

2021

ESG INSIGHT



ENVIRONMENTAL

TECO Electric Machinery Co., Ltd. (TECO) continued the focus on "energy conservation, emissions reduction, intelligence, and automation" as the main axis of sustainable development.

In 2020, TECO completed the first stage of the "emission reduction by 20% within 10 years" mission ahead of schedule, including carbon footprint verification of iconic products, the construction of rooftop solar power for the Chung-Li plant, and qualification to issue certificates for self-generated and self-consumed green power.

In 2021, the company announced the target of "emission reduction by 50% within 10 years" by 2030. The scope of implementation has expanded to overseas plants, further moving toward carbon neutrality. TECO will actively create and pursue various energy-saving business opportunities, establishing the cornerstone of sustainable development with sustainable products.

“ For 2021, TECO ESG indicator disclosure scope includes all facilities in Taiwan, US, China, Vietnam and Italy; accounting for 89.5% of all TECO Group Revenue, an increase of 9.8% in disclosure scope. ”

Environmental Management Systems

ISO 14001 Established for **100%** TECO Entities Environmental Management Systems

ISO 14064-1 Conducted Since 2013

Data from Taiwan has been verified by BSI (British Standards Institution)

Annual internal audits (coupled with external verification) is carried out for ISO 14001 and ISO 14064-1. For a comprehensive list of TECO certification, please visit the corporate website: <https://www.teco.com.tw/csr/download2.aspx>

Three Stage Sustainability Goals

| | Coping plan | Plan content | Scope of adoption | Time of implementation | Coverage rate |
|--------------|---|---|--|-------------------------|----------------|
| First Stage | Emission reduction by 20% within 10 years | Cumulative reductions by 20% from 2015 to 2025, and incremental reductions by 2% each year. | All plants in Taiwan | Goal achieved in 2020 ✓ | 48.2% (Taiwan) |
| Second Stage | Emission reduction by 50% within 10 years (2021-2025) | Emission reduction of 34% by 2025 The plants improve their process and equipment, increase their casting yield and upgrade their loop of the furnace, set up solar power facilities within the plant (8.7MW), and completely prohibit use of R410A refrigerant in small-sized air conditioners. | Taiwan, China, USA, Italy, Vietnam, Malaysia | 2021-2025 | 89.5% |
| | Emission reduction by 50% within 10 years (2026-2030) | Emission reduction of 50% by 2030 The US plant uses green power representing a percentage of 50%, improves the casting factory, and stops the use of SF6 in high-voltage products. | | 2026-2030 | 89.5% |
| Third Stage | Carbon neutrality in 2050 | Achievement of carbon neutrality for the whole group | Entire group | 2050 | 100% |

“ First stage goal of emission reduction by 20% within ten years was achieved in 2020, five years earlier than expected. ”

Climate-Related Risk, Opportunities & Management (TCFD)

Governance

- ESG Office summarizes, reports, and recommends to the management and board regularly
- Management assumes roles within the ESG Office, with ESG Office Executive Officer as the highest responsible rank
- Audit team examines implemented risk controls and review effectiveness of internal control

Risk Management

- Sources of risks identified into 7 categories
- Identification and risk planning on the business level and integrated into the management process
- Identify and management of climate related risks

Strategy

- Declaration of the "emission reduction by 50% within ten years" goal
- Transformation to net zero emissions by 2050
- Short, medium, and long-term risks and opportunity identification
- Scenario analysis

Metrics & Targets

- Regular disclosure of GHG emissions (Scoped 1,2 and 3) with third-party verification
- Regular disclosure of key sustainability metrics
- Align metrics with three-stage sustainability goals, and review of performance

Climate-Related Risks

Management Approach

Development of Smart Automation

Enhance R&D capabilities, and seek strategic alliances & cooperation and mergers & acquisitions in the field of "powertrain" and "energy", including the deployment of vehicle powertrain system, solar power station, onshore substations for offshore wind farms, energy storage systems, and digital and smart automation systems.

Manufacturing Center Deployment

Integrated the existing low-voltage motor production line and supply chain management resources in order to construct four main production centers (China, Taiwan, Vietnam, India). Meanwhile, the smart production environment has been introduced.

Development of the Culture of Sustainability

Carbon footprint inspection of representative products, installation of solar power facilities on the rooftops of the Chungli Plant, and acquisition of the issuance permission of self-use renewable energy certificates. "Sustainability KPI" fully implemented into the daily tasks of all departments and employees.

Risks

- Changes in the demand for clean technology in the market
- Market shares of new technologies and new products
- Getting or losing the advantage of government subsidies
- Higher costs due to carbon fee and carbon tax, or risk of losing market access
- Economic uncertainty in the petrochemical industry
- Necessity of keeping up with the international changes related to emission reduction to seize the ESG investment opportunities
- Power supply shortage or outage



Physical risk scenario analysis, corresponding actions, and financial impacts are also conducted for: Representative Concentration Pathways, Water Sensitivity, Regulations Requirements, Carbon Price Cost Impacts. For more information, please visit: <https://www.teco.com.tw/csr/eng/default.aspx?gid=5&nid=44>

Climate-Related Opportunities



Smart Energy as the Core Orientation

In line with the market trend of a rising focus on low-carbon products, TECO has stepped up its investments in energy storage and conservation facilities and the development of low-carbon products. These are expected to be reflected in the consolidated revenue in 2024.



Infocomm Projects

Strengthening the layout planning in Southeast Asia, striving for and developing turnkey projects, and developing modular computer room solutions. Smart Factory Solutions in response to the digital transformation needs of the manufacturing industry and the protection of information security.



Green Energy Projects

Strengthening the layout planning of offshore wind power onshore substations. Developing private and Taipower energy storage projects, and developing offshore wind power offshore substations. TECO has obtained the turnkey project of offshore wind power onshore substations for three consecutive years, and accumulated about 2 GW of construction capacity, accounting for about 35% of the current offshore wind farms, ranking first among domestic manufacturers.



Energy-Saving Subsidies and Business Opportunities of Whole-plant Energy-Saving Renovation

For direct customers in high energy-consuming industries such as petrochemicals, steel, cement, papermaking and electronics, we will promote energy-saving and strive for business opportunities such as replacing old products with new ones and purchasing energy-saving equipment.



Permanent Magnet Motor and Electric Vehicle Power Module

Meeting the increased adoption of permanent magnet motors, TECO meets the demand for smart mobility solutions ranging from small to large carrying tonnages, including large-scale port automatic trucks that use the new T Power+ as the power system. To fully realize the electrification of transport vehicles, reduce carbon emissions, and integrate automation with carbon reduction concept.

