

2018 TECO Corporate Social Responsibility Annual CSR Report





About this Report

TECO has been issuing the CSR reports on an annual basis since 2010. These reports disclose sustainability strategies and implementation performance information in the 3 dimensions of environment (E), society (S), and governance (G). The goal is to give stakeholders a better understanding of TECO's efforts and commitments to continued improvements in the sustainable development in these three areas.

As of 2012, annual reports are verified by a professional third-party organization to increase the credibility of the Company's CSR reports through third-party inspections. These verifications serve as the basis for the systematic inspections of CSR development and formulation of improvement goals by the Company, demonstrating the determination of the Company to promote sustainable development.



Report Compilation Procedures

- 1** Confirmation of report orientation
(the CSR task force determines the core direction, material issues, reference standards and verification standards)
- 2** Launching the work report to and receipt of approval from the "Corporate Governance and Sustainability Committee"
- 3** Reporting of figures and details by various subsidiaries and pants per the Report Scope and Boundaries
- 4** Third-party review and assurance
- 5** Report to the "Corporate Governance and Sustainability Committee" for confirmation
- 6** Posting on the corporate website

Report Scope and Boundaries

This report covers concrete responses, measures and performance related to material issues of concern to key stakeholders as determined by the Company through materiality analysis. Prior to 2013, the scope of reports was confined to operating areas in Taiwan including company HQ, manufacturing plants and the TECO Technology Foundation. In 2014, the scope was widened to encompass affiliates and TESEN Electronic. As of 2015, overseas affiliates such as TECO-Westinghouse and Taian Technology (Wuxi) were also included. In 2017, important domestic and overseas affiliates such as Wuxi TECO and TECO Electro Devices were likewise included. The report primarily presents achievements and performance data in the dimensions of environmental protection, corporate governance, and social engagement from January 1 to December 31, 2018. Financial figures are given in New Taiwan Dollars, while environmental protection, health and safety related performance is expressed through international generic indicators.

Reporting Principles

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

Report Assurance

Internal Assurance

Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of the Company and business divisions, and quarterly KPI review meetings. The data provided are subject to review and approval by department executives. In addition, internal annual audits (coupled with external verification) of the quality management system (ISO 9001), occupational health and safety management system (OHSAS 18001), environmental management system (ISO 14001), and GHG emissions (ISO 14064-1) are conducted every year to further guarantee the accuracy of provided data.

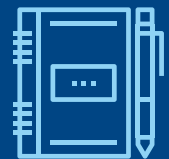
External Assurance

TECO commissions PwC to verify the report which was compiled in accordance with the Core Options of the GRI Standards with limited assurance, based on Assurance Standards Announcement No. 1 of the Republic of China (ROC) (formulated with reference to ISAE 3000). The assurance statement is attached to this report.

Report Compilation Units

This report has been compiled by the CSR Committee and is available in Chinese and English versions, and also posted on the corporate website. Reporting cycle: Annual publication.

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Report

01

Sustainability commitment

Integration of Sustainability Commitment into Life

1.1 Management's Pledge

Energy Conservation, Emissions Reduction, Smart Application, Automation

Since TECO was incorporated, it has kept practicing its management philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainable Operations" to use its best efforts to implement practices in the environment, society and corporate governance areas. Meanwhile, it integrated the corporate vision of "Energy Conservation, Emission Reduction, Smart Application, and Automation" into the Company's management systems, and linked the Company's sustainability performance with the United Nations' SDGs to drive the industrial growth and fulfill its corporate social responsibility.

In light of the dramatic changes and impact caused by global warming and the greenhouse effect on mankind, TECO's mission as a corporate citizen is to pursue performance management and technological development while focusing on the reduction of environmental burdens. Since 2008, TECO's development strategy has focused on "Energy-efficient TECO - Green Technology" and committed to the development of products featuring green technology and utilizing green energy, including industry-leading energy solutions such as high-efficiency motors, motors with integrated inverters, and grade-1 energy-efficiency home appliances. Over the years, TECO has invested heavily in developing green energy products such as high-efficiency motor production process modification and development of electric vehicle motors by relying on its superior electromechanical integration capabilities.

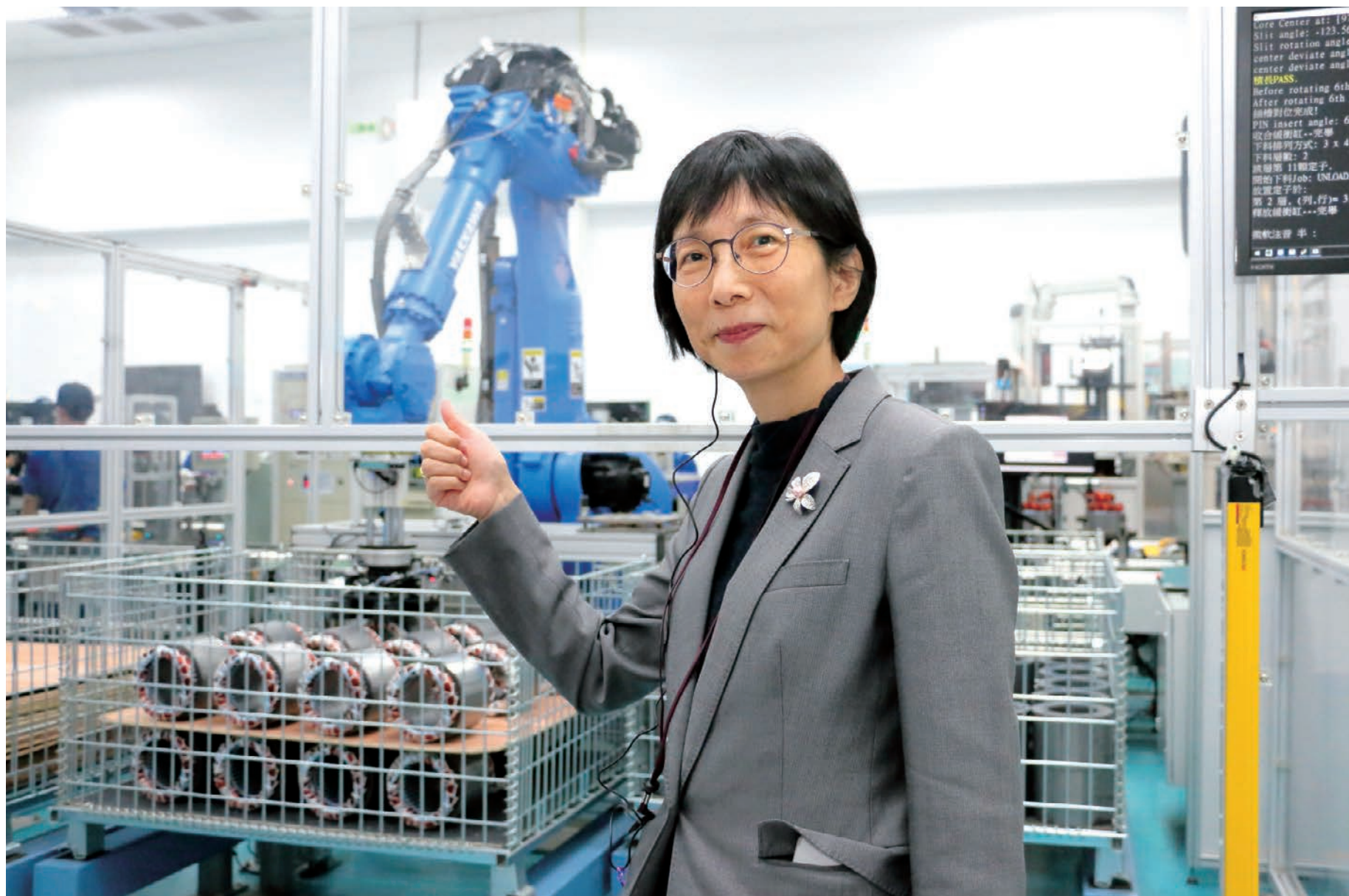
TECO identified the motor-related technology as its core technology, engaged in R&D through constant efforts in improving the motor electromechanical technologies and worked hard to arrange the strategy about vertical and horizontal integration in the industrial chains to achieve the active expansion into global markets. Accordingly, the Company has generated momentum for revenue growth as well as advances in industrial and technological development in Taiwan. The evolution of the Company has been inextricably intertwined with global industry trends. As the purveyor of "kinetic energy" in the industry, TECO unveiled its "TECO GO ECO" vision in 2008. TECO became actively engaged in the "green energy" industry in order to facilitate energy conservation and carbon reduction. In recent years, the Company has responded to new trends such as Industry 4.0 and IoT by developing "Intelligence and automated" applications. TECO has integrated its core electromechanical technology with information and communication technologies of the Group. The aim is to foster innovations in smart technologies and consolidate the Company's

sustainable competitiveness with the ultimate goal of "Driving A Smarter Future!!"

TECO optimized the green smart production lines at the Chungli Plant and implemented automated management in the Electric Wire Production Area. With the 3D Visual Robotic Arm, Automatic Guided Vehicle (AGV), and Automatic Coil Winding Machine, it formed the largest and most complete industrial motor intelligent production line in Asia, which is also the first one in the world. Meanwhile, the intelligent production line derived such advantages as upgrading of the efficiency and cost reduction for the following products. The TECO Chungli Plant also massively utilizes intelligent motors, the Machine Health Management System (MHm), Manufacturing Execution System (MES), and Energy Management System (EMS) researched and developed by the TECO Group independently, in order to integrate the spirit upholding energy saving and emission reduction for environmental protection into TECO's intelligent manufacturing. Meanwhile, Wuxi Electric Wire established by the Group adopted the concept design of green buildings and intelligent factories. The Group is also using its best effort to plan the Group's factories around the world and implement intelligent factories. TECO takes the initiative to pursue the sustainable development vision upholding "Energy Conservation, Emission Reduction, Smartness, and Automation."

Implementation of Corporate Governance - Realization of Sustainable Operations

In addition to pursuing revenues and profits, the Company also strives to realize its management philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainability." TECO aims to achieve its goal of sustainable corporate development through rigorous fulfillment of its role as a corporate citizen. In 2018, a functional committee other than the statutory ones, namely the "Corporate Governance and Sustainability Committee" was established to oversee the performance of sustainability issues to help the integration of the three indicators, ESG (Environment, Society and Governance), into the Company's business decision making process and fulfill the corporate social responsibility for social inclusion and the green economy. The self-assessment was carried out pursuant to the "Regulations Governing Assessment on Performance of Board of Directors" enacted by the Company. Meanwhile, the Taiwan Institute of Ethical Business and Forensics was contracted to conduct the external assessment, and the assessment results were reported to the Board of Directors to help the Company continue upgrading the corporate governance level, enhance corporate social responsibility, and practice sustainability.



TECO employs a professional management system, accepts monitoring by juridical persons, and places high emphasis on stakeholder opinions, industry trends and social development demands as key considerations for corporate decision-making. The Company also maintains open communication channels with stakeholders in all areas. It not only discloses relevant information and directly communicates with stakeholders on a scheduled basis but also actively participates in external organizations such as Taiwan's Business Council for Sustainable Development, Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) and Taiwan Automation Intelligence and Robotics Association (TAIROA). TECO takes the initiative in external exchanges and solicits opinions from all sectors of society. TECO never stops working on the corporate governance and sustainability. In 2018, it has ranked among the Top 5% in the "Corporate Governance Evaluation" for the fifth year consecutively and also been honored with four major awards by the "Taiwan Corporate Sustainability Awards" including Sustainability Report-TOP 50 Report Platinum Award, Overall Performance-TOP 50 Corporate Sustainability Award, and Single KPI-Social Inclusion Award and Transparency and Integrity Award.

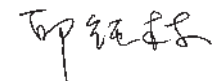
Creation of a Blissful Enterprise and a Society Characterized by Techno-Cultural Synergy

TECO perceives talents as the Company's most important asset, and they are also the cornerstone of sustainable development. In addition to implementing a legally compliant labor system, the Company aims to gain a better understanding of employee expectations and workplace health through regular employee satisfaction surveys. In addition to the creation of a comprehensive welfare system and a work environment characterized by work-life balance, the Company highly values employee development and actively pursues innovation in the field of HR. It implements Key Talent Development Programs and provides opportunities for participation in cross-department and cross-industry projects. It further implements a Program for the Cultivation of Entrepreneurial Teams inside the Company and offers paid overseas vacations and "Soaring Talent" Programs with the goal of infusing vitality into the Company and creating a wider stage for employees to allow them to bring their talent into full play through continued innovation.

In terms of social care, the "TECO Technology Foundation" has been deeply committed to the provision of services in the fields of technology, education, culture and art over the past 25 years. The Foundation aims to realize TECO's goal of "Techno-Cultural Synergy" through creativity and cultural education. The TECO Award has supported uninterrupted progress in the fields of technology and culture in Taiwanese society for several decades. The "Green Tech Competitions" also foster scientific research in the fields of energy conservation and carbon reduction by youths all over the world. It provides an impetus for the development of "Green Energy Technology" in Taiwan through increased international exposure. The "Exclamation Mark" indigenous cultural heritage program launched the traditional culture of indigenous tribes in Taiwan on to the international stage. In addition to the long-term promotion of social innovation and technological and cultural development by the foundation, TECO also offers "charity leaves" and internal volunteer opportunities for its employees to motivate and support the participation of employees in social care activities and promote personal practice of social care. The goal is to cultivate and spread the seeds of compassion and generate a positive momentum for society.



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

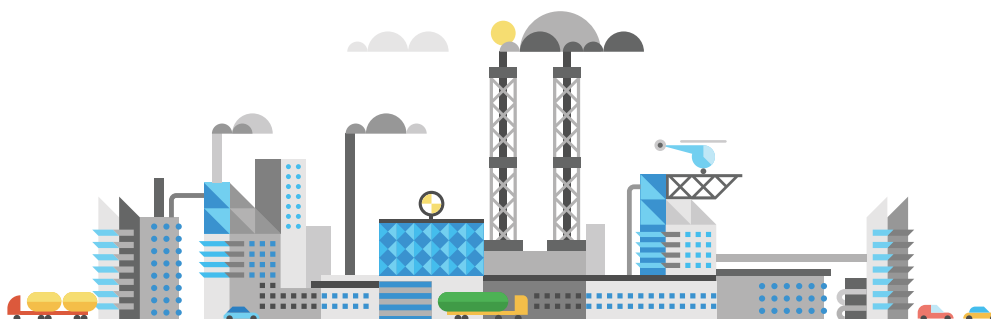
董事長 邱純枝
2019/08



1.2 Sustainability Vision and Goal

Energy Conservation, Emission Reduction, Smartness, Automation

Vision	<div><div><div><div>7</div><div>7</div><div>RENEWABLE ENERGY</div></div><div><div>11</div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div><div><div>12</div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>13</div><div>13</div><div>CLIMATE ACTION</div></div></div><div></div><div>Sustainable Production and Green Supply Chain</div></div>			<div><div><div><div>7</div><div>7</div><div>RENEWABLE ENERGY</div></div><div><div>8</div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div><div><div>9</div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div><div><div>12</div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>13</div><div>13</div><div>CLIMATE ACTION</div></div></div><div></div><div>Practice Corporate Governance to Fulfill Sustainability</div></div>			
Goal	Energy Conservation by 20% in one decade	No conflict minerals	Maintenance of labor rights and environmental protection policies	Workplace Health and Safety	GHG control	Green products intended for energy conservation by customers	
Management approach	Introduction of successful cases implemented by TECO itself to the suppliers in the supply chain	Distribution of the “Statement for Non-Use of Conflict Minerals” and procurement of important raw materials and supplies solely by Headquarters.	Combination of procurement contracts and “Letter of Commitment to Human Rights and Environmental Sustainability”	Implemented ISO 45001 ISO 14001	Implementation of ISO 14064-1	Product design and process innovation to upgrade the product performance; participation in development cooperation projects in the industry	
KPI indicators	Organization of exhibitions and counseling for formulation of energy conservation programs	100% procurement of non-conflict minerals	100% signing rate	“Pollution-free Environment, Zero Occupation Disaster” passes certification each year.	Annual follow-up and inspection on energy conservation and carbon reduction by 20% in one decade	80% energy conservation products available in 2020	



Centering to care
for the society



	Recycling	Opportunity of climate change, and risk thereof	Ethical corporate management and compliance	Solicitation for creative ideas from outsiders	Indigenous cultural heritage	Intra-group subsidiaries' participation in public welfare activities	Customer satisfaction
	Process improvement programs proposed by production and biotech units	The motion for the establishment of functional committees proposed by intra-group subsidiaries' planning departments to the Board of Directors	Promotion of the ethical codes to functional committees established by the Board of Directors	Continuing "TECO Awards" and "International Creativity Competition"	Continuing the "Exclamation Mark" project and moving forward toward practicing of the management philosophy as a social enterprise	Establishing the "paid leave for participation in charitable activities" management system and implementing the information tool, "My Charity Bank" J	Sending the questionnaires to global customers by product type and delivery issues
	Periodic review and implementation of effective programs	Periodic convening committee meetings	Periodic convening committee meetings to execute educational training and audits	Organized once per year	Grand show organized once per year	Commendation awarded to participating volunteers per quarter	Compilation of customer satisfaction survey results twice per year

1.3 Key Indicators and Performance

99% signing rate for Letter of Commitment to Human Rights and Environmental Sustainability in the supply chain

Added: Counseling the supply chain in Taiwan to reduce emission by **2%** per year.

P61

High-efficiency motors help the global industrial customers save electricity by

624,635,330 kWh per year.

P51

Energy-saving household appliances resulted in the carbon uptake equivalent to that by **89** Taipei Daan Forest Parks for Taiwan.

