



TECO 2020 ESG INSIGHT REPORT

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ENVIRONMENTAL

TECO leverages its core motor technologies and R&D philosophy which is centered around the four principles of “Energy Conservation, Emission Reduction, Intelligence, and Automation” in its efforts to realize digital transformation, lean sales and marketing, and production automation.

TECO has officially declared its commitment to a 10-year goal of energy conservation and emission reductions by 20% with 2015 as the base year. The goal is to decrease carbon emissions by 20% in 2025. Due to the joint efforts of all staff members, TECO achieved its emission reduction goal five years earlier than expected in 2020. Upon completion of the first stage, TECO will fully implement its Sustainability KPI, which encompasses indicators in the three dimensions of internal carbon pricing (ICP), ratio of recycled materials and waste recycling, and climate impact management, starting in 2021.

For 2020, the environmental and social indicators reporting coverage includes all facilities in Taiwan, US, China and Vietnam, which covers 79.7% of total TECO group revenue.



Environmental Management Systems

98.4% TECO Entities

Covered by ISO 14001

Environmental Management Systems

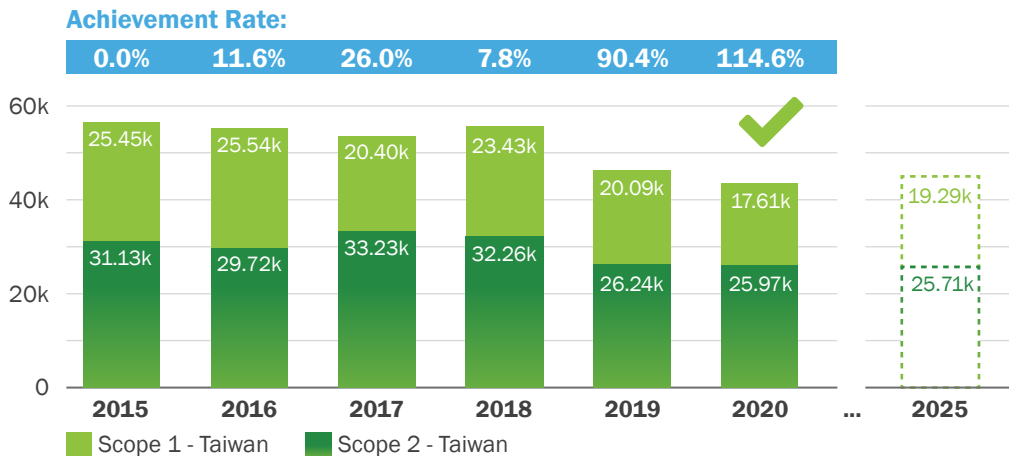
(With near-term plans for TECO Wuxi Precision to apply)

ISO 14064-1 GHG Inventories Conducted

Data from Taiwan has been verified by BSI's (British Standards Institution) ISO 14064-1 (GHG audit) verification to provide the assurance about accuracy of assessment data.

GHG Emissions Performance (Taiwan)

**Emission reduction goal: 20% reduction by 2025
cumulatively from base year 2015 (2% reduction per year)
Achieved in 2020, 5 years earlier.**



Data verified by BSI ISO 14064-1 (GHG audit)



Three Stage Sustainability Goals

—o First Stage

| Goal | Details | Scope | Implementation | Coverage |
|---|---|--------------------------------|-----------------|----------|
| Emission Reduction (Taiwan) | Cumulative reduction by 20% from 2015 to 2025. | Taiwan | ✓ Achieved 2020 | 48.2% |
| Emission Reduction (Overseas Plants) | Cumulative reductions by 20% from 2020 to 2030. | Taiwan, USA, China and Vietnam | Initiated 2021 | 79.7% |

—o Second Stage: Sustainability KPIs

| Goal | Details | Scope | Implementation | Coverage |
|--|--|--------------------------------|----------------|----------|
| Internal Carbon Pricing | "Carbon Border Tax" shadow price is simulated through simplified carbon footprint calculations | Taiwan | Initiated 2021 | 48.2% |
| Recycle rate of materials and waste | 100% recycling of general industrial waste | Taiwan, USA, China and Vietnam | Initiated 2021 | 79.7% |
| Climate Impact Management | Internalization of the spirit of TCFD framework by all manufacturing bases and sales locations | Taiwan | Initiated 2021 | 48.2% |