For more details on Climate-Related Opportunities, please visit:
<https://www.teco.com.tw/csr/eng/default.aspx?gid=5&nid=43>



Environmental Metrics

| | Unit | 2019 | 2020 | 2021 |
|---|----------------------------------|------------------|------------------|------------------|
| GHG Emissions ^{Note 1} | | | | |
| Total GHG Emissions | | 77,148.62 | 73,590.59 | 88,535.34 |
| Scope 1 | | 22,161.01 | 19,505.16 | 24,448.66 |
| Scope 2 | | 54,987.61 | 54,085.43 | 64,086.68 |
| Scope 3 Total ^{Note2} | | 12,743,269.00 | 9,573,363.00 | 22,735,295.01 |
| Purchased Goods and Services – For Motors Only (Category 1) | ton CO ₂ e | 205.347 | 300,402 | 577,283.26 |
| Upstream Transportation and Distribution (Category 4) | | - | - | 1,688.26 |
| Use of said Products – For Motors Only (Category 11) | | 12,537,753 | 9,272,621 | 22,156,062 |
| End-of-life Treatment of Products (Category 12) | | 169 | 340 | 261.49 |
| <i>GHG Data Coverage</i> | | 77.6% | 79.7% | 89.5% |
| GHG Emissions Intensity (Taiwan) | ton CO₂e/TWD M | 2.08 | 2.01 | 1.88 |
| <i>GHG Emissions Coverage</i> | | 48.2% | 48.2% | 48.2% |
| Air Emissions | | | | |
| SO _x | ton | 2.24 | 1.62 | 1.77 |
| NO _x | | 1.58 | 1.99 | 1.53 |
| Volatile Organic Compounds | | 179.53 | 200.77 | 179.71 |
| <i>Air Emissions Coverage</i> | | 77.6% | 78.5% | 89.5% |
| Energy Consumption | | | | |
| Total Energy Consumption | MWh | 111,421.0 | 109,381.5 | 137,662.1 |
| Non-renewable Electricity Purchased | | 92,424.6 | 90,995.6 | 106,279.5 |
| Non-renewable Fuels | | 18,966.4 | 18,385.9 | 31,382.6 |
| Renewable Energy | | 2,611 | 6,880 | 9,250 |
| <i>Energy Coverage</i> | | 77.6% | 79.7% | 89.5% |
| Water Management | | | | |
| Total Water Usage | k ton | 516.79 | 407.12 | 400.55 |

| | Unit | 2019 | 2020 | 2021 |
|----------------------------------|------|----------|-----------|-----------|
| Waste Management | | | | |
| Total Waste Generated | ton | 2,557.41 | 12,526.55 | 15,340.87 |
| Total Waste Recycled | | 745.72 | 1,000.24 | 724.22 |
| Waste Coverage | | 61.8% | 79.7% | 89.5% |
| Hazardous Waste ^{Note3} | ton | 59.22 | 731.55 | 872.41 |
| Hazardous Waste Coverage | | 46.2% | 79.2% | 89.5% |

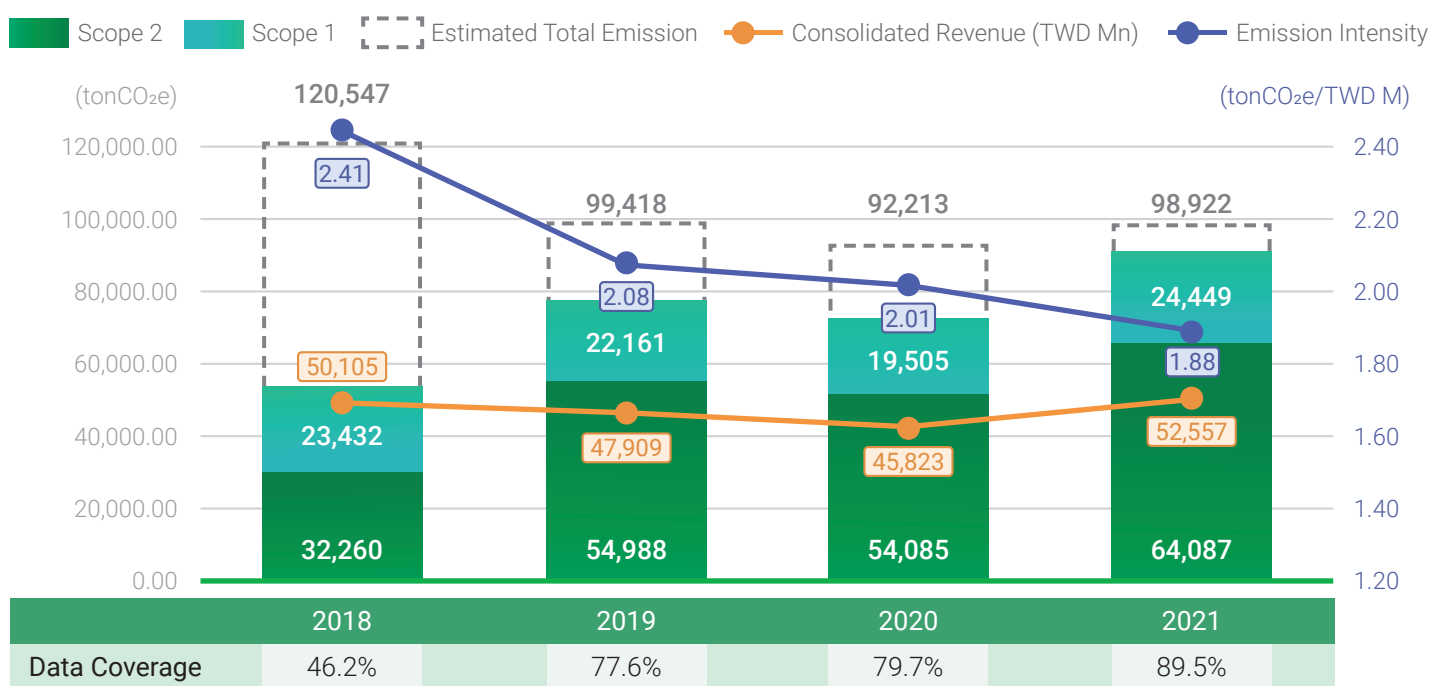
Note 1: TECO conducts GHG emission assessment for sites in Taiwan, China, Vietnam and US with ISO 14064-1. In year 2021 the coverage rate reached 89.5% (by group revenue ratio), among which data from Taiwan has been verified by BSI's ISO 14064-1 (GHG audit) verification to provide the assurance about accuracy of assessment data.

