

TECO

2022

ESG INSIGHT REPORT



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TECO Electric & Machinery Co., Ltd.

In line with its vision of "energy conservation, emission reduction, intelligence, and automation," the Company's development strategy will center on the three major axes of green-energy creation and storage, foray into potential markets.

Energy creation and storage	Develop technology for producing core equipment of PV power devices and energy storage facilities, as a prelude to solar-plus-storage; then combine energy management system and central-control information exchange platform to eventually develop a comprehensive virtual green power operator.
New southbound market	Focus on promotion of optimized product mix spanning power, mining, e-vehicle, and HVAC, in addition to deploying local sales services and supply chain.
Establishment of North American and Indian supply chain	Plan to set up motor factories in India and Mexico in 2023, to leverage delivery and cost competitiveness.

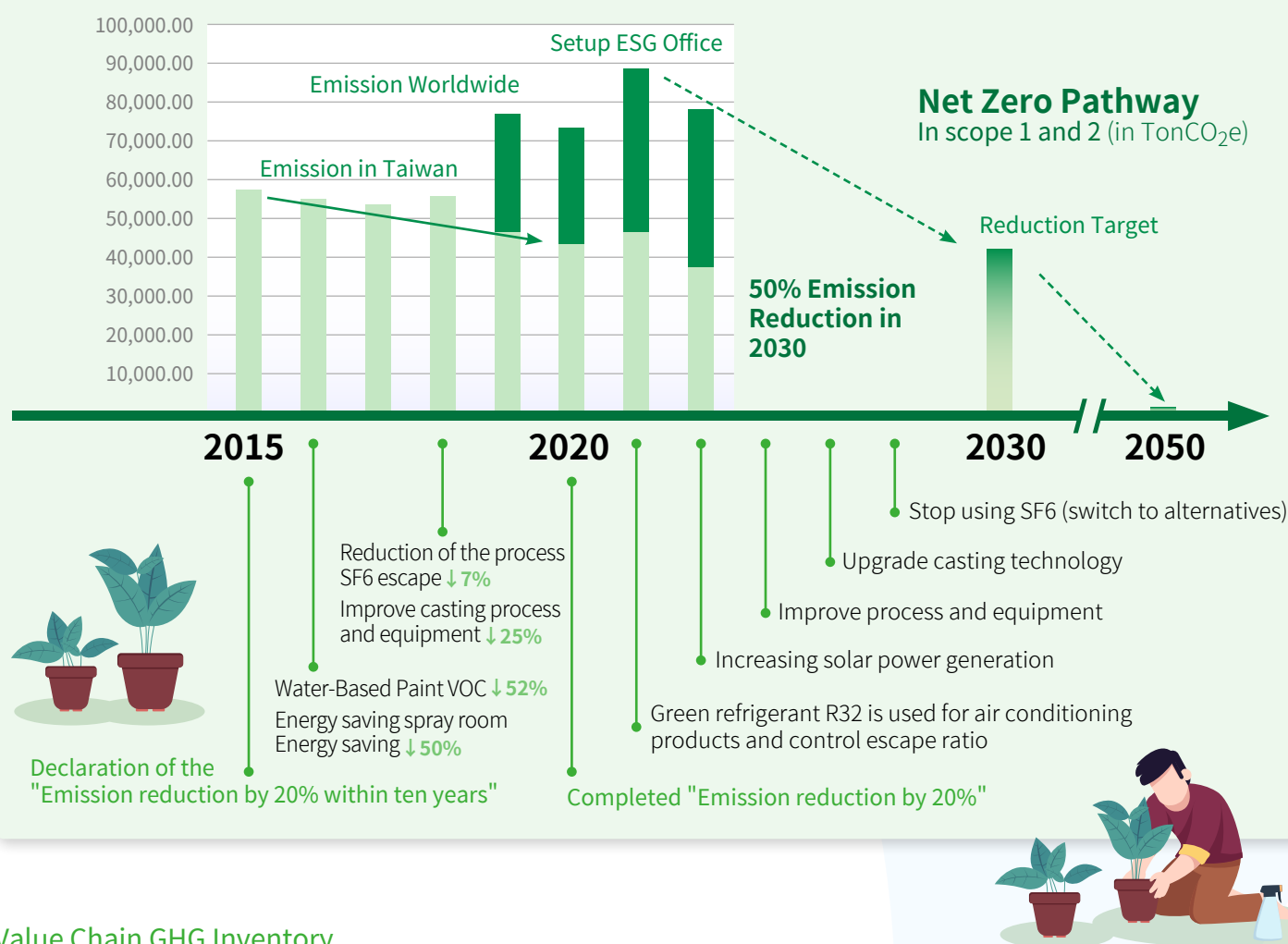
For 2022, TECO ESG disclosure scope includes all facilities in Taiwan, US, China, Vietnam and Italy; accounting for 82.7% of all TECO Group revenue.

Environmental

Sustainability Goals

Path to Carbon Neutrality

	Plan	Description	Scope of adoption	Timeframe	Coverage rate
First Stage	Emission reduction by 20% within 10 years	Cumulative reductions by 20% from 2015 to 2025	All plants in Taiwan	ACHIEVED 2020 (five years earlier than target)	48.2% (Taiwan)
Second Stage	Emission reduction by 50% within 10 years (2021-2030)	Emission reduction of 34% by 2025	Taiwan, China, USA, Italy, Vietnam, Malaysia	2021-2025 (12% of 34% in 2022)	82.7%
		Emission reduction of 50% by 2030		2026-2030	
Third Stage	2050 Carbon neutrality	Achievement of carbon neutrality for the whole group	Entire group	2050	100%



Value Chain GHG Inventory

Goal	Short term (~2025)	Mid term (~2030)	Long term (~2050)
Upstream (Scope 3)	<p>Listed company Manage and check according to schedule.</p> <p>SME Conduct counseling and complete 50% of the inventory according to purchase amounts.</p>	<p>Listed company Completed in accordance with government requirements.</p> <p>SME Complete 80% of the inventory according to purchase amounts.</p>	Full completion of inventory and set reduction targets.
Operation (Scope 1&2)	<p>34% reduction by 2025 Factory upgrades of processes and equipment; construction of solar power generation devices; and completely ban of R410A refrigerant in small air conditioners.</p>	<p>50% reduction by 2030 European and American solar power installations; foundry technology upgrades; phasing out of SF6 in high voltage equipment products.</p>	Achieving TECO Group's overall carbon neutrality.
Downstream (Scope 3)	Conduct inventory of major scope3 categories and trend tracking.	Tracking the trend of scope3 and introduce zero carbon products.	Carbon neutrality of all products and services.

