in line with the "Health Protection Plan for Expectant Mothers (13 employees received such services in 2017).
- Based on the results of health checks conducted in the previous year (2016), health management and tracking is carried out for individuals with hypertension, high blood glucose, and high blood lipid (85 employees were tracked in 2017, a coverage rate of 100%).

4. Life and social development

- Foreign worker care: the Chungli plant received a certificate of appreciation from the Thailand Trade and Economic Office (Taipei) in April 2017 in recognition of TECO's efforts in managing foreign workers and looking out for their welfare. The foreign workers and HR employment agency both recognized the Company's endeavors.



New Taipei City Hall Square on April 23 (Sunday). Award presented by the Assistant Minister of Labour of Thailand.

- In order to encourage foreign colleagues who have demonstrated exceptional performance the Company has helped to nominate "A-Gu" - an outstanding Thai colleague from the Casting Section in Chungli plant for the award. After paper review and on-site visit, he received the Award of Excellence in the Foreign Worker Industry Category, and the award was presented by Mayor Wen-tsan Cheng on 9/10.



- Assist employees to resolve personal problems that may affect their work. For instance, TECO has provided a series of lectures and services such as inter-personal relationships, financial management and legal problems, etc. in order to help the employees to overcome these obstacles.
- Provision of diverse leave measures: TECO provides colleagues with flexible work hours and diverse leave mechanism, encouraging them to attain work-life balance through effective utilization of time.

- Increase the shopping convenience of employees: besides offering home appliances at discounted prices to its employees, the Company also provides information on group-buying or promotional offers every month to make its colleagues' lives more convenient.



Exercise classroom



Health lectures



Moon Festival activity



Employee bowling contest



Family day



TECO sports meet





HOME	50	GUEST	31
第 1 局	1	第 2 局	4
0.00	4		



7

Promotion of Social Innovation and Education

7-1 Social Care Philosophy

TECO places great emphasis on the social impact of enterprises and upholds the principle of “giving back to society.” The company utilizes various methods to demonstrate its concern for society. In 1993, TECO established “TECO Technology Foundation” to fulfill its core mission of “Cultivation of talent in the field of science and technology, advocacy of forward thinking and promotion of social progress.” Over the past 24 years, the Foundation has been firmly committed to the creation of a society characterized by “techno-cultural synergy.” Social awareness of environmental conservation, environmental protection and social issues is raised through the organization of technology and the humanities themed competitions such as “TECO Award” and “Green Tech.” The company also encourages technological research and innovation by university and college students and increase international awareness of “green innovation” in Taiwan. In addition, the company places great emphasis on science and art education for primary and secondary students in remote areas in an effort to bridge the educational gap between urban and rural areas and enrich the cultural life in remote regions. Strategic alliances are formed to strengthen the roots of traditional aboriginal music, dance, and rituals and achieve the goal of preservation and passing on of indigenous culture through the Cultural Performance and Audiovisual Digital Archive Program.

In addition to a deep commitment to innovation, energy conservation and sustainable development of indigenous peoples through the TECO Technology Foundation, the company also aims to sow the seeds of benevolence inside the company and therefore utilizes its capabilities to raise social concern and awareness among its staff members. As of 2014, TECO offers “charity leaves,” forms internal volunteer teams and organizes Donghui Club activities to motivate, support and encourage employees to develop social concerns.

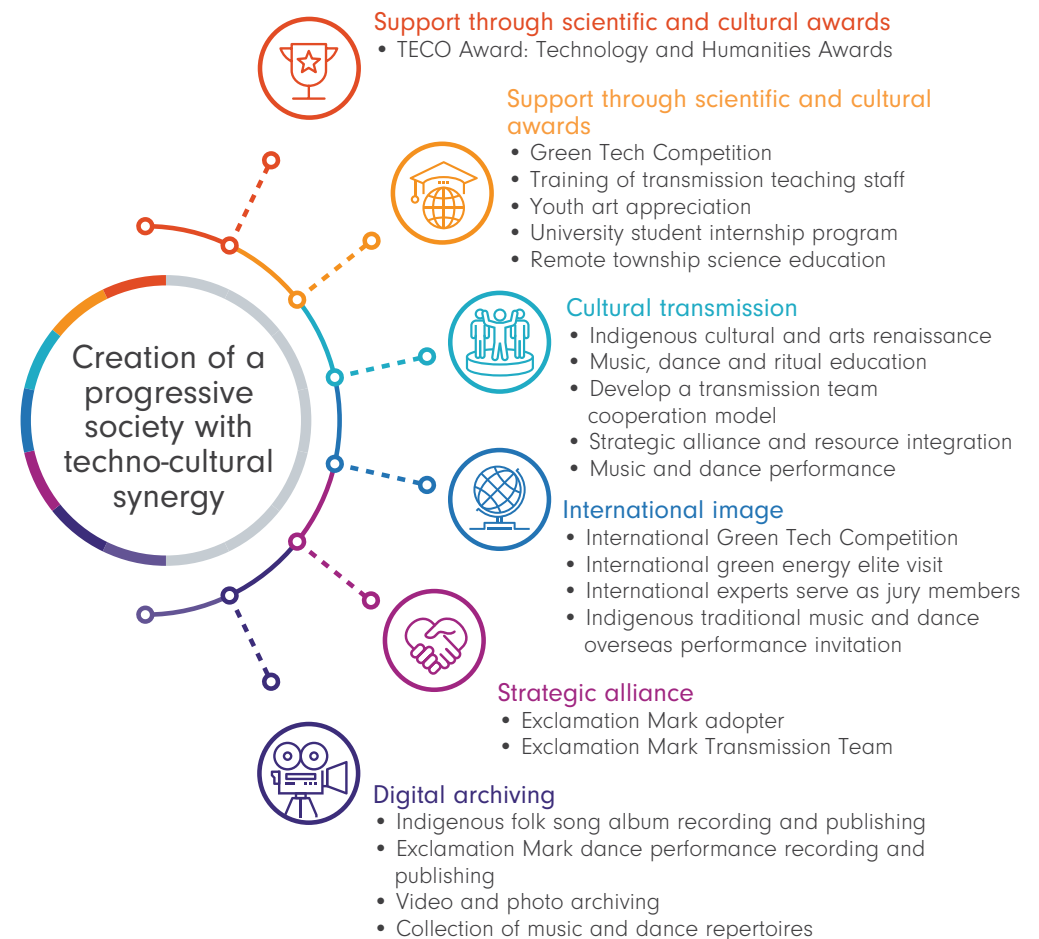
The company aims to generate a positive influence on society through continued sponsorship of TECO Technology Foundation from the angle of overall social environment and international trends and exert a subtle influence on its employees to practice social concerns in every aspect of their lives. TECO sows the seeds of compassion in a down-to-earth manner through a forward-looking vision and concrete practices to infuse society with innovative vitality and initiate a virtuous cycle of compassion.

7-2 Social Care



7.2.1 TECO Technology Foundation – Creating a progressive society with “Techno-cultural synergy”

▼ Vision, strategic direction, and implementation plans



Project description

25th TECO Award: Practical Application - Benevolent Actions

Practical application - Breaking the boundaries and limitations

The Foundation's most notable work is the TECO Award. By delving into the award recipients research philosophy and process, one will be able to see that their common qualities are embodied in the seemingly simple award. Seeking a way out of a predicament or crisis coincides with the words of Professor Yao-Wen, Chang, this year's award recipient "The most potent industry must be supported by the most cutting-edge research." Consequently, all award recipients are persistent in combining theory with practical industry applications; they push through limitations such as technology and resources in an effort to develop the perfect material. In turn, they become visionaries who challenge the limits of the industry in facilitating a promising future outlook. High level of self-expectation and rigorous implementation is the Company's duty, culminating in impeccable professional performance, as well as outstanding results during the course of technology transfer and industry development. More impressively, some of the award recipients have surmounted natural resource limitations in Taiwan, focusing on key materials research and development that other researchers have failed. This year's "TECO Award" provides an opportunity to commend metal materials researchers who have long been neglected, as well as those who have overcome export restrictions and embodied their research outcomes in national space satellites and precision national defense systems. Together, they imbue the "TECO Award" with the complementary meaning of lending a helping hand to those in need.

Application of the philosophy of circular economy to develop unique research fields

Despite advanced technological development, countries worldwide are faced with the problem of resource scarcity, therefore developing a circular economy has become the top priority among developed nations. In particular, the price and depletion of rare metals used in the high-tech industry are development bottlenecks that must be resolved. This year's award recipients have drawn upon the concept of "urban mine" as inspiration, where rare metals are extracted from recycled waste electronic products and re-used. Green environmental technology and environmental engineering techniques are also applied to revitalize and restore polluted land. These circular economy concepts deserve to be appreciated on a global scale. Taiwan is Asia's leader in environmental technology, hence the environmental technology industry has the greatest potential for technology exports. In particular, polluted land restoration technology offers tremendous export value and market potential. We also appeal to everyone, in addition to ongoing research and development in cutting edge environmental technology, it is imperative to proactively expand the Asian market by exporting Taiwan's environmental technology in order to establish the influence of the country's environmental technology in Asia.