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

Note 3: Increase in hazardous waste mainly due to the increase in accounting scope.

GHG Emissions Performance

After achieving 2025 emission reduction goals of 20% in 2020, TECO has Initiated plans for "emission reduction by 50% within 10 years" with aims of reaching goal by 2030.

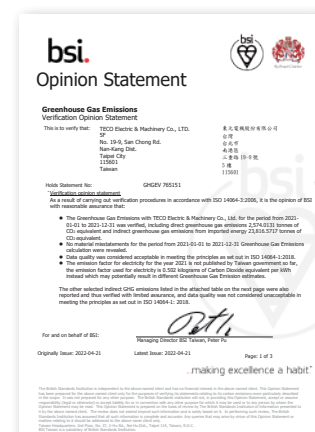


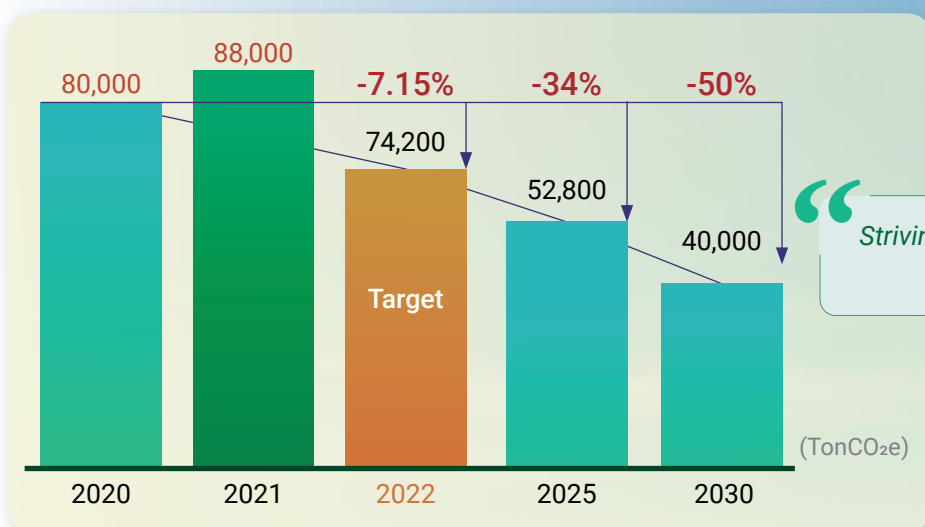
Note 1: 2022 GHG emission targets are set according to proportion of GHG emissions of each business group.

Note 2: Coverage of GHG accounting increased from 79.7% to 89.5% in 2020 to 2021 respectively due to the inclusion of Motovario S.P.A.

The methods for summarization of the GHG quantity are operational control and recognition of all the emissions of the subsidiaries over which TECO has the operating power. The emission coefficients cited are the standards announced by the countries concerned. The "estimated total emission" is the quotient of the "actual inventory" divided by "coverage" to simulate the annual potential total emission within the Group. The "emission intensity" is the quotient of the "estimated total emission" divided by the "consolidated revenue". A third credible and fair party is appointed to conduct the assessment and certification against the GHG emissions by various plants.

2021 target Scope1: 24,006 tonCO₂e; Scope2: 63,176 tonCO₂e





“Striving towards 50% emission reduction by 2030, and net zero by 2050.”

Environmental Product Stewardship

Raw Material and Component Selection Stage

Recycled Material for Motors

(Regeneration iron ratio reached 75%)

Use silicon steel scrap for melting and reuse in the motor housing.

Environmentally Friendly Coolant

(Reduced emissions by 2,801.7 tCO₂e)

In 2021, R410A becomes prohibited for small size home AC, and R32 environmentally friendly coolant adoption ratio increased from 39.2% (2020) to 67% (2021).

Water-based Paint

(Reduced 349,365kg VOC & 47.3% Emissions)

Introduction ratio of water-based paint reached 80-85% of total production quantity.

Direct Operation and Manufacturing Stage

Process and Equipment Optimization

(Saved 1,510,000 kWh)

Optimization such as promotion of smart automatic production, equipment energy conservation plan, among others.

SF6 Effusion Reduction Implemented

(Reduced from 9.45% to 1.70% in 2021)

SF6 effusion reduction solution has been implemented. SF6 is a potential gas for greenhouse gas, and it is an essential gas used by TECO for the production of high pressure equipment. With a further 2022 target of 1.4%.

Resource Recycling & Silicon Steel Scrap Melting

(Reduction of 75%)

Reduces steel scrap production.

“TECO Group pledges that all its motors and home appliance products comply **100%** with the regulatory requirements of RoHS and REACH.”

“SF6 Emission rates continues drop from 9.45% to 2.80% and **1.70%** for 2020 and 2021 Respectively.”

Use and Repair Stage

High Efficiency Motors

(IE3 & IE4 motors account for 64.36 of all motor sales revenue)

Committed to the research and development of high efficiency motors. In addition to the manufacturing and sale of the existing IE3 motors, TECO has also completed the research and development as well as the planning for IE4 and IE5 related products.

Energy Conservation and Water Saving Home Appliance Products

(62.9% of Home Appliance Products Obtained Energy Efficiency or Water Efficiency Label Certification)

Dedicated in the research and development of energy conservation and water saving home appliance products. For home appliance productions, TECO actively improves the energy use efficiency.

EV Motor Products

Allow clear positioning of TECO vehicle-mounted motors and electric control systems. These products can be installed in electric cars and 3.5T electric trucks to provide consumers with more eco-friendly traffic experiences and reduce environmental damage caused by fossil fuel-powered vehicles.

Product/Service End-of-Life Stage

Recycling of Materials

(AEHF product reaches 88% recyclable material)

A motor product assembly is mostly made of recyclable metal materials that can be recycled.

Participation in Recycling Policy

(Policy accounted for 62.9% sales revenue up to 2021)

Television, washing machine, refrigerator, air conditioner/heater included in "Waste Four Machine" policy announced by the Environmental Protection Administration (EPA). TECO provide service of transporting the waste of four machines to qualified treatment operators for consumers at free of charge.

Establish E&E Recycling Joint Venture

(2021 Revenue Reaches NTD 116.46 million)

TECO and other home appliance manufacturers have engaged in a joint venture to establish the E&E Recycling company and assigned directors for TECO in order to provide waste electrical and electronic equipment recycling and processing services.

Recycling Ratio

(89.8% rate of possible reuse/recycling)

Percentage of products sold last year that can be reused or recycled: 76.85%, and percentage of products and materials that were reused or recycled: 69.01%.