P54



Declaration of energy conservation products attaining **80%** in 2020

Declaration of the production bases' emission reduction by **2%** per year

High-efficiency motors attaining **63%**

Energy-saving household appliances attaining at **49%**

Use of renewable materials in motors attaining **27%**

Declaration of emission reduction by **20%** in 2025

Ranking among the Top **5%** in the Corporate Governance Evaluation

Annual operating revenue of NT\$ **50.1 billion**

A total of **4,302** employees hired by the Group

Added:

Corporate Governance and Sustainability Committee
Global Product Planning Committee

Exclamation Mark NPO/NGO attaining **30** entities

Permanent support for **18,000** children in the indigenous people group

Teachers and students attending the creativity competitions numbering **9,000** persons

Added:

Paid leave for participation in charitable activities
and My Charity Bank systems intended to encourage employees to engage in charitable activities



Link to certificates and reference



Link to smart manufacturing videos



Link to tribal culture heritage videos



Link to energy conservation and
emission reduction videos



Link to FB clubs



Link to certificates and reference



Link to electric bus motor videos



Link to TECO Awards and
TECO Technology Foundation

02

Stakeholder communication

Traditional industries in line with new concept

2.1 Stakeholder identification

Identifying TECO's stakeholders

Shareholders/employees/customers/suppliers/local communities/NGO/government bodies

Compilation of issues and questionnaire survey

TECO carries out exchanges with stakeholders on a scheduled basis via the aforementioned communication channels and compiles issues of concern to stakeholders. Issues of concern are identified and compiled into questionnaires with reference to specific topics and disclosure items of GRI Standards, as well as "industry-specific indicators" released by GRI. These issues are compiled into questionnaires and are posted on the CSR website, and they can be filled out by stakeholders at their discretion. Since this year, TECO has asked the CSR taskforce to compile and answer the customers' requirements for ESG questionnaire and score statistics uniformly, in order to widen the Company's horizon and integrate resources to help control the movement of ESG in this industry. TECO also conducted interviews with various celebrities as stakeholders voluntarily to collect and update the issues of concern.

2.2 Materiality Analysis and Identification of Issues of Concern

Identification STEP1

- The survey topic is based on specific topics and disclosure items of GRI Standards. Please refer to the "industry-specific indicators" thereof.
- The CSR task force convenes meetings with relevant units to conduct discussions and refers to the others' experience in the same industry and GRI Standards.
- Verify the ESG key tasks and compile the same with the original tasks, then update and prioritize them, with respect to the questionnaire and industrial analysis suggestions proposed by customers and their third party auditors (including DJSI, CDP, SASB, EcoVadis, Intertek and Sustainlytics, et al.).
- Verify the ESG-related issues and include the same into the summary, based on the new opportunities and risks proposed by the market and product planning departments.

Prioritization STEP2

Conduct interviews with key stakeholders or ask them to complete questionnaires (online and in a tangible form), but compile stakeholders' concerns about the issues and the Company's internal materiality analysis for weighted average scores, primarily based on more credible tangible questionnaires and interview results. Then, gather the statistics of the scores won by various tasks and complete the prioritization of material issues of concern.

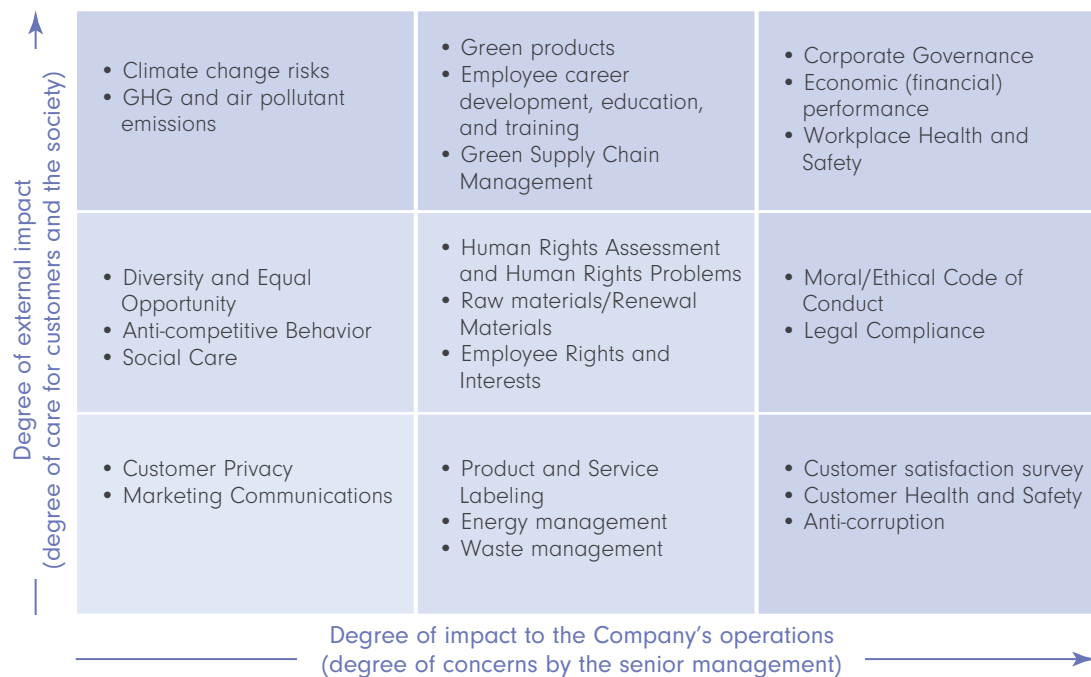
Confirm STEP3

The CSR taskforce verifies the completeness and scope of various issues, and match them with the tasks under GRI Standards to verify what the report shall focus on and how the report shall be prepared.

Review STEP4

Report to the "Corporate Governance and Sustainability Committee" subordinated to the Board of Directors for deliberation, included as motions to be discussed in the strategic planning process of the Company and various business units thereof and implemented in the annual plans and daily operations of each unit.





This report not only discloses the issues about the Company's business overview and subject to the highest degree of external impact, as indicated on the upper right corner, but also includes the issues highly concerned by outsiders but less concerned inside the Company, in order to alert the Company's internal staff and help them make improvement, including the issues about "climate change risks" and "GHG and air pollutant emissions."

Meanwhile, this report also includes follow-up and analysis on historical changes on the ranking of material issues of concern. The following list shows the observation on the degree of concerns about various issues and statistics about changes on the ranking of various issues from 2017 to 2018. Apparently, the "Moral/Ethical Code of Conduct" issue is the one of the most-concern this year. The issues, such as "Diversity and Equal Opportunity" and "Human Rights Assessment and Human Rights Grievance Mechanisms" are receiving attention.

2016	2017	2018	Changes in the ranking
1 Sustainable Development Strategy and Risk Management	Economic Performance	Corporate Governance	↑ 2
2 Economic Performance and Financial Transparency	Green products	Economic (financial) performance	↓ 1
3 Corporate Governance	Corporate Governance	Workplace Health and Safety	↑ 1
4 Green Products	Workplace Health and Safety	Moral/Ethical Code of Conduct	↑ 16
5 Employee Rights and Interests	Employee career development, education, and training	Green products	↓ 3
6 GHG and Energy Management	Climate change risks	Legal Compliance	↑ 1
7 Legal Compliance	Legal Compliance	Employee career development, education, and training	↓ 2

2016	2017	2018	Changes in the ranking
8 Green Supply Chain Management	Customer Health and Safety	Green Supply Chain Management	↑ 3
9 Customer Satisfaction Survey	Customer satisfaction survey	Climate change risks	↓ 3
10 Customer Health and Safety	Energy management	GHG and air pollutant emissions management	↑ 2
11 Workplace Health and Safety	Green Supply Chain Management	Energy management	↓ 1
12 Career Development, Education and Training	GHG and air pollutant management	Employee Rights and Interests	↑ 3
13 Product and Service Labeling	Product and Service Labeling	Customer satisfaction survey	↓ 4
14 Freedom of Association and Collective Bargaining	Raw materials/regenerated materials	Diversity and Equal Opportunity	↑ 9
15 Concern for Local Communities and Society	Employee Rights and Interests	Customer Health and Safety	↓ 7
16 Water Resources	Waste management	Human Rights Assessment and Human Rights Grievance Mechanisms	↑ 8
17 Human Rights Assessment and Grievance Mechanisms	Customer Privacy	Raw materials/regenerated materials	↓ 3
18 Moral/Ethical Code of Conduct	Water Resources	Social Care	↑ 2
19 Marketing Communications	Social Care	Anti-corruption	↑ 5
20 Pollution Prevention and Emissions	Moral/Ethical Code of Conduct	Waste management	↓ 4
21 Customer Privacy	Marketing Communications	Product and Service Labeling	↓ 8
22 Anti-corruption	Human Rights Assessment and Human Rights Grievance Mechanisms	Customer Privacy	↓ 5
23 Raw and Recycled Materials	Diversity and Equal Opportunity	Anti-competitive Behavior	↑ 2
24 Anti-competitive Behavior	Anti-corruption	Marketing Communications	↓ 3
25 Grievance Mechanisms for Impacts on Society	Anti-competitive Behavior	Water Resources	↓ 7
26 Diversity and Equal Opportunity	Grievance Mechanisms for Impacts on Society	Grievance Mechanisms for Impacts on Society	-





2.3 Corresponding Disclosure Items and Boundaries


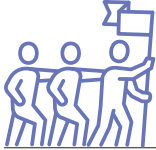

This report discloses the top 10 material issues which the items and options in the Standards correspond to are identified as follows :

Materials issues	Corresponding GRI Standards	Disclosure items and options	Reporting boundaries	Related Page No. or remark
1 Corporate Governance	GRI 102 General Disclosures	102-1 Name of the organization 102-2 Disclosure of multiple items, such as activities, brands, products and services	1、2	24
2 Economic (financial) performance	GRI 201 Economic Performance	201-1 Direct economic value generated and distributed by the organization	1、2	23
	GRI 203 Indirect Economic Impact	203-2 Significant Indirect Economic Impact	1、2	34
3 Workplace Health and Safety	GRI 403 Occupational Health and Safety	403-1 Occupational Health and Safety Management System	1、2、3、4、5、6	Notes to penalty imposed by occupational health and safety laws, 64
4 Moral/Ethical Code of Conduct	GRI 102 General Disclosures	102-16 Values, principles, standards, and norms of behavior	1、2、3、4、5、6	31
5 Green products	GRI 301 Materials	301-1 Materials used by weight or volume 301-2 Applicable renewable materials	1、2、3、4、5、6	46
	GRI 302 Energy	302-5 Reductions in energy requirements of products and services	1、2	56
6 Legal Compliance	GRI 205 Anti-corruption	205-2 Communication and training on anti-corruption policies and procedures	1、2、3、4、5、6	68
	GRI 206 Anti-Competition	206-1 Legal actions against anti-competition, anti-trust, and monopoly practices	1、2、3、4、5、6	No violations by the Company
	GRI 307: Environmental Compliance	307-1 Violation of environmental laws and regulations	1、2、3、4、5、6	No violations by the Company
	GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services 417-2 Incidents of non-compliance concerning product and service information and labeling	1、2、3、4、5、6	No violations by the Company
	GRI 419 Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	1、2、3、4、5、6	No violations by the Company
7 Employee career development, education, and training	GRI 404 Training and Education	404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs	1、2	68
	RI 405 Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	1、2、3、4、5、6	75
8 Climate change risks	GRI 201 Economic Performance	201-2 Financial implications and other risks and opportunities due to climate changes 203-2 Significant Indirect Economic Impact	1、2、3、4、5、6	31
	GRI 204 Procurement Practices	204-1 Proportion of spending on local suppliers	1、2	57
9 Green Supply Chain Management	GRI 308 Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	1、2	60
	GRI 414 Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	1、2	60
10 GHG and air pollutant emissions management	GRI 305 Emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Disclosure of multiple items, such as energy indirect (Scope 2) GHG emissions, et al.	1、2、3、4、5、6	43

*Regional companies' codes: 1. For production and sale of electromechanical products (TECO); 2. For production of household appliances (TESEN Electronic); 3. Production base in the USA (TECO Westinghouse); 4. Production base in the mainland China (Taian Technology (Wuxi)); 5. Production in the mainland China (TECO Wuxi); 6. For servomotors in Taiwan (TECO Electro Devices).

2.4 Issues of Concern to Stakeholders and Communication Channels









Stakeholders	Issues of Concern	Communication Channels	Communication Results
Shareholders 	<ul style="list-style-type: none"> Company operating development status Financial transparency Risk management Corporate Governance Environmental protection 	<ul style="list-style-type: none"> Market Observation Post System (MOPS) Shareholders' Meetings – Convened at least once a year Participation in domestic and international investment forums – Total of 6 forums in 2018 Visits by corporate investors – Total of 91 persons in 2018 Exclusive mailbox for investor relations/stock affairs – Dedicated personnel replies immediately 	<ul style="list-style-type: none"> Nominated as "FTSE4Good TIP Taiwan ESG Index" In the Corporate Governance Evaluation held by TWSE in 2018, TECO earned excellent scores on all indicators and was ranked among the Top 5 % of all evaluated enterprises for 5 consecutive years.
Employees 	<ul style="list-style-type: none"> Company strategies and operating status Labor-management Relations Employee Rights and Interests Education, training and career development Work environment Communication of employee opinions 	<ul style="list-style-type: none"> Labor-management meeting – Once per quarter Employee meeting – Once per quarter Discussions with top executives-once semi-annually Occupational Health and Safety Committee meeting – Once per quarter Employee Welfare Committee Top-Notch Bi-monthly – One issue every two months Employee satisfaction survey-once per year Propose the motion for improvement 	<ul style="list-style-type: none"> Conferences with the president, plant managers, HR center executives and union directors and supervisors are scheduled annually. The attendance rate of the President, plant managers and HR executives was 100%. Union directors and supervisors had an attendance rate of 80%. Employee satisfaction is maintained above 80 points. Encourage social engagement, accumulating over 784 volunteer service hours. Promote My Charity Bank system and paid leave for participation in charitable activities to expand and encourage the social engagement. A total of 498 courses were offered independently by TECO business units or in accordance with the annual training plan. The average annual training hours per employee totaled 17.6 hours.
Customers 	<ul style="list-style-type: none"> Product and Service Labeling Customer Health and Safety Marketing Communications Customer Satisfaction Survey Green Products 	<ul style="list-style-type: none"> Customer service hotline-whenver it is necessary Discussions with dealers/1~4 times per year, non-scheduled dealer visits After-sale service tracking – Follow-up phone interviews every time a service is provided Official website and media – Updated, if necessary Satisfaction questionnaire surveys – 1~4 times per year 	<ul style="list-style-type: none"> TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement. The overall customer satisfaction rate attained 95% in 2018. The sale of high-efficiency energy-saving motors helped the electricity saved by 624M kWh. Energy-saving household appliances resulted in the carbon uptake equivalent to that by 89 Taipei Daan Forest Parks.
Supplier 	<ul style="list-style-type: none"> Green Supply Chain Management Supplier Human Rights Assessment Business performance Order management Quality management Production technologies 	<ul style="list-style-type: none"> Supplier evaluations – 70 suppliers to be evaluated per year Supplier performance appraisals – Once per quarter Supplier guidance – whenever it is necessary E-procurement – whenever it is necessary 	<ul style="list-style-type: none"> Conduct the risk assessment and on-site evaluation on key suppliers; the spending to suppliers whose evaluation is scheduled to be completed accounts for 75% of the total procurement value, while the spending to suppliers whose evaluation was completed accounts for 84% of the total procurement value. 99% signing rate for Letter of Commitment to Human Rights and Environmental Sustainability

Stakeholders	Issues of Concern	Communication Channels	Communication Results
Local communities 	<ul style="list-style-type: none"> Occupational health and safety Environmental management Social engagement Volunteer services 	<ul style="list-style-type: none"> Industrial zone service center – Non-scheduled Industrial zone joint defense – Once per quarter Mailbox on the Company website – Non-scheduled Volunteer activities/per quarter 	<ul style="list-style-type: none"> There were no air pollution or waste management violations that affected the communities. Participated in the regional joint-defense and increased inter-company disaster prevention meetings to prevent disasters from occurring and affecting community environment and safety. Offered the educational courses for energy conservation to the communities and local schools, thereby contributing 1,125 service man hours.
NGO NPO 	<ul style="list-style-type: none"> Environmental protection Social welfare Labor conditions 	<ul style="list-style-type: none"> Disclosure of financial information - Issue the CSR reports on an annual basis to disclose the implementation performance and result information in the 3 dimensions of environment (E), society (S), and governance (G). GHG audit passed BSI (British Standards Institution) ISO 14064-1 (GHG audit) certification and earned a "reasonable level" certificate each year. 	<ul style="list-style-type: none"> Enlistment of 30 NPOs/NGOs and 34 enterprises to execute the "Exclamation Mark" program for heritage and preservation of the indigenous culture. Active participation in external organizations and initiatives to support the SDGs and government policies.
Government agencies 	<ul style="list-style-type: none"> Legal Compliance Occupational health and safety GHG reduction Environmental protection Energy management 	<ul style="list-style-type: none"> Participation in forums, public legal hearings, and document correspondence organized by competent authorities – Non-scheduled Employee meeting intended for promotion of the requirements under new laws and regulations, and compliance with anti-corruption/ethical corporate management laws – Once per quarter 	<ul style="list-style-type: none"> Market Observation Post System – Report of important messages. Establishment of an OHSAS 18001 and CNS 15506 (Taiwan Occupational Health and Safety Management System) compliant occupational health and safety management system to systematically promote occupational safety and health-related management tasks, and to ensure effective implementation and legal compliance of the management system.