—o Third Stage

| Goal | Details | Scope | Implementation | Coverage |
|--------------------------|---|--------------|------------------|----------|
| Carbon Removal | Define carbon removal methods applicable for whole group, such as marine carbon fixation, forest investment or purchase of green electricity certificate. | Entire Group | Initiate in 2022 | 100% |
| Carbon Neutrality | Achieve carbon neutrality for whole group. | Entire Group | TBA | 100% |

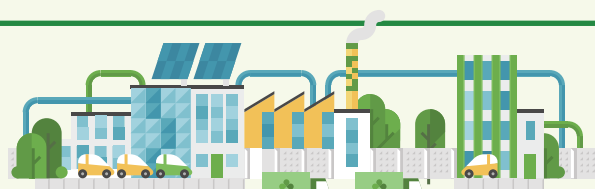
Climate Change Score

2020
C2021
B

Environmental Management Systems

SF6 is an essential insulation material but has high global warming coefficient of 22,800.

- Adopted process improvements to prevent the leakage of SF6 from gas insulated switches to reduce Scope 1 emissions.
- Corrective actions to prevent leakage allowed for SF6 emission drop from 1,356.6 tCO₂e in 2019 to 1,124.0 tCO₂e in 2020.



SF6 Emission during Manufacturing
9.45% → 2.80%

Environmental Metrics

| | Unit | 2018 | 2019 | 2020 |
|---|-------------------------------|------------------|------------------|------------------|
| GHG Emissions | | 55,692.56 | 77,148.62 | 73,590.59 |
| Scope 1 | | 23,432.21 | 22,161.01 | 19,505.16 |
| Scope 2 | | 32,260.35 | 54,987.61 | 54,085.43 |
| Scope 3 | | NA | 12,743,269.00 | 9,573,363.00 |
| Scope 3 Breakdown | ton CO ₂ e | | | |
| Purchased goods and services (Category 1) for motors only | | NA | 205,347 | 300,402 |
| Use of said products (Category 11) for motors only | | NA | 12,537,753 | 9,272,621 |
| End-of-life treatment of products (Category 12) | | NA | 169 | 340 |
| GHG Data Coverage | | 46.2% | 77.6% | 79.7% |
| GHG Emissions Intensity (Taiwan) | ton CO ₂ e / TWD M | 2.41 | 2.08 | 1.86 |
| GHG Emissions Coverage | | NA | 56.6% | 48.2% |
| Air Emissions | | | | |
| SOx | | 2.38 | 2.24 | 1.62 |
| NOx | ton | 1.52 | 1.58 | 1.99 |
| Volatile Organic Compounds | | 184.20 | 179.53 | 200.77 |
| Air Emissions Coverage | | 46.2% | 77.6% | 78.5% |
| Energy Management | | 109,396.4 | 111,421.0 | 109,381.5 |
| Non-renewable electricity purchased | | 93,882.4 | 92,424.6 | 90,995.6 |
| Non-renewable fuels | MWh | 15,514.0 | 18,966.4 | 18,385.9 |
| Energy Coverage | | 73.9% | 77.6% | 79.7% |
| Waste Management | | 225.63 | 745.72 | 1,000.24 |
| General Waste | | 3,586.04 | 3,303.13 | 13,526.79 |
| Waste Used/Recycled/Sold | ton | -2,952.82 | -2,557.41 | -12,526.55 |
| Waste Coverage | | 61.4% | 61.8% | 79.7% |
| Renewable Energy | MWh | 2,060 | 2,611 | 6,880 |
| Hazardous Waste | ton | 14.83 | 59.22 | 261.41 |

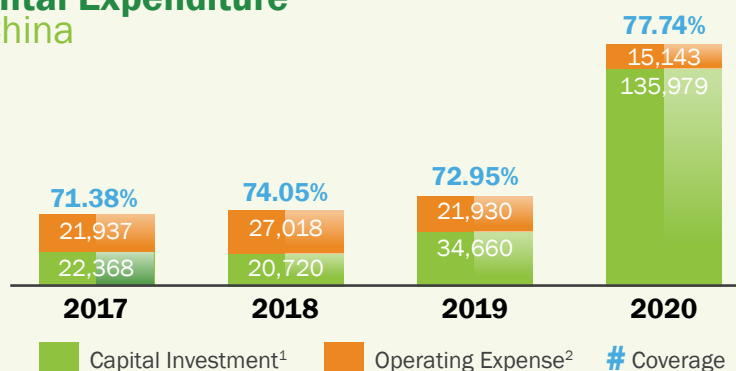
1. TECO conducts GHG emission assessment for sites in Taiwan, China, Vietnam and US with ISO 14064-1. In year 2020 the coverage rate reached 79.7%, 48.2% (by group revenue ratio) among it (data from Taiwan) has been verified by BSI's ISO 14064-1 (GHG audit) verification to provide the assurance about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