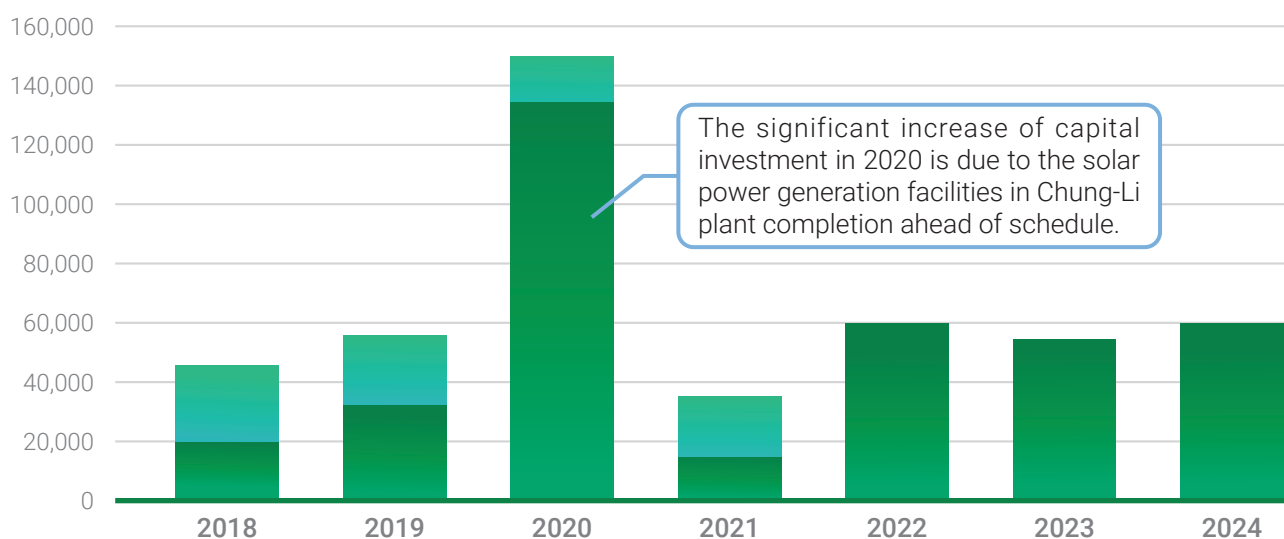
Product End of Life Cycle Responsibility

Consolidated recycle scenario from motor and home appliance products ^{Note 1} :

| | 2018 | 2019 | 2020 | 2021 |
|--|---------|--------|--------|---------|
| Percentage of products sold last year that can be reused or recycled | 77.39% | 76.40% | 75.81% | 76.85% |
| Percentage of products and materials that were actually reused or recycled | 70.77% | 69.17% | 68.20% | 69.01% |
| Revenue from recycling (NTD k) | 100,446 | 94,088 | 94,634 | 116,463 |

Note 1 : For detailed breakdown of calculations please refer to page 70 of the TECO 2021 Sustainability Report.

Environmental Expenditure



| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------------|--------|--------|---------|--------|-----------------|-----------------|-----------------|
| Capital Investment (Note1) | 20,720 | 34,660 | 135,979 | 15,240 | 60,053 (budget) | 56,762 (budget) | 61,127 (budget) |
| Operating Expense (Note2) | 27,018 | 21,930 | 15,143 | 18,424 | - | - | - |
| Coverage | 74.05% | 72.95% | 77.74% | 89.5% | - | - | - |

Note 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.

Note 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.

Low Carbon Products

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



Following the ISO 14020 standard, for 2021, low-carbon products accounted for 69.5% of total sales.

- 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 Analysis

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

Total sales of TECO's motor series of products qualifying for the carbon footprint analysis accounted for 27.4% of the overall volume.

| Model | Emissions from Raw Materials | Emissions from Manufacturing | Total Emissions |
|------------|------------------------------|------------------------------|-----------------|
| AEHF 2HP | 152 (92.5%) | 12 (7.5%) | 164 |
| AEHF 20HP | 625 (89.9%) | 70 (10.1%) | 695 |
| AEHF 150HP | 3,770 (90.9%) | 375 (9.1%) | 4,145 |

Biodiversity

Restoration of Cetacean Population

TECO will continue its search for concrete carbon removal methods on the foundation of the joint international goal of carbon neutrality by 2050. In view of the fact that Taiwan is surrounded by oceans, the identification of a marine carbon sink method is more meaningful. TECO has initiated discussions and planning with NGOs and academic organizations regarding restoration of cetacean populations. An IMF research report reveals that each whale sequesters 33 tons of CO₂ on average. TECO sponsors the AI identification system for Risso's dolphins, or "Photo ID", to identify them and their movement tracks automatically from numerous photos of the observers according to the scar analysis and individual features.

We investigate the ecology of the cetaceans scientifically:

- 17 surveyors were trained in 2021, the cetacean survey vessel was dispatched 18 times, and 163 persons participated in the survey and give their assistance.

We understand more about the ecology of the cetacean in Taiwan:

- Analysis of the hot area in Hualien where 5 species of cetaceans are commonly seen.
- 8 reasons for the injury/death of cetaceans generated from scar analysis.
- Development of AI-based cetacean identification system to identify a total of 45 Risso's dolphins.
- 10 sperm whales identified in the database.
- 47 cetacean conservation promotion sessions on campus with 1,573 participants.

For full details of TECO's Marine Life Diversity efforts, please refer to page 73 of the 2021 Sustainability Report.

TECO has subsidized the Marine Life Restoration Program and developed an AI-based cetacean identification system. An IMF research report reveals that each whale sequesters 33 tons of CO₂ on average. The goal of this program is to enrich the coastal ecology of Taiwan and the vision of marine carbon fixation through an increase number of large-sized cetaceans.