2.5 Response to UN Sustainable Development Goals (SDGs)

Based on the UN's Sustainable Development Goals (SDGs), the CSR Committee has determined 8 items that are pertinent for TECO, and TECO's key response is stated as following :

Sustainable Development Goals (SDGs)	Detailed goals and TECO-related audits	TECO's key CSR response	
 Education quality	4.5...Channels and occupational training to ensure that underprivileged groups receive various levels of education 4.7...Appreciate cultural differences and the contribution of culture on sustainable development	<ul style="list-style-type: none"> • Social care: Green Tech, science education in remote townships, indigenous cultural heritage • Employee career development and training 	
 Affordable energy	7.a...Increasing clean energy and high-tech energy sources such as renewable energy, energy efficiency, more advanced, cleaner fossil fuel technology, facilitate the creation of energy infrastructure, and invest in clean energy technology.	<ul style="list-style-type: none"> • Green products • Energy management • Creation of renewable energy 	
 Employment and economic growth	8.2 Increase productivity through diversification, technology upgrade and innovation 8.4...Improve global energy use and production efficiency, ... mitigate the relationship between economic growth and environmental deterioration 8.8 Protect labor rights and foster work environment safety	<ul style="list-style-type: none"> • Economic Performance • Green products • Energy management • Employee Rights and Interests 	<ul style="list-style-type: none"> • Workplace Health and Safety
 Industry innovative infrastructure	9.4...Improve energy use efficiency through substantial adoption of clean, eco-friendly technology and industrial manufacturing process	<ul style="list-style-type: none"> • Green products • Energy management 	<ul style="list-style-type: none"> • GHG and air pollutant management
 Sustainable city	11.2...Provide safe, affordable, usable and sustainable transportation system for everyone, as well as improve road safety, particularly the expansion of public transportation	<ul style="list-style-type: none"> • Electric vehicle (EV) development • Participation in transportation system projects 	
 Responsible consumption and production	12.4...Manage chemicals and wastes in the most eco-friendly manner to minimize discharging them into the air, water and soil. 12.5...Minimize waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> • Green products • Raw materials/regenerated materials • GHG and air pollutant management 	<ul style="list-style-type: none"> • Waste management
 Climate action	13.3 Improve education, raise awareness and enhance the capabilities of people and institutions pertaining to risk reduction, adaptation, impact mitigation and early warning associated with climate change	<ul style="list-style-type: none"> • Climate change risks • No violations by the Company 	
 Marine ecosystem	14.1...Prevent and remarkably reduce various marine pollutants, especially the pollutants generated by land-based activities, including marine waste and nutrient pollutants	<ul style="list-style-type: none"> • Green Supply Chain • Waste management • Employees' public welfare activities 	<ul style="list-style-type: none"> • Marine power products

03

Economy and Governance

Global Footprint of Ethical Governance

TECO nominated as "FTSE4Good TIP Taiwan ESG Index"

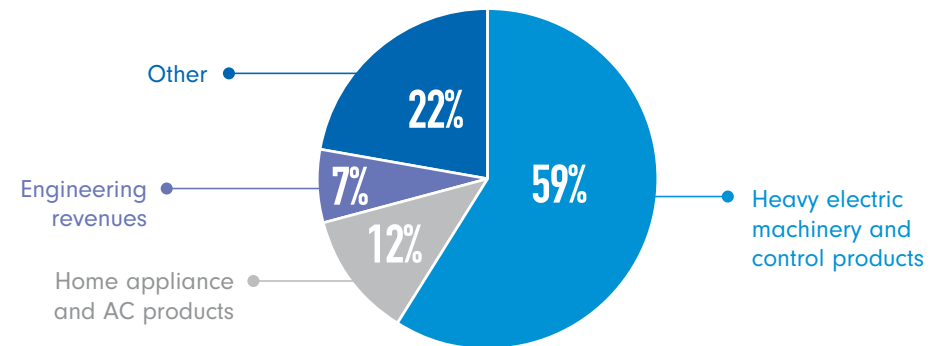
As qualified for FTSE4Good as a Taiwanese listed company, upon the selection based on the financial indicators, TECO has been included into the "FTSE4Good TIP Taiwan ESG Index". As indicated by Chairman Sophia Chiu, TECO will always work hard to perform its corporate social responsibility and pursue the sustainability to satisfy the omnibus development for ESG (environment, society and governance), and also expect to lead all suppliers to build a green supply chain.



3.1 Key Performance and Indicators

Operational Performance

◆ Ratio of operating revenue by product in 2018



◆ Relevant performance

	2016	2017	2018
Operating revenues (in thousand NT\$)	20,274,047	21,301,208	20,879,719
Net profits (in thousand NT\$)	3,481,480	3,092,358	3,150,089
ROE (%)	7.16%	6.09%	5.97%
EPS (in NT\$)	1.76	1.56	1.59
Cash dividends (in NT\$)	0.88	0.86	0.90
Income tax expenses (in thousand NT\$)	140,944	212,110	144,720

Ratio of R&D expenditures to revenue

2016	2017	2018
3.38%	2.98%	2.72%

Investment tax credits

Unit: Thousand NT\$

2016	2017	2018
67,249	31,518	27,880

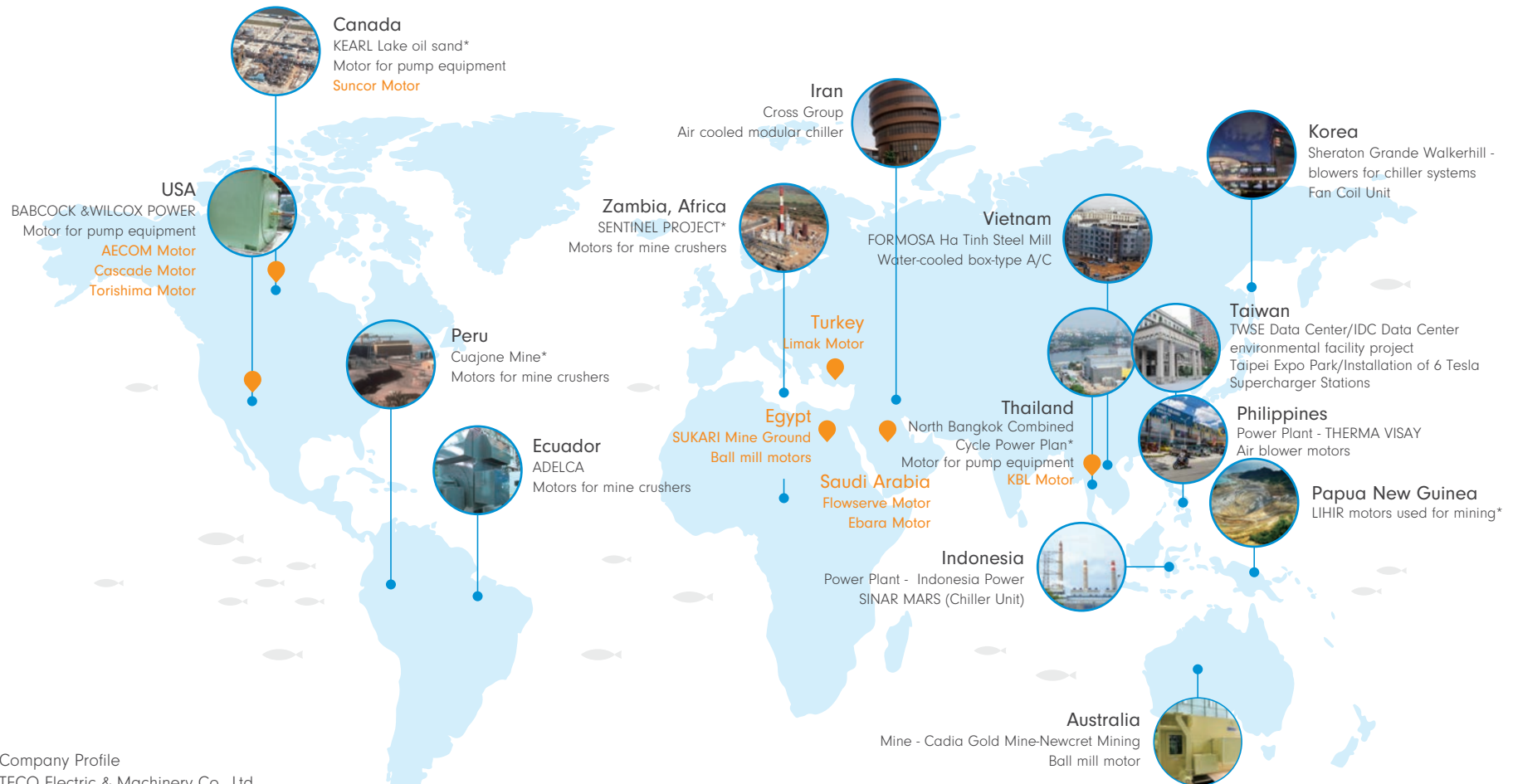
Global deployment

● Distribution ● Manufacturing

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



Global achievements



Company Profile
TECO Electric & Machinery Co., Ltd.
Founded in June 1956
HQ Address: 5F, No. 19-9, Sanchong Rd., Nangang Dist., Taipei City, Taiwan
Stock Code: 1504.TW
Main products and services: <http://www.teco.com.tw/>

3.2 Corporate Governance Strategy

Organizational Culture

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

Action guidelines

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

System norms

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

2019



- Continued pursuit of rankings in the Top 5% of "Corporate Governance Evaluation" and "Taiwan Corporate Sustainability Awards."
- The units governing corporate social responsibility and ethical corporate management reports the material issues, such as plans executed in the year and results thereof, to the Board of Directors periodically to strengthen the connection between corporate business strategies and the three dimensions of ESG.
- Upgrading of the information transparency: Disclose the annual tasks and operation of the audit committee; disclose the motions discussed by the remuneration committee and resolutions thereof, and the Company's response to the members' comments; disclose the board members' and key management's succession planning, and operation thereof.
- Upgrading of the information transparency: Disclose the annual tasks and operation of the audit committee; disclose the motions discussed by the remuneration committee and resolutions thereof, and the Company's response to the members' comments; disclose the board members' and key management's succession planning, and operation thereof.

2017

Corporate governance performance and future development goals

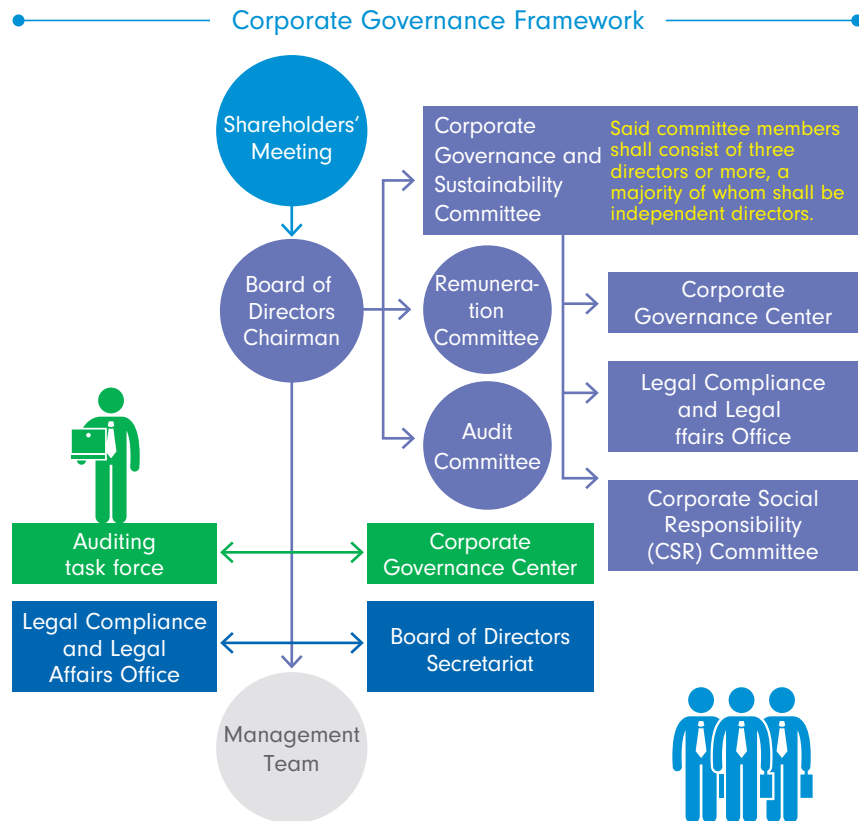
- Ranked among the Top 5 % of all evaluated enterprises in the "Corporate Governance Evaluation" for 4 consecutive years.
- Honored with three major awards by the "Taiwan Corporate Sustainability Awards": TOP 50 Corporate Sustainability Report Gold Award, TOP 50 Corporate Sustainability Award for Overall Performance and Talent Development Award for Single KPI.
- The fair external professional entity, the "Taiwan Institute of Ethical Business and Forensics" was commissioned to conduct an external evaluation on the performance of the Board of Directors. The evaluation report indicated that the Board of Directors and functional committees operated successfully, and the communication channel among members as well; meanwhile, all of the related members agreed to the enterprise's culture and management philosophy.

2018

- Ranking in the Top 5 % of all evaluated enterprises in the "Corporate Governance Evaluation" held by TWSE for 5 consecutive years.
- Honored the four major awards by the "Taiwan Corporate Sustainability Awards": TOP 50 Corporate Sustainability Report Gold Award, TOP 50 Corporate Sustainability Award for Overall Performance, and Social Inclusion Award and Transparency and Integrity Award for Single KPI.
- The functional committee other than the statutory ones, "Corporate Governance and Sustainability Committee" was established.

Corporate Governance Framework

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



Board of Directors

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

Per the amended "Articles of Incorporation" and "Director Election Guidelines" ratified by the shareholders' meeting in 2014, a candidate nomination system has been adopted for the election and appointment of directors (including independent directors) to strengthen the information transparency of director nomination and review procedures and thereby safeguard shareholder rights and interests and perfect corporate governance. A sound and efficient Board of Directors is the foundation of excellent corporate governance. TECO carried out a reelection of the directors during the Annual Shareholders' Meeting in 2018 to strengthen the independence and diversity of the board. 15 directors were elected for a term of 3 years. Among the 15 board members, one of them is female. Only one of the board members also serves as the Company's manager concurrently.

In 2015, the board ratified the "CSR Best Practice Principles" to ensure fulfillment of corporate social responsibility based on the key principles of corporate governance, development of a sustainable environment, maintenance of social welfare, and strengthening of CSR-related information disclosure. In accordance to the norms and regulations set forth in the "Corporate Governance Best Practice Principles," concepts of gender equality shall be observed in the election and appointment of board members who shall possess strong competencies in the fields of operational judgment, accounting and financial analysis, business management, and crisis handling as well as industry-specific expertise, international market perspective, leadership and decision-making abilities, et al. to ensure achievement of the goal of optimal corporate governance. The composition of the Board of Directors should be based on the principle of diversity, and appropriate diversified policies should be formulated with regard to board operations, operation modes, and development demands including, but not limited to, standards on the following 2 dimensions:

Basic terms and value	Professional expertise and skills
Gender, age, nationality, or culture	Professional background, professional skills, and industry experience

[Link to reference for operation of the corporate governance](#)



Board operations

In accordance with the regulations set forth in the Articles of Incorporation, the board convenes at least once every quarter to gain a better understanding and monitor business plan execution, financial statements, auditing reports and tracking of relevant items. A total of 9 board meetings were convened in 2018. About 93.17% of the whole directors attended the meetings in person (excluding attendance by proxy), in order to oversee and verify the status of the business plans. Major board resolutions are made public on the Market Observation Post System and in the special section for investor relations of the corporate website in a prompt manner. Important company regulations such as the Articles of Incorporation, Corporate Governance Best Practice Principles and Internal Audit Regula-

tions, et al. are made available for online queries.

◆ 2018 board operations

Number of board meetings	Average attendance rate of Directors	Formulation/ amendment of important regulations
9 times	93.17%	<ul style="list-style-type: none"> Amendments to the Company's "Parliamentary Rules for Directors' Meeting." Amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets."

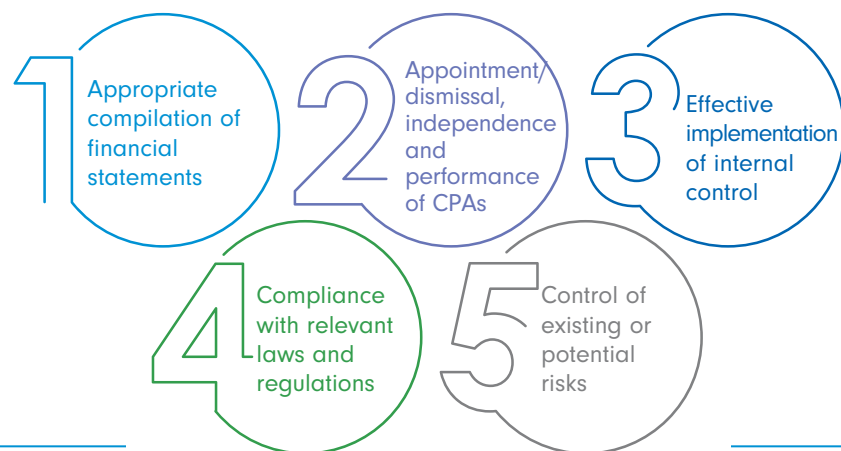
Audit Committee

the Company established an "Audit Committee" in 2013 to replace the supervisor system. The Committee is comprised of 3 independent directors. An independent director is appointed as the convener and Chairman of the committee. Independent director Ting-Wang, Cheng served as the convener for this term. The meeting of the Audit Committee was conducted in accordance with the Company's "Audit Committee Charter," where at least one meeting is convened every quarter. In 2018, 8 meetings were convened and the attendance rate of the entire members achieved 100% (not including attendance by proxy).

Remuneration Committee

the Company established a "Remuneration Committee" to ensure a sound remuneration system for directors and managers. Committee members are appointed by board resolution. The committee consists of a minimum of 3 members. At least one member must be an independent director and the committee members must elect a convener and Chairman. Standing independent director Wei-Chi Liu serves as the convener for this term. Pursuant to the "Articles of Association for Remuneration Committee," the Committee convenes the meeting at least twice a year. A total of 2 meetings with an average attendance rate of 100% were held in 2018.

Items monitored by the Audit Committee



Functions of Remuneration Committee

- Responsible for the formulation and regular review of Director and manager performance assessment and remuneration policies, systems, standards and structure.
- Evaluate and decide the salary of and remuneration to directors and managers periodically.