2. TECO initiated Scope 3 emission assessment from year 2019 based on motor business.

3. Hazardous Waste: Before 2019, Hazardous Waste scope only includes TECO (東元電機) and Qingdao TECO Precision (青島東元). For 2020, the scope has increased to include facilities in Taiwan, US, China and Vietnam, resulting in the increase to 261.41 tons.

2020 Environmental Expenditure

Taiwan, US and China



1. Definition of capital investment: For the purchase of equipment, property amount for environmental protection matters, such as the purchase of solar panels, purchase of variable-frequency equipment etc.

2. Definition of operating expense: Other investment amounts related to environmental protection, but excluding equipment purchase, such as air/water/waste soil/noise regulatory official fees/treatment fees; environmental monitoring fees; environmental management system maintenance fees etc.

Renewable Energy Installation

TECO began investing in solar energy system since 2017, the most recent investment is NT\$105 million at Chungli Plant in 2020, the projected energy generation is 2000 MWh annually with power generation from 2021.



6,880 MWh 
Renewable energy generation in 2020.

Exposure to environmental risks and opportunities

— Risks

| Short-term 2021 | Mid-term 2023 | Long-term 2030 |
|---|--|--|
| Increased OPEX <ul style="list-style-type: none"> ISO 14067 Carbon footprint ISO 14064 GHG inventory Natural disasters, extreme weather: disruption/suspension of operations Compliance <ul style="list-style-type: none"> Environmental audits Fines and Litigation | Increased OPEX <ul style="list-style-type: none"> Carbon border tax Rising temperature cost on running of operations Energy management <ul style="list-style-type: none"> energy consumption due to automation, digitization measures | Risk of losing access to markets <ul style="list-style-type: none"> Compliance with progressive environmental policies at overseas locations (Singapore, China). International competitors' commitment to net zero Customer and investor expectations for emission reduction Raw material supply uncertainty and fluctuating costs (petrochemical and mineral industries) |

— Opportunities

| Short-term 2021 | Mid-term 2023 | Long-term 2030 |
|--|---|---|
| Enhance Operations efficiency <ul style="list-style-type: none"> Digital transformation Automation and smart systems integration Products <ul style="list-style-type: none"> Invest and innovate in energy storage, energy efficient, low-carbon products | Energy management <ul style="list-style-type: none"> Increase adoption of renewable energy across production facilities | Localized production <ul style="list-style-type: none"> Increase domestic production, short regional supply chain and reduce carbon footprint |

Motor Material Circulation - Two Cycles in TECO

1. In-plant circular

TECO has own foundry in place, which means we have the ability to melt wastes from production process and re-manufacture it into motor frame bracket housing parts.

We have now reached 27.3% of iron reusing rate.

2. Lifecycle circular

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



Low carbon products

In 2020, low-carbon products accounted for **28.59%** of total sales. Following principals of ISO 14020 standard, TECO represents its low-carbon products and services with “TECO GO ECO” logo and categorizes motor and home appliances base on the following three types:

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

Motor Carbon Footprint

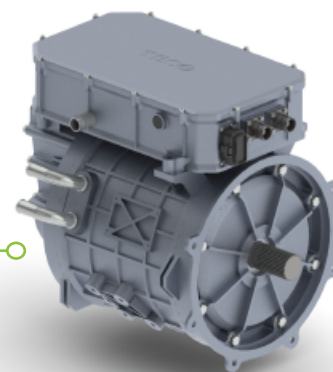
16.2% of motors sold by volume qualified carbon footprint analysis. TECO conducted carbon footprint analysis on three high efficiency and found **90% of carbon emissions come from production of raw materials and only 10% from manufacturing stage.** Recycling of raw materials (metal parts) is vital to reduce emission.