TECO's Environmental Protection Commitment



Compliance
with international
regulations



Commitment
to energy conservation and
environmental protection



Application
of green technology



Improvement
of environmental
awareness

TECO's Biodiversity Commitment



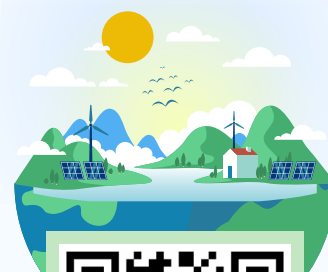
Protection
of biodiversity and
forest ecology



Compliance
with the principle of
conflict-free minerals



Reduction
of environmental
impact pressure



**Environmental
Management Systems**

For full list of TECO
certification, please visit
the corporate website.

Environmental Management Systems

ISO 14001 Established for 100% TECO Entities

ISO 14064, ISO 14064-1, ISO 14064-3 Covers 82.7% of TECO Group Revenue

Third-party verification units: BSI in Taiwan, CQC (China Quality Certification Center) in China and Vietnam, SGS in the United States, TUV (Rheinland) in Italy. The power coefficient is mainly based on the annual coefficient announced by the local energy bureau with the global warming potential IPCC AR6. In addition, internal annual audits (coupled with external verification) are conducted.

Environmental Targets and Achievement Rate

2022	Target	Performance	Achievement Rate
GHG Emissions (tonCO₂e)			
Scope 1	20,004	20,533	88%
Scope 2	57,679	57,410	100%
Scope 3	21,598,530	19,038,554	100%
Air Emissions (ton)			
Volatile Organic Compounds	162	136.70	100%
Energy Consumption (MWh)			
Non-renewable Consumption	130,779	125,523.40	100%
Water Usage (k ton)			
Total Water Usage	381	367.01	100%
Waste Management (ton)			
Recycled Waste	873	859.64	100%
Hazardous Waste	301	294.92	100%

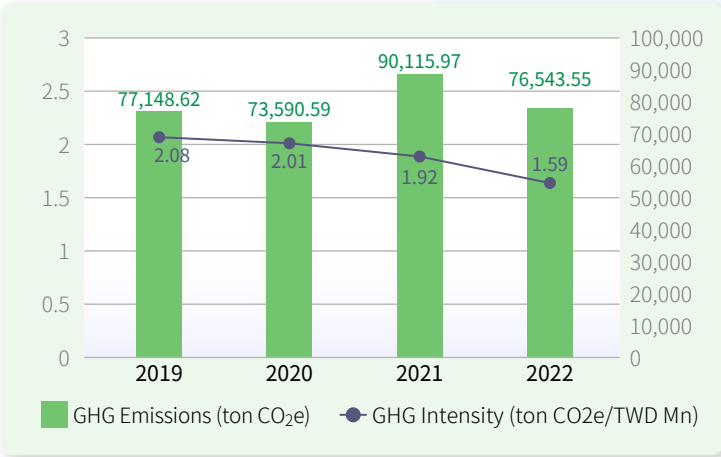
Environmental Metrics

	Unit	2020	2021	2022
GHG Emissions <small>Note 1</small>				
Total GHG Emissions (Scope 1+2)		73,590.59	90,115.97	76,543.55
Scope 1	ton CO ₂ e	19,505.16	29,315.58	21,007.49
Scope 2		54,085.43	60,800.39	55,536.06
Scope 3 Total <small>Note 2</small>		9,573,363.00	22,735,295.01	19,038,553.80
<i>GHG Data Coverage</i>		<i>79.7%</i>	<i>89.5%</i>	<i>82.7%</i>
GHG Emissions Intensity	ton CO ₂ e/TWD M	2.01	1.92	1.59
GHG Emissions				
SOx	ton	1.62	1.77	1.02
NOx		1.99	1.53	0.92
Volatile Organic Compounds		200.77	179.71	136.70
<i>Air Emissions Coverage</i>		<i>78.5%</i>	<i>89.5%</i>	<i>80.3%</i>
Energy Consumption				
Total Energy Consumption	MWh	109,381.5	137,662.1	125,523.4
Non-renewable Electricity Purchased		90,995.6	106,279.5	98,384.3
Non-renewable Fuels		18,385.9	31,382.6	27,139.1
Renewable Energy Generated		6,880	9,250	10,030
<i>Energy Coverage</i>		<i>79.7%</i>	<i>89.5%</i>	<i>80.3%</i>
Water Management				
Total Water Usage	k ton	407.12	400.55	367.01
<i>Water Usage Coverage</i>		<i>79.7%</i>	<i>89.5%</i>	<i>80.3%</i>
Waste Management				
Total Waste Generated	ton	12,526.55	15,340.87	12,027.48
Total Waste Disposed		1,000.24	724.22	859.64
Total Waste Recycled		11,526.31	14,616.65	11,167.84
<i>Waste Coverage</i>		<i>79.7%</i>	<i>89.5%</i>	<i>80.3%</i>
Hazardous Waste	ton	731.55	336.16	294.92
<i>Hazardous Waste Coverage</i>		<i>79.2%</i>	<i>89.5%</i>	<i>80.3%</i>

Note 1: TECO conducts GHG emission assessment by third party for sites in Taiwan, China, Vietnam, Italy and US with ISO 14064-3.