Director compensation policy

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

Manager remuneration policy

The remuneration to managers consists of fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPI). Each business division formulates key performance indicators on an annual basis in accordance with the Company's annual development plans. Indicator items encompass business performance of the division, development of energy-saving products and process/product line optimization. Talent cultivation encompasses balanced development of various dimensions including global manpower development, key talent cultivation and passing on of experience. KPIs are imposed from top to bottom encompassing all units at every level. Performance appraisals based on said indicators are carried out on a quarterly basis. The results of these appraisals reflect both individual and team performance. They are reported to the Remuneration Committee for review and the board of directors for approval in accordance with relevant laws. Relevant information is also disclosed in the Company's annual reports as deemed appropriate. This gives all stakeholders a full understanding of the linkage between the remuneration to directors and managers and the Company's business performance. In 2018, the Company worked with Willis Towers Waston to perform the remuneration system checkup project for the Company, which suggested the practices applicable in the industry from a macroscopic point of view to help adjust TECO's remuneration system to achieve a simplified, fair and reasonable system and the incentive purpose.

Corporate Governance and Sustainability Committee

In order to build a fair governance system, solidify and enhance the management function, and be dedicated to fulfilling corporate social responsibility and sustainability for the Company, the "Corporate Governance and Sustainability Committee" was established in 2018. The Committee consists of 3 directors or more, a majority of whom are independent directors. The members shall elect among and from them an independent director to serve as the convener and chairperson of the Committee meeting. The current convener is served by Standing Director and also Independent Director Wei-Chi Liu. The Committee meeting is organized in accordance with the Company's "Articles of Association for Corporate Governance and Sustainability Committee." In 2018, 1 meeting was convened, and the attendance rate of the entire members achieved 100% (excluding attendance by proxy).

Functions of Corporate Governance and Sustainability Committee

- Review and evaluate the soundness of the Company's corporate governance organization and system.
- Review and approve the task plans of "CSR Committee," "Corporate Governance Center" and "Legal Compliance and Legal Affairs Office."
- Formulate the criteria for election of independent directors, and propose the same to the Board of Directors for resolution.
- Propose the name list of candidates for independent director to the Board of Directors.
- Oversee the fulfillment of corporate social responsibility and sustainability, and evaluate the execution thereof.

Corporate Social Responsibility (CSR) Committee

TECO formed the CSR Committee in 2014, which convenes at least 3 meetings per year (March/August/November) and governs the CSR taskforce. The Committee reports directly to the Chairman and keeps track of TECO's CSR goals, and policy implementation status. Furthermore, it compiles the Company's CSR-related accomplishments in order to compile and publish the annual CSR report. TECO's CSR implementation performances are presented to the Board of Directors on a non-scheduled basis. Incorporation of the 3 main indicators (environment, society, governance) into the corporate decision-making process. the Company strives to achieve sustainable corporate growth and fulfill its corporate social responsibility in the fields of social inclusion and green economy. Starting from 2017, KPI for various business division executives (linked to executive salaries) were introduced along with CSR performance linkages in order to reinforce CSR promotion.

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

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

◆ Corporate governance management platform process

01 Confirmation of task indicators for corporate governance evaluations of the respective year

02 Assignment of task indicators to responsible units and stipulation of completion dates by organizing units

03 Responsible units indicate projected completion schedules and contents

04 Confirmation of mission objectives for corporate governance evaluations during the current year

05 Regular follow-up by the management platform after the stipulated completion date

06 Closure by organizing units upon verification of actually completed contents specified by competent units

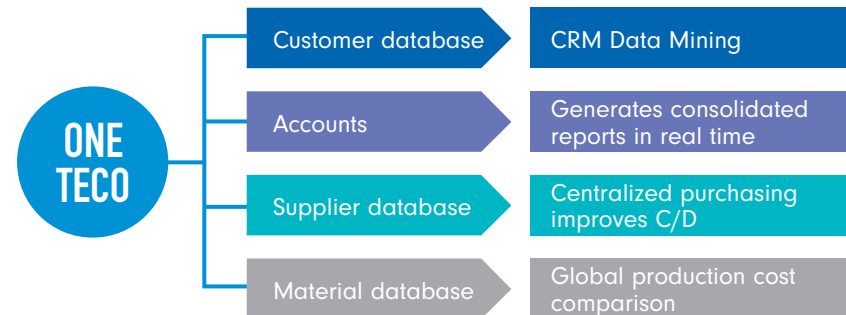


Establish the "One TECO Operation Platform" to improve financial transparency

"One TECO Operation Platform" (Enterprise Resource Planning integration) was completed in 2017 for the primary purpose of consolidating the databases of TECO's clients, accounts, suppliers and materials, which adopts a standardized management SOP.



Functions of the "One TECO Operation Platform:"


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



Compliance with code of ethical conduct

The Company formulated the “Code of Ethical Conduct for Directors and Managers,” “Ethical Corporate Management Best-Practice Principles” and “Code of Ethical Conduct and Integrity Operation Procedures and Conduct Guide” pursuant to the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies” as the codes of ethical conduct to be followed by each director and employee of the Company, in order to ensure that directors and managers strictly abide by behavioral norms and ethical standards.

	Harm to consumers' health and safety	Conflict of interest	Offering and acceptance of bribe
	Illegal political contributions	Improper charitable donations	Unreasonable hospitality
	Infringement upon business secrets	Infringement upon intellectual property rights	Unfair competition
<hr/>			
	Compliance with laws	Preventive programs	Promotion and training
	Whistleblowing system	Internal control	Information disclosure



The Ethical Corporate Management Best-Practice Principles apply to the Company, the Company’s subsidiaries, any corporations to which more than 50% of the donated fund is donated by the Company directly or indirectly, and any other institutions or corporations over which the Company may exercise substantial controls.

The “Code of Ethical Conduct and Integrity Operation Procedures and Conduct Guide” refers to the relevant preventive policy against the circumstances referred to in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies” or any business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and shall be implemented by related units strictly. Meanwhile, the Company also set up the Legal Compliance and Legal Affairs Office of the Board of Directors to review contracts to prevent execution of any contract from involving violations of laws. The auditing task force of the Board of Directors is responsible for reviewing and following up the relevant corrective actions periodically.

Link to downloading of reference



3.3 Environmental Risk Management and Value Creation

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

In order to identify and respond to the opportunities and risks caused by external environmental changes effectively, TECO established the “Global Product Planning Committee” across the planning units of TECO subsidiaries all over the world.

- 01 Draft the Company’s short-term, mid-term and long-term strategic development and overall goals, integrate the Company’s strategic development plans, and plan any other important strategic development tasks.
- 02 Review the business units’ strategies, and evaluate the execution and promotion of long-term strategic development plans
- 03 Plan and evaluate the Company’s business development and opportunities for mergers and acquisitions.
- 04 Incubating the Company’s technology, commodities and industries with potential.
- 05 Summarization, analysis and reporting to the management of any market information and industrial development trends.



The “Global Product Planning Committee” connects various business units and overseas affiliates to collect the market information, coordinate the product development plans and exercise internal control new product development procedures on an annual basis.

◆ Review on Performance/Adjustment on Strategy



TECO utilizes a rigorous internal control and market information feedback system to guarantee the effectiveness and efficiency of operations and ensure the reliability, instantaneity, transparency, and conformity to relevant regulations of internal and external reports as well as compliance with relevant laws and regulations, and the completeness of related market information and laws and regulations accessed by the Company.

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

◆ Internal control items

Environmental control – All levels



External environment

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



Corporate Governance

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



Sustainable operations

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

Operational risk assessment – Business division level



Management

Operational, demand and surplus risks



Management





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







Finance

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



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

Risk categories	Risks	Control methods
Information security risks 		<ul style="list-style-type: none"> • A Disaster Recovery System has been established for the ERP system to prevent interruption of operations and guarantee that major operations and activities are not affected by malfunctions and disasters. Disaster recovery drills are conducted on an annual basis. Ensure the Company's business continuity abilities. • In view of constant advances in the field of Internet technology, the Company organizes the educational training program and promotes new knowledge about information periodically to mitigate impacts on information security. • Creation of information security systems including Firewalls, IPS (Intrusion Prevention Systems), network antivirus programs, and e-mail screening.
Climate change risks 	Emerging new business opportunities	<ul style="list-style-type: none"> • Vehicle Electrification: In response to the zero-carbon emission target in 2050, various countries have formulated the implementation schedule and alternate laws and regulations for vehicle electrification. TECO has worked with various auto makers in the markets of passenger vehicles and buses to develop the electric motor for vehicles, and engaged in the mass production and bus market access. • Electricity-saving target for the supply chain: TECO will implement its own practices about energy conservation and reduction of emissions to the suppliers in its supply chain in Taiwan.
	Cost increase	<ul style="list-style-type: none"> • Standardization of materials and support in price negotiations and supply • Green product development
	Disruption of regional supply chains	<ul style="list-style-type: none"> • Development of alternative supply sources and spreading of risks is a basic requirement • Increase of local procurement ratios to minimize transportation risks and environmental impacts
	Impact on production and delivery	<ul style="list-style-type: none"> • Resource coordination and contingency plans at global production sites • Flexible adjustment of production and marketing planning in response to sudden risks
	Flooding and water shortage	<ul style="list-style-type: none"> • Storage and disaster prevention considerations in different areas • Water storage facilities and water conservation measures
	Power shortage	<ul style="list-style-type: none"> • Development of green products and green power generation business • Energy conservation measures and solar power installations at plants
Technology risks 		<ul style="list-style-type: none"> • Constant strengthening of competitive advantages in the field of high-performance motors, application of eco-friendly refrigerants in home appliances and energy conservation through variable frequency technologies. • Close scrutiny of international technology trends and market trend reports and adoption of innovative methodologies. • Planning of several technology-related discussion forums, development of long-term technology development blueprints, and realization of planned strategies and schedules.
Corporate image risks 		<ul style="list-style-type: none"> • Pursuit of business success through "diversified operations" and "global layout." • Deep social concern by TECO Technology Foundation combined with rigorous requirements in the field of products and services and active communication of a superior corporate image of an international enterprise. • Risk management plans encompass production bases all over the world; sudden major incidents are simulated and response plans are formulated constantly.

3.4 Participation in External International Organizations and Initiatives

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

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

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



- ◆ TECO also participates and serves as the director or supervisor in the following societies and associations :

Transnational Commercial Cooperation Organizations

Chinese International Economic Cooperation Association

Taiwan-Turkey Business Association

Taiwan India Business Association

R.O.C. East Asian Economic Association

Corporate sustainability-related organizations

Center for Corporate Sustainability (CCS)

Business Council for Sustainable Development of Taiwan (BCSD-Taiwan)

Renewable/Clean Energy Organization

Taiwan Wind Turbine Industry Association

Taiwan Wind Energy Association

Association of Atmosphere Protection in Taiwan (AAPT)

Other organizations

Taiwan Electrical and Electronic Manufacturers' Association

Chung-Hwa Railway Industry Development Association (CRIDA)

Taiwan Automation Intelligence and Robotics Association (TAIROA)

Taiwan Electrical Appliance Association

Taiwan Refrigeration and Air Conditioning Engineering Association of Republic of China

Taiwan Power Electronics Association

Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED)

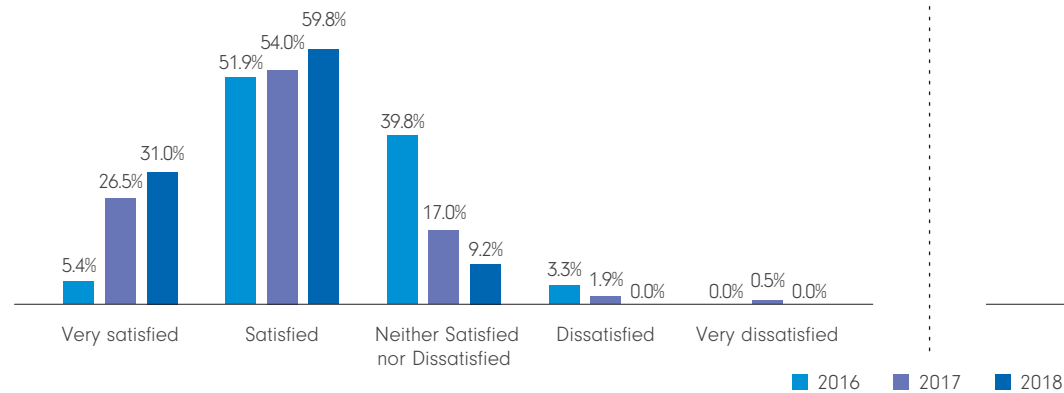
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)

Epoch Foundation

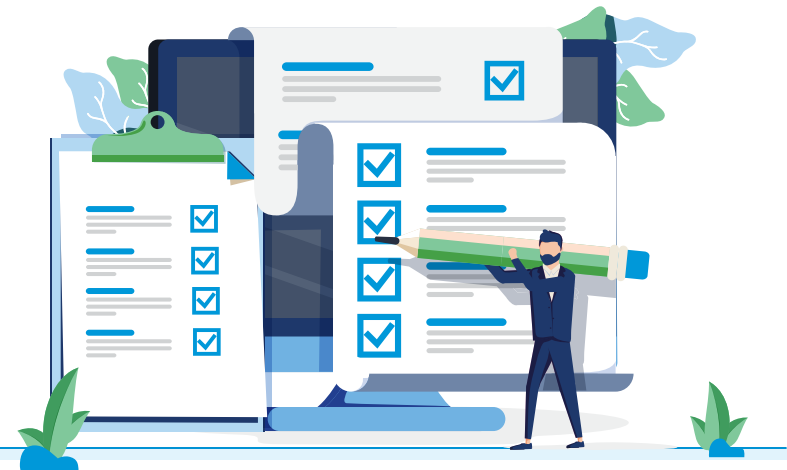
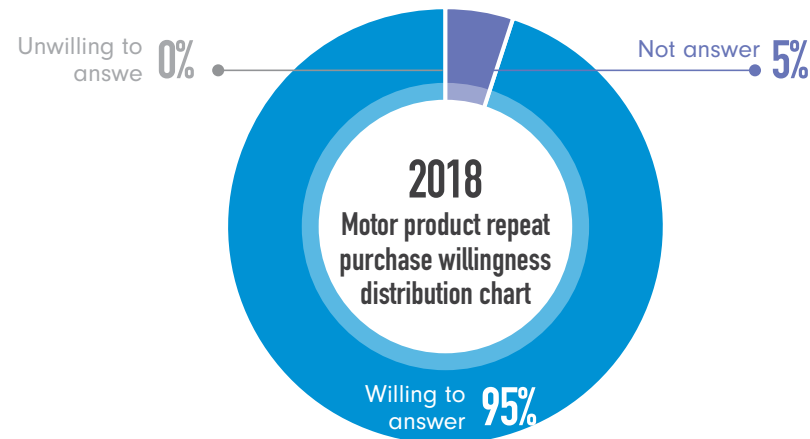
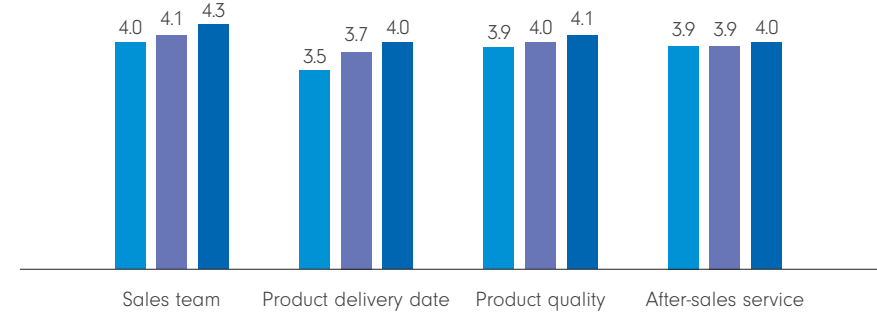
3.5 Customer Satisfaction and Continued Quality Improvement

TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement. The overall customer satisfaction rate attained 95% in 2018.

◆ Comparison of satisfaction levels with TECO motors 2016-2018



◆ Distribution of customer survey items 2016-2018



◆ Superior Quality Control

Mission and Vision

- Use the best efforts to become a global, high-tech and green enterprise.
- Insist on sustainability, create competitive strengths, and upgrade service quality.

Vision: Top talent, added-value work, top products, and zero customer complaints.

Quality Strategy

- Enhance technical abilities, deploy in markets with potential, and develop automated, smart, eco-friendly products and solutions. The aim is to create competitive advantages by transforming the Company into a global, high-tech and green-product manufacturer.
- Through the quality circle and quality improvement task force activities and the requirement for quality management system, achieve the continuing product and service quality improvement, satisfy customers' requirement, and secure the leading position beyond customers' expectations.
- Establish the long-term mutual relationship with the Company's stakeholders, such as employees, customers, distributors and supply chains.

Achievements in 2018

Improve the converter A510(s) IGBT design. Expected to benefit 58M NTD every year.

A total of 56 quality improvement projects were implemented (including 38 quality control circle activities and 18 project improvement teams), generating the benefits of improvement amounting to NT\$31,790K and winning two Bronze Tower Awards in the National Quality Control Circle Competition.

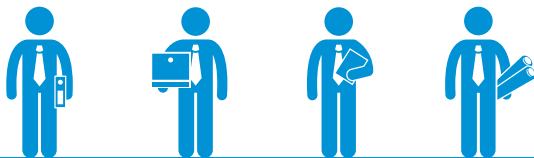
Plans in 2019

Implement IoT into the total productive maintenance and promote smart monitoring system.