Workforce

Human talent is TECO's greatest asset and the foundation of its sustainable operations. In recent years, TECO has actively promoted the five core values of "Ambition, Customer-focus, Teamwork, 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.

| | Full Time Employees | Contractors |
|-------------------------------|---------------------|-------------|
| TECO Parent Company Workforce | 2,180 | 116 |

Workforce Diversity

Female Representation

| | | |
|---|--------|---|
| Female Share of Total Workforce (2022 Target: 32%) | 31.47% | In 2021, the proportion of women in management increases slightly from 20.9% to 21.59% . The proportion of female supervisors in revenue-related positions increased from 19.4% to 29.33% . |
| Female Share in All Management Positions (2022 Target: 23%) | 21.59% | |
| Female Share in Junior Management Positions | 23.61% | |
| Female Share in Management Positions (Revenue-generating functions) | 29.33% | |
| Female Share in STEM-related Positions | 24.48% | |

- Data covers 100% of the group

Gender Pay Statistics

| By Gender | |
|-----------------------|--------|
| Mean Gender Pay Gap | 15.01% |
| Median Gender Pay Gap | 18.58% |
| Bonus Gap | 0.00% |

- Bonuses are gender neutral and are awarded based on performance appraisal results
- Male's average pay is higher than female's, but female's pay in high positions are higher than male's

| By Position | |
|----------------|-------|
| Supervisor | 2.7% |
| Managers | 7.6% |
| Top Management | -2.9% |
| Non-Manager | 33.9% |

- Data covers 100% of the group
- Ratio of base salary plus salary for women to men (base 1 for men)

Workforce Demographics

| By Region | | |
|---------------------|----------|------------------|
| Region | Of Total | Of All Positions |
| Taiwan | 51.9% | 50.7% |
| Asia (Excl. Taiwan) | 30.6% | 35.7% |
| Americas | 5.3% | 5.0% |
| Europe | 12.1% | 8.6% |

- Average age is 43.5 years old
- Data covers 100% of the group

| By Age | |
|-----------|----------|
| Age Range | Of Total |
| <30 | 12.9% |
| 30-50 | 55.8% |
| >50 | 31.3% |

Employee Turnover

| | 2019 | 2020 | 2021 |
|----------------------------------|--------|--------|--------|
| Total Employee Turnover Rate | 14.67 | 15.73% | 14.82% |
| Voluntary Employee Turnover Rate | 12.54% | 12.79% | 13.25% |
| Data Coverage | 100% | 100% | 100% |

Employee Benefits

To retain and foster talent, TECO offers employee support policies that are superior to regulatory requirements. Including pioneer policies such as: Limited Personal Leaves With Pay ; Birthday Leaves; Volunteer Leaves; Employees' Physical and Mental Health Examination; Flexible Employee Working Hours; Prenatal Checkup Leave; Part-time Working Options; Babysitting Measures and Subsidies; Breastfeeding Facilities or Benefits; Paid Family Care Leave. For full details of TECO's employee benefits, please refer to page 84 of the 2021 Sustainability Report.

Human Rights

According to UN "Universal Declaration of Human Rights" and "United Nations Global Compact" TECO develops "Declaration of Human Rights" to manage internal HR policies. Human right issues cover parent company, subsidiaries, and suppliers.

TECO evaluates and reviews human rights risk issues every year, identifies affected objects and risk sources, and plans actions.

Health, safety, and human rights risks includes "Working Environment Monitoring" and "Overload Hazard Prevention", relevant improvement plans are formulated and disclosed publicly. In 2021, of all Taiwan sites, 3 of 183 monitoring points exceeded standard and were later improved. The non-compliance rate is $3/183 \times 100\% = 1.64\%$. Other programs include:

| Issues of Concern | Topics | Measures | Results |
|---|---|--|--|
| Safe and healthy work environment | Health care plans for maternal employees. | Task adjustment based on risk communication and consensus, provision of breastfeeding facilities and exclusive parking spaces. | 3 staff members under program for both 2021 and 2022. Increase in women in Company increased from 27.7% to 31.44% in the past 3 years. |
| | Unlawful Infringement Prevention. | Countermeasure implemented by general manager after HR unit receives the case. | In 2021, 2 cases were issued and closed. |
| Prohibition of forced labor | Overtime work is not encouraged; rest times of employees are respected. | Announced in labor-management meetings and quarterly meetings that overtime work is not encouraged. | Overtime rates maintained between 3%-11%. |
| | Overload hazard risk assessment conducted every 3 years. | Overload hazard preventive plan, perform consulting health education, operation adjustment according to the assessment result and track improvement. | 27 (1.15%) employees categorized for level 3 and 4 risk. New cycle of assessments has been initiated in 2021. |
| Prohibition of child labor | Supplier Code of Conduct: Signing of a Pledge to Human Rights and Environmental Sustainability. | Audits of employees aged 15 and above in accordance with relevant laws starting from recruitment. | Controlled adequately without risks. |
| Elimination of discrimination | Focus on the spirit and future development of the Modern Slavery Act. | All foreign workers have official employee status. | Controlled adequately without risks. |
| Freedom of association and right to collective bargaining | Guarantee of the right to form labor unions and convene labor-management meetings. | Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. | Percentage of union-protected employees: 100%. |

2,936 of 2,936 (100%) Employees Under Protection of Unions
Data covers 67% of total TECO subsidiaries by revenue.

For full details regarding TECO's Collective Bargaining Agreement and Labor Union, please refer to page 80 of the 2021 Sustainability Report.

TECO Declaration of Human Rights Policy



Investment

Inclusion of human rights provisions and review in key investment agreements.



Working Hours

Compliant with local statutory regulations.



Fairness and Non-discrimination

Discrimination is strictly prohibited. Standards to ensure that job opportunities are equally.



Meet Basic Salary Requirements

Legally compliant non-discriminatory base salary and related benefits.



Creating Good Employee Relations

Provide diversified and open communication channels.



Safe and Healthy Work Environment

Provide safe and healthy working environment, and ensure compliance to regulations.



No Child Labor

Employment standards should be in accordance with the minimum age limits in local regulations.



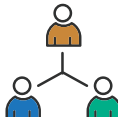
Training

Regular human rights policy training for employees and security personnel.



Prohibition of Compulsory and Forced Labor

Prohibit any form of forced and compulsory labor.



Communication Channels

Effective communication and resolution of human rights issues with transparent grievance channels.



TECO's Declaration of Human Right



Letter of Commitment to Human Rights and Environmental Sustainability

2021 Career Development

Training and Development

| | |
|--|----------------|
| Average hours per FTE of training and development | 10.21 |
| Average amount spent per FTE on training and development | NTD \$2,431.94 |
| Internal promotion (persons) | 1,376 |

In 2021, the total number of education and training hours was 44,864 hours, and the average number of training hours accepted was 10.21 hours (44864/4394). The total education and training investment total expense was NTD 10,685,949.25. The overall training hours decreased by 48.8% compared with 2020, mainly due to the impact of covid-19. Most routine physical courses have been canceled. Digital learning started Q4 of 2021. The effect of online learning has not yet been completed. As a result, the average training hours per person has dropped from the previous year.