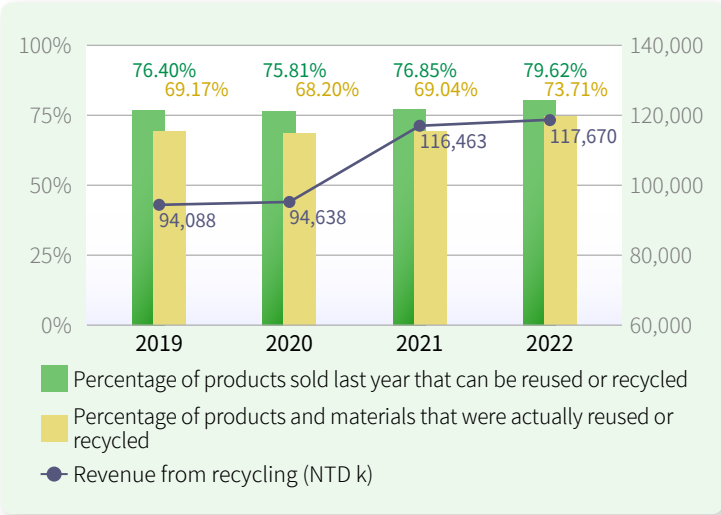
Note 2: TECO conducted Scope 3 emission assessment in year 2020 based on motor business in Taiwan only. From year 2021, the motor business in China was also included.

GHG Intensity Trend



End of Life Cycle Responsibility

Consolidate recycle scenario from motor and home appliance products



Two Cycles of Material Circulation

In-plant circular

With our own foundry in Taiwan, TECO has the ability to melt wastes from the production process and re-manufacture it into motor frame bracket housing parts.

Reached 96.5% of iron reusing rate.

2022 Metrics (tons)

Silicon steel shavings recycled and received: 5,568.8

Lifecycle circular

Industrial motors typically have a designed lifecycle 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 total motor content, including steel, iron, copper and aluminum will be separated and returned to the raw material stage to be re-melted and re-manufactured. Steel is usually made into angled steel and other building materials that continue to exist in our lives.

TECO GO ECO



- Type 1: Motor above IE3 standard and home appliance with first degree energy saving certification or electricity/water saving certificates.
- Type 2: From 2020 TECO categorizes customized motor with efficiency level > 95% as TECO GO ECO products.
- Type 3: Products with carbon or water footprint certifications.

In 2022, low-carbon products accounted for 65.1% of total sales.

Sustainability Taxonomy

Before the Taiwanese government develops its own Sustainability Taxonomy, TECO adopts EU Sustainability Taxonomy with self-declared TECO GO ECO low-carbon products and services classification, and is disclosed as the following:

Aggregate of Taxonomy	Organization and products	EU Taxonomy Items	Revenue	CAPEX	OPEX
Taxonomy Eligible	Green Mechatronic Solution Business Group (GM) High efficiency motor	3.3 Manufacture of low-carbon technologies for transport 3.6 Manufacture of other low-carbon technologies 8.2 Data-driven solutions for GHG emissions reductions	39.3%	34.3%	
	Air & Intelligent Life Business Group (AI) Green Home Appliance	3.5 Manufacture of energy efficient equipment for buildings	6.5%	1.1%	14.6%
	Intelligence Energy Business Group (IE) Clean Energy Engineering	4.9 Transmission and distribution of electricity 4.10 Storage of electricity	4.0%	8.9%	
Not Eligible	Other Business Units	None	50.2%	55.7%	85.4%

For the first year of reporting, TECO adapts Taxonomy Eligible only in 2022, for details please see Sustainability Taxonomy.

**In 2022, taxonomy eligible revenue accounts for 49.8%
CAPEX accounts for 44.3% and OPEX accounts for 14.6%**

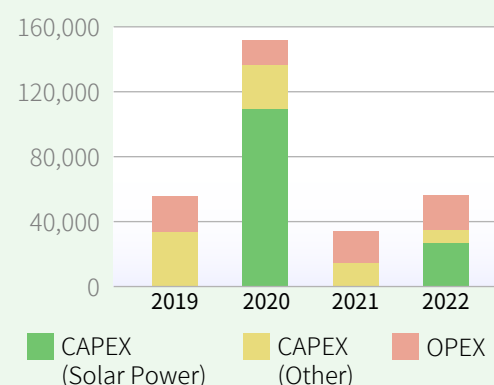


Sustainability Taxonomy

Environmental Expenditure

The solar power generation facilities in Chungli Plant were a major investment in 2020. Funds were budgeted for the implementation of the “emission reduction by 50% within ten years” after 2022, including reduction of SF6 escape during processes, and complete ban of R410A refrigerant in small-sized air conditioners.

Environmental Expenditure	2019	2020	2021	2022
CAPEX (Solar Power)	-	109,000	-	27,000
CAPEX (Other)	34,660	26,979	15,240	8,260
OPEX	21,930	15,143	18,424	21,438
Total	56,590	151,122	33,664	56,698
Coverage	72.95%	77.74%	89.50%	82.70%



Green Products & Clean Tech Opportunities

TECO's product innovation policy is based on the core value of “Energy Conservation, Emissions Reduction, Smart Application, Automation” to create new applications for products or manufacturing processes.

R&D Investment

	2019	2020	2021	2022
TECO	574,548	555,889	567,739	542,554
Group Consolidated	1,179,300	1,027,177	1,112,911	1,144,263

Power Generation and Storage

Strengthen the layout planning of offshore wind power onshore substations, strive to develop private and Taipower energy storage projects, and develop offshore wind power substations.

The Changbin Industrial Zone in Changhua County includes offshore wind power with a construction capacity of 1,044 MW, and will become the largest offshore wind power land-based substation in Taiwan. The Hailong wind farm is expected to be connected in the first quarter of 2025, and after commercial transfer, it will become the next largest single offshore wind power project; providing electricity for more than one million households. TECO has accumulated roughly 2GW of construction capacity, accounting for about 35% of the current offshore wind farms, ranking first among domestic manufacturers.

TECO has obtained Taipower's largest energy storage (60MW Longtan energy storage system) turnkey project and has invested in Taipower's wide-ranging energy storage systems (decentralized power grid resilience program). After the liberalization of the electricity industry in Taiwan, TECO will have the capabilities of energy storage, energy management, and power plant operations.

Industrial Efficiency Upgrade

For high energy-consuming industries such as petrochemicals, iron, steel, cement, papermaking and electronics, TECO promotes energy conservation solutions to aim for business opportunities in replacing old equipment. The average energy saving rate of the enterprise's emission reduction are:

Item	Energy Savings
Single motor with frequency conversion control	30%
Integrated operation of fan, pump and air compressor	25%
Software monitoring	10%

The most welcome solution is "ultra-high energy efficiency cooling tower intelligent drive control system", which consists of a permanent magnet direct drive motor and a dedicated variable frequency drive for cooling towers; its efficiency can reach IE5 standards, and over five-year usage, achieves 18% of operating cost savings.