Electric-Vehicle Powertrain System

The Electric-Vehicle Powertrain System is a two-in-one model combining motor and drive, the only such product in Taiwan so far. It features modularized design and high-efficiency permanent synchronous motor, plus a compact structure, with power output 1.8 times existing model of the same grade on the market but **25% less in weight and 15% smaller in size, on top of IE4-grade efficiency.**

- 1) Modular design and high efficiency permanent-magnet synchronous motor.
- 2) In accordance with ISO26262 Road vehicles-Functional Safety.
- 3) The volume is reduced by 25%, the weight is reduced by 15%, and the output power is increased by 1.8 times.
- 4) Motor and driver, power density are 6.4 kW/L and 19.3 kW/L which is 12% and 40% above the DOE standard.
- 5) IP67 protection design. Suitable for various passenger vehicle applications.
- 6) High efficiency permanent motor, IE4 (super premium efficiency), suitable for wide speed operating range.
- 7) High efficiency and low loss, meet customer requirement and lengthen EV travel distance 5~10%.
- 8) High-strength aluminum alloy housing structure for enhanced rigidity and good reliability.
- 9) Product process and material meet RoHS, REACH the EU environmental directives. The production plant was IATF 16949、ISO 9001, ISO 14001, OHSAS 18001, TOSHMS certification; product complies with CE safety norms.



SOCIAL

Human Rights

TECO respects and encourages implementation of the international labor standards (The UN Universal Declaration of Human Rights, The UN Global Compact, and The International Labor Organization Conventions) and is committed to creating a dignified working environment.

Key facets included in The Company's Human Rights Policy



Fairness and non-discrimination



Meet basic salary requirements



Create good employee relations



No child labor



Full-compliance for working hours



Prohibit compulsory and forced labor



Create a safe and healthy work environment



Employee Training in Human Rights Policies

Code of Ethical Conduct

WE STOP



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

WE IMPLEMENT



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

The codes of ethical business conduct are to be followed by directors, managers and employees and are available on the TECO website. Additionally,

- **100%** of TECO employees signed **Integrity Statement** (as of September 2020).
- **96%** affiliates signed **Pledge to Ethical Corporate Management** (as of December 31, 2020).

The Company also educates all employees on the ethical conduct compliance system through diversified approaches such as educational courses and quarterly meetings.

0 Political Contributions & Legal Violations in 2020.



Workforce

—○ Workforce by Region

| Region | Share in Total Workforce | Share in All Management Positions |
|---------|--------------------------|-----------------------------------|
| Asia | 82.9% | 73.7% |
| Europe | 11.9% | 17.0% |
| America | 5.2% | 9.3% |

Note: Data covers 100% of reporting scope.

—○ Workforce by Age

| Age Range | Share |
|-----------|-------|
| < 30 | 13.4% |
| 30 - 50 | 56.5% |
| > 50 | 30.1% |

Note: Data covers 100% of reporting scope.

TECO Parent Company Employees: 2,190.
Worldwide Employees: 14,290.

Diversity Indicators

| | |
|--------------------------------------|-------|
| Female % of total workforce | 30.3% |
| Female % in all management positions | 20.9% |
| Female % top management positions | 11.4% |
| Minority employment | 3.11% |
| Mean gender pay gap | 9.5% |
| Median gender pay gap | 12.0% |
| Bonus gap | 0 |

Note: Minority employments includes 45 handicapped and 23 indigineous employees (of 2,190 total).



—○ TECO Gender Pay Equality (M:F)

| General Employee | Senior Employee | Manager | Head of Factory / Department or Above |
|------------------|-----------------|----------|---------------------------------------|
| 1.09 : 1 | 1.05 : 1 | 0.94 : 1 | 0.69 : 1 |

Employee Unions & Rights Protection

- ✓ Labor union set up in 1974.
- ✓ Freedom of association and right to collective bargaining, collective agreement signed in December 1981.
- ✓ **90.38% of employees protected by union** (based on 71.0% of total TECO Group subsidiaries by revenue)
- ✓ Monthly meetings are convened with company and labor representatives.