ESG Related Training

| Human Rights Related Training | Sustainable KPI and Training |
|--|---|
| <ul style="list-style-type: none"> • Management for Avoidance of the Risk of Bullying in the Workplace • Concept Analysis and Practical Response to Personal Data Protection Act • On-the-job Training of Labor Safety and Health | <ul style="list-style-type: none"> • Taiwan's General Economic Development in the Post-pandemic Era • Sustainable Development and Low Carbon Community • Information Security Technologies and Application • EU Green Policy among others |
| 26 courses totaling 89.5 hours, 100% completion rate | 114 courses totaling 430 hours |

Ethical Integrity Education and Training

All incumbent employees

Completed the signing of the integrity statement. So far, the online test of integrity management for new employees has been conducted on a quarterly basis every year, integrity management courses have been comprehensively launched, and quarterly meetings have been held to promote integrity management.

Subsidiaries and joint ventures

(Including companies with an investment ratio/contribution amount of more than 10%)

All related companies are invited to send staff to participate in legal compliance meetings, overseas company meetings and CFO meetings to promote ethical management.

Code of Ethical Conduct

The codes of ethical business conduct are to be followed by directors, managers and employees and are available on the TECO website. Additionally, The Company also educates all employees on the ethical conduct compliance system through diversified approaches such as educational courses and quarterly meetings.

Zero political contributions in 2020.

Occupational Health and Safety

*TECO has established ISO 45001 occupational health and safety management system with coverage rate of **98.4%**.*

TECO Performs the following actions in accordance with ISO 45001 Occupational Safety and Health Management System:

Regulations and stakeholder requirements

122 regulations apply, with 14 changes and revisions issued in 2021.

(Monthly audit and annual compliance assessment)

Identification of hazards and risks and environmental considerations

Total of 3,935 hazard and risk cases identified, and 2,110 environmental consideration cases identified.

(Identified once a year, tracked quarterly, and reviewed annually)

Quantitative target management

9 safety and health management plans and 11 environmental management plans.

(Tracked quarterly and reviewed annually)

Standard operating procedures

74 total, with 11 updated after 2021 review.

(Reviewed on a as needed basis)

Environmental safety and health training and information dissemination:

48 employees passed the ISO 14001 and ISO 45001 management systems' internal auditor training.
113 environmental safety information communications.

Regular inspections, key inspections and security inspections

519 missing items in 2021 statistical inspections, and another 186 items were proposed for improvement through deficiency inspections.

(monthly statistics and quarterly reports)

Investigation and statistics of occupational accidents and false alarms

In 2021, the number of cumulative working hours without disasters reached 2.33 million; there were a total of 14 test drills.

Purchasing, contracting and change management

The requirements of occupational safety and health standards are added to the relevant contract review process and contract content.

Health check management:

0 cases occupational disease in 2021. Total of 28 hours and 367 participants underwent health training and promotion.

Occupational Injury Statistical Data

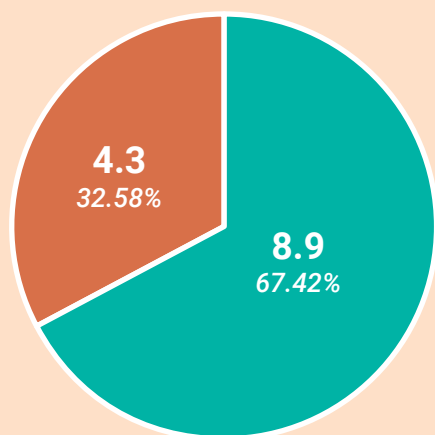
| | 2019 | 2020 | 2021 |
|----------------|-------|-------|-------|
| Employee LTIFR | 1.16 | 1.77 | 1.17 |
| Data Coverage | 79.2% | 86.3% | 89.5% |

The occupational injury incidents are divided into severe, moderate, mild, and false alarm levels. The detailed description for 2021 is as follows:

| Level | Cases | Type |
|----------|-------|---|
| Mild | 3 | <ul style="list-style-type: none"> 2 falling over in working environment 1 contact with hazardous material |
| Moderate | 8 | <ul style="list-style-type: none"> 3 clamping, jamming injuries 3 pressing injuries 1 falling over in working environment 1 impact in working environment |

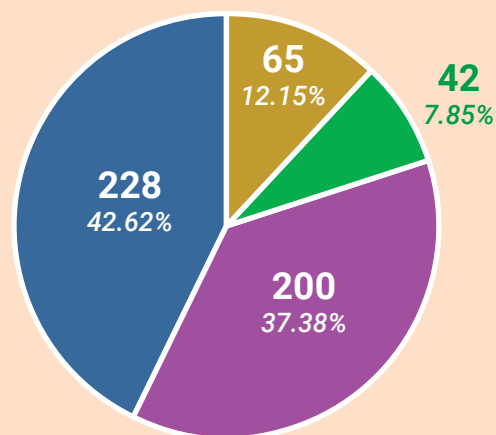
Supply Chain and Procurement Management

Total Procurement Amount (NT\$ billion)



Taiwan China

Critical and Tier 1 Suppliers



Critical Suppliers (Taiwan) Critical Suppliers (China)
Tier 1 Suppliers (Taiwan & China) Others

In order to ensure that suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system, other in-depth management measures have been applied, including: formulation of the supplier CSR clause, establishment of the supplier appraisal form, strategy to increase the ratio of local procurement, as well as the signing of "Prohibited /Restricted Substance Guarantee," "Declarations of Non-Use of Conflict Minerals" and "Letter of Commitment to Human Rights and Environmental Sustainability." In 2022, the "Supplier Code of Conduct" was newly added, and suppliers will be required to comply with it when signing or changing contracts.

100% procurement of non-conflict raw materials

Supplier ESG Indicators and Targets

KPI 1: Greenhouse Gas Inventory

Listed supplier in Taiwan must conduct Greenhouse Gas Inventory Scope1 and Scope2 at least.

Target Rate:100%
Target Year:2029

KPI 2: No Child Labor

We support, follow, and comply with child labor laws across our operations and value chain.

Target Rate:100%
Target Year:2023

KPI 3: 100% Signing Rate of Commitments

"Letter of Commitment to Human Rights and Environmental Sustainability."

Target Rate:100%
Target Year:2023

For more information regarding supply chain and procurement management, please visit:
<https://www.teco.com.tw/csr/eng/default.aspx?gid=22&nid=39>



Supplier Audit Procedures

Before trading

TECO ensures suppliers meet relevant quality, environmental, safety and health criteria and their products conform to green management and control. TECO has actively assisted its suppliers to improve their quality by obtaining ISO 9001, TS16949 international certifications. It has also demanded suppliers to design green, eco-friendly products, as well as implement ISO 14001, ISO 45001 or other hazardous substance control capabilities.