Paying homage to the paradigm of technology and culture

The "TECO Award" Accreditation Committee would like to thank Professor Jyuo-Min, Shyu for accepting the responsibility as convener of this year's award. This year's 6 award recipients are dedicated in fields such as advanced integrated circuit technology, environmental engineering technology for land revitalization, autonomous R&D in national defense industry, re-creating values in metal materials, cutting-edge medical technology (coronary artery regeneration) and dance art presentation. These are perfect examples of generating benefits for the industry and people through expertise. In their relentless endeavors to resolve industry problems and pave the way for artistic developments, the award recipients have embodied their unwavering faith in their respective fields of expertise. It is for this reason that they have been awarded the laurel of "TECO Award."



Award objective: creating an atmosphere conducive to technological innovation, fostering adaptation in the field of humanities, recognizing exceptional contributions in the field of science and humanities in Taiwan with the ultimate goal of creating a forward-looking and progressive society characterized by humanistic concerns.

Beneficiaries: ROC nationals of any age or gender with concrete contributions or outstanding achievements in the stipulated award categories.

Accreditation Committee: the committee is formed by 21 esteemed scholars and experts.

Selection outcome: 6 award recipients were determined



Field	Award winners	Current position	Concrete contributions and achievements
Electromechanical engineering IT Communications	Yao-Wen, Chang	Distinguished Professor/Graduate Institute of Electronics Engineering, National Taiwan University	Committed to electronic design automation (EDA) and design for manufacturing (DFM). His NTUplace4 received the top prize at 3 major international EDA competitions, and he has developed the optimum print design method that is widely applied to related design tools, in turn exerting a significant influence on the industry.
Mechanical Engineering Energy Environment	Chih-Ming, Kao	Xiwan Lecture Professor/Institute of Environmental Engineering, National Sun Yat-sen University	Committed to advanced green environmental engineering technology, he has facilitated the restoration and rebuilding of polluted sites through industrialization. He has written environmental engineering books (Chinses and English), making significant contributions in the fields of environmental engineering education, land revitalization and human health risk management, both domestically and internationally.
	I-Chin, Chao	Distinguished Professor/Department of Aeronautics and Astronautics, National Cheng Kung University	Dedicated to the research and development of energy conservation, carbon reduction and precision aeronautic propulsion systems, he has overcome obstacles in exporting key technologies and created an autonomous value chain, demonstrating extraordinary achievements in elevating the country's autonomous aerospace technology, industry momentum, as well as fostering independence and versatility in high-precision national defense.
Chemical Engineering Materials Engineering	Tung-Han, Chuang	Distinguished Professor/ Department of Materials Science and Engineering, National Taiwan University	As a long-term researcher in high-performance alloys and semiconductor packaging, he was the first person to mass-produce annealing twinned Ag-Pd alloy wires, thereby resolving industry bottlenecks such as the re-processing, reliability and pricing of packaging wires. As a result, it has become a mainstream product in high-performance semiconductor packaging.
Biomedicine Agriculture	Ching-He, Hsieh	Research Fellow/Institute of Biomedical Sciences, Academia Sinica	He is dedicated to researching cardiac muscle and vessel regeneration by integrating disciplines such as biology, medicine and engineering. The molecular mechanism of cardiac muscle restoration using stem cells is combined with facilitating cardiac muscle and vessel regeneration via nanotechnology. His research outcome is being applied to early clinical development trials around the globe.
Humanities Dance arts	Chen-Wei, Li	International freelance dance performer and choreographer	In the field of performance and creative arts, her unique style has garnered widespread reputation. Her performance is an attempt to return to the simplicity and purity of movement, unleashing unfathomable energy within. Her works are well-known throughout the dance scene in Europe and she continues to receive collaboration and invitations from renowned dance troupes worldwide, making her an emerging star in Taiwan's contemporary dance circle.

Award presentation ceremony:

November 4 (Saturday), 2017. **NT\$ 800,000** has been set aside for each field, totaling **NT\$ 4** million.

More
information:



2017 "Green Tech" International Creativity Competition

Green Tech Competition - A Decade of Dedication and Commitment Investing NT\$50 million in organizing a competition with the aim of cooling down the Earth

Since 2008, "TECO" has placed emphasis on issues including energy depletion, global warming and the sustainability of mankind. Inspired by the theme of "Green Tech," the competition started a wave of scientific research on energy conservation and carbon reduction among domestic university and vocational school students/teachers a decade ago. Having garnered attention from the international academic and education communities, the "International Competition" was augmented in 2010, inviting students and teachers from top universities across Europe, Asia and the US. Prominent institutions in international green energy research have formed teams to participate in the annual competition, including: The University of Tokyo, Peking University, Zhejiang University, Moscow State University, Technical University of Munich, Nanyang Technological University, and National University of Singapore. In 2017, 31 international teams registered for the competition, together with 69 teams from Taiwan, the total number of participants reached 344.

TECO has upheld its social responsibility of green energy to mitigate global warming in organizing the competition. For a decade, more than 9,000 teachers and students from 866 teams have participated in TECO's "Green Tech Competition," resulting in 78 and 72 award-winning teams for the Main Contest and International Contest respectively. A total prize money of NT\$20 million has been awarded, and if other resources invested in promoting green energy are included, the overall investment of TECO over the last 10 years amounted to more than NT\$50 million.

The Final Competition is held in the peak summer season of August, where over 200 students and teachers from top universities across 7 countries/regions come under one roof to compete against one another. Furthermore, they also share their experiences via presentations, demonstrations and hands-on activities, making it the most effective and educational international exchange on the topic of green energy. All participating teams vie for top honor and substantial prize money in the grand green technology gathering each summer. The competition for domestic and international university/college students and teachers is presided over by former Minister of Science and Technology Jyuo-Min, Shyu, and a professional Accreditation Committee consisting of experts and scholars from different disciplines, as well as former ministers and deputy ministers from the Ministry of Science and Technology, and Ministry of Economic Affairs. 37 designs adopting cutting-edge energy conservation and carbon reduction technology from Taiwan and abroad not only bring a ray of hope to the era of energy crisis but attract the attention of related industries and venture capital firms.

Awards for the International Contest and Main Contest are presented by former Minister of Economic Affairs Chih-Kung, Lee and TECO Chairman Sophia Chiu. In particular, "LEKO Technical Award," established by private organizations "Friend of LEKO," was presented by CNA Chairman Ka-Shiang Liu, who is also a "Friend of LEKO." Total prize money in excess of NT\$2 million.

Date of final competition: August 22, 2017 (Tuesday)

Evaluation: Minister of Science and Technology Jyuo-Min, Shyu serves as the convener of the professional Accreditation Committee

▼ Number of participating teams and individuals

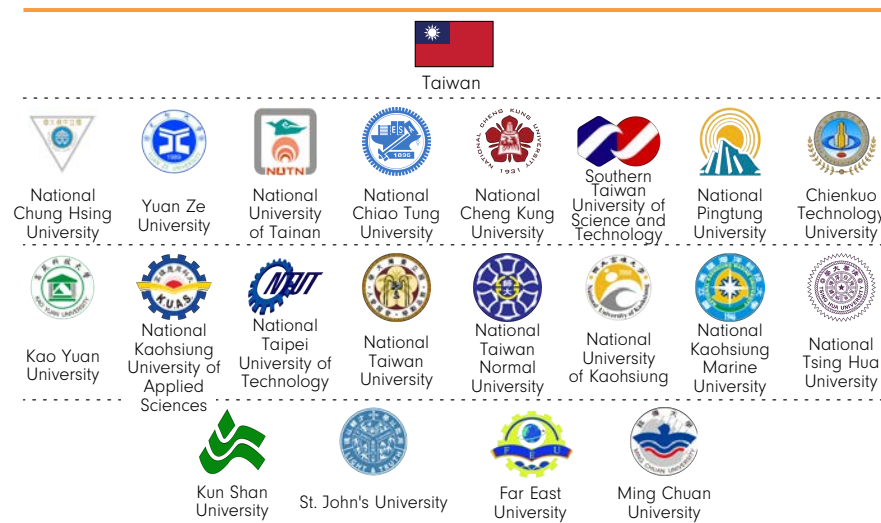
類別 \ 內容	Number of teams registered	Information qualified	Shortlisted teams	Attending the competition	Total number of participants
Main Contest	69	44	20	20	224
International Contest	31	23	20	17	120
小 計	100	67	40	37(*)	344

* : Harbin Institute of Technology, Shandong University and Shanghai University were unable to participate in the final competition because the Taiwan Affairs Office of the State Council did not grant approval.

Competition update

Main contest: Out of 44 teams from Taiwanese universities, 20 teams were selected for the final stage.

International contest: Top universities from 6 countries, including the US, Hong Kong, Japan, Russia, Singapore and China, participated in the competition. Out of the 31 teams registered, 20 teams were selected to participate in the final competition in Taiwan based on a review of their proposal and technical details.