Career Development

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

| | |
|---|---------------|
| Average hours per FTE of training and development | 19.99 |
| Average amount of spent per FTE on training and development | NT\$ 2,125.61 |
| Internal transfer or promotion ratio | 20.3% |

Development plans include:

- **Mentor Program:** fostering of transmission and organizational skills of top managements. Mentors (business unit chiefs) select mentees based on relevant criteria and jointly determine guidance goals and learning tasks. Guidance and timely advice is provided for the mentee fortnightly in May/June and weekly in July to assist the mentee in building up operational/management competence. (Participation rate 1.83%).
- **Cultivation of Digital Skills:** enhancement of digital skills and linkage to digital transformation strategies of the Company.
 - (i) **Digital Talent Cultivation Program:** aims to provide employees with diversified digital expertise and skills in line with the company's digital transformation strategies.
 - (ii) **Data Thinking Workshop:** The goal lies in the exploration of concrete directions for the adoption of AI in the regular operations of the Company coupled with the assessment of feasible digital projects and actual execution. This project aims to facilitate the implementation and output realization of digital projects.

Employee Turnover

| | 2018 | 2019 | 2020 |
|----------------------------------|--------|--------|--------------|
| Total employee turnover rate | 16.11% | 14.67% | 15.73% (707) |
| Voluntary employee turnover rate | 13.67% | 12.54% | 12.79% (575) |

Note: Data covers 100% of TECO Group.

The slightly increased turnover rate in 2020 mainly attributed to organizational adjustments in overseas companies as a result of the COVID-19 pandemic.

—○ Turnover By Age

| | 2020 |
|----------|-------|
| Below 30 | 12.1% |
| 30 - 50 | 8.25% |
| Above 50 | 6.8% |

To retain young talent, the Company strives to provide diversified perks and leaves, such as: birthday leaves, community leaves, and flexible work hours at headquarters.



Employee Benefits

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. TECO offers leaves that exceed legal requirements, including birthday leave, volunteer and a sound leave management system to review annual leave usage.

Occupational Health and Safety

TECO has established ISO 45001 environmental safety management system with a coverage rate of 98.4%

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

Accidents occurred, mostly clamping, jamming or pressing injuries, each plant has conducted the causal analysis on each individual case and engineering or management improvement measures, such as improper moving line, failure to stop machine completely after troubleshooting, personnel negligence etc.

Improvements - Engineering or Management Improvements

- ✓ Restricting the mold placement area.
- ✓ Re-planning placement racks.
- ✓ Additional installation of fence and shield.
- ✓ Safety operation standard with enhanced control and personnel re-educational and trainings, etc.



| | 2018 | 2019 | 2020 |
|---|-------|-------|------------------------|
| Employee occupational injury rate (FR) | 2.07 | 1.16 | 1.77 |
| Number of Employee accidents (incl. deaths) | 19 | 9 | 9 |
| Number of Contractor accidents (incl. deaths) | 2 | 1 | 1 |
| Employee Death incidents | 0 | 0 | 1 ^{Note1} |
| Contractor Death incidents | 1 | 0 | 1 ^{Note1} |
| Data Coverage | 79.2% | 77.6% | 86.3% ^{Note2} |

Note1: Death case explanation. One employee from Jiangxi TECO A/C was electric shocked while maintaining air conditioner equipment and died after being rescued by hospital. One contractor from outsourced system integrator fell from 7.8-meter height roof while assembling Solar power high-voltage line.

Note2: TECO, TESEN, TECO-Westinghouse, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, Qingdao TECO Precision, Jiangxi TECO A/C, Wuxi TECO Precision, Jiangxi TECO, TECO Vietnam, Motovario Corp.

Supply Chain and Procurement Management



In 2020, TECO's total procurement amount was NT\$ 7.6 billion.

| Supplier Tier | Number of Suppliers (% of Total) |
|--------------------------------|----------------------------------|
| Critical Suppliers | |
| Mass and commodities suppliers | 86 (7%) |
| Tier 1 Suppliers | |
| Frequent trade suppliers | 300 (30%) |

To ensure that suppliers fulfill their corporate social responsibilities, TECO not only implements an evaluation system for quality control, but also enforces supplier ESG indicators which facilitate employees to use various ESG practices such as local sourcing, non-use of conflict minerals and support of human rights. "Declaration of Non-Use of Conflict Minerals" is a mandatory agreement for suppliers to ensure that Gold (Au), Tantalum (Ta), Wolfram (W), Cobalt (Co) and Tin (Sn) are not procured from non-governmental military groups, illegal organizations or mining areas in the conflict zones of the Republic of Congo, or through smuggling.

CSR has been incorporated into TECO's qualified supplier selection criteria with 20% weighting and sets "Labor Human Rights Social Responsibility" and "Environmental protection" as top two assessment items.