In 2023, permanent magnet series and household air conditions will be the new main products for household and home appliances respectively. With the goal of reducing emissions, small household air conditioners will use environmentally friendly R32 refrigerants.

Electric Vehicle Powertrain Module

TECO adopts its core technology to develop power-train systems for "electric passenger vehicles", "electric buses" and "electric utility vehicles"; Power-train system with range of 8~272kW are to replace fossil engines, and the products comply with ISO 26262 and ISO 16750 regulations.

Currently, TECO is the only power system manufacturer that has obtained DMIT (Design and Manufacture in Taiwan) certifications from the government, to help accelerate the realization of the goal of electric vehicle supply chain localization.

TECO has also launched the latest commercial vehicle with a capacity of 3.49 tons and will cooperate with Taiwan Palan Express to jointly build the first electric logistics fleet in Taiwan.



T Power is a permanent magnet synchronous motor for electric vehicles with modular design. It is 15% lighter than motors of the same level, and the output power is increased by 1.8 times with 25% physical size reduction. With its leading design, T Power has received the Taiwan Excellence Award.

Social

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.

	FTEs ^{Note}		Temporary		Part-time	
	Male	Female	Male	Female	Male	Female
Taiwan	1610	765	203	58	22	1
United States	189	82	9	3	0	0
Italy	400	124	45	24	6	11
China	785	459	135	107	0	1
Vietnam	80	58	1	1	0	1
Total	4,552		586		42	

Note: FTEs are full-time permanent employees., TECO has no non-guaranteed hours employees.

TECO Group employs a total of 11,936 people,
with 4,552 FTEs from our mechanical and electrical related main affiliated enterprises being represented in this report.

Workforce Diversity

Female Representation Targets

	2021	2022		2023
	Achieved	Target	Achieved	Target
Female Share of Total Workforce	31.47%	32%	33.1%	33.4%
Female Share in All Management Positions	21.59%	23%	22.1%	23.0%
Female Share in Junior Management Positions	23.61%	-	23.2%	23.5%
Females Share in Top Management Positions	9.73%	-	12.3%	12.8%
Female Share in Management Positions	29.33%	-	36.5%	37.0%
Female Share in STEM-related Positions	24.48%	-	28.0%	28.5%

The scope of data disclosure includes Taiwan, Vietnam, the United States, Italy and all factories in mainland China. Data coverage is 100%.

Management level: Supervisors above the rank of officer.

(including the ranks of Officer, Manager, Director, Assistant Vice President and Business Group President)

- **Junior management level:** Supervisors of the rank of officer, supervisors of the rank of manager.
- **Top management level:** Supervisors of the rank of director, supervisors, Assistant Vice President and Business Group President.

Gender Pay Statistics

By Gender	
Mean Gender Pay Gap	15.2%
Median Gender Pay Gap	10.0%
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	3.7%
Managers	-6.3%
Top Management	24.6%
Non-Manager	22.4%

- Ratio of base salary plus salary for women to men (base 1 for women).

Workforce Demographics

By Nationality	% of Total	% Management
Taiwan	50.0%	51.4%
Asia (Excl. Taiwan)	35.2%	38.4%
Others	14.8%	10.3%

By Age	% of Total
<30	9.6%
30-50	51.5%
>50	38.9%

- Average age is 41.7 years old




Employee Turnover









	2019	2020	2021	2022
Total Employee Turnover Rate	14.67%	15.73%	14.82%	13.44%
Voluntary Employee Turnover Rate	12.54%	12.79%	13.25%	10.96%
Data Coverage	100%			

Employee Benefits

To retain and foster talent, TECO offers employee support policies that are superior to regulatory requirements.

Non-compensation Benefits Superior to Regulatory Requirements

 Birthday Leaves	Special birthday leave to allow employees to arrange activities in the month of their birthdays in a flexible manner.
 Volunteer Leaves	Employees are eligible for a total of 3 days of paid volunteer leave per year without affecting their performance appraisal.
 Employees' Physical and Mental Health	<ul style="list-style-type: none"> • Full-time nurses working in each factory, as well as medical rooms with regular doctor visits. • Employees EAP psychological counselling services. 4 hours of free professional psychological counselling services per year physically or via phone. • Regular quarterly health lectures. AEDs are added in the office, and compulsory CPR/AED courses. Four kinds of cancer screening activities yearly. • Gym class fee is partially covered for employees in need. Free massage service provided by visually challenged persons.

 Flexible Employee Working Hours	Employees may choose to start work between 07:50 and 09:00 depending on their personal situation.
 Part-time Working Options	On a case-by-case basis and adjusted for flexibly.
 Babysitting Measures	Company provides paid family-care leave, and has signed special contracts with nearby kindergartens.
 Breastfeeding Facilities	Breastfeeding room was set up which obtained the certification of excellence in Taipei's 2019 assessment. Pregnant women have priority in renting parking spaces.
 Paid Parental Leave for the Primary Caregiver	During pregnancy, the primary childbearing person is entitled to 10 days of maternity leave with full pay, and 8 weeks of maternity leave before and after childbirth, totaling 9.5 weeks of paid leave.
 Paid Parental Leave for the Nonprimary Caregiver	During the pregnancy of the partner, a total of 2 weeks of paid leave for pregnancy checkup accompaniment and paternity leaves.
 Extra Paid Leave	3 days of paid welfare extra leave per year to support employees' work-life balance.
 Group Insurance	TECO group insurance program provides protection for employees and their families.

Employee Well-being

Anonymous employee surveys are conducted every year, with a total of 11 aspects and 49 questions, with consistent topics to establish trend analysis. The questionnaire tracks the four following indicators:

Job satisfaction: The welfare provided by the Company meets my needs.

Working Purpose: I have a clear idea of my deliverables.