Competition results: 40 works spanning various fields of green energy including solar energy, wind power, biomass energy, motors, and renewable energy were selected for the final competition.

▼ Award-winning team for international contest

Award	Project Name	School
The Gold Medalist	An innovative and energy neutral approach to producing bio-active sulfated polysaccharides from waste	Hong Kong University of Science and Technology
The Silver Medalist	IKING Aerial intelligent robot	China / Peking University China / China Agricultural University
The Bronze Medalist	Trash into Treasure: Use Flue Gas SO ₂ to Produce H ₂	China / Fudan university
LEKO Technical Award	"Sea Cleaner" - an ocean floating garbage recycling device driven by wave energy	China / Zhejiang University
Best Technology Award By Creative Sensor Inc.	Preparation of porous graphene oxide by chemically intercalating a rigid molecule for enhanced removal of typical pharmaceuticals	China / Tsinghua University
Best Originality Award	Thermoelectric Refrigeration System Based on Capillarity	China / HuaZhong University of Science and Technology
Humanism Award	Water Guardian: The LED UV/Fluorescence Water Quality Sensor for Portable and Online Monitoring	China / Nanjing University

▼ Award-winning team for main contest

Award	Project title	University	University
Winner	Non-toxic Agricultural IoT System	National Chiao Tung University	College of Biological Science and Technology
Runner-up	Sensor-less Anti-Lock Braking Control for the Next Generation Electric Cars	National Chung Hsing University	Department of Electrical Engineering
Second runner-up	Temperature Induced Hydrogel Applied in the Insulation of Heat on Patterned Smart Glass	National Tsing Hua University	Department of Materials Science and Technology
LEKO Technical Award	High Performance Clean Energy Storage System by Zinc-Air Flow Battery	National Taipei University of Technology	Department of Vehicle Engineering, Department of Energy and Refrigerating Air-Conditioning Engineering
Best Technology Award	A New Type of Real-Time Detecting Device for the Pollutant of Heavy Metal in the Water Using Ion Exchange and X-Ray Fluorescence Spectrometer (XRF)	National Taiwan University, National Pingtung University	Department of Bioenvironmental Systems Engineering, Graduate Institute of Management of Innovation and Technology
Creativity Award	The Energy-saving and Thermal-reducing of Color-changeable Windows with Solar Photo-thermal Separator and Multi-functional Air-quality Detections Integrating with Remote Monitoring Battery Management System	National Chung Cheng University	Graduate Institute of Opto-Mechatronics
Humanities Award	Carbon Nano-materials Application for Oil Water Separation	Ming Chi University of Technology	Department of Materials Engineering

More information: <http://www.tecofound.org.tw/greentech-contest/2017/>

Creativity education

13th Art Appreciation Program for Teenagers in Remote Areas

The ratio of single-parent families and upbringing of parentless children by grandparents in remote tribal communities is higher than in other areas of the country. These areas also lack educational resources and opportunities for appreciation of formal artistic performances such as concerts and dramas. As of 2005, TECO Technology Foundation integrates resources provided by the Ministry of Education, local governments, enterprises, performance groups and charitable individuals in an effort to enrich the cultural life and popularize art education in these areas and organize multidimensional artistic and cultural feasts for indigenous children. The goal is to provide art and culture education in the deepest recesses of the central mountain range.

■ Activity benefits

The main beneficiaries of the Art Appreciation Program are elementary school and junior high school students/teachers in remote townships. Services are provided in 2-4 municipalities each year. One activity featuring 3-4 different performances is organized per municipality. Program contents encompass Peking Opera, Yu Opera, Taiwanese Opera, Kids Theater, Stage Plays, Tap Dance, Ballet, Street Dance, Symphonies, Orchestras, Piano Solo Performances, Renowned Artists, and Indigenous Music and Dances of the respective municipality. Each lasting 7 hours, these learning activities are extremely popular among children from remote townships. In 2017, 2 municipalities including Taitung and Hualien were served, encompassing 21 townships, 39 schools, as well as 1,515 students and 318 teachers, totaling 1,833 persons. A total of 271 children from 12 “Exclamation Mark Indigenous Music & Dance Transmission Teams” performed for this program. 36 activities were organized for a total of **33,685** children from 667 schools in 5 different municipalities over a period of 13 years.



Science Education in Remote Central Mountain Range – Science education program for children in remote townships

■ Bridging the science education gap between rural and urban areas and fulfilling the corporate social responsibility of caring for remote townships.

A survey of the Child Welfare League Foundation revealed that 71.5% of the economically disadvantaged children in remote areas have over 16 times less “educational resources” than children in urban areas. The lack of resources also leads to low “learning capabilities” and insufficient “learning opportunities”. These 3 major issues associated with poverty keep these children from catching up with their urban peers. “Education” is the foundation for positive social development. For children who live in remote areas or are economically disadvantaged it is an opportunity to turn their lives around. The “science” courses taught by Mr. Tien, Yuan facilitated learning by sharing of life experiences and gave these children confidence, joy, and hope.

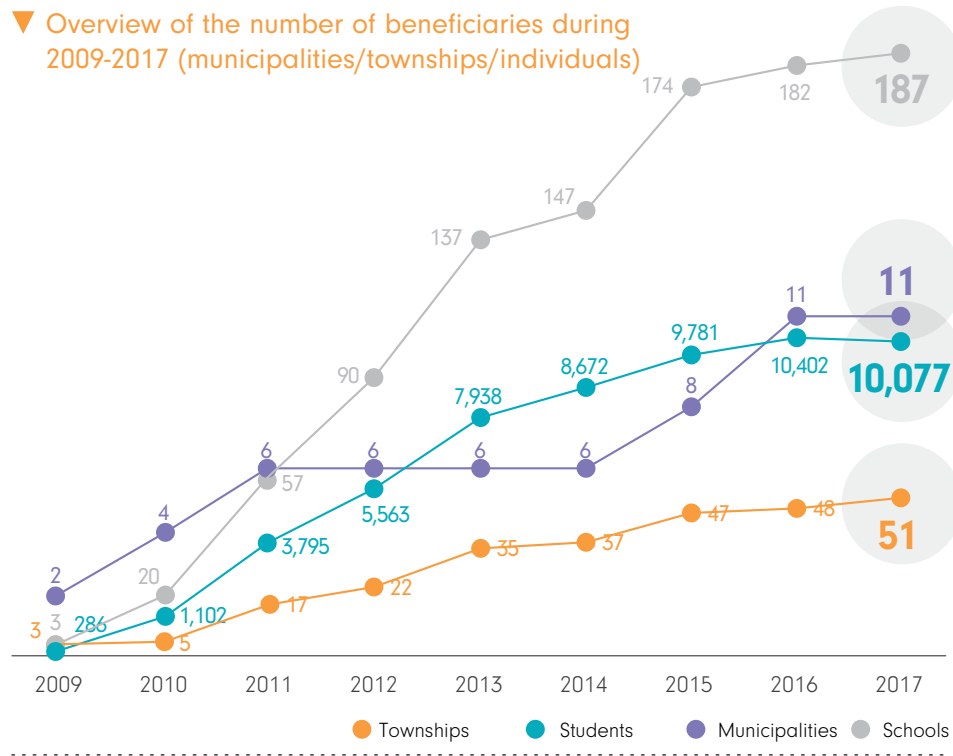
■ TECO fulfills its CSR by supporting scientific actions and practices by Mr. Tien, Yuan

Severe flooding caused by Typhoon Morakot on August 8, 2009 devastated indigenous villages in Taiwan’s mountain regions. In order to help the people rebuild their homes and take care of their children’s education, the Foundation commissioned TECO’s long-term partner, a science teacher named Mr. Tien, Yuan to provide lively, interesting scientific education to schools in the disaster-hit areas in Pingtung County. The program allowed TECO and Mr. Tien Yuan to realize that there is a serious lack of qualified science teachers and science education in schools in remote townships. The number of schools benefiting from this program has grown exponentially from 3 schools in 2008. This snowball effect enabled the program to introduce interesting scientific knowledge and educational resources to remote townships in the Central Mountain Range.

■ Curriculum benefits

The main beneficiaries of this curriculum were elementary school and junior high school students/teachers in remote townships. Every session covers one scientific unit and lasts one hour. In the context of this program, elementary school students are exposed to 6 or 12 scientific units prior to graduation (1-2 units and 1-2 sessions are scheduled per year). In 2017, TECO provided services for 11 municipalities spanning 51 townships, 187 schools, 10,077 students, and over 1,000 teachers. A total of **57,616** students have benefited from this program over the last 9 years.