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

Letter of Commitment to Human Rights and Environmental Sustainability

In order to ensure that suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system, other in-depth management measures have been applied, including:

- **Formulation of the supplier CSR clause.**
- **Establishment of the supplier appraisal form.**
- **Strategy to increase the ratio of local procurement.**
- **Signing of "Prohibited /Restricted Substance Guarantee," "Declarations of Non-Use of Conflict Minerals" and "Letter of Commitment to Human Rights and Environmental Sustainability."**

Supplier Audit Procedures

—○ Measures to Ensure Procurement Integrity



Supplier Pre-evaluation

- TECO ensures suppliers meet relevant quality, environmental, safety and health criteria. Products need to conform to green management and control.
- TECO actively assists its suppliers to obtain international standard quality certificates: ISO 9001, IATF16949, ISO 14001, and OHSAS 18001.
- TECO demands suppliers to design green, eco-friendly products, as well as to control hazardous substances.

Contract Signing

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

Signing rate reaches 99%.

On-site Audit

- For new, risky tier 1 & critical suppliers, TECO's R&D, quality control, manufacturing, procurement, safety & environmental, and audit related teams are obliged to conduct on-site audits. For those who require quality improvements after the audit, TECO will support them for improvements.

For tier 1 and key suppliers on site audits are conducted once every three years.

Supplier Performance Ratings

- To ensure that suppliers continuously comply with TECO standard and identify potential supplying risks, TECO monitors the short-term(monthly) & long-term(yearly) performance of its critical and tier 1 suppliers.

2020 Supplier Assessment Result

| Type of Supplier | % Assessed Annually | % Assessed Once Every 3 Years | Total |
|---|---------------------|-------------------------------|-------|
| Critical (Mass and commodities suppliers) | 0% | 90% | 90% |
| High Risk Suppliers | 0% | 100% | 100% |

| Type of Supplier | # of Suppliers Assessed in Last 3 Years | % of Suppliers in Category Assessed in Last 3 Years | Target |
|---|---|---|-------------|
| Tier 1 Suppliers (Frequent trade suppliers) | 200 | 67% | 200 by 2022 |
| Critical but not Tier 1 | 10 | 22% | 15 by 2022 |