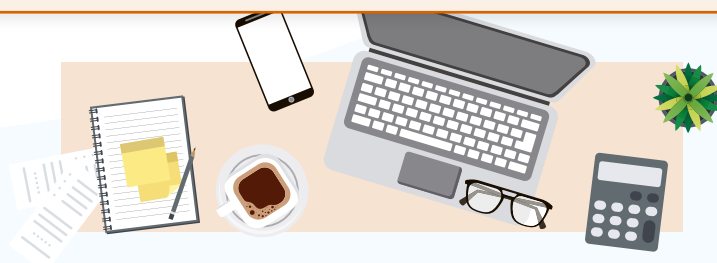
Happiness: I like my current job.

Stress: My supervisor provides the necessary support for me to maintain a balance between work and personal life.



Employee Type	2019	2020	2021	2022
Senior	83.8	75.2	73.6	84.8 ✓
Employee	79.4	69.6	71.3	88.8 ✓
Average	81.6	72.4	72.4	86.8 ✓
Participation Ratio	32%	39.7%	51.0%	51.6%

- Score out of 100. The 2022 target is 80.



Human Rights

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

TECO’s declarations on its human rights policy includes:

- 

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

Fairness and Non-discrimination
Discrimination is strictly prohibited. Standards to ensure that job opportunities are equally.
- 

Creating Good Employee Relations
Provide diversified and open communication channels.
- 

No Child Labor
Employment standards should be in accordance with the minimum age limits in local regulations.
- 

Prohibition of Compulsory and Forced Labor
Prohibit any form of forced and compulsory labor.
- 

Meet Basic Salary Requirements
Legally compliant non-discriminatory base salary and related benefits.
- 

Safe and Healthy Work Environment
Provide safe and healthy working environment, and ensure regulatory compliance.
- 

Training
Regular human rights policy training for employees and security personnel.
- 

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

Working Hours
Compliant with local statutory regulations.

Letter of Commitment to Human Rights and Environmental Sustainability


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



Letter of Commitment

TECO’s Declaration of Human Rights

TECO actively establishes a communication bridge with employees. Including TECO's quarterly meeting and the activities of the factory's meeting, explain business results and recognize outstanding colleagues.



Human Rights Policy

Freedom of Association

TECO protects the human rights of employees through the labor union and labor-management conference system. The employee protection ratio of the labor union is **100%**, and the suppliers of TECO are bound by the “Human Rights and Environmental Sustainability Commitment”.

Annual general meetings	for the election of representatives.
Monthly Director and Supervisor meetings	discussion of various employee-related issues, attended by company representatives to communicate with the labor representatives.
Labor union offices have been set up in plant areas	provide employees a chance to communicate and exchange opinions with union representatives during working hours.
TECO also organizes semi-annual conferences	direct communication between union Directors and Supervisors and the president.

On February 21, 2023, the new version of the group agreement was signed with updated employee support programs.

***A total of 2,068/2,068 (100%) employees qualified and joined the union.
Data coverage 50.1% (Taiwan Region).***

Career Development

TECO has “Key Talent” developing program for employees in 5 to 8 grades for future leadership. In 2022, key talents will account for about 2.6% (60/2,274).

Training and Development

Average hours per FTE of training and development

14.36

Average amount spent per FTE on training and development

NTD \$2,054

ESG Related Training

Human Rights Related Training

- Avoidance and management of workplace bullying
- Personal data protection legal concept
- Labor safety and health on-the-job education and training

**21 courses totaling 38 hours,
100% completion rate**

Sustainable Existence KPI and Training

- SDGs
- Emission reduction sharing sessions
- Maglev technology
- Water-based paint
- Coating leak detection
- Among others

38 sessions totaling 219 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. 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.

Occupational Health and Safety

TECO has established ISO 45001 occupational health and safety management system and ISO 9001 quality management certification.



Safety and Health Commitment

	Compliance with international regulations	Comply with international occupational safety and health and sustainable development trends, and ISO 45001 specifications.
	Safe working environment	Continue to promote the improvement of safety and health management system and related risks, achieve zero disasters at work, and build a safe and healthy workplace; implement preventive management and audit systems, and set up occupational safety and health committees consisting of both employers and employees to reduce workplace safety and health risks collaboratively to promote workers' physical and mental health.
	Risk assessment strengthening	Strengthen the risk assessment of the value chain, carry out training on sustainable risk and occupational safety and health impact management and prevention, and maintain a safe, healthy, and clean working environment in the value chain through internal and external occupational safety and health audits, and improve the performance of industrial safety and environmental protection.

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

Regulations and stakeholder requirements	Standard operating procedures	Quantitative target management
123 regulations apply, with 21 changes and revisions issued in 2022. <i>(Monthly audit and annual compliance assessment)</i>	116 Total, with 7 updated after 2022 review. <i>(Reviewed on a as needed basis)</i>	9 safety and health management plans and 12 environmental management plans. <i>(Tracked quarterly and reviewed annually)</i>
Health check management:	Regular inspections, key inspections and security inspections	Identification of hazards and risks and environmental considerations
0 cases of occupational disease in 2022. 22 articles on health promotion; 86 participants in total. <i>(Employees and outsourced personnel from the factory)</i>	424 missing items in 2022 statistical inspections, and another 276 items were proposed for improvement through deficiency inspections. <i>(Monthly statistics and quarterly reports)</i>	Total of 4,825 hazard and risk cases identified, and 2,962 environmental consideration cases identified. <i>(Identified once a year, tracked quarterly, and reviewed annually)</i>
Investigation and statistics of occupational accidents and false alarms	Purchasing, contracting and change management	Environmental safety and health training and information dissemination:
In 2022, the number of cumulative working hours without disasters reached 9.61 million; there were a total of 18 test drills.	The requirements of occupational safety and health standards are added to the relevant contract review process and contract content.	22 employees passed the ISO 14001 and ISO 45001 management systems' internal auditor training. 135 environmental safety information communications.

Occupational Injury Statistical Data

	2019	2020	2021	2022
Employee LTIFR	1.16	1.77	1.17	1.66
Data Coverage	77.6%	86.3%	89.5%	82.7%

The occupational injury incidents are divided into severe, moderate, mild, and false alarm levels. The detailed description for 2022 is as follows:

16 Cases Moderate Level	3 cuts 1 high fall (>1.2m) 5 falls on ground 7 crushes or bruised	<p>Company response: for moderate injuries, after accident investigation, treatment tools and standardized procedures will be improved, and internal education will be completed.</p> <p>No death case filed in 2022 for both employees and contractors.</p>
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2022 Supply Chain and Procurement Management

To manage supply chain, TECO classifies suppliers by following definitions:

Tier-1 Suppliers 113 of which 74 are significant suppliers	Suppliers who have direct trading contract for the bulk material (including single-source material) suppliers and within top 80% transaction amount of each factory in the current year.
Non- Tier-1 Suppliers 9 significant suppliers	Supplier who is original manufacturer but selling product to TECO through Tier-1 suppliers in the current year.