▼ Overview of the number of beneficiaries during 2009-2017 (municipalities/townships/individuals)



Exclamation Mark - Indigenous Sustainable Education Program

■ The heritage and tradition of Taiwanese indigenous dance and music

After more than 6 decades of powering up Taiwan with its motors, "TECO" established the TECO Technology Foundation 24 years ago to support research and innovation in the field of technology, promote a technology-oriented humanistic society, and implement creativity education to foster competitiveness. At the same time, the "Exclamation Mark Sustainable Indigenous Education Program" helped strengthen the roots of indigenous culture and tradition. In 2013, the Foundation formed a strategic alliance and a platform for "transmission and education" by enlisting NPOs, enterprises, and individuals. All circles of society are encouraged to serve as "sponsors" for the Foundation's programs which aim to pass down traditional indigenous music, dance, rituals, and cultural values. Furthermore, the Foundation encourages and supports tribal communities in their efforts to develop

bespoke education initiatives with an equal emphasis on "culture," "education," "people" and "ethnicity." Extended learning activities ensure ongoing cultivation and development of new talents, as well as continuing and disseminating the heritage of ethnic art and culture. The aim is to increase the development of knowledge and skills, and elevate competitiveness. As of 2017, **approximately 18,000 children of 10 different tribes** have received long-term support and services. The Foundation supports 40 folk song, dance, workmanship, creativity, and fitness troupes, generating astonishing results in the fields of "traditional culture and art, education, and ethnic sustainability" (the program was therefore named "Exclamation Mark").

- 01 Formation of a "strategic alliance" and a resource platform for "cultural transmission and education"
- 02 The Foundation supports 40 traditional music & dance, workmanship and physical fitness competition troupes in an effort to develop music/dance/ritual transmission education.
- 03 Folk song compositions and crossover performances
- 04 Scheduling of national and international performances
- 05 Digital Archive Program including recording of folk song albums
- 06 Encouragement of tribal associations to assist in the promotion of cultural transmission and education



Strategic alliances Task 1

1. Establishment of "Exclamation Mark Strategic Alliance":

- 26 NPOs/NGOs, 35 enterprises, philanthropists, and over 40 schools were invited to join the alliance
- Lobbying of government departments to provide support



2. Participation in the "Lifelong Education and Learning Circle of the Ministry of Education"

Enlistment of 14 foundations and joint application for subsidies totaling NT\$ 3.47 million from the Ministry of Education.

3. Maintenance of an equilibrium of supply and demand

The platform keeps track of transmission demands of tribal communities, raising funds and resources for the "Exclamation Mark" program amounting to NT\$30 million every year.

4. Promotion and creation of performance opportunities:

Pursuit of performance opportunities in Taiwan and abroad and joint sponsorship of performance activities.

5. Hiring of transmission teachers

Over 50 teachers are paid fixed salaries to implement transmission education in tribal communities. Work contents include the following:

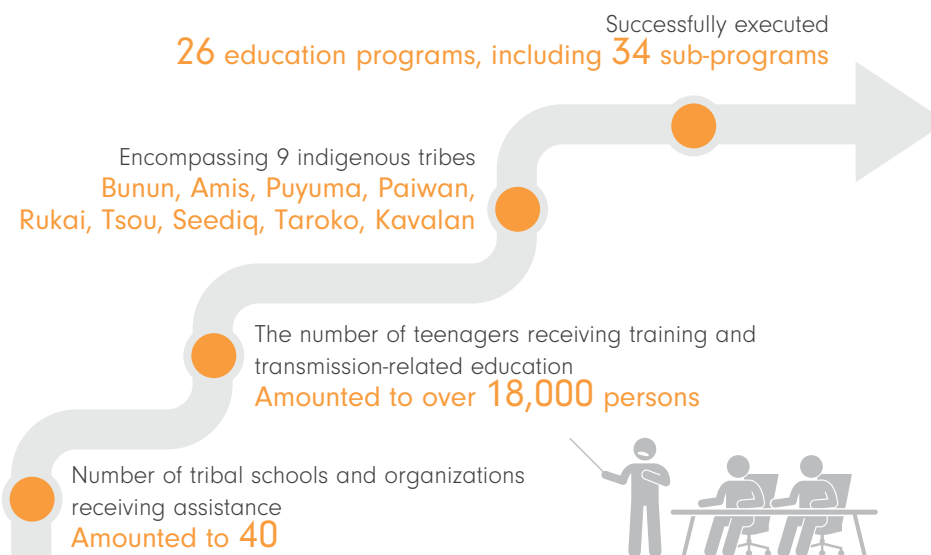
- Field research, collection of information, composition of melodies and dances
- Instructional design and rehearsal scheduling
- Planning of performances and artistic guidance

6. Professional performances

Commissioning of professionals such as artistic directors, stage supervisors, lighting designers, graphic designers, visual directors, music producers, and sound engineers to assist in performance planning and execution.

7. Joint marketing

- Creation of an "Exclamation Mark" fan page for the dissemination of program-related information
- Urge the transmission teams to create fan pages and links for the purposes of joint promotion and marketing. So far 7 teams have created fan pages, including Gaoshih, Taiwu, Xiwang, Qingye, Zhuang Guo Xin, Laiji and Jiaping.
- Creation and sharing of promotional videos via LINE groups and Facebook.



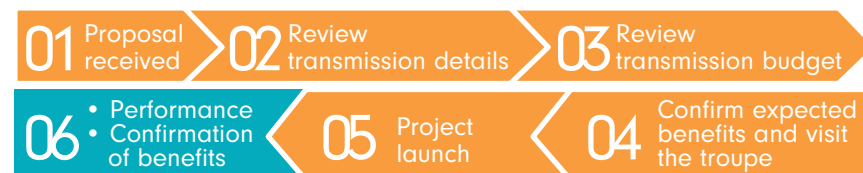
Transmission education

Task 2

Self-confidence is the main pre-requisite for sustainable operations and development of indigenous peoples and a main focus of indigenous education. Traditional indigenous dances and art in Taiwan are highly sophisticated and full of vitality. Despite the beauty of traditional tribal culture and art, it is on the verge of extinction. We therefore aim to help these tribes regain their confidence in an underprivileged “environment” by adopting a strategy of full utilization of tribal characteristics and talents. We also help them rediscover their roots, enhance their self-identity and achieve the goal of sustainable development.

Tribal schools are centers of learning and sustainable development of tribal culture. However, these schools face various difficulties including a lack of qualified teachers, insufficient budget allocation by the departments of education of the city and county governments, and inconvenient traffic due to their location in remote areas. Schools are therefore forced to rely on external hiring of professional teachers for the development of educational initiatives and continue to face a shortage of educational resources. The goal of this program is therefore to give children a better understanding of cultural connotations unique to their ethnic group (folk songs, dance and rituals) through education on such subjects as indigenous songs and dance and build up their self-confidence through performances. The transmission activities have gradually drawn the attention of teenagers (including junior high school, senior high school and university students), parents and village elders. They actively participate in the folk song/dance transmission program and therefore create a climate conducive to the passing down of culture and traditions in the whole community. The program also creates a stage for national and international performances by children. In 2017, a total of 32 teams spanning 6 municipalities supported cultural transmission. The number of units and individuals acting as sponsors exceeded 22. 1,256 individuals have participated in the cultural transmission program. A total of 355 folk songs and 53 dances resulted in 6,809 hours of cultural transmission, and **raised a total of 10,710,250 NTD.**

▼ Regulations for sponsoring transmission teams



▼ Items and quantity of troupes supported (including workmanship and physical fitness competition plans)

Transmission teams	Number of teams	Number of participants	Number of transmission hours	Number of songs	Number of dances
Traditional song team	19	1,031	4124	355	6
Traditional dance team	13	480	2685	84	47
Traditional workmanship team	1	25	32	-	-
Physical fitness competition team	3	59	624	-	-
Creativity learning team	1	50	32	-	-
Energy brunch	2	-	-	-	-
Total	39	1,664	7,497	439	53



Folk song compositions and crossover performances

Task 3

Since 2012, Golden Melody Award winner Mr. Lee Che-Yi has been commissioned to rearrange indigenous folk songs for 4 different indigenous tribes (Paiwan, Tsou, Rukai and Amis) in the form of crossover string music performances. In 2018, Nieh Ling was appointed as the music director of Amazing Dance and Music, where diverse elements such as the flute, percussion, harmonica, guitar, bass and cello were incorporated to compose Paiwan, Rukai and Puyuma indigenous music as well as exquisite touching dance performances.