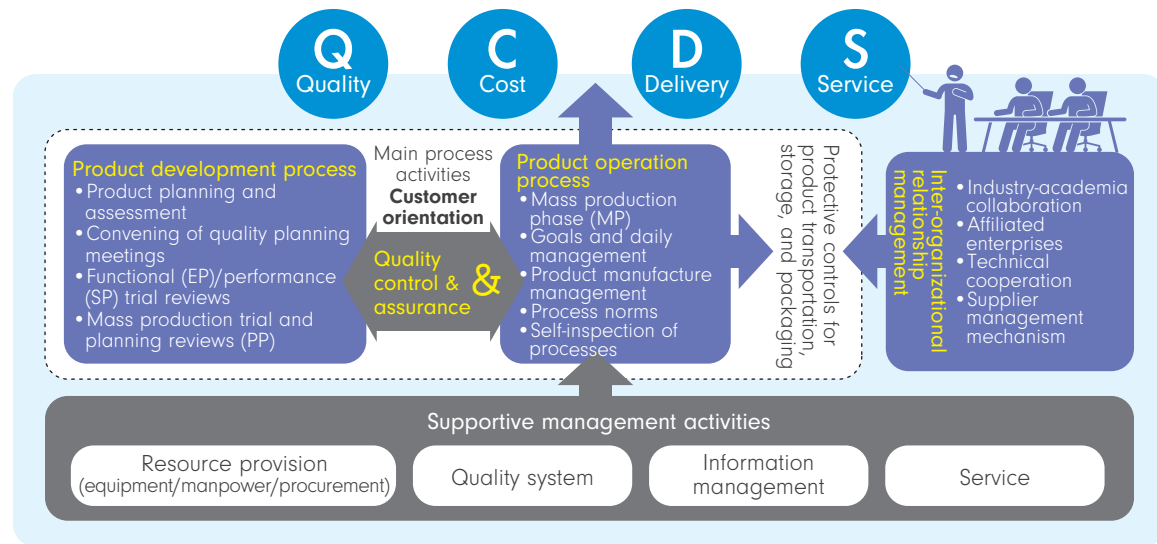
The subjects of the monthly promotion for environment and safety quality include suppliers, in order to reach the consensus on the entire supply chain.

◆ Rigorous Product Development Procedures

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



Performance indicators

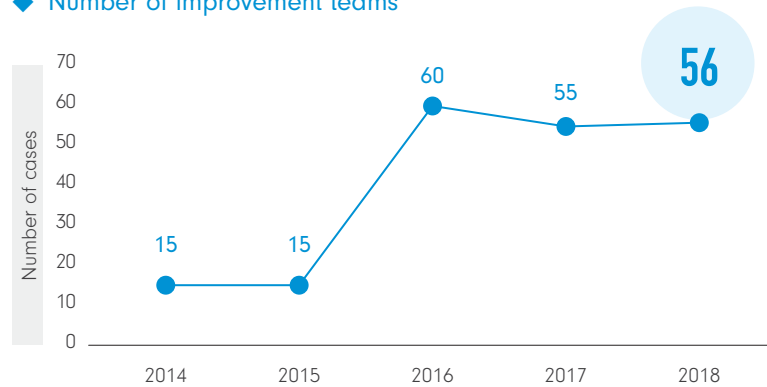


◆ Continued improvements

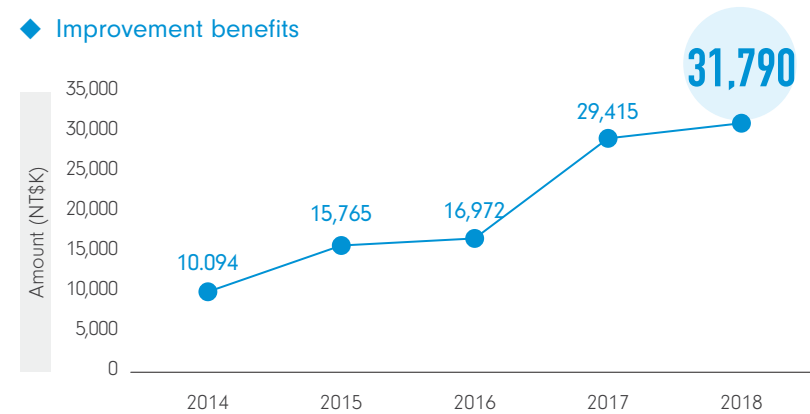
Since TECO introduced the quality circle and quality improvement project more than 4 decades ago in 1971, it has continued to utilize systematic, logical improvement processes and tools to facilitate the PDCA management cycle. Through problem analysis, resolution and team improvement activities, it is able to satisfy customers' needs, improve the Company's operating efficiency, as well as foster personal growth and cultivate self-awareness. Each team may observe and learn from each other at various promotion centers, or the presentation throughout the Company to improve the ability to resolve problems and innovate for each other. Meanwhile, the incentives, such as prize and public commendation, may arouse workers' sense of honor and thereby help upgrading of the entire quality awareness.

The Company's improvement efforts have, once again, received recognition at the National Unity Circle Competition by winning bronze or silver awards repeatedly. In 2018, the two improvement projects, namely "AVS (Production Lines) Casting Framework of No More Than 5HP Production Process Improvement" and "Reduction of Redo Working Hours of Movable Fusion," won the bronze awards at the National Unity Circle Competition.

◆ Number of improvement teams



◆ Improvement benefits



◆ Overview of acquired quality certifications

Certification type	Certified plant area
ISO9001 Quality Management System	<ul style="list-style-type: none"> • Chungli Plant • Hukou Plant • Guanyin II Power Equipment
ISO / TS16949 Quality Management System (car production and related spare parts...)	<ul style="list-style-type: none"> • Chungli Plant • Hukou Plant Electric Control Products

Certification type	Certified plant area
United States Department of Commerce (DoE) NVLAP	<ul style="list-style-type: none"> • Motor testing lab of the Chungli Plant
Canadian Standards Association CSA ISO / IEC 17025 lab accreditation	<ul style="list-style-type: none"> • Motor testing lab of the Chungli Plant
Taiwan Accreditation Foundation TAF ISO / IEC 17025 lab accreditation	<ul style="list-style-type: none"> • Motor testing lab of the Chungli Plant • High-voltage switchboard lab of the Hukou Plant • Calibration lab of the Chungli Plant

04

Environment and the Supply Chain

Contribution to world energy conservation from Taiwan industry

TECO places great emphasis on environmental protection issues. The Company not only actively develops highly effective green products and solutions by relying on its core technologies but also conducts inspections from the perspective of product life cycles and social responsibility to achieve the key policy goal of prevention of additional environmental burdens. TECO upholds the corporate vision of "Energy Conservation, Emission Reduction" and links it with the whole employees' performance evaluation to demonstrate its determination. TECO is fully committed to minimizing environmental impact generated by the strategies about procurement from and selection of vendors, management of risk assessment on product development, materials input and production processes, continuing improvement on defective production models warehousing, and transportation. As of 2016, the Company utilizes the monitoring and analysis functions of the self-developed EMS system to enhance the energy usage efficiency of the whole production process in plants and implements constant improvements with the goal of enhancing product life cycles from the perspective of energy management, realizing clean production, improving recycling rates, achieving sustainable development and in fulfilling the vision of protection of our natural environment. The taskforce is responsible for the compilation and response uniformly, in order to widen the Company's horizon and integrate resources to help control the movement of ESG in this industry. TECO also conducted interviews with various celebrities as stakeholders to voluntarily collect and update the issues of concern.



Annual Performance and Future Goals

2017

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

2018

- Continue to make large motors more compact and lightweight: In 2018, an extra frame number was added to the motor product series (to continue to decrease the use of copper and iron raw materials).
- The use of renewable materials in motor products reached 23.7% in 2018.
- Climate change risks and opportunities: Continued analysis and assessment of risks and opportunities and adoption of response measures.

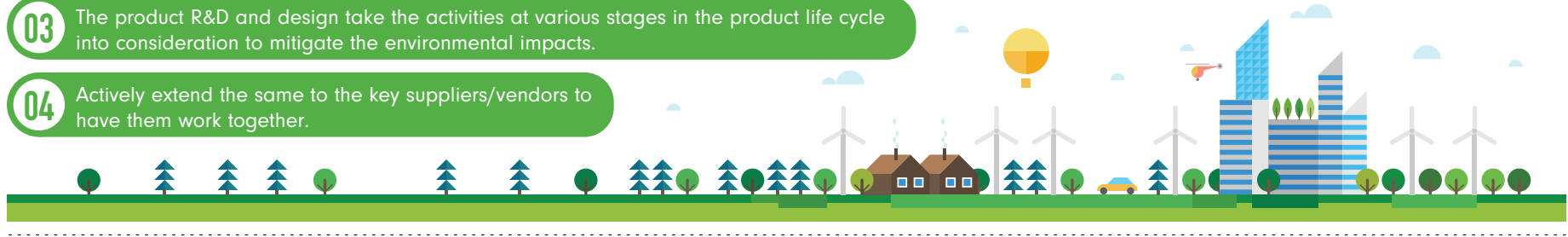
2019

- Continue to make large motors more compact and lightweight: In 2018, an extra frame number was added to the motor product series (continue to decrease the use of copper and iron raw materials).
- Renewable materials used for motor products > 10%.
- Annual energy conservation > 2%.
- Selection of the top 10 vendors and suppliers to implement energy conservation, emission reduction and promotion of CSR.



◆ Key aspects of environmental strategy

- 01 The Company upholds "Energy Conservation, Emission Reduction" as its corporate vision in response to climate changes.
- 02 Formulate tangible goals in the 3 dimensions of "energy-saving products, decreased energy and resource consumption during production processes, and the reduction of pollutants and wastes" and include them into the KPI assessment items.
- 03 The product R&D and design take the activities at various stages in the product life cycle into consideration to mitigate the environmental impacts.
- 04 Actively extend the same to the key suppliers/vendors to have them work together.



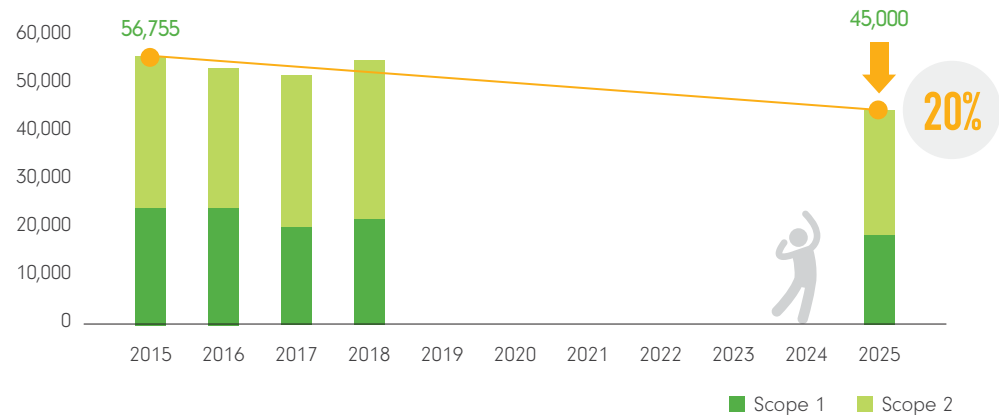
4.1 Production Base Sustainability Goals

Goals for energy conservation and emission reduction: Declaration of "emission reduction by **20%** in one decade"

Reduction by 20% in 2025 cumulatively from 2015, and reduction by 2% each year.

Ratio of shipment of energy-saving products:
Proportion of sales of energy-saving products **61.27% → 80%** in 2020

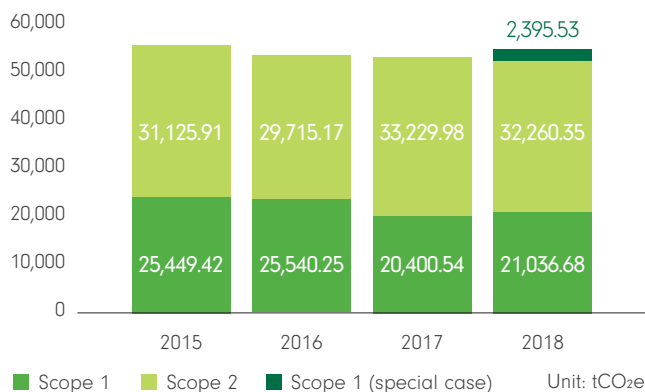
Supply chain management goal: **93% → 100%** for signing rate for Letter of Commitment to Human Rights and Environmental Sustainability



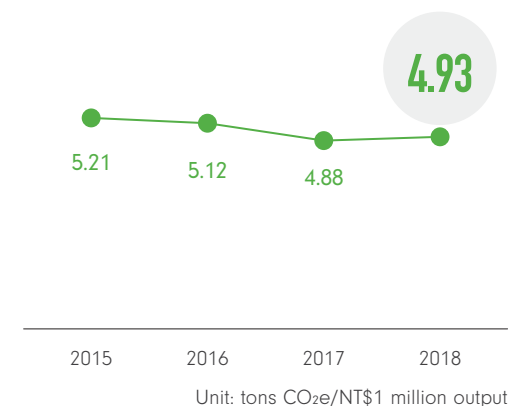
4.1.1 GHG inventories

As of 2013, external verification of GHG emission assessment for the whole Company (HQ, Home appliance service centers, and four plant areas) and TESEN ensure the accuracy of assessment. GHG audit passed BSI (British Standards Institution)'s ISO 14064-1 (GHG audit) verification to provide the assurance about accuracy of assessment data. The assessment and external verification give the Company a firm grasp of the emissions generated by various activities and guide efforts to reduce emissions and thereby minimize environmental impacts.

◆ GHG emission chart



◆ GHG emissions intensity



* : In 2018, as a special case, a total of 1,232 units of transmission and distribution apparatus were shipped by the Hukou Plant, increasing by 73% from 2017. In this special case, the increase in the demand for perfusion of insulated and anti-electric arc gas, SF₆, resulted in the increase by 2395.53 tCO₂e in Scope 1.

In 2018, TECO built the 1.7MW photovoltaic power station in TECO's Guanyin Plant in the form of a joint venture, which generated annual electricity of 2,060,000 kWh and thereby resulted in the reduction by 1141.24 tCO₂e in Scope 2. Notwithstanding, this part has not yet been included into the third party GHG certification this year.

◆ Direct and indirect emissions generated by TECO and TESEN in 2018

GHG emission categories	Direct emissions (Scope 1)							Indirect emissions (Scope 2)	Total
	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Power	
TECO's emission amount (Metric tons CO ₂ e/year)	1,959.22	239.04	5.45	1.51	-	3,593.28	-	30,702.23	36,500.73
TESEN's emission amount (Metric tons CO ₂ e/year)	637.83	6.38	1.07	16,988.43	-	-	-	2,699.36	20,333.06
TECO and TESEN's combined emission amount (Metric tons CO ₂ e/year)	2,597.06	245.41	6.53	16,989.94	-	3,593.28	-	33,401.58	56,833.79

2018 GHG Assurance Statement (TECO)

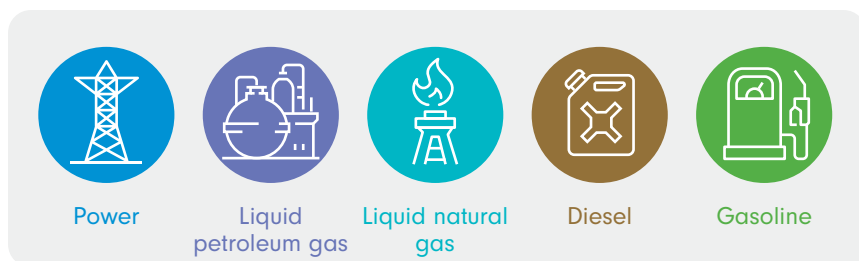
A third credible and fair party is appointed to conduct the assessment and certification against the GHG emissions by various plants on a yearly basis.

Link to downloading of historical certificates

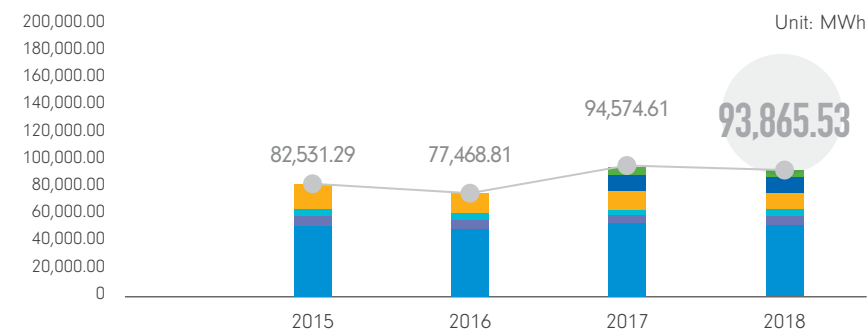


4.1.2 Energy consumption

TECO's main energies can be divided into the following five categories:



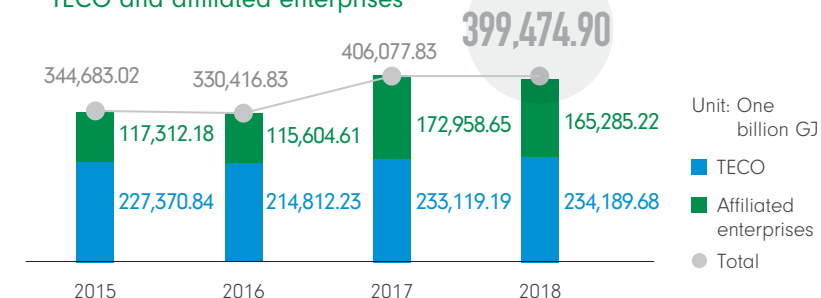
◆ Power consumption statistics and analysis



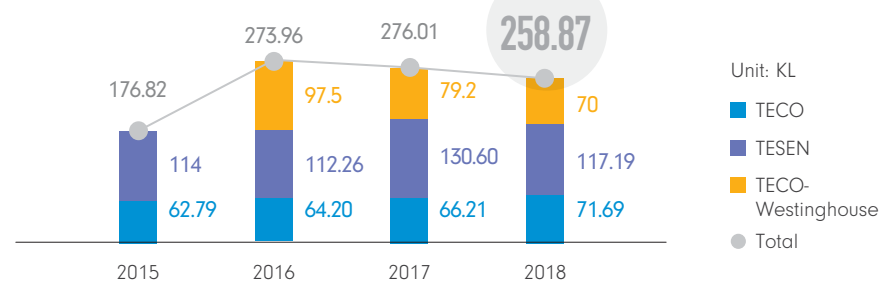
TECO Electro Devices	-	-	1,778.61	1,315.36
Wuxi TECO	-	-	12,635.67	12,533.58
TECO-Westinghouse	18,941.35	17,621.08	16,572.24	15,509.14
Taian Technology (Wuxi)	4,291.68	3,782.36	3,608.09	4,215.78
TESEN	5,890.75	6,108.70	4,810.98	4,872.48
TECO	53,407.51	49,957.66	55,169.02	55,419.18
Total	82,531.29	77,468.81	94,574.61	93,865.53

*: The information about TECO Electro Devices and Wuxi TECO has been included since 2017.