Note: Significant suppliers are suppliers with negative ESG impact and within top-80% transaction amount of each factory in the current year.
Total number of significant suppliers is 83.

For 2022, the total purchase from Tier-1 suppliers is about NT\$6.78 billion, of which the purchase amount from significant Tier-1 suppliers is about NT\$3.55 billion, accounting for about 52.4% of the total procurement.

Non-use of Conflict Minerals Commitment

100% procurement of non-conflict raw materials.

TECO has formulated a "Declaration of Non-Use of Conflict Minerals" to ensure the proper handling of conflict mineral issues. Suppliers are required to conduct detailed surveys of supply chains to ensure that metals such as Gold (Au), Tantalum (Ta), Wolfram (W), Cobalt (Co), and Tin (Sn) are not acquired from non-governmental military groups, illegal organizations, and mining areas in the conflict zones of the Republic of Congo or through smuggling.

Supplier Code of Conduct

In 2022, the "Supplier Code of Conduct" was newly added, and suppliers will be required to comply with it when signing or changing contracts. By regularly reviewing the supplier's economic, social, and environmental practices, TECO can ensure consistency with the supplier's code of conduct and avoid potential conflicts with sustainability-related requirements.



Supplier Code of Conduct

Supplier Audit Procedures



Before trading

TECO ensures suppliers meet relevant quality, environmental, safety and health criteria, and products conformity 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
(99% signing rate)

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





On-site audit

TECO forms evaluation teams through in-plant R&D, quality control, manufacturing, procurement, safety and environmental, and audit related personnel to perform the onsite audit.



During trading period

TECO team holds on-site audit once every three years for all suppliers and issues correction letters to those identified with risks. Suppliers must reply within 30 days after receiving correction letters, and improvement will be tracked in following audits. If improvement requirements are not met, TECO may terminate the contract to ensure compliance with company norms and potential risks.

2022 Supplier Assessment Result

TECO audits suppliers once every three years and conducts a two-stage evaluation for all suppliers. Suppliers will be evaluated on the TECO official Supplier scoring scale, of which ESG account for 29.3%. In 2022, a total of 57 suppliers have conducted social and environmental assessments (including 44 significant suppliers). There is no negative impact found in social assessment, however, not performing GHG inventory is identified as significant environmental negative impact among SME suppliers. There is no trading relationship termination from failure ESG engagements.

Coverage and Progress of Suppliers with Capacity Building Programs

8 suppliers without GHG inventory have agreed on improvement plans. For the significant suppliers identified with negative ESG impacts, TECO coached 8 suppliers to carried out ISO14064 greenhouse gas inventory training on site, completed the greenhouse gas inventory statistics, and established subsequent emission reduction as the key goal to reduce ESG risks and improve suppliers' sustainable management capabilities. 8 internal training sessions were held, totaling 34 hours.

The supplier training program was launched in May 2022, and the 8 significant suppliers completed the GHG inventory by the end of 2022. In 2023, TECO will continue to conduct supplier inventory counseling and conducting energy-saving improvements, and continuously track implementation progress of subsequent year's inventory and emission reduction.

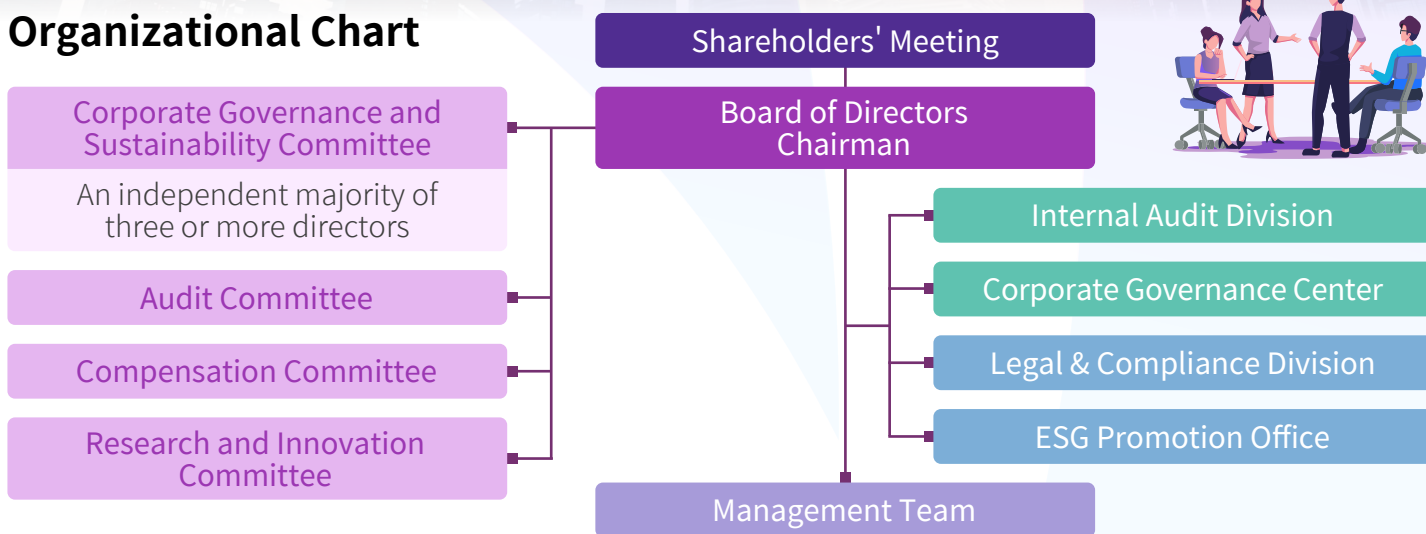
	2022		
	Target	Performance	Achievement Rate
Total number of significant suppliers supported in corrective action plan implementation.	8 suppliers (10% of all significant suppliers)	8 suppliers	8/8 (100%) of assessed suppliers that need to conduct GHG inventory
Total number of significant suppliers supported in Capacity Building Programs.	8 suppliers (10% of all significant suppliers)	8 suppliers	9.6% of all significant suppliers



Sustainability
Supply Chain

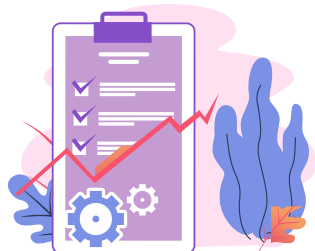
Governance

Organizational Chart



Board of Directors





The TECO board of directors is the Company's highest governing institution, in charge of the selection and nomination of ranking managers and the formulation of the strategy for corporate social responsibilities, corporate citizenship, and sustainable development. There were 9 meetings convened in 2022 with 99% attendance.