Ethnicity	Quantity	Composition technique	Crossover performance	Collaborating band
Tsou	12	<ul style="list-style-type: none"> • Wind/string orchestra • String orchestra 	<ul style="list-style-type: none"> • Indigenous Children's Night • Shanghai Special performance • Laiji Village Tsou Tribe Folk Song Album - Pasu Hohcubu • Concert for unveiling the Laiji album 	<ul style="list-style-type: none"> • Feng Yuan Philharmonic String Chamber Orchestra • SJTU Wind Symphony Orchestra
Rukai	11		<ul style="list-style-type: none"> • Indigenous Children's Night • Shanghai Special performance • Praising the Lily of Rukai - Qingye Village Rukai folk song album • Appreciation of life and arts - Pingtung • 2015 Green Tech Competition award ceremony 	<ul style="list-style-type: none"> • Feng Yuan Philharmonic String Chamber Orchestra • SJTU Wind Symphony Orchestra • The Music String Chamber Orchestra • Taiwan Pure Strings
Eastern Paiwan	2		<ul style="list-style-type: none"> • Indigenous Children's Night • Appreciation of life and arts - Taitung 	<ul style="list-style-type: none"> • Feng Yuan Philharmonic String Chamber Orchestra
Central Paiwan	8		<ul style="list-style-type: none"> • Indigenous Children's Night • 2014 "Green Tech" Competition award ceremony • 2016 Green Tech Competition award ceremony • 2017 Green Tech Competition award ceremony • TECO Award presentation ceremony 	<ul style="list-style-type: none"> • Feng Yuan Philharmonic String Chamber Orchestra
Amis	2		<ul style="list-style-type: none"> • Indigenous Children's Night • Appreciation of life and arts - Hualien 	<ul style="list-style-type: none"> • The Music String Chamber Orchestra
4ethnic groups	35 songs	2 categories	16crossover performances	4bands

Domestic and international performances

Task 4

Origin

The foundation has been promoting the "Exclamation Mark" sustainable education program for indigenous peoples for 14 years. Based on a profound understanding of the importance of "culture and art" as the foundation of the long history of tribes, TECO group and other sponsors have jointly infused resources for the development and passing down of tribal culture and organized various national and international performances. The demonstration of transmission results enables indigenous people "without written language" to preserve their traditional folk songs and art forms. The program also helps expand the life experiences of indigenous children and youngsters and build a sense of identification and confidence in their own culture, thereby increasing the motivation to learn and promote cultural concepts. Over the past 3 years, the transmission teams have left a deep impression in over 10 countries in four continents and their aesthetic energy has been widely acclaimed and recognized, fully utilizing the soft power of culture. A total of 42 teams currently support the "Exclamation Mark" Program. 34 teams currently embrace the mission of cultural transmission (music, dance, rituals). Opportunities and stages for grand performances are provided on an annual basis to give children a chance to present the results of their transmission efforts. Children who receive long-term training have the opportunity to take on the challenge of performing on a grand stage. Prior to every performance, children have to undergo a long-term strict training program. Professional who are familiar with indigenous performance arts are invited to form a team to assist in the production.

Educational value of performances

- Offers a stage for children to present their achievements and accumulate performance experience.
- Implementation of "Exclamation Mark" transmission education through performance preparations.
- Increased self-confidence of indigenous children and tribal members through successful experiences on the big stage.
- Inspire the dedication and passion of transmission instructors.

▼ 2017 domestic performances

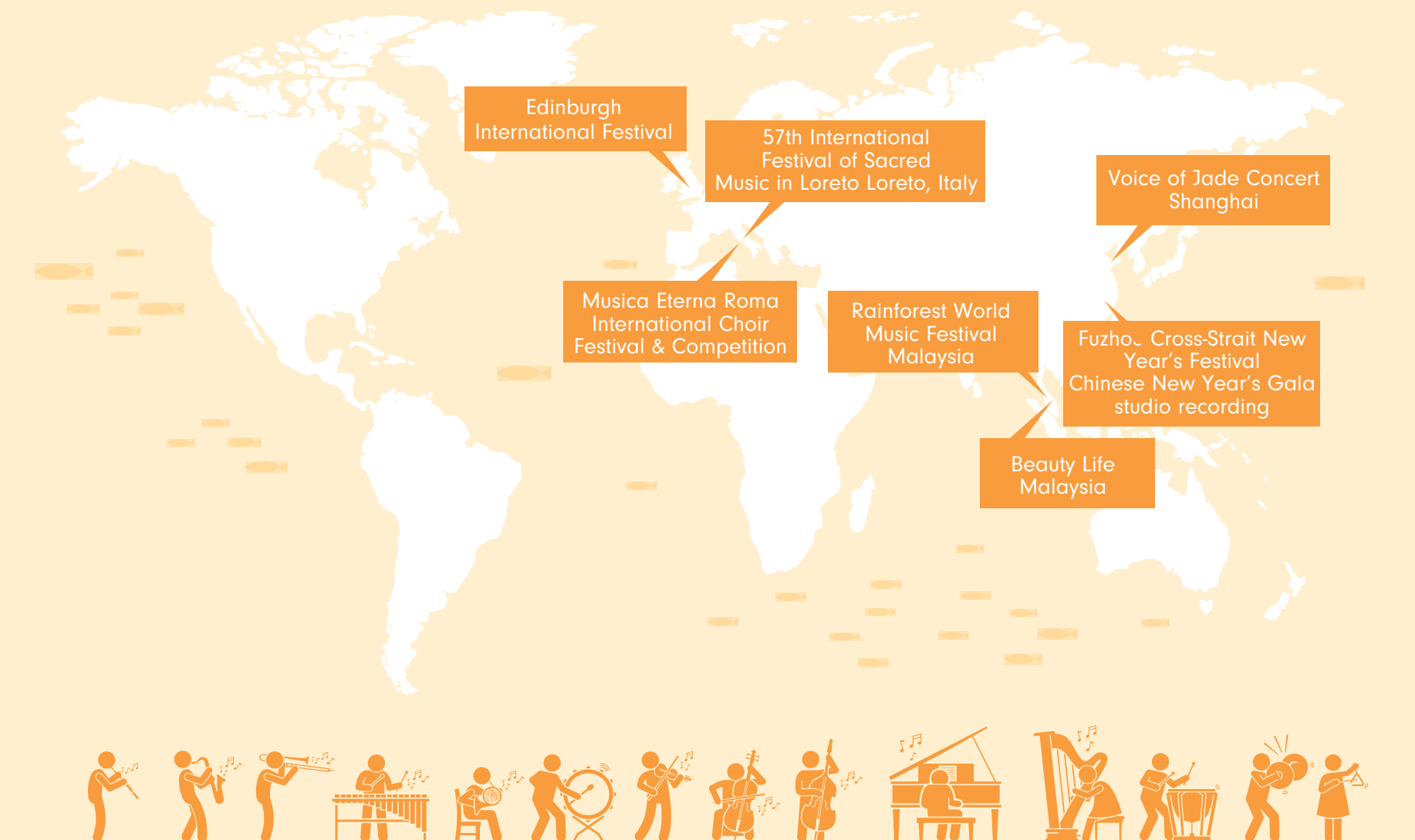
Performance name	Performance and transmission teams	Number of performers	Number of audiences
2017 Amazing Dance & Music - Taiwanese Indigenous Dance and Music Festival	<ul style="list-style-type: none"> Haiduan Village Bunun traditional ritual and folk song troupe Shakalan Village Paiwan cultural heritage troupe Pasu Hohcubu - Laiji Village Tsou folk song Beipu township Amis traditional dance troupe Qingye Rukai folk song chanting Binmao Village vasa Paiwan indigenous dance troupe Kuo-Shin Chuang Pangcah Dance Theatre 	284 persons	2,615 persons
Tree Valley Charity Concert	<ul style="list-style-type: none"> Binmao Village vasa Paiwan indigenous dance troupe Songpu Amis music and dance transmission group 	120 persons	300 persons
Concert for unveiling the Binmao album	<ul style="list-style-type: none"> Binmao Village vasa Paiwan indigenous dance troupe 	27 persons	250 persons
Amazing Dance & Music - Taitung	<ul style="list-style-type: none"> Wuling Village Bunun children's chorus Tuban Village vusam Cultural Experimental Elementary School Luanshan Village Bunun folk song transmission group Jieda Village Paiwan and Rukai traditional song and dance troupe Haiduan Village Bunun folk song and ritual transmission group 	216 persons	1,225 persons
Amazing Dance & Music - Taitung	<ul style="list-style-type: none"> Yi Chang Elementary School drum array Shui Yuan Elementary School traditional dance troupe Songpu Village Amis traditional dance troupe Gufeng Village Bunun children's chorus Xiulin Taroko music and dance troupe National Hualien Industrial Vocational Senior High School indigenous folk dance troupe 	216 persons	1,225 persons
"Green Tech" Competition award ceremony	<ul style="list-style-type: none"> Binmao Village vasa Paiwan indigenous dance troupe 	25 persons	221 persons
Total of 6 domestic performances	18 performance groups	84 persons	5,417 persons

Cultural value of performances

- Promotion the learning, exploration of ethnic culture and self-identification
- Promotion of field research, collection of information, and choreography related to traditional culture and arts
- Enhance the depth of traditional culture
- Promotion of cultural interactions and exchanges between tribes.
- Creation of audiovisual records and digital archives of indigenous music, dance, and rituals.
- Promotion of professional cooperation in the field of composition and band performance.
- Promotion of transmission and dissemination of traditional songs and rituals.



International performances



Audiovisual Digital Archive Program (music/dance) Task 5

Origin of the digital archive program

Since 2005, “Exclamation Mark” has organized the annual “Indigenous Children Night” and year-end performances to provide a professional stage for children from transmission teams, so that they can have a common goal to pursue. Every participating tribe has achieved outstanding results and endowed the event with educational value in the fields of transmission and dissemination. The “Exclamation Mark” program also continues to maintain audiovisual records for various performances. The Taiwu traditional folk song album titled “Where the Songs Begin,” which was produced in 2011 under sponsorship by the International Commercial Bank of China Cultural and Educational Foundation, Nytex Composites, Protech Systems and Longines. The performance recordings serve as key materials for cultural transmission and foster the vibrant development of transmission education in tribal communities.