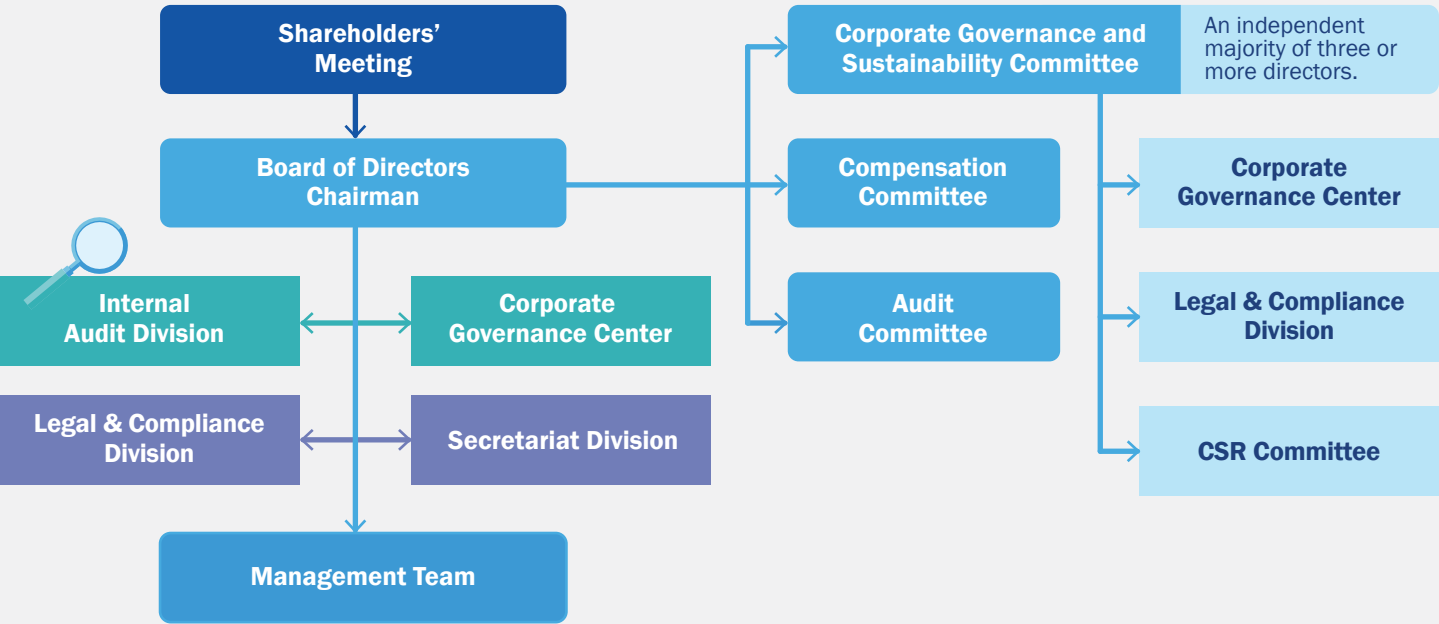
—○ Percentage of High-Risk Suppliers

| Type of Supplier | High-Risk % | % of Suppliers in Category |
|-------------------------|-------------|----------------------------|
| Tier 1 Suppliers | 1 | 0.4% |
| Critical but not Tier 1 | 0 | 0% |
| All Suppliers | 1 | - |



GOVERNANCE

Organizational Framework



Board of Directors (26th term: July 23, 2021 to July 22, 2024)

The TECO board of directors is the company's supreme governing institution, in charge of the selection and nomination of ranking managers and the formulation of the strategy for corporate social responsibilities, corporate citizen, and sustainable development. In compliance with the "Corporate Governance Best Practice Principles", when selecting members of the board of directors, gender equality should be taken into account, as well as relevant industry knowledge and professional competency so as to attain the ideal objective of corporate governance.

The three functional committees, namely Audit Committee, Compensation Committee and Corporate Governance and Sustainability Committee, were established by the Board of Directors to assist the Board in performing its duties. The organizational charters of all committees which are required to report are subject to approval by the board.

TECO re-elected board of directors on July 23, 2021. Number of board members is reduced to 11 seats with 4 independent directors, previous board had 15 seats with 3 independent directors. **The Company places great emphasis on gender diversity and board independence. Female and independent directors account for 18.2% and 36.4% of the board members.** A total of 11 meetings of the board of directors were held in 2020 and annual average board of directors' meeting attendance rate is **93.84%**.



TECO Corporate Governance Best Practice Principles

Board Experience and Expertise

| Title | Name | Gender | Experience | | | | | Expertise | | | | | | | |
|----------|---------------------------|--------|------------|------------------|------------|------------|------------------|----------------------|---------------------|---------------------------------|------------------------------------|-----|-------------|------------|-------|
| | | | EV | Smart Automation | Smart City | New Energy | Land Development | Corporate Leadership | Government Strategy | International Sales & Marketing | Reinvestment Restructuring Finance | ESG | Supervisory | Accounting | Legal |
| Chairman | Chwen-Jy, Chiu | F | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | | | |
| Director | Cheng-Tsung, Huang | M | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | |
| Director | Show-Shoun, Chou | M | ✓ | | ✓ | | | ✓ | ✓ | | | | | | |
| Director | Peng-Ching, Cheng | M | | | | | | | ✓ | | | ✓ | | | |
| Director | Li-Chong, Huang | M | ✓ | ✓ | ✓ | ✓ | | | | | | ✓ | | | |
| Director | Yu-Ren, Huang | M | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | | | |
| Director | Song-Ren, Fang | M | | | | | | ✓ | | | | | | | |
| INED | Wei-Chi, Liu | M | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| INED | Shiang-Chung, Chen | M | | | | ✓ | | ✓ | | | | ✓ | ✓ | | |
| INED | Hsieh Hsing, Huang | M | ✓ | | | | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | |
| INED | Li-Chen, Lin | F | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ | ✓ | (TW,CN) | ✓ |

Audit Committee

Audit Committee held a total of 9 meetings in 2020 and attendance rate of all members was 100%. New term of committee members was appointed as follows:

| Committee | Name | Board Title |
|-----------|---------------------------|----------------------|
| Convener | Wei-Chi, Liu | Independent Director |
| Member | Hsieh Hsing, Huang | Independent Director |
| Member | Li-Chen, Lin | Independent Director |
| Member | Shiang-Chung, Chen | Independent Director |

Compensation Committee

The compensation committee convened twice in 2020, with 100% attendance. New term of committee members was appointed as follows:

| Committee | Name | Board Title |
|-----------|---|----------------------|
| Convener | Shiang-Chung, Chen | Independent Director |
| Member | Wei-Chi, Liu | Independent Director |
| Member | Hsieh Hsing, Huang ^{Note} | Independent Director |
| Member | Li-Chen, Lin ^{Note} | Independent Director |
| Member | Kung-Yeun, Jeng | External Expert |

Note: Independent Directors Hsieh Hsing, Huang and Li-Chen, Lin were appointed as members of the Compensation Committee on December 20, 2021.