Board Experience and Skill





Title	Name	Gender	Professional Background/Experience					Knowledge and Skill								Industry Experience		
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	Jack Hou	M		●	●					●							●	
Director	Song-Ren, Fang	M		●	●			●			●						●	
INED	Wei-Chi, Liu	M	●	●	●	●	●	●	●	●	●	●	●					●
INED	Hsieh Hsing, Huang	M	●				●	●				●	●	●				●
INED	Li-Chen, Lin	F		●	●	●	●	●				●	●		●		●	
INED	Shiang-Chung, Chen	M				●		●				●	●				●	

Governance Targets, Diversification and Independence of the Board

Management Targets	Achievements
 At least 1 female director of the board members	The board includes 2 female directors, female board representation increased from 6.67% to 18.18%. ACHIEVED
 More than one-third of the board seats are independent directors	The proportion of independent directors increased from 20% to 36.36%. ACHIEVED
 Directors concurrently act as managerial officers shall not be more than one-third of the board seats	No directors concurrently held the managerial officer position. 100% Achieved. ACHIEVED
 No more than two directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company	No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 100% Achieved. ACHIEVED

Functional Committees

The four functional committees, namely Audit Committee, Compensation Committee, Corporate Governance and Sustainability Committee, and Research and Innovation 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.

					
Title	Name	Audit Committee	Compensation Committee	Corporate Governance and Sustainability Committee	Research and Innovation Committee
Chairman	Chwen-Jy, Chiu			Member	Convener
Director	Show-Shoun, Chou			Member	Member
Director	Song-Ren, Fang				Member
INED	Wei-Chi, Liu	Convener	Member		
INED	Hsieh Hsing, Huang	Member	Member	Member	
INED	Li-Chen, Lin	Member	Member	Convener	Member
INED	Shiang-Chung, Chen	Member	Convener	Member	
External Expert	Kung-Yeun Jeng		Member		
No. of meetings in 2022		6	3	2	4
Average attendance		100%	100%	100%	91.67%



Audit Committee

1. Supervise and audit the fair presentation of the financial reports of the Company.
2. Assess the effectiveness of the internal control system.
3. Supervise the Company's compliance with relevant laws and regulations.
4. Review the adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, making loans to others, and endorsements or guarantees to others.
5. Audit the hiring or dismissal, independence, and performance of a certified public accountant, or their compensation.
6. Auditing of the appointment or discharge of a financial, accounting, or internal audit officer.



Corporate Governance and Sustainability Committee (incl. Nomination Duties)

1. Review and evaluate of the soundness of the Company's corporate-governance organization and system and proposal of suggestions for the board of directors accordingly.
2. Formulate the criteria for the selection of independent directors, taking into account experience, expertise, and independence, for submission to the board of directors for approval.
3. Nominate director and independent director candidates to the board of directors according to the aforementioned selection criteria.
4. Supervise and evaluate the fulfillment of corporate social responsibilities and attain sustainable development.



Compensation Committee

1. Prescribe and periodically evaluate the performance assessment and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.



Research and Innovation Committee

1. Assist in the planning and promotion of forward-looking technologies and products required by the TECO General Research Laboratory and each business department.
2. Provide consultation on technology, R&D matters related to the Company's products.

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. The ESG Promotion Office provides direct reports to the Chairman monthly.

The “ESG Promotion Office Executive Officer” is equivalent to a CSO, and is the highest responsible rank of the management level. The ESG Promotion Office establishes the sustainability management specialist to be a full-time position responsible for the execution of works, with cross-department members also as part of the task force. The task force consists of the administrative units of “Representatives of each business department/plant site”, “Safety and Health Team”, “Human Resources Center”, “Financial & Management Center” 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 Sustainability Report.

Climate related risks and opportunities, after information provided by all members is collected by the “ESG Promotion office,” it is summarized, reported, and recommended to the management level and board of directors.

Remuneration Policy

According to Articles of Incorporation, the Company should allocate 1%-10% of profit for employee remuneration based upon its profit in a given year; less than 5% for the directors.

Senior Managerial Officer Remuneration Evaluation Indicator

Managers' remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPIs). 60% of KPIs are linked to financial indicators (such as revenue, operating profit, current profit and loss, total asset turnover, return on assets, return on invested capital, achievement of profit targets, etc.); 40% are strategic foresight related to short, medium and long-term planning and implementation (such as Strategy formulation, ESG, new business layout development, organizational management and talent training).

Employee Long-Term Performance Reward Mechanism (Employee Stock Ownership)

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 times over a period of two years, and the actual bonus amount at the time of issuance is linked to the KPI score in the last quarter. In 2022, the Company continued to issue special bonuses in accordance with this standard.

The "TECO Employee Stock Ownership Committee" was formed in 2020. The Committee held a total of 2,427,321 shares. Among these shares, 693,555 were held cumulatively by top management, and 1,733,766 were held cumulatively by non-top management employees. In 2023, the Articles of Association of TECO Employee Shareholding Trust was revised: All employees with seniority exceeding one year and meeting performance regulations can participate.

TECO will continue to optimize the long-term reward guideline and to increase the ratio of the sustainability indicator incorporated into the employee evaluation.

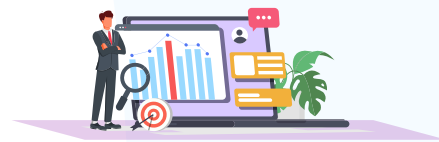
71.42% of employee qualified
12.36% of Non-management Employee Subscriptions,
Average Payout Duration of 2 years.