Contract signing

Signs the "Letter of Commitment to Human Rights and Environmental Sustainability" which allows TECO to terminate the contracts if any violation of social commitment is discovered. Signing rate reaches 99%.

On-site audit

For new or high-risk, tier 1 or critical suppliers identified through risk identification, TECO forms evaluation teams through in-plant R&D, quality control, manufacturer, procurement, safety and environmental, and audit related personnel to perform the on-site audit.

During trading period

Conduct performance appraisal on suppliers on a monthly basis and annual audit on risk identification to monitor the variance. For every tier 1 suppliers and key suppliers, we hold on-site audit once every three years.

TECO audits suppliers once every three years and conducts a two-stage evaluation for key (central purchase) suppliers. Suppliers will be evaluated on the TECO official supplier scoring scale, of which ESG accounts for 29.3% weights. For full details on TECO's Supplier Evaluation and Scoring, please refer to page 45-47 of the 2021 Sustainability Report.

During the three-year period from 2019 to 2021, there were 136 suppliers (68% of all first-tier suppliers) evaluated. Only 1 (2.3%) high-risk supplier was identified and has since passed second-stage audit in early 2022.

Health and Safety Incidents 2021

| Incident Type | Countermeasures | Fine Amount |
|---|---|---------------------------------|
| Mainland China: 1 Incident | | |
| Standard for pollution control on hazardous waste storage | <ul style="list-style-type: none"> Carry out hazardous waste storage training for all waste generating units in the plant, and implement the hazardous waste responsibility system. Cancel the assembly warehouse as temporary storage, and store wastes in the hazardous waste warehouse. | NT\$1,341,000 ^{Note 1} |
| Taiwan: 5 Incidents | | |
| Waste Management | <ul style="list-style-type: none"> The final disposal of waste treatment must be done during the contract signing process, and trial operation vendors should be excluded. The business undertaker should participate in this environmental protection seminar to avoid similar cases from recurring. Before the waste is removed and transported, the private or public waste removal and treatment license shall be checked again to ensure the validity of the treatment plant's license. | NT\$12,000 |
| Occupational Health & Safety | <ul style="list-style-type: none"> Immediate improvement: Erection of 2 sets of scaffolding for the construction personnel to operate on. Strengthen the publicity of the regulations for the use of A-shaped ladders, aerial work vehicles and scaffolding. Require on-site supervisors (engineers) to immediately ask the contractor to improve if they find unsafe behaviors or non-compliant matters when conducting on-site inspections. | NT\$70,000 |
| | <ul style="list-style-type: none"> A safety door with interlocking function has been added. The safety operation standard of welding ring machine was revised to include the standard operation procedures for fault and abnormal handling. Hazard identification and assessment of risks and opportunities were redone. The operator's training, including teaching materials, sign-in and photos and other records were redone. | NT\$60,000 |
| | <ul style="list-style-type: none"> For operations with a height of two meters, a safety mother cable is added to hook the operator when wearing a knapsack seat belt. When assessing the working environment, the stable upper and lower equipment should be added for the operator to use. | NT\$60,000 |
| | <ul style="list-style-type: none"> Immediate improvement: This case is due to misunderstanding of salary payment by employees, and communication will be strengthened afterward. | NT\$20,000 |
| Labor Rights | | |

For full details on TECO's Health & Safety Incidents, please refer to page 96 and 97 of the 2021 Sustainability Report.

Note 1: RMB 298,000 (converted at the exchange rate of 4.5)

Organizational Framework



Board of Directors

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.

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 18.18% and 36.36% of the board members.

A total of 6 meetings of the 25th board of directors were held in 2021, the actual attendance rate of the 25th board of directors was 98.81%. A total of 4 meetings of the 26th board of directors were held in 2021, the actual attendance rate of the 26th board of directors was 100%.

In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Best Practice Principles." Include but not restrict the following two standards:

- (1) Basic condition and value: gender, age, nationality, race and culture, etc.;
- (2) Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience.

Diversification and Independence of Board of Directors

| Management Targets | Achievements |
|--|--|
| The members of the board of directors include at least one female director. | ✓ The board includes 2 female directors, increased from 6.67% to 18.18% |
| The independent director seats exceed two-third of the board members. | ✓ The proportion of independent directors increases from 20% to 36.36% |
| The director who concurrently serves as the manager of the company does not exceed one third of the number of directors. | ✓ No directors concurrently held the managerial officer position |
| No more than two of the directors have a relationship within the scope of spouse or second-degree kinship. | ✓ No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company |

Board Experience and Expertise

| Board Experience and Expertise | | | 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 |
| Title | Name | Gender | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | | | |
| 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 | Johnson Hou | 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 | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ | ✓ | | ✓ |

Functional Committees

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.

Audit Committee

Audit Committee held a total of 6 meetings in 2021 and attendance rate of all members was 100%. New term of committee members was appointed as follows:

| Committee | Name | Board Title | Attendance |
|-----------|--------------------|----------------------|------------|
| Convener | Wei-Chi, Liu | Independent Director | 100% |
| Member | Hsieh-Hsing Huang | Independent Director | 100% |
| Member | Li-Chen, Lin | Independent Director | 100% |
| Member | Shiang-Chung, Chen | Independent Director | 100% |

Compensation Committee

Compensation Committee held a total of 3 meetings in 2021 and attendance rate of all members was 100%. New term of committee members was appointed as follows:

| Committee | Name | Title | Attendance |
|-----------|-----------------------------------|----------------------|------------|
| Convener | Shiang-Chung, Chen | Independent Director | 100% |
| Member | Wei-Chi, Liu | Independent Director | 100% |
| Member | Kung-Yeun, Jeng | External expert | 100% |
| Member | Hsieh-Hsing Huang | Independent Director | 100% |
| Member | Li-Chen, Lin | Independent Director | 100% |
| Member | Pen-Ching Cheng ^{Note 1} | Director | 100% |

Note 1: Pen-Ching Cheng resigned on November 5, 2021.

Corporate Governance and Sustainability Committee

Corporate Governance and Sustainability Committee held a total of 4 meetings in 2021 and attendance rate of all members was 100%. New term of committee members was appointed as follows:

| Committee | Name | Title | Attendance |
|-----------|------------------------------------|----------------------|------------|
| Convener | Li-Chen, Lin | Independent Director | 100% |
| Member | Hsieh-Hsing Huang | Independent Director | 100% |
| Member | Shiang-Chung, Chen | Independent Director | 100% |
| Member | Chwen-Jy, Chiu | Chairman | 100% |
| Member | Mao-Hsiung Huang ^{Note 1} | Director | 100% |
| Member | Show-Shoun, Chou | Director | 100% |

Note 1: Mao-Hsiung Huang resigned on October 1, 2021.