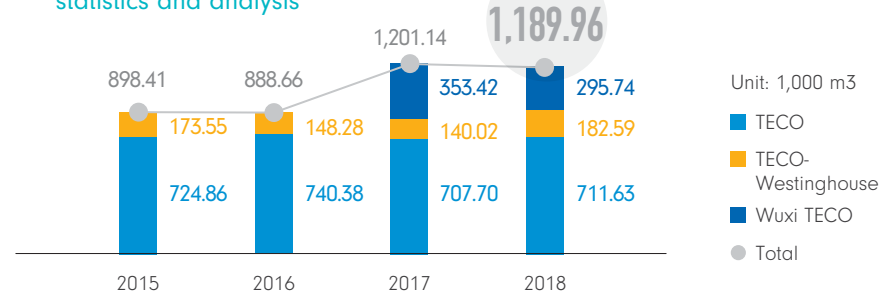
◆ Total energy consumption by TECO and affiliated enterprises



◆ LPG consumption statistics and analysis

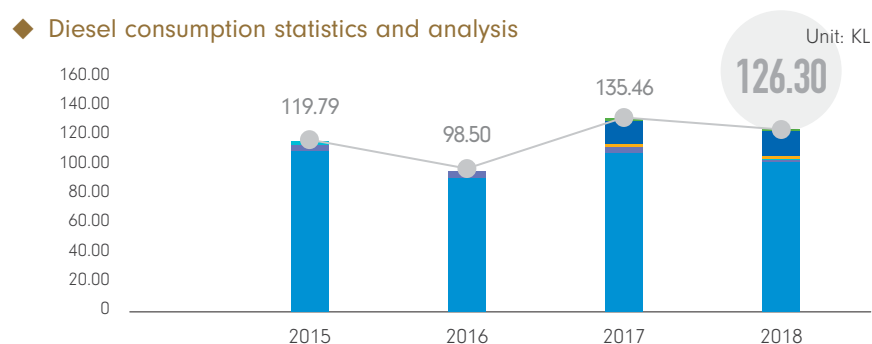


◆ Liquid natural gas consumption statistics and analysis



*: The information about TECO Electro Devices Wuxi TECO has been included since 2017.

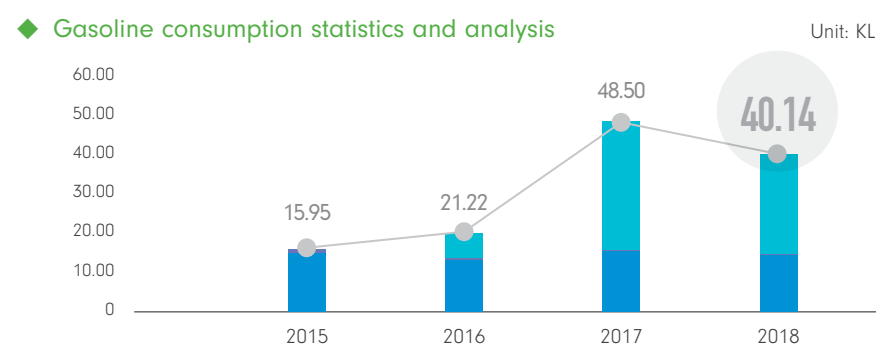
◆ Diesel consumption statistics and analysis



TECO Electro Devices	-	-	0.61	0.48
Wuxi TECO	-	-	18.03	18.30
TECO-Westinghouse	0	0	1.90	1.44
Taian Technology (Wuxi)	0.84	0	0	0.34
TESEN	3.20	4.31	3.03	0.66
TECO	115.75	94.20	111.89	105.42
Total	119.79	98.50	135.46	126.64

*: The information about TECO Electro Devices Wuxi TECO has been included since 2017.

◆ Gasoline consumption statistics and analysis



Taian Technology (Wuxi)	0	6.38	32.23	24.69
TESEN	0.22	0.18	0.07	0.09
TECO	15.73	14.66	16.20	15.37
Total	15.95	21.22	48.50	40.14

4.1.3 Bulk raw materials consumption

The Chungli plant, a subsidiary of the heavy electric business department and green electric machinery department, mainly produces motors of all sizes (same as Wuxi TECO) with main materials including metals (iron alloy, silicon steel plates, round iron, pig iron, aluminum ingots, and copper wires, etc), as well as non-metals (such as water-based paint, oil paint, wood and cardboard boxes, etc.). The Hukou plant, a subsidiary of the electrical control department, mainly produces switchboards and inverters and its main materials include machinery components, electric wires and insulated wires.

The Guanyin plant is the backbone of TECO's home appliances department, whereas TESEN Co., Ltd. supplies home and commercial A/C systems, refrigerators and other products to the home appliances department for sale. The Guanyin plant is also in charge of R&D personnel. Raw materials can be divided into the metals (including steel sheets, copper pipes and aluminum coil sheets), and non-metallic materials (including plastics, cardboard boxes, oil paint and refrigerants (with 0 ozone depletion potential (ODP), etc.)

The Guanyin II plant, a subsidiary of the power department, mainly produces 161 KV and smaller SF6-insulated switching equipment and peripherals for renewable-energy equipment. Main materials include machinery components, electric wires, and insulated wires.

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

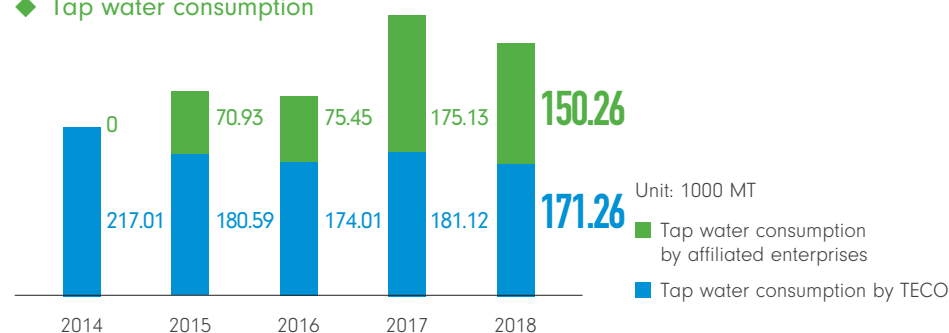
Items	Raw materials consuming plants	Raw materials consuming product categories	2016	2017	2018
Iron	Chungli plant, Hukou plant, Taian Technology (Wuxi), Wuxi TECO, TESEN	Motors, no fuse breakers and home appliances	21,936.00	41,570.30	48,198.10
Copper	Chungli plant, Hukou plant, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, TESEN	Motors, no fuse breakers and home appliances	3,725.00	6,962.10	6,480.13
Aluminum	Chungli Plant		581.00	1,022.00	821.00

*: Increase the iron consumption of Wuxi TECO in 2018

4.1.4 Water resource consumption

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

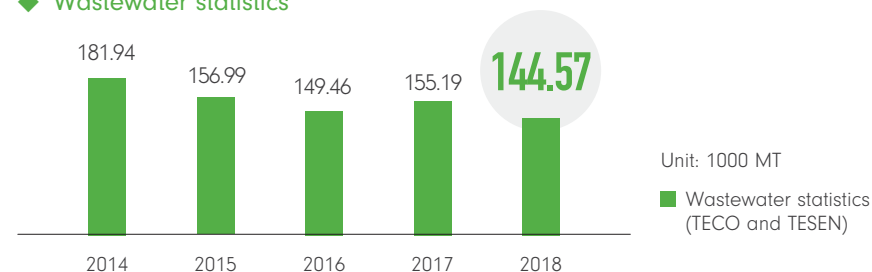
◆ Tap water consumption



TECO estimates that its total wastewater discharge equals 80% of the total water consumption. TESEN wastewater discharge calculations, on the other hand, are based on process wastewater amounts. Total wastewater discharge between 2015 and 2017 is shown in the chart below. The quality of wastewater discharged by TECO and its plants is inspected by qualified third-parties to ensure conformity to relevant standards. TECO plants discharge the tested wastewater to treatment facilities in their respective industrial zones. Upon proper treatment by such facilities, the quality of the discharged water meets relevant legal requirements.

TESEN treats generated wastewater in its own sewage treatment facility and conducts inspections to ensure conformity to the relevant standards prior to discharge. The quality of the discharged water meets current legal requirements. Water recycling and re-use has only been implemented in TECO's Chungli plant which conducts painting operations, but the ratio is very low. The wastewater recycling rate is therefore just slightly over 0%. In addition, there are no environmental protection zones, habitats or areas with high biodiversity in the close vicinity of the 3 TECO plants or TESEN. The impact on existing ecosystems is therefore minimal.

◆ Wastewater statistics



4.1.5 Waste management

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

Waste treatment methods employed by TECO and TESEN can be divided into the following categories: Re-use, incineration, physical treatment, offshore processing, landfill. Waste electric wires and cables are shipped to Mainland China for physical treatment. TESEN focuses on re-use, incineration, physical treatment and landfill.

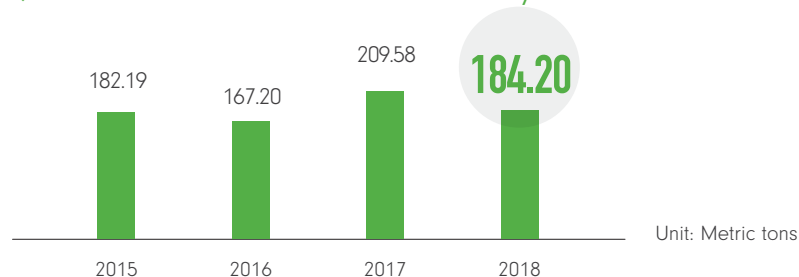
項目	公司別	2015	2016	2017	2018
一般事業廢棄物	東元	3,938.41	2,719.16	2,974.72	3,229.83
	東勝	101.85	88.61	83.26	78.23
合計		4,040.26	2,807.77	3,057.98	3,308.06
有害事業(廢電線)	東元	12.51	6.56	18.65	12.56
	東勝	-	-	-	-
合計		12.51	6.56	18.65	12.56

4.1.6 Air pollutant management

Air pollutants are mainly generated during motor production in the Chungli plant and consist mainly of Volatile Organic Compounds (VOCs). The Company has implemented improvements at the source by replacing the base coat for motors with VOC-free water-based paint. TECO has also adopted low-voc varnish.

Plant locations that generate air pollutants include TECO Chungli and TESEN. Air pollution control facilities have been established in accordance with the relevant laws and standards and dedicated personnel have been assigned to carry out operations in accordance with environmental protection-related laws. The company is firmly committed to reducing pollutant concentrations to conform to air pollution standards. TECO and TESEN pollutant categories include SO_x, NO_x, and VOCs.

◆ TECO and TESEN VOCs statistics and analysis

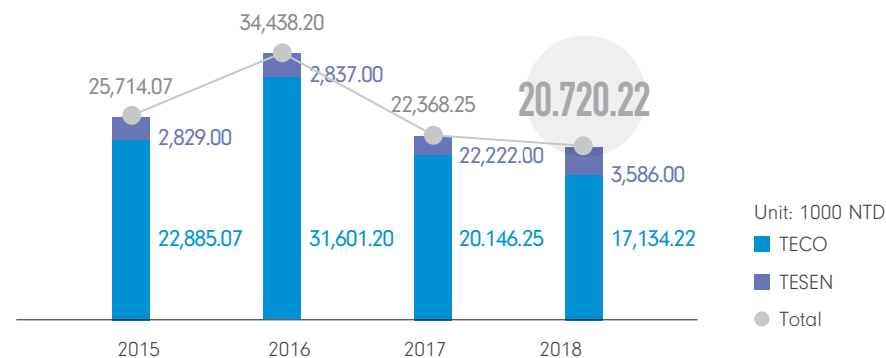
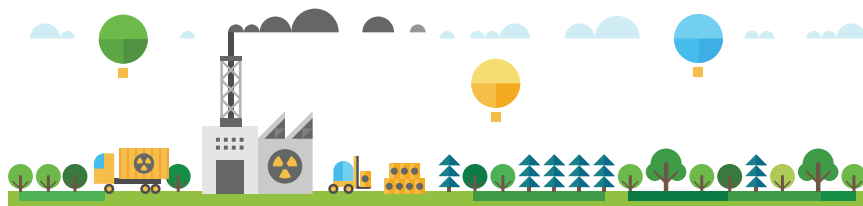


Unit: Metric tons

Pollutant	Company	2015	2016	2017	2018
SO _x	TECO	1.60	1.18	1.57	1.38
	TESEN	1.06	1.01	0.98	1.00
Total		2.66	2.19	2.55	2.38
NO _x	TECO	0.94	0.78	0.90	0.94
	TESEN	0.67	0.59	0.60	0.58
Total		1.61	1.36	1.50	1.52
NO _x	TECO	179.03	163.89	206.36	181.57
	TESEN	3.16	3.30	3.22	2.63
Total		182.19	167.20	209.58	184.20

4.1.7 Environmental expenditures

TECO constantly assesses energy conservation and carbon reduction, waste disposal and pollution control equipment to minimize environmental pollution caused by pollutants generated during plant operations. Relevant expenses have been incorporated into environmental expenditure items.

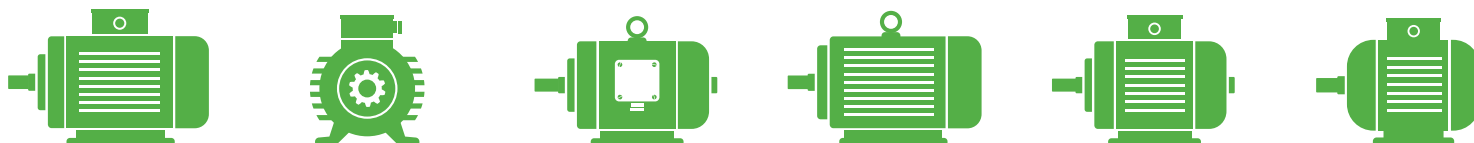


4.2 Product Design and Process Innovation

Current state of the heavy electrical equipment industry

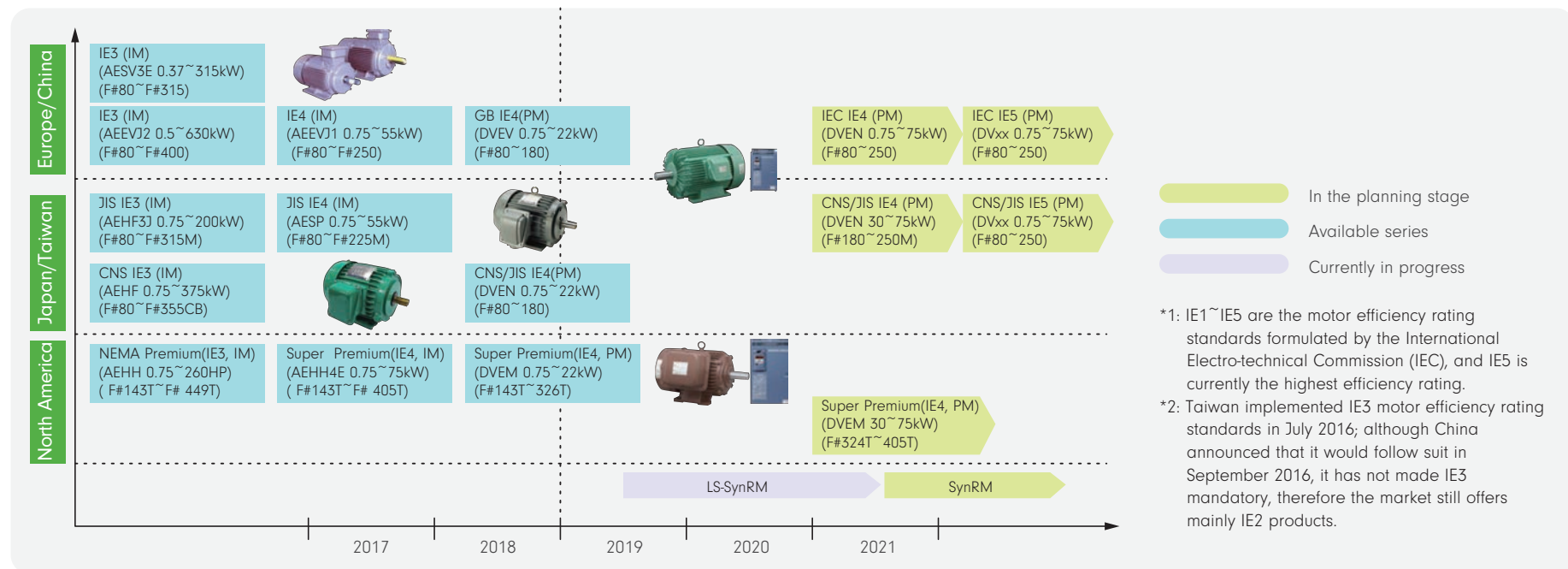
Machines are driven by motors; therefore, they have been given the title of "Heart of Industries." According to the International Energy Agency (IEA)'s analysis, industrial machines powered by motors are the most power-hungry equipment in the industry, including drills, pumps, air compressors and blowers. Collectively, they account for approximately 46% of the global power consumption. In Taiwan, motor power consumption accounts for 68% of all industrial power consumption. The staggering amount of power consumed by motors means that "energy-saving" has become a key consideration during new product development.

In addition to increasing emphasis on the performance of motors, the application of inverters to expand system has also been widely accepted, further increasing efficiency and performance. According to estimates by the European Committee of Manufacturers of Electrical Machines and Power Electronics (CEMEP), the ratio of motor + inverter applications will rise from 22% in 2012 to 45% in 2020.