Corporate Governance and Sustainability Committee

The corporate governance and sustainability committee convenes at least twice a year. 4 meetings were held in 2020 and attendance rate of all members was 100%. New term of committee members was appointed as follows:

| Committee | Name | Board Title |
|-----------|--------------------|----------------------|
| Convener | Li-Chen, Lin | Independent Director |
| Member | Hsieh Hsing, Huang | Independent Director |
| Member | Shiang-Chung, Chen | Independent Director |
| Member | Chwen-Jy, Chiu | Chairman |
| Member | Show-Shoun, Chou | Director |

CSR Task Force

The CSR Task Force provides periodic reports on the execution and tracking of TECO's CSR goal and policy implementation status to the Chairman and President on a monthly basis. The task force is also responsible for performing material issue analysis according to the TCFD framework. Reports are submitted to the "Corporate Governance and Sustainability Committee" for board oversight.

The task force consists of the "representatives of each business department/plant site" and "Safety and Health," "Human Resources," and "Financial Department", to integrate sustainability concepts and TCFD culture into KPI evaluation and risk management processes. Sustainability KPIs are tracked and evaluated every quarter and linked to salaries and incentives of employees, including CEO, BU directors, manager and supervisors.

Whistleblowing and Misconduct Reporting

Whistleblowing and misconduct reporting processing is laid out in TECO policy "Bylaws to report cases of illegal and unethical conduct."

Any violation of the "Ethical management best practice principles" or the "Code of conduct" of the Company or any law can be reported through the following channels:

1. **Report email:** integrity@teco.com.tw
2. **Report line:** Internal Audit Division, 02-26551078
3. **Written report:** Send to: 5th Floor, 19-9 San Chong Road, Nan-Kang, Taipei, Internal Audit Division

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



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

Information Security

TECO Electric & Machinery has established a robust information security system, in response to rampant global information and data risks. In order to minimize information-security incidents and establish a foundation for sustainable operations, the Company has acquired certification of ISO/IEC 27001 by Canadian certification body TCIC and indigenous CNS 27001:2014 ISMS.

Following the certification, TECO is committed to survey other latest information-security standards, so as to safeguard the company's operation and avoid breaches of customer and business partner privacy.



Awards and Accolades

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Dow Jones Sustainability Index (DJSI) Emerging Markets –
Newly selected in 2020 in the “Electrical and Mechanical Industry” category

**Sustainability Award
Industry Mover 2021**
S&P Global

2021 S&P Global Sustainability Yearbook



Outstanding Person Award for Corporate Sustainability –
Chairman Chwen-Jy, Chiu



Top 5% of Corporate Governance Evaluation (TWSE)
Seven consecutive years.

Taiwan Corporate Sustainability Award (TCSA)
Seven consecutive years.



ESG Ratings Achievements

| Entity | 2020 | 2021 |
|---|-------------|--------------|
| Sustainalytics ESG Risk Rating (100-0, 0 is best) | 23.6 | 21.66 |
| FTSE Russell ESG (0-5, 5 is best) | 2.7 | 3.5 |
| MSCI ESG Rating (CCC-AAA, AAA is best) | BB | A |

Employee and Executive Remuneration

— Senior Managerial Officer Remuneration Evaluation Indicator

Manager remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPI) as part of company long term goal, including sustainability related goals such as departmental business performance, development of energy-conserving products, and talent cultivation, etc.

60% of KPIs are linked to financial indicators (such as revenue, operating profit, current profit and loss, total asset turnover, ROA, ROIC, etc.); 40% are in-depth management and strategic foresight related to short, medium and long-term planning and implementation.

— Employee Long-Term Performance Reward Mechanism

Since 2020, TECO established the “TECO Employee Stock Ownership Committee”. The compensation paid to manager level and above will be partly be in the form of shareholding trust, company shares can be subscribed with subsidy and preferential prices. Vesting period of two years.