Director Remuneration Evaluation Indicator

According to Regulations Governing the Board Performance Evaluation, the performance of the board is evaluated at the end of the fiscal year. The self-evaluation indicators for directors include: personal understanding on the Company's goal and mission; acknowledgement of duty of directors; participation in the Company's operation; internal relationship and communication; expertise and continuous training of directors; and internal control. The evaluation results are submitted to the Compensation Committee as a reference for the remuneration of individual director.

Remunerations for directors should be proposed by Compensation Committee, according to their involvement in the Company's operation, the value of their contribution, and with reference to domestic and overseas industry norms. The proposal will be submitted to the board of directors for approval.

Risk Management Culture



1. Internal Control Risk

Management Unit: Internal Audit Division

The Internal Audit Division continuously conducts auditing on each unit according to the annual plan; employees can draw attention to potential risks during the process and report to the Internal Audit Division.

Education and training

"Management Cognition" and other 27 times totaling 136 hours.

Control measures

The Internal Audit Division conducts auditing according to the annual plan, and regularly reports to the board of directors.

2. Financial Risks

Management Unit: Finance & Management Center

Internal assessment reports are regularly filed for hedge positions, 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.

Education and training

"Reading Financial Statements" etc. 4 times, totaling 8 hours.

Control measures

The Finance & Management Center provides reports, and major decisions are submitted to the Audit Committee and the board meeting for decision.

3. Strategy and Operation Risks

Management Unit: Corporate Administration Performance Developing Office

Annual KPI item tracking and correction guidelines are conducted on a quarterly basis; employees can put forward rationales and discuss with their supervisors during the KPI item formulation process.

Education and training

"Intermediate supervisor training" and other 15 sessions totaling 41 hours.

Control measures

The Company conducts KPI evaluation on a quarterly basis and uses the evaluation results to link salary payments.

4. Legal Compliance Risks

Management Unit: Legal & Compliance Division

An e-newsletter is published to keep senior managers or above informed of the latest formulated or revised regulations, as well as practical cases; employees can review various legal compliance assessment items when handling various contracts affairs and make suggestions.

Education and training

"Labor Laws and Regulations New Supervisors Should Know" etc. 25 times, totaling 44 hours.

Control measures

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.

5. Information Security Risks

Management Unit: 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.

Education and training

"Understanding hackers and information security self-protection rules" 9 times, totaling 15 hours.

Control measures

The BI intelligent team monitors the security of the Company's IT environment, and immediately handles major incidents and informs the top-level supervisors.

6. Sustainability Risk

Management Unit: 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.

Education and training

"ESG Sustainable Development Goals SDGs Connection" 18 sessions totaling 80 hours.

Control measures

The ESG Promotion Office proactively discovers or receives new customer needs, formulates policies and reports to the Chairman regularly.

7. Quality Risk

Management Unit: 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.

Education and training

"Five QC core tools" among others, 13 times totaling 98 hours.



Control measures

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

Code of Ethical Conduct

The Code of Ethical Conduct is 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.

In 2022, no political contributions, incidents of unfair competition, corruption, bribery, customer privacy data leakage, conflicts of interest, money laundering or insider trading.

Ethical Conduct Policies Prohibits



Offering and acceptance of bribes



Harm to consumers' health and safety



Conflict of interest



Illegal political contributions



Improper charitable donations



Unreasonable hospitality



Infringement upon business secrets



Unfair competition



Infringement upon intellectual property rights

For more information, please see:



Ethical Corporate Management Best-Practice Principles

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 Corporate 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.



Rules of Ethical Conduct to Directors and Managerial Officers

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

Identity of whistleblowers or persons involved, and investigation contents are kept confidential to prevent unfair treatment or retaliation.

Information Security Management

TECO set up the Information Security Management Committee, supervised by the Corporate Governance and Sustainability Committee under the board of directors in 2021; the Information Security Management Committee is in charge of oversight and governance of corporate information security. In the same year, the Company passed ISMS ISO27001 certification.

No major information security violations in 2022.

Information Security Governance

- The Information Security Committee has been established under the Corporate Governance and Sustainability Committee of The Board of Directors.
- CEO serves as CISO.
- The BI Intelligence Team manages information security management. The head of the Team has ISO 27701 and IEC 62443-2-1 lead auditor certificates.

Process

- “Business Continuity Plan” updated at least once a year.
- Penetration test in 2022, simulate attack methods on TECO's external service website.
- Maintain ISO 27001 validation, assess other validations (BS 10012/ISO 27701).

Information Security Protection

- “Information Security Policy” formulated to manage information security risks.
- Information security is part of performance appraisal.
- Information security education and training every year.

Risk Control

- Strengthened the defense of three main axes of information security protection: anti-virus, anti-hacking, and anti-data leakage.
- Strengthen network firewall, anti-virus and network whitelist control.
- Identify malicious traffic through the intrusion detection system, actively blocking traffic.
- Establish the continuity plans and drills, and strengthen backup and recovery systems.

Awards and Accolades



The latest Dow Jones Sustainability Index (DJSI) appraisals and listings in 2022 reveal that TECO Electric & Machinery Co., Ltd. is ahead of its emerging market competitors and is the only newly-listed enterprise in the electromechanical industry this year.



The inclusion of TECO in this 2023 S&P Global Sustainability Yearbook indicates that the Company is ranked in the top 15% among its worldwide competitors in the field of sustainability performance.



FTSE4Good TIP Taiwan ESG Index evaluates investments and performance of listed companies through the adoption of the FTSE Russell ESG rating system. The index is composed companies that have good ESG performance.



According to the latest MSCI ESG RATINGS report, TECO has been upgraded to 'AA' from 'A' since March 20, 2023. This indicates that TECO's risk management capability is in the top 15% among global peers, and leads its industry in managing significant ESG risks and opportunities.



The Company was honored with the Taiwan TOP50 Corporate Sustainability Award in the comprehensive performance category, a Platinum Award in the corporate sustainability reporting category, and a Climate Leadership Award and Social Inclusion Award in the outstanding example category, which bears clear witness to TECO's efforts and achievements in the promotion of sustainable development.