Development of TECO's high efficiency motors

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



Special Column Motor Stator Automated Production Center

TECO officially activated the "Motor Stator Automated Production Center" by investing more than US\$10 million. Featuring 3D vision robotic arms, unmanned transport vehicles, and automatic coil winding machinery, it is now the largest and most comprehensive smart industrial motor production line in Asia, and the first of its kind in the world. For this production line upgrading, TECO worked with the affiliate, Information Technology Total Services (ITTS), internally, and more than a dozen of contractors Industrial Technology Research Institute (ITRI), externally, and also was granted the resources invested by governments. Sophia Chiu, Chairman of TECO, indicated that Taiwan's suppliers should put their competitiveness in massive customization. For manufactures based in Taiwan, smart production lines are of the essence. Only "Made in Taiwan" may serve as the orientation for survival. TECO also promoted its experience in reproducing smart production lines to the other domestic heavy machinery manufacturers, in order to upgrade the smart production and upgrade Taiwan's industrial competitiveness at the same time.

TECO is the largest motor manufacturer in Taiwan, ranking Top 3 among the global industrial motor manufacturers. In the recent years, TECO has been engaged in R&D of IE3 and IE4 high-efficiency motors. The proportion of internal copper wires inside the high-efficiency motors must attain 85% or more. In the past, it was very difficult to have the proportion attain 75% or more by manual installation of the wires, let alone it should be necessary to take care of the reliable quality at the same time. Given the demand for small lot production and high customization in the current market, Chairman Sophia Chiu believes that automated flexible production lines should be inevitable, if Taiwan's production industry wishes to keep its global competitiveness.

The "Motor Flexible and Intelligent Production Line" implemented by TECO helped reduce the machine units by 30% and cut the cost by 10%, thereby raising the entire efficiency by more than 3 times. The IE3 production capability was expected to help upgrade 100,000 units per year to 220,000 units per year, and the proportion of operating revenue to 55% in 2017, and 70% in 2018. It benefited the Company's operating revenue remarkably. In addition to the upgrading of efficiency, reliability and process stability were upgraded, and the quality control as well.



In the process of upgrading the smart automation of production lines, TECO researched and developed the equipment and technology of smart production lines, hoping to reproduce the successful demo production lines in the future to achieve intellectualization of various production bases step by step, expand the experience in smart production and further develop the business opportunities for "smart manufacturing and service" externally. According to Chairman Sophia Chiu, TECO, as it transforms from a traditional industry to the smart production supplier, is able to help the small and medium-sized enterprises in Taiwan, with its own experience and technology, intellectualize and upgrade their old plants in the most efficient and economic manner.

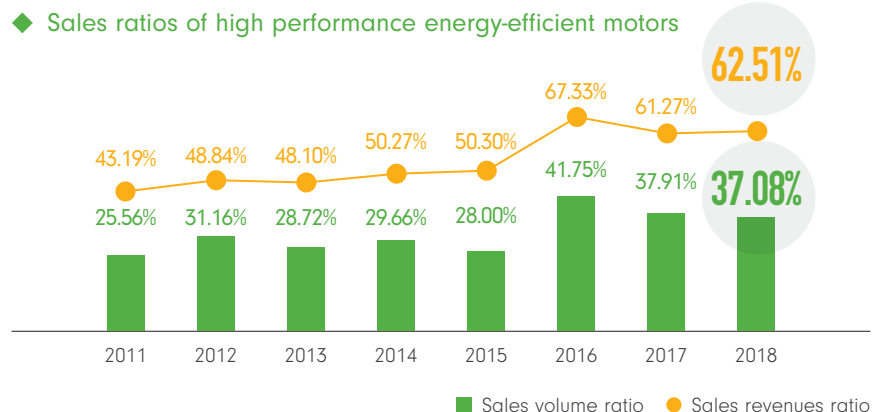
[Link to smart manufacturing videos](#)



In 2018, the sales of high performance energy-efficient motors below 300hP (224kW) (IE3+IE4) accounted for 62.51% and 37.08% of TECO's sales revenue and volume, respectively. Total energy savings reached 650 million kWh of electricity. Please refer to the charts below:

Green Product Performance

Sales ratios of high performance energy-efficient motors below 300hP (224kW) in 2018 (IE3+IE4)



*: Taiwan implemented IE3 motor efficiency rating standard in July 2016. Therefore, calculations after 2017 included IE3+IE4 while including IE2+IE3+IE4 before 2016. Notwithstanding, since IE2 was excluded after 2017, the sales ratios thereof declined slightly. Compared with IE1, the high performance energy-efficiency motors (IE3 and IE4) sold by TECO throughout the world in 2018 may help save the electricity by 620 million kWh and reduce emissions by 359,000 MT CO₂e each year.

Energy-saving statistics for sales of high performance energy-efficient motor with capacity below 300hP (224kW) in 2018 (IE3+IE4).

Total energy savings: **624,635.33** MWh/Year
 Total emission reduction: **332,930,632.88** MT CO₂e/Year

*: Calculations based on 5,000 operating hours per year
 Per public notice of the Bureau of Energy in 2018, the power emission coefficient is 0.533 (kgCO₂e/kWh)

Era of System Integration

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



Special Column TECO's launch into the car power market

TECO has collaborated with a European manufacturer to engage in the mass production of 200kW bus permanent magnet motors in 2018, as the power source for the newest electric bus hitting the market. The Synchronous Reluctance assisted Permanent Magnet technology applied by TECO as the first company in the same industry in Taiwan, compared to traditional induction motor, helps reduce the size and weight of motor by 75%.



Link to electric bus motor videos



Product Stewardship Services

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

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



Smart, Energy-Saving, and IoT Home Appliances

2018
and future
development

- Develop R32 refrigerants AC models (class 1)
- Integrate the cloud home appliance control technology and build IoT management platform
- Develop TECO's EMS to promote the energy-efficient technology from family to commercial and public zones



Development Trends in the Field of Smart Home Appliances

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

Smart energy conservation and carbon reduction

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

Composite Interactive Smart Control

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

TECO Smart Home Appliances Development Plan

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

Smart Air Quality Management System

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

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

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

◆ Energy-efficient product emission reduction

Unit: Metric tons

Emission reduction	Home A/C	Refrigerator	Total
2016	8,097	2,156	10,253
2017	9,297	1,552	10,849
2018	10,520	2,327	12,847
Total	27,914	6,035	33,949

Emission reduction by 34,000 MT cumulatively for 3 years, resulting in the carbon uptake equivalent to that by 89 Taipei Daan Forest Parks. The sales of green energy-saving home appliances accounted for **49.99%** of total revenue.

Note:

Energy-saving home appliances refer to the models satisfying any of the following circumstances:

- Home A/C and commercial A/C: To obtain class-1 under "Energy Efficiency Rating for Non-conducted air conditioner Products" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10504606420 dated December 28, 2016, or the Certificate of the Registration of Production Certification issued by TAF.
- Refrigerator: To obtain class-1 under "Energy Efficiency Rating for Refrigerators" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601990 dated May 10, 2017.
- Dehumidifier: To obtain class-1 under "Energy Efficiency Rating for Dehumidifiers" promulgated by the Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601460 dated April 17, 2017.
- Television: No more than the limit identified in the energy consumption standards promulgated Ministry of Economic Affairs (MOEA) in the attachment to its letter under Neng-Ji-Zi No. 10405003751 dated April 28, 2015.
- Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Neng-Ji-Zi No. 10505001040 dated February 5, 2016.
- Washing machine: To satisfy the "Gold" or "Normal" grade identified in the "Scope of Products Applicable to Water Efficiency Label and Specifications & Standards" attached to the Regulations for Management of Water Efficiency Label promulgated by the Ministry of Economic Affairs (MOEA) via its letter under Jing-Shui-Zi No. 10604602300 dated June 7, 2017.
- Air-cooled chiller (commercial A/C): To satisfy the "Chiller Energy Performance Standard" published by Ministry of Economic Affairs (MOEA) in its letter under Jing-(90)-Neng-Zi No. 09004619170 dated September 12, 2001.





Link to energy conservation and emission reduction videos

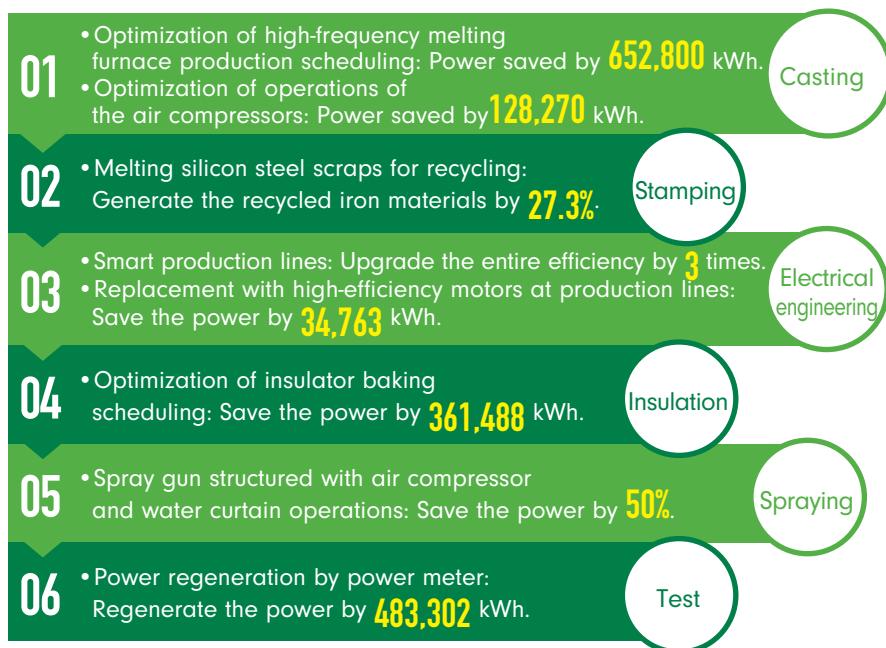


4.3 Energy Conservation and Renewal

Motors serve as the machinery power source. The power consumption thereof account for about 46% of the global power consumption. Motors are made of the materials including more than 90% metal, and operate based on the basic electromagnetic reaction physical law. In addition to pursuing the motor's performance, TECO also focuses the energy conservation on the management and innovation of production process.

In response to the goal "energy conservation and emission reduction by 20% in one decade" declared throughout the Company, the staff from all of the production bases are using their best to propose the optimum solutions with respect to each production cycle. In the process of shell molding, engineers connected the on-site order scheduling in order to optimize operations of the high-frequency melting furnace and save power consumption therefor. In the process of silicon steel plate stamping, collect the waste materials (silicon steel tailings) no longer needed upon completion of the production of motors and melt them with the private electric furnace in the plant to form the frame and shell for the motors. That is, with the silicon steel scraps melting technology leading the others in the same industry, the Company recycles the silicon steel scraps to generate the recycled iron materials to replace those recycled by the melting pig iron by 27.3%. Implement the brand new "Motor Flexible and Intelligent Production Line" at the stage of the electrical engineering production, thereby reducing the machine units by 30%, cutting the cost by 10%, and raising the entire efficiency by more than 3 times. Meanwhile, the automated production also helps increase the proportion of copper wires inside the motor by 85% or more, so as to satisfy the high-efficient motor standards. In the process of insulating treatment, optimize the order scheduling to make use of the waste heat generated by the blower furnace and save power therefor. In the process of external casing spraying, some inspiration hit the engineers and then the engineers had the spray gun operate in response to the on/off of the exhaust air compressor and circulating water curtain for dust collection in the spray booth, thereby saving on power by more than 50%. At the stage of the final test, the engineers connect the "power meter" of the motor units for testing with the generator for power regeneration at the time of the test. In 2018, a total of 500,000 kWh power was regenerated in 2018, which was consumed by the plant privately.

To serve the mission for "energy conservation and emission reduction by 20% in one decade," the production bases identify the power saving by 2% each year as its KPI. With the efforts spent by all staff, the power is expected to be saved by 3% each year.



Optimization of production process and equipment helps the Plant save the power by **1.66** million kWh annually. Attaining **3%** of the power consumption throughout the plant.

◆ Silicon steel tailings recycling statistics

Unit: Metric tons

	2015	2016	2017	2018
Silicon steel tailings	10,698.44	8,077.18	10,022.42	9,995.04
Internal recycling and re-use	9,620.88	7,508.65	7,642.63	7,797.38
Silicon steel scrap recycling and reuse ratio (%)	89.93%	92.96%	76.26%	78.01%

TECO has built the rooftop photovoltaic power station in its own plant. In October 2017, it received the approval for construction of the photovoltaic power station. The areas occupied by the relevant modules reached 0.9365 hectares and the total capacity thereof was 1.7 MW. The power of 2.30 million kWh generated per year was sold as a whole to the Taiwan Power Company. The project features include: adoption of Mono-Crystalline Silicon Photovoltaic Modules and TECO 25/30kW solar inverters and application of the cloud monitoring management system to achieve the preventive maintenance by virtue of the real-time monitoring to cut the maintenance manpower and cost, and also upgrade the income from power generation significantly by 3~4%.



The 1.7MW photovoltaic power station has generated the power by **2.06** million kWh in 2018. Meanwhile, the 3.6MW power station is under construction, and expected to engage in production in 2020.

4.4 Sustainability Supply Chain

In 2018, TECO's total procurement amount was about NT\$8 billion. The suppliers which TECO paid the procurement amount by more than NT\$1 million totaled 453 companies and those to which TECO paid the procurement amount more than NT\$50 million totaled 31 companies. This year, the Company will conduct the analysis on "awareness toward energy conservation and emission reduction" against the Taiwanese suppliers in the supply chain. The suppliers will be categorized by questionnaire. Then, the Company will formulate the promotion plan to work with the suppliers with respect to CSR or carry out the necessary counseling about energy conservation.

Concept about green supply chain

Intensification of relationship with supply chain

Being a green supply chain conscious company, TECO strives to achieve optimum overall environmental benefits throughout its operations, including green environmental policies such as: introducing green design concepts to the product life cycle, implementing energy-saving, emissions reduction green production process, green product marketing, as well as the recycling, re-use of wastes. Furthermore, eco-friendliness awareness is internalized to the entire supply chain via green transaction strategies. TECO is the technology leader in the global motor industry and the Group's product portfolio encompasses home appliances, wind power and electrical equipment, etc. A lot of TECO's suppliers have worked with TECO for more than 3 decades. Through professional allocation of work with its materials suppliers, equipment contractors and service providers (such as transportation, logistics contractors), TECO has established a close relationship with its partners, thereby creating a long-term stable supply chain via upstream and downstream integration, in the hope of upgrading the industry's "green competitiveness" to create the sustainability opportunities.

Localized procurement

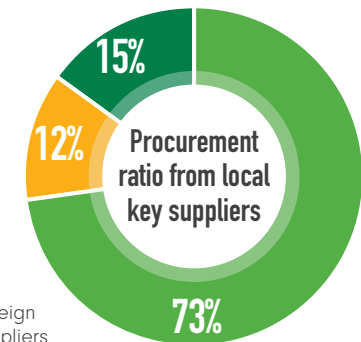
In terms of procurement policy, TECO upholds the principle of local procurement and supporting local suppliers to seek flexible delivery, shorten the time spent in new product development and cut on unnecessary costs, and also to provide employment for local residents. At the same time, it may also help minimize carbon emissions generated from the transportation of materials to reduce the materials and production process that would cause environmental impacts.

TECO has promoted the localized procurement for many years. Its localized suppliers account for more than 70%. The remaining procurement ratio is adjusted flexibly based on risk assessment of the overall supply situation, where suppliers from different regions are used to disperse materials related risks. Ensuring a steady supply of raw materials.

TECO Achievements

Key suppliers whose production bases are situated in Taiwan account for about 70%.

■ Taiwanese suppliers ■ Dealer/distributor ■ Foreign suppliers



Non-use of conflict mineral commitment

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. By effectively identifying and tracing the source of materials, TECO is able to prevent the use of conflict minerals in its production. Metals exported by the following nations do not meet conflict-free norms as determined by the US Security Council: DRC, Rwanda, Uganda, Burundi, Tanzania, Kenya.

TECO Achievements

100% procurement of non-conflict raw materials

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

Supply chain sustainability management procedure

Fulfillment of responsibility supply chain management

TECO orients its sustainability toward "Energy Conservation, Emission Reduction, Smartness and Automation" and incorporates the relevant standards for the 3 major aspects of economy, society and the environment into its supply chain sustainable management guideline. In order to ensure that its suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system, other in-depth management measures have been applied, including: 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."

- Before trading: TECO ensures suppliers meet relevant quality, environmental, safety and health criteria and their products conform to green management and control. The Company 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, OHSAS 18001 or other hazardous substance control capabilities.
- After trading: Conduct performance appraisal on suppliers on a monthly basis and annual audit on risk identification to monitor the variance.
- 100% of key suppliers signed the "Letter of Commitment to Human Rights and Environmental Sustainability" which allows the Company to terminate the contracts if any violation of social commitment is discovered. The letter aims to regulate the suppliers' fulfillment of social responsibilities during the production process. In the future, the second-tier suppliers will also be required to sign the same letter to help the Company control the whole green supply chain.
- Suppliers were invited to exchange their ideas about environment and sustainability on a quarterly basis. The potential suppliers who have prepared the CSR report were selected as the first priority.

Sustainability management procedure



- Signing of "Supplier Basic Transaction Contract"
- Signing of "Letter of Commitment to Human Rights and Environmental Sustainability"
- Formulate the CSR evaluation form with 3 major dimensions as the sustainability guideline.

Economy: Obtained ISO9001 /TS16949 quality certification to enhance product quality.

Society: OHSAS18001 emphasizes occupational safety and health. Zero conflict minerals are used under the waste and water resource management policy.

Environment: ISO14001 environmental management system, management of prohibited/restricted substances. Valued labor rights.

Risk identification:

Through the monthly supplier assessment system, suppliers are rated according to 4 levels (A/B/C/D), where suppliers with a rating of C or lower are offered assistance in order to ensure that risks can be effectively controlled and improved. After improvements are made, the suppliers are re-assessed to materialize risk tracking and management.

Risk control: For suppliers with a monthly performance appraisal rating of lower than D or annual on-site assessment score of less than 75 points, the Company will provide intervention and assistance. If the suppliers are unable to demonstrate improvement, TECO will activate the supplier changing mechanism in order to ensure the effective control of risks.

On-site assessment is conducted for key suppliers that account for 80% of the procurement amount, suppliers of single materials or high-risk suppliers. Circular auditing mechanism is adopted for monitoring purposes.