As of 2012, the “Exclamation Mark” program enlists Mr. Lee Che-Yi to rearrange traditional indigenous folk songs, creating a precedent in folk songs accompanied by string orchestras. These arrangements represent a re-interpretation of the unique character of traditional folk songs and gradually built up positive energy and experience in joint performances with domestic and international orchestras. Mr. Lee Che-Yi invited the Italian composer Michele Paciulli to help ensure top quality sound recordings and assist in post-production. A powerful production team has been formed in cooperation with Feng Yuan Philharmonic String Chamber Orchestra, Taiwan Pure Strings and Free Image Design Studio.

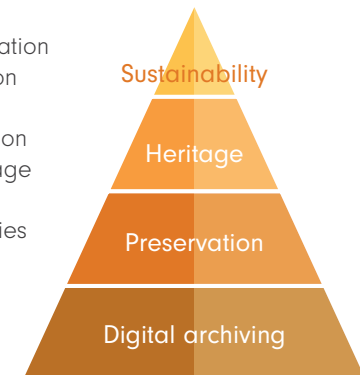
Goal of digitization

1. Support the heritage and development of tribal art and culture to enable the indigenous community to facilitate the vibrant development and preservation of non-literate tribal culture through audiovisual recordings.
2. Promotion of active transmission and creation of audiovisual records for tribal communities and ethnic groups.
3. By recording folk song albums:
 - On can preserve complete traditional tribal cultures and transmission accomplishments.
 - They can also serve as teaching material templates for tribal transmission education.
 - As well as increase the international visibility of indigenous music, dance and art forms as well as Taiwanese culture and art.

4. Cooperation with professional composers, conductors and orchestras, thereby facilitating interactions and cooperation in the field of traditional indigenous art.
5. Public acceptance is increased through diverse composition methods to promote the heritage and development of traditional folk songs.
6. Contenders for the 2018 Golden Melody Award in the Traditional Art and Music category.

Benefits of release

1. Document invaluable Taiwanese folk songs
2. Initiate digital archiving of traditional culture
3. Encourage everyone to support the “Exclamation Mark” program via marketing and promotion campaigns
4. Design of song lists in the spirit of transmission
 - Creation of records of the Paiwan language with the Roman alphabet
 - Accurate and authentic records of melodies and connotations
 - Accurate cultural learning
 - Creation of optimized teaching materials for cultural transmission
 - Presentation of unique characteristics of tribal clothing, culture, and lifestyles



Unique features of albums

1. Creation of attractive album packaging by professional designers
2. Exquisite handcrafted Dutch cloth boxes are utilized to complement the album’s heavenly music
3. Application of “tribal symbolism” to highlight the unique features of the album
4. Introduction of tracks and dances are based on historical and cultural research
5. Diverse song lists with sophisticated and concise text
6. Meticulous song list layout design by a professional designer drawing inspiration from the album’s contents and tribal characteristics
7. Each set contains 3 albums (pure vocal, crossover, and pure instrumental)



Benefits of release

1. Provision of teaching materials for the transmission of traditional folk songs by younger indigenous generations and tribal communities
2. Provision of substantial, authentic teaching materials for cultural transmission
3. Motivate other groups to conduct field research, collect information, and carry on the mission of cultural heritage
4. Motivate other tribal communities to create digital archives
5. Creation of an operating model for digital archiving
6. Cultivation of professional talents in the field of indigenous performance arts
7. Donation of the proceeds from album sales to other groups for album recording purposes
8. Bringing Taiwan in line with international trends via the digital music platform

Album production format

1. Album: 3 albums per set
 - "Pure vocal version" - Demonstrating the unique features of folk songs
 - "Crossover version" - Accompanied by a string performance
 - "Pure instrumental version" - Pure music
2. DVD: Each set contains 2 DVDs
3. Album genre: Traditional arts
4. Album positioning: Collection, appreciation, transmission, research
5. Music production/composition: Lee Che-Yi
6. Sound engineering: Michele Paciulli

Results of archiving efforts: 2013-2017 Released 8 DVD albums encompassing 11 tribes and 269 music/dance repertoires. 20,150 sets were released, and one new album and DVD were released in 2017.



Fostering participation by tribal communities Tas 6

School-oriented transmission education focuses on refinement of performance techniques over many years and participation, practice, and experience in tribal rituals to gradually extend a climate of cultural transmission to the communities and gradually draw the attention of teenagers (including junior high school, senior high school, and university students), parents, and village elders. Transmission teams not only actively participate in tribal rituals but also turn into core members of tribal events. In 2016, the Foundation collaborated with tribal associations to develop tribal transmission education. In total, 6 tribal associations with a total of 418 members participated in the program in 2017.

Transmission teams	Tribal associations	Number of participants from tribal villages
Wulu and Lidao Village - Bunun ritual and folk song troupe	Taitung Mamama Village Sustainable Development Association	50
Gaoshi Village little folk song club	Pingtung Xinmudan Cultural Education Development Association	125
Mudan Junior High School South Paiwan folk song group		
Shanmei Village - Tsou folk song group	Alishan Township Shanmei Community Development Association	60
Shui Yuan Elementary School Taroko traditional dance troupe	Hualien Shuiyuan Community Development Association	60
Laiji Village - Tsou folk song	Alishan Township Laiji Community Development Association	40
Taiwu Village - Taiwu folk song performance	Pingtung Jiaxing Community Development Association	83
Total	7 groups	6 tribal
		418 persons



7.2.2 Employee social engagement

Organized TECO "One Acre of Farm" and "Donghui Club" corporate volunteer service. In 2017, a total of 1,440 hours of volunteer service hours were carried out:

1. One Acre of Farm: In order to fulfill its corporate social responsibility and care about the community, TECO has hosted "One Acre of Farm" event, where the Company's colleagues participated in spring plowing, rice seedling transplantation and harvesting. A total of 111 persons accumulated 888 hours of volunteer service and harvested 1,500kg of rice. Some of the rice were donated for social welfare causes, while others were auctioned and the proceeds were donated to public welfare organizations.



2. Blood drive: In responding to blood shortage throughout Taiwan, TECO has fulfilled its corporate social responsibility by initiating several employee blood drives. In 2017, 321 persons donated a total of 447 bags of blood.



3. Social aid

- Organization of children's home book donation events, donating 100 books to Xinyi Children's Home in Yunlin.
- Collaborated with Huashan Social Welfare Foundation to donate New Year's dishes to senior citizens living alone at the end of each year. A total of 56 person participated in the event to raise NT\$76,600 for senior citizens living alone to enjoy a warm Chinese New Year.
- Donation of 32 blankets to Chinjen Home for the Disabled in Taoyuan.
- Organization of rice donation event, donating 973 bags of rice to TFCF.







8 Report Summary and Appendix

8-1 Report Summary

The 2017 TECO CSR Report is the 8th issue published by TECO since 2010 and the 6th issue verified by an external third-party organization. This year's report analyzes and identifies material issues and secondary issues based on GRI Standards. These serve as important KPIs for related departments. Actual achievements in 2016 and 2017, and future development plans for 2018 and beyond are presented on the first page of each chapter to facilitate reading by stakeholders, as well as give them a clearer understanding of developments pertaining to each material issue. The goal is to improve communication with stakeholders regarding concepts and approaches of TECO in the dimensions of governance, economy, environment, and society.

In 2017, TECO achieved a ranking in the Top 5 % of all evaluated enterprises in the "Corporate Governance Evaluation" for the 4th time in a row, which bears witness to the Company's achievements in the implementation of corporate governance. In the field of economy, TECO has released a series of smart green products including smart motors and A/C systems through integration of the Group's capabilities, core technologies and technological innovation, in order to provide customers with economical smart products. TECO also optimized green solutions with the ultimate goal of fostering industry upgrades. Solar power systems have been developed in conjunction with other companies for the rooftops of the TECO's factory buildings, and other suitable external solar power plants will be developed to accrue positive energy for TECO's corporate sustainability.

In the environmental dimension, the Company is firmly committed to the development of energy-saving products to promote energy conservation and carbon production at the user end. TECO also conducts inspections and inventories from the perspective of product life cycles and formulates policies to minimize environmental impacts. In 2017, the Company carried out environmental and water footprint inventories and verifications for inverters in conjunction with suppliers, so as to detect environmental and water footprint hot spots in the product life cycles, and facilitate the planning of subsequent improvement goals and strategies.

In the social dimension, TECO embraces the vision of "Creation of a Blissful Enterprise and a Society Characterized by Techno-Cultural Synergy" with the goal of strengthening of talent development and creation of a stage for employees to

bring their talent into full play. Various employee care policies are in place to ensure an equal emphasis on career development and work-life balance. TECO extends the concern for its employees to the whole society. Through continued support for TECO Technology Foundation and multidimensional development in the fields of innovative technologies, humanistic education, concern for children in remote areas, transmission and archiving of indigenous culture, the company realizes its vision of "techno-cultural synergy."