ESG Promotion Office

TECO has established the "ESG Promotion Office" to provide periodic reports on the execution and tracking of TECO's corporate social responsibility goal and policy implementation status to the Chairman directly monthly. The task force consists of the administrative units of "Representatives of each business department/plant site" and "Safety and Health," "Human Resources," and "Financial Department" etc., and the task force is responsible for the promotion of routine affairs. The task force also summarizes TECO's related performance, prepares, and publishes an annual corporate social responsibility report.

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, 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.

Risk Management Culture

| Risk Type | Management Unit | Participating Culture | Education and Training | Control Measures |
|------------------------------|--|---|---|--|
| Internal Control Risk | Internal Audit Division | The Internal Audit Division continuously conducts auditing on each unit according to the annual plan; employees can point out potential risks during the process and report to the Internal Audit Division. | Seven sessions of "Awareness of Basic Management Level and Management" for 15 hours. | The Internal Audit Division conducts auditing according to the annual plan, and regularly reports to the board of directors. |
| Financial Risks | Finance & Management Center | Internal assessment reports are regularly filed for the positions of items to be hedged, such as interest rates, exchange rates, credit, net assets (liabilities), etc., and employees can put forward risks that affect financial performance during the KPI assessment process. | Five sessions of "Intermediate Management Training - Financial Statement Reading, Analysis and Cost Concept" for 15 hours. | The Finance & Management Center provides reports, and major decisions are submitted to the Audit Committee and the board meeting for decision. |
| Strategy and Operation Risks | Corporate Administration Performance Developing Office | Annual KPI item tracking and correction guidelines are conducted on a quarterly basis; employees can put forward the rationales and discuss with their supervisors during the KPI item formulation process. | 22 sessions of "New Supervisor Training" and "Digital Transformation Cultivation" for 102 hours. | The Company conducts KPI evaluation on a quarterly basis, and uses the evaluation results to link salary payments. |
| Legal Compliance Risks | Legal & Compliance Division | An e-newsletter is published to keep employees informed of the latest regulations that have been formulated or revised as well as practical cases; employees can review various legal compliance assessment items when signing various contracts and make suggestions. | Five sessions of "Intellectual Property Commercialization and Emerging Application Models" for 13 hours. | The Legal & Compliance Division functions according to the annual plan, and regularly reports to the Corporate Governance and Sustainability Committee under the board of directors. |
| Information Security Risk | BI Intelligence Team | Disaster recovery drills are conducted to ensure that operations are not interrupted; employees can alert the information security unit and call for repairs when the system is abnormal. | Five sessions of "Introduction to ISO27001 Structure and Specification" for 15 hours. | The BI Intelligence Team monitors the security of the Company's IT environment, and immediately handles major incidents and informs the top-level supervisors. |
| Sustainability Risk | ESG Promotion Office | Participating in materiality analysis questionnaires and responding to various ESG assessment tasks; employees can turn to ESG specialists for help when customers put forward new demands, and grasp market trends in advance. | 10 sessions of "Sustainable Development and Low-Carbon Community" and "EU Green Policy" for 29 hours. | The ESG Promotion Office proactively discovers or receives new customer needs, formulates policies and reports to the Chairman regularly. |
| Quality Risk | Quality Assurance Team | Introducing quality control circle and quality improvement projects, and publicly praising outstanding employees; employees can put forward improvement suggestions and avoid quality risks in the process. | 10 sessions of "Education and Training Course for Internal Auditors of Automotive Quality Management System" and "Practical Application of Five Core Tools" for 71 hours. | The Quality Assurance Team functions according to the annual plan, assists each factory to conduct internal and external audits and tracks improvement measures, and regularly reports to the President. |



TECO Risk Management Policy and Procedures
<https://www.teco.com.tw/Content/filepool/20220316-Risk%20Management%20Policy%20and%20Procedures.pdf>

Information Security

In January 2021, the Information Security Committee was established under the Corporate Governance and Sustainability Committee of the Board of Directors, with the President acting as the head to formulate the Company's information security policy and handle the governance-related matters. Also, in March 2021, TECO Board of Directors revised the computer information cycle, set up a dedicated unit for information security, appointed an information security officer, and comprehensively handled the matters related to the promotion of information security policy and coordination of resources. In October 2021, TECO's received the international standard ISO27001 certification for its information security management system (ISMS) through the verification by a third party and improved the information security management policy as well as relevant management procedures.

Information Security Incident

| Incident | Date |
|--|---------------|
| Virus Attack | December 2021 |
| The Company has announced the material information as per the competent authority's regulations, and recovered the main system by the end of 2021. Estimated Damages: NT\$ 3 million | |
| Countermeasures | |
| For the future deployment of information security safeguard system, we will reinforce the endpoint detection and response, abnormal network traffic monitoring, intrusion detection and prevention, complete system backup, information security monitoring platform, etc., increasing the depth of protection in the aspects of management and technology to minimize the information security risks. | |

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

- The "Special Bonus Issuance Operation Standard" coupled with a cash incentive method applicable to supervisors above the rank of manager. According to the reward approved for the personal performance, the reward is to be issued at three time points in a period of two years, and the actual amount of bonus collected at the time of issuance is linked to the KPI score in the last quarter. In 2020, the Company continued to issue special bonuses in accordance with this standard.
- For TECO's performance evaluation KPI, as the setting of the natural of the project execution involves the sustainability project related personnel, the KPI is also linked to relevant sustainability indicator.
- In 2020, a "TECO Employee Stock Ownership Committee" was formed. TECO will continue to optimize the long-term reward guideline and to increase the ratio of the sustainability indicator incorporated into the employee evaluation. The Committee held a total of 2,677,395 shares. Out of the shares, 962,172 were held cumulatively by top management, and 1,715,223 were held cumulatively by non-top management employees.

7.1% of Non-management Employee Subscriptions
Average Payout Duration of 2 Years

Awards and Accolades

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

Dow Jones Sustainability Index (DJSI) Emerging Markets – for 2nd straight year in the “Electrical and Mechanical Industry” category

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

2021 S&P Global Sustainability Yearbook



Asia's Top Sustainability Superwomen –
Chairman Sophia Chwen-Jy, Chiu



Taiwan Corporate Sustainability Award (TCSA)
for seven consecutive years.



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

For more information

[TECO Website](https://www.teco.com.tw)

[TECO 2021 Annual Report](#)

[TECO 2021 Sustainability Report](#)

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