Five major evaluation dimensions:

Quality control ability, R&D ability, management and service system, production technology and newly added environmental safety CSR assessment.

Education and training

External: Key suppliers are invited to apply for environmental and water footprint projects, where CSR is incorporated into the assessment and more attention is paid to CSR topics in order to forge the green supply chain.

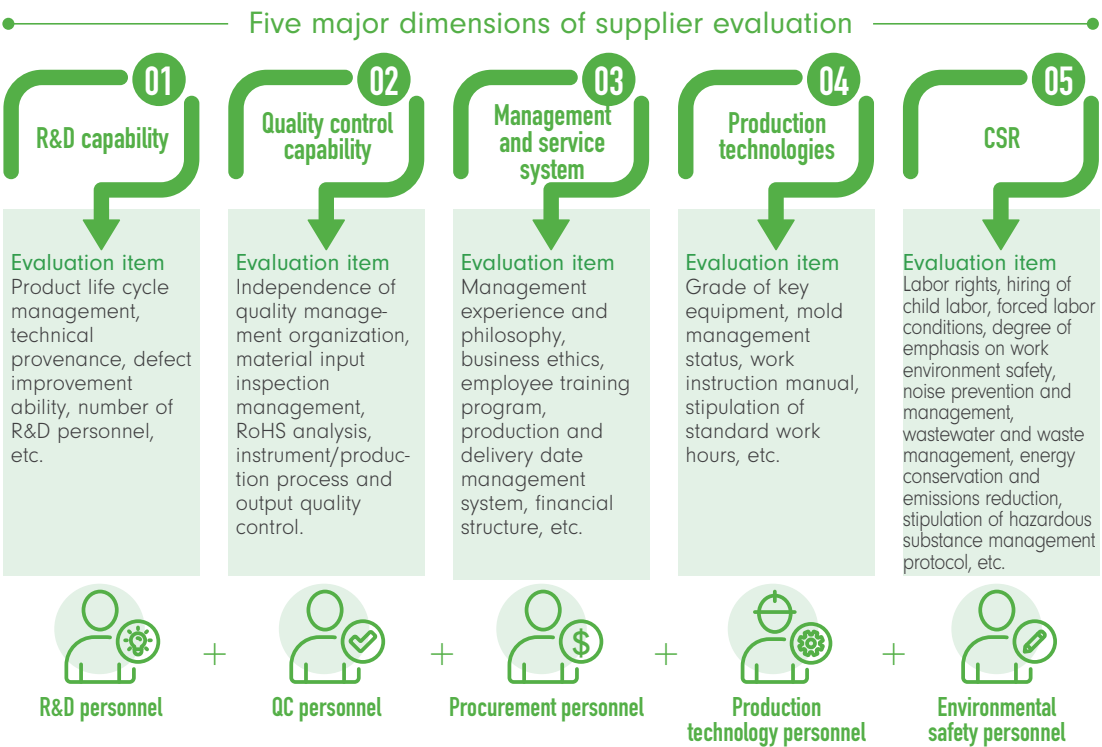
Internal: Procurement and related teams participate in the TSAC corporate sustainability courses and environmental safety training, thereby improving their awareness toward sustainability and fulfilling the development of plans.



Suppliers' risk evaluation and audit system

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

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



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

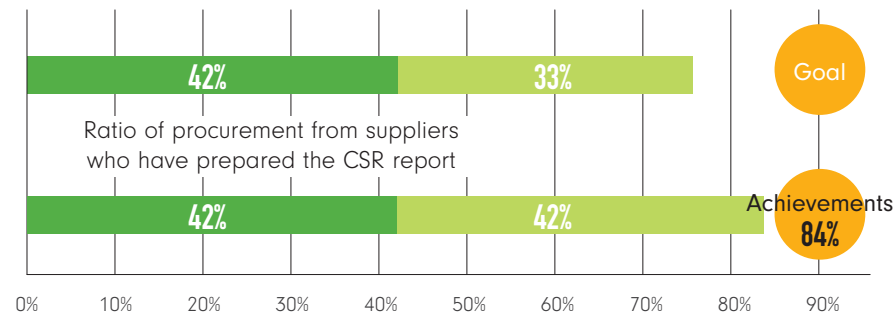
Supplier evaluation results		
Average score	Assessment results	Description
Below 60 points	Disqualified	Out of the 5 major capability categories (R&D, quality management, management service, production technology, CSR), if any item falls below 60 points, or if zero point has been obtained for items such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

CSR supply chain management achievements in 2018

Suppliers' evaluation plan

Conduct the risk assessment and on-site evaluation on key suppliers; the spending to suppliers whose evaluation is scheduled to be completed accounts for 75% of the total procurement value, while the spending to suppliers whose evaluation was completed accounts for 84% of the total procurement value.

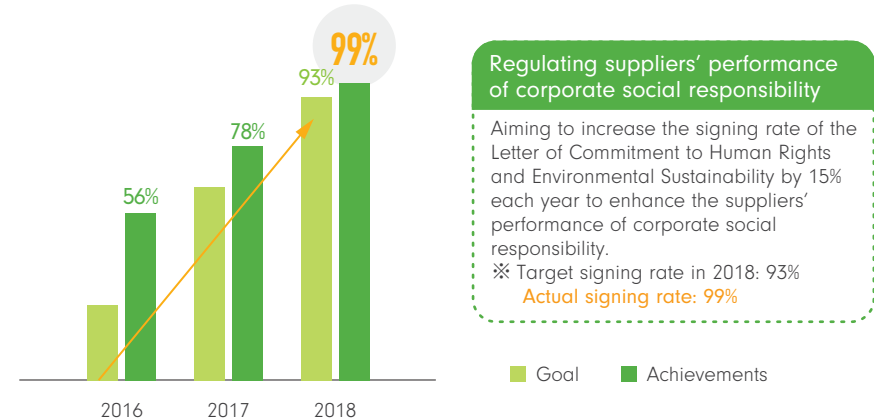
◆ Ratio of procurement from green suppliers in the total procurement amount



Upgrading the signing rate for Letter of Commitment to Human Rights and Environmental Sustainability

In order to procure all suppliers to practice the CSR idea, TECO's vendors are required to sign the Letter of Commitment to Human Rights and Environmental Sustainability. In 2018, 99% of the first-tier suppliers have signed the same in 2018. In the future, TECO will guide the suppliers in the supply chain to work with TECO to achieve the goal for energy conservation by 2% each year.

◆ Yearly signing rate of Letter of Commitment to Human Rights and Environmental Sustainability



Help implementation of TECO's successful power-saving cases

TECO has worked hard for many years to achieve the power-saving KPI and also developed the physical practices and successful cases. In 2019, TECO has asked its Taiwanese key suppliers to work with it to achieve the goal of energy conservation and also provide physical practices to help the suppliers to ensure positive results.



Re-adoption of high-efficient IE3 motor for the production line equipment

In 2018, TECO remodeled 25 motors of 6 machine units. As a result, the electricity expenses were saved by more than NT\$200,000 per year. TECO will replace the motors per the plan each year.



Energy-efficient spraying room system

TECO has completed the commissioning of the energy-efficient spraying room to structure the spray gun with the air compressor and water curtain, thereby saving power by 50%. Now, the system is being implemented in all plants.

Reference
Download link



05

Happy Workplace and Social Engagement

Sustainable Care to Build a New Culture

5.1 Labor Rights and Environmental Safety Indicators

Environmental Safety Philosophy: “Pollution-free Environment, Zero Occupation Disaster”

TECO has formed an environmental safety task force which is subordinate to the President Office, exclusively in charge of formulation of environmental safety and health policies, program management and internal supervision for the whole Company and all plants. Meanwhile, dedicated environmental safety units have also been established at all factory premises for proper functioning of the environmental safety and health management system. The Company's environmental safety policies can be summarized as follows:

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

TECO has established an environmental safety management system and ensures proper operations of the system in accordance with ISO 14001, OHSAS 18001, and CNS 15506 (Taiwan Occupational Safety and Health Management System). The Company has also acquired relevant management system certifications. Internal audits and external verifications are carried out annually to ensure the effective implementation of the management system. In addition, the Company has been conducting ISO 14064-1 GHG inventories since 2013. Systematic inventories ensure

data accuracy and serve as the foundation for energy conservation and carbon reduction activities. The company aims to ensure legal compliance and achieve the goals of environmental protection and minimization of environmental impacts through sound management system operations, improved PDCA management, and self-expectations exceeding legal requirements. TECO organizes Environmental Safety Month Events in Q3 every year. In addition to the display of event banners and environmental safety-related posters, the event also features environmental safety training and Q&A activities with prizes. All employees are encouraged to participate in these edutainment activities which aim to impart new environmental safety-related knowledge and build relevant awareness. Plant audits conducted by external experts ensure constant improvements in the field of environmental safety implementation performance.

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





OHSAS 18001 Occupational Safety Management Certification



ISO 14001 Environmental Management System Certification

Notes to violations of occupational health and safety laws in 2018

Written Decision No.: Fu-Lao-Jian-Zi No. 1070204195

Violated laws: Paragraph 1 of Article 6 of the Occupational Safety and Health Act, and the subparagraph 2 of Article 43 of the same Act

Penalty: NT\$60,000

Remarks:

1. The protective mask of the grinding wheel cutting machine does not completely cover the working area.
2. The stationery crane (1 MT) safety catch sets are out of order.

Improvement strategies:

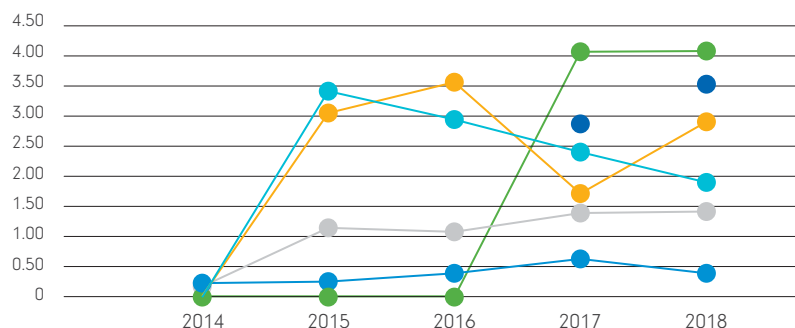
1. Checked the 5 units of grinding wheel cutting machines in the plant at the same time upon correction of the deficiencies and found that all of the 5 units satisfied the relevant requirements.
2. Checked all of the stationery crane safety catch sets in the plant at the same time upon correction of the deficiencies and asked all workers to check and count the machine strictly before routine operations.



Link to downloading of reference



◆ TECO Group (Taiwan plants and affiliated enterprises) Disabling Injury Frequency Rate (excluding commuting accidents)

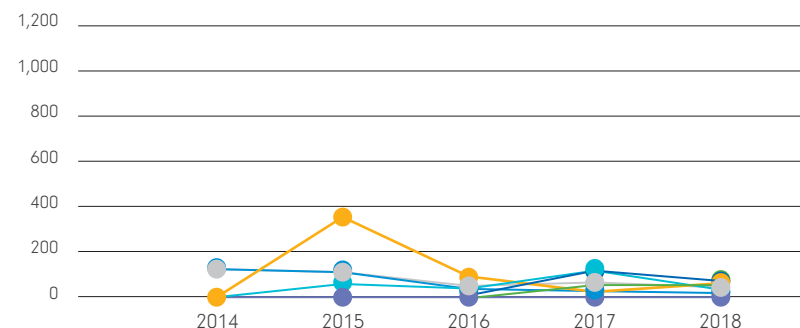


*:

- TECO Group: HQ, Taiwan plants and affiliates (TESEN, TECO-Westinghouse (TWMC), Taian Technology, Wuxi TECO and TECO Electro Devices).
- TECO: HQ and Taiwan plants.
- Description of TECO Group Data: Statistical data for TECO plant in the USA and Taian Technology added in 2015, and those for Wuxi TECO and TECO Electro Devices added in 2017.
- Due to formula discrepancies, Taiwan SR numerical values are calculated based on the value defined by the International Labour Organization: 5 times the value of 200,000.

$$\text{Disabling Injury Frequency Rate (FR)} = \frac{\text{Number of disabling injuries} \times 10^6}{\text{Total working hours}}$$

◆ TECO Group (Taiwan plants and affiliated enterprises) Disabling Injury Severity Rate (excluding commuting accidents)



*:

- TECO Group: HQ, Taiwan plants and affiliates (TESEN, TECO-Westinghouse (TWMC), Taian Technology, Wuxi TECO and TECO Electro Devices).
- TECO: HQ and Taiwan plants.
- Description of TECO Group Data: Statistical data for TECO plant in the USA and Taian Technology added in 2015, and those for Wuxi TECO and TECO Electro Devices added in 2017.
- Due to formula discrepancies, Taiwan SR numerical values are calculated based on the value defined by the International Labour Organization: 5 times the value of 200,000.

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

Special Column Care for foreign migrant workers

TECO provides the following additional human rights and welfare policies for foreign workers:

- Tour packages for foreign workers: NT\$2,000 to be subsidized by Employee Welfare Committee on an annual basis.
- Convening of periodic conference for foreign workers: Convene the periodic conference for foreign workers, so that the workers may take the chance to communicate with and feed their opinion back to the employer and brokers at the conference.
- Songkran Festival: Attend the Thailand folk festival and carnival.
- Supply of Thai style boxed meals on weekends: Allow Thai workers to vote for their favorable Thai style boxed meals on weekends to relieve their homesickness.
- The accommodation spaces available to foreign workers satisfy the laws and regulations (fitness center and recreation room): Various sports equipment and TV at the fitness center are made available to the workers living in the dormitory.
- Sepak takraw/soccer games
- Recreational activities: The Company provides Karaoke and sponsors BBQ after work to help relieve the workers from the work pressure.
- Professional skill and education training for foreign workers: Related training programs are available to satisfy any job needs to upgrade their personal skills and ensure their safety at work.
- Addition of Thai language translation into the foreign workers' payroll: To enable Thai workers to verify their compensation structure and protect their own privileges.
- Raise of service award for foreign workers: Service award is provided each year for any Thai worker who has been employed for more than one year, in order to upgrade his/her stability and encourage his/her permanent service.



Communication Channels

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

Main communication channels include:

1. Labor union and labor-management meetings

TECO set up its own labor union in July 1974 to pursue higher work efficiency, improved labor conditions, and open communication of opinions of labor and management. The company further signed a collective agreement with union representatives on December 28, 1981 which safeguards the rights and interests of all employees pursuant to the Labor Union Act and the Collective Agreement Act to safeguard the rights and interests of both sides and ensure harmonious relationships between labor and management. The union convenes annual general meetings for the election of representatives, 11 Directors and 4 Supervisors by all members in attendance. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. Labor union offices have been set up in plant areas to give employees a chance to communicate and exchange opinions with union representatives during working hours. The company also organizes semi-annual conferences that serve the purpose of direct communication between union Directors and Supervisors and the president. In addition, model workers (one for every 100 employees) are selected and recognized on an annual basis. A total of 22 model workers were selected in 2018. All business activities of the company strictly conform to the Labor Standards Act. Employees are notified of major operational changes 7 days in advance.



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

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

2. Quarterly employee conferences and plant morning meetings

Quarterly employee conferences with around 200 participants are organized at company HQ. During these meetings, the chairman describes the quarterly operating status and major strategic directions. Employee satisfaction survey conducted after the conference TECO plants hold morning meetings with roughly 950 participants on a quarterly basis to provide safety and health education for employees and brief them on the company's sales and operational performance.



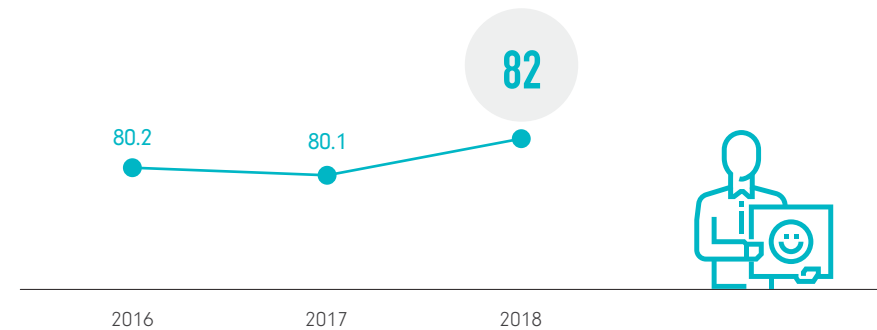
3. Overseas Affiliate Meetings

The Company organizes annual overseas affiliate meetings which are attended by the middle and senior management of the Company and the senior management of overseas affiliates. These meetings represent a Group-wide communication platform and serve the purpose of conveying the annual operating status and future strategies of the Group.



4. Employee satisfaction surveys

Employee satisfaction survey is conducted via anonymous questionnaires on an annual basis. The subjects include The Company's officers and all employees. The recovery ratio of questionnaire exceeded 40% of the whole employees throughout the Company, and the survey results will be fed back to all workers. After responding to the demands of employees, the average satisfaction score reached 82 points according to the satisfaction survey conducted at the end of 2018, which represents a significant increase compared to the score of last year (80.1 points).

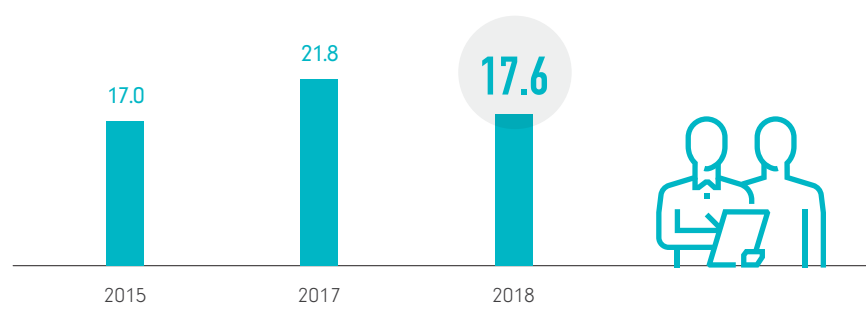


5. Internal publications: Top-notch bimonthly

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

6. CSR-