In 2017, TECO endeavored to fulfill CSR on the foundation of sound developments in the areas of environment, society, and governance (ESG) over the years. The Company places equal emphasis on the pursuit of sustainable corporate development and unleashing TECO's influence to facilitate upgrades in the fields of industry, society, and environment.

8-2 GRI G4 Index

General disclosure	Disclosure items	Corresponding chapters	Page number	Note
Organizational profile				
102-1	Name of the organization	3.2.2	27	
102-2	Activities, brands, products, and services	3.2-3.5	24-35	
102-3	Location of headquarters	3.2.2	27	
102-4	Operations	3.2.1	26	
102-5	Ownership and legal form	3.2.2	27	
102-6	Market served	3.2.1	26	
102-7	Size of the organization	3.2、6.2	24、78	
102-8	Information on employees and other workers	6.2	78	
102-9	Supply chain	5.2	70	
102-10	Significant changes to the organization and its supply chain	3.2.1、6.6	26、93	
102-11	Pre-cautionary principles or approaches	4.2	52	

General disclosure	Disclosure items	Corresponding chapters	Page number	Note
102-12	External initiatives	4.3	56	
102-13	Membership of associations	4.3	56	
Strategy				
102-14	Statement from senior decision-maker	1.1	7	
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	1.1 、 4.1	7 、 43	
Governance				
102-18	Governance structure	4.1.3	46	
Stakeholder communication				
102-40	List of stakeholder groups	2.2	16	
Stakeholder communication				
102-41	Collective bargaining agreements	6.3	82	
102-42	Identifying and selecting stakeholders	2.1	15	
102-43	Approach to stakeholder communication	2.3	19	
102-44	Key topics and concerns raised	2.3	16	
Reporting practice				
102-45	Entities included in the consolidated financial statements	About this Report	3	
102-46	Defining report content and topic boundaries	About this Report	3	
102-47	List of material topics	2.2	17	
102-48	Restatements of information	About this Report	3	
102-49	Changes in reporting	About this Report	3	
102-50	Reporting period	About this Report	3	
102-51	Date of most recent report	About this Report	3	
102-52	Reporting cycle	About this Report	3	
102-53	Contact point for questions regarding the report	About this Report	3	
102-54	Claims of reporting in accordance with the GRI standards	About this Report	3	
102-55	GRI Content Index	8.2	117	
102-56	External assurance	8.3	122	

1. ` * Denotes secondary topics disclosed

2. Corresponding chapter and page number of the management approach is expressed in "103-1/103-2/103-3"

Material topics	Disclosure items	Corresponding chapters	Page number	Note
201: Economic Performance				
Management approach		2.2/ 3.1/ 3.2 、 6.4	17/23/24 、 84	
201-1	Direct economic value generated and distributed	3.2	24	
201-3	Defined benefit plan obligations and other retirement plans	6.4	84	
204: Procurement Practices				
Management approach		2.2/ 5.2/ 5.2.2	17/70/73	
204-1	Proportion of spending on local suppliers	5.2.2	75	
301: Materials *				
Management approach		2.2/ 5.1.2/ 5.1.1	17/62/60	
301-1	Materials used by weight or volume	5.1.3	67	
301-2	Recycled input materials used	5.1.1	61	
302: Energy				
Management approach		2.2/ 5.1.2/ 5.1.1	17/62/60	
302-1	Energy consumption within the organization	5.1.3	65	
302-5	Reductions in energy requirements of products and services	3.3.1	29	
303: Water *				
Management approach		2.2/ 5.1.2/ 5.1.1	17/62/60	
303-1	Water withdrawal by source	5.1.3	67	
305: Emissions				
Management approach		2.2/ 5.1.2/ 5.1.1	17/62/60	
305-1	Direct (Scope 1) GHG emissions	5.1.3	64	
305-2	Energy Indirect (Scope 2) GHG emissions	5.1.3	64	
305-4	GHG emissions intensity	5.1.3	64	
305-6	Emissions of Ozone-Depleting Substances (ODS)	5.1.3	67	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	5.1.3	69	
306: Effluents and Waste *				
Management approach		2.2/ 5.1.2/ 5.1.1	17/62/60	

Material topics	Disclosure items	Corresponding chapters	Page number	Note
306-1	Water discharge by quality and destination	5.1.3	68	
306-2	Waste by type and disposal method	5.1.3	69	
306-3	Significant spills	5.1.4	70	There were no significant spills in 2017
307: Environmental Compliance				
Management approach		2.2/ 5.1.2/ 5.1.4	17/62/60	
307-1	Violation of environmental laws and regulations	5.1.4	70	There were no significant spills in 2017
308: Supplier Environmental Assessment				
Management approach		2.2/ 5.2.2/ 5.2.1	17/73/71	
308-1	New suppliers that were screened using environmental criteria	5.2.2	74	There were no significant spills in 2017
401: Employment *				
Management approach		2.2/ 6.1/ 6.2 、 6.4	17/77/78 、 84	
401-1	New employee hires and employee turnover	6.2	81	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4 、 6.7	84 、 94	
401-3	Parental leave	6.7	94	
402: Labor/Management Relations *				
Management approach		2.2/ 6.1/ 6.3	17/77/82	
402-1	Minimum notice periods regarding operational changes	6.3	82	
403: Occupational Health and Safety				
Management approach		2.2/ 6.6/ 6.6	17/91/91	
403-1	Workers representation in formal joint management-worker health and safety committees	6.6	91	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.6	92	
403-3	Workers with high incidence or high risk of diseases related to their occupation	6.6	91	
404: Training and Education				
Management approach		2.2/ 6.1/ 6.5	17/77/86	
404-1	Average hours of training per year per employee	6.5	88	
404-2	Programs for upgrading employee skills and transition assistance programs	6.7	94	
404-3	Percentage of employees receiving regular performance and career development reviews	6.5	86	

Material topics	Disclosure items	Corresponding chapters	Page number	Note
405: Diversity and Equal Opportunity *				
Management approach		2.2/ 6.1/ 6.2 、 6.4	17/77/78 、 84	
405-1	Diversity of governance bodies and employees	4.1.3 、 6.2	47 、 78	
405-2	Ratio of basic salary and remuneration of women to men	6.4	84	
406: Non-discrimination *				
Management approach		2.2/ 6.1/ 6.4	17/77/84	
406-1	Incidents of discrimination and corrective actions taken	6.4	84	There were no significant spills in 2017
414: Supplier Social Assessment				
Management approach		2.2/ 5.2.2/ 5.2.1	17/73/71	
414-1	New suppliers that were screened using social criteria	5.2.2	74	
416: Customer Health and Safety				
Management approach		2.2/ 3.6/ 3.6	17/36/37	
416-1	Assessment of the health and safety impacts of products and service categories	3.6	37	
416-2	Incidents of non-compliance concerning the health and safety impacts or products and services	3.6	37	There were no significant spills in 2017
417: Marketing and Labeling				
Management approach		2.2/ 3.6/ 3.6	17/36/37	
417-1	Requirements for product and service information and labeling	3.6	37	
417-2	Incidents of non-compliance concerning product and service information and labeling	3.6	37	
417-3	Incidents of non-compliance concerning marketing communications	3.6	37	There were no significant spills in 2017
418: Customer Privacy *				
Management approach		2.2/ 3.6/ 3.6	17/36/37	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.6	37	There were no significant spills in 2017
419: Socioeconomic Compliance				
Management approach		2.2/ 3.6/ 3.6	17/36/37	
419-1	Non-compliance with laws and regulations in the social and economic area	3.6	37	There were no significant spills in 2017

8-3 TECO 2017 CSR Report Summary of Assured Items

No.	Target information	Page	Applicable criteria
1	Sales proportion of high performance energy-efficient motors below 300HP (224kW) in 2017 (in sales value and volume) <ul style="list-style-type: none"> Sales value accounts for 61.27% Sales volume accounts for 37.91% 	29	Total annual sales value and volume of IE3 and IE4 motors (classified in accordance with horsepower efficiency and power consumption standards of IEC 60034-30-1:2014) with capacity below 300HP, divided by annual sales value and volume of motors from the Business Division of Green Electric-Machinery. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
2	Power saving statistics of high energy saving motors with capacity below 300HP (224kW) in 2017 (power savings in kWh converted into GHG emission amount) <ul style="list-style-type: none"> Total power savings of 606,176,950 kWh Total emission reduction of 335,822.03 tons CO₂e <p>*: Calculations based on 5,000 operating hours per year: CO₂e figures based on power coefficient of 0.554 kg CO₂e/kWh announced by the Bureau of Energy, Ministry of Economic Affairs (MOEA) in 2017.</p>	29	<ul style="list-style-type: none"> The IE3 category refers to motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014 (IE3 or above). The IE4 category refers to motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014 (IE4 or above). Power savings, expressed in kilowatts/hour, were calculated by multiplication of total annual sales volume of motors according to the above classification and total discrepancy (same horsepower) by the power consumption difference between said category and IE1 motors, assuming 5,000 operating hours per year. The aforementioned statistical data were provided by TECO Electric and Machinery Co., Ltd..
3	Revenue ratios of various product categories in 2017 <ul style="list-style-type: none"> Heavy electric machinery and control devices 60.33%, home appliance and A/C products 23.91%, engineering revenue 12.46%, other 3.29% 	24	Annual revenue derived from TECO product categories divided by operating revenue ratio indicated in individual financial statement in 2017
4	Performance highlights in 2017 (operating revenue, EPS, ROE, net profit for the year, cash dividends, income tax expenses, investment tax credits) <ul style="list-style-type: none"> Operating revenue of NT\$21,301,208,000 EPS NT\$1.56 ROE 6.09% Net profit for the year of NT\$3,092,358,000 Cash dividends NT\$0.86 Income tax expenses of NT\$212,110,000 	24	TECO individual financial statements specify operating revenue, EPS, ROE, net profit for the year, cash dividends, income tax expenses, investment tax credits. *: EPS is calculated by dividing net profit for the year by weighted average number of ordinary shares outstanding during the period; ROE is calculated by dividing net profit for the year by the mean equity value at the beginning and end of the year; the term cash dividends refers to common stock dividends through distribution of 2017 earnings as per board proposal in 2018.
5	Number of board meetings and average attendance rate of all directors in 2017 (excluding attendance by proxy) <ul style="list-style-type: none"> A total of 6 board meetings was held in 2017. The average attendance rate of directors reached 88.89% (excluding attendance by proxy). 	46,48	Number of board meetings per year and average attendance rate of all directors (excluding attendance by proxy), which is calculated by adding individual attendance rates and dividing the result by the total number of board directors. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
6	Number of Auditing Committee meetings and average attendance rate of all members in 2017 (excluding attendance by proxy) <ul style="list-style-type: none"> 8 meetings were convened in 2017, and the average attendance rate of all members reached 100% (excluding attendance by proxy) 	50	Number of Auditing Committee meetings per year and average attendance rate of all committee members (excluding attendance by proxy), which is calculated by adding individual attendance rates and dividing the result by the total number of Auditing Committee members. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
7	Number of Remuneration Committee meetings and average attendance rate of all members in 2017 (excluding attendance by proxy) <ul style="list-style-type: none"> 2 meetings were convened in 2017 and the average attendance rate of all members reached 83.33% (excluding attendance by proxy) 	51	Number of Remuneration Committee meetings per year and average attendance rate of all committee members (excluding attendance by proxy), which is calculated by adding individual attendance rates and dividing the result by the total number of Remuneration Committee members. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
8	Number of CSR education courses in 2017 <ul style="list-style-type: none"> 12 CSR education courses. 	88	The number of CSR education courses is based on definitions and announcements of the education and training system (such as safety and health education, environmental safety and protection courses etc.) The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
9	Violations of environmental laws and regulations and incurred fines in 2017 <ul style="list-style-type: none"> No such violations occurred in 2017 	70	Number of violations of environmental laws and regulations formulated by EPA and fines incurred during the year. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices.
10	Employee seniority structure as of December 31, 2017 <ul style="list-style-type: none"> Employee seniority distribution chart for TECO Electric and Machinery Co., Ltd. (including TESEN Electronic Co., Ltd.), Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, and TECO-Westinghouse (TWMC) 	79	Seniority was calculated based on years of service of active permanent employees as of December 31, 2017. The aforementioned data were provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices.

No.	Target information	Page	Applicable criteria
11	Employee age structure as of December 31, 2017 <ul style="list-style-type: none"> Employee age distribution chart for TECO Electric and Machinery Co., Ltd. (including TESEN Electronic Co., Ltd.), Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, and TECO-Westinghouse (TWMC) 	79	Age was calculated based on the age of permanent employees as of December 31, 2017. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices.
12	Employee numbers by position as of December 31, 2017 (Managerial, Professional, Technical) <ul style="list-style-type: none"> Gender distribution of positions for TECO Electric and Machinery Co., Ltd. (including TESEN Electronic Co., Ltd.), Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, and TECO-Westinghouse (TWMC). 	78	Statistics for managerial, professional, technical, and sales positions of active permanent employees as defined by the HR system on December 31, 2017. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices.
13	Number of quality improvement projects in 2017 <ul style="list-style-type: none"> Total of 55 quality improvement projects in 2017. 	38	Number of improvements based on completed "quality circle activities" or "project improvement team" applications, and completed "improvement project reports" during the year carried out in accordance with the "Improvement Team Activity Guidelines." The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
14	Applications for unpaid parental leaves in 2017 <ul style="list-style-type: none"> A total of 13 persons applied for unpaid parental leave in 2017. 	95	Number of employees who applied for unpaid parental leave in 2017. The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
15	Number of anti-corruption courses in 2017 <ul style="list-style-type: none"> 4 anti-corruption courses. 	88	The number of CSR education courses is based on definitions and announcements of the education and training system (such as code of ethical conduct and employee confidentiality obligation courses etc.) The aforementioned statistical data was provided by TECO Electric and Machinery Co., Ltd.
16	Disabling Injury Frequency Rate (FR) in 2017 (excluding commuting accidents) <ul style="list-style-type: none"> TECO Electric and Machinery Co., Ltd. 0.61 TESEN Electronic Co., Ltd. 0 TECO-Westinghouse 1.74 Taian Technology (Wuxi) 2.47 Wuxi TECO 2.83 TECO Electro Devices 4.03 	92	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Frequency Rate (FR) = Number of disabling injuries/total working hours x 1,000,000. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices. The standard also applies to affiliated enterprises in the US and China.
17	Disabling Injury Severity Rate (SR) in 2017 (excluding commuting accidents) <ul style="list-style-type: none"> TECO Electric and Machinery Co., Ltd. 19 TESEN Electronic Co., Ltd. 0 TECO-Westinghouse 19 Taian Technology (Wuxi) 124 Wuxi TECO 112 TECO Electro Devices 61 	93	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Severity Rate (SR) = Number of lost days/total working hours x1,000,000. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., TECO-Westinghouse (TWMC), Taian Technology (Wuxi), Wuxi TECO and TECO Electro Devices. The standard also applies to affiliated enterprises in the US and China.
18	LNG consumption statistics for TECO and affiliated enterprises in 2017 <ul style="list-style-type: none"> TECO Electric and Machinery Co., Ltd. 707,700 m³ TECO-Westinghouse (TWMC) 140,020 m³ Wuxi TECO 353,420 m³ 	66	Annual natural gas consumption is calculated based on receipts issued by CPC Corporation, Taiwan, US Luminant Energy Company and CR Gas.
19	Annual power consumption statistics for TECO and affiliated enterprises in 2017 <ul style="list-style-type: none"> TECO Electro Devices 1,778,610 kWh Wuxi TECO 12,635,670 kWh TECO-Westinghouse (TWMC) 16,572,240 kWh Taian Technology (Wuxi) 3,608,090 kWh TESEN Electronic Co., Ltd. 4,810,980 kWh TECO Electric and Machinery Co., Ltd. 55,169,020 kWh 	65	Annual power consumption is calculated based on receipts issued by Taipower, US Constellation New Energy, Inc., and common invoices issued by Jiangsu Electric Power Company. Where TECO Electric and Machinery Co., Ltd., TESEN Electronic, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, and affiliated enterprises, or contractors have shared meters, power consumption is apportioned according to meter readings or mutually agreed upon proportions.

8-4 CPA Limited Assurance Report

Independent Limited Assurance Report

To TECO Electric and Machinery Co., Ltd.

We have been engaged by TECO Electric and Machinery Co., Ltd. ("TECO") to perform assurance procedures on the sustainability performance information identified by TECO and reported in the 2017 Corporate Sustainability Report (hereinafter referred to as the "CSR Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by TECO (hereinafter referred to as the "Subject Matter Information"), the respective applicable criteria and the scope of the Subject Matter Information are stated in the "Summary of Assured Items" on page 120 and page 121 of the CSR Report.

Management's Responsibilities

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

Our Responsibilities

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

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

The procedures we performed were based on the identification of risk areas and materiality level. Given the circumstances of the engagement, we performed the following procedures:

- Made enquires of personnel responsible for the Subject Matter Information to understand and evaluate the processes, information systems (if any) relating to the preparation of the aforementioned information, and its design and implementation of relevant internal controls; and
- Based on the above understanding and evaluation, performed analytical procedures on the Subject Matter Information and, if deemed necessary, performed selective testing to obtain evidence for

limited assurance.

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

Compliance of Independence and Quality Control Requirement

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

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

Inherent Limitation

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

Limited Assurance Conclusion

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

Other Matter

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

PricewaterhouseCoopers, Taiwan

Li, Yi-Huah

Partner

August 13, 2018

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

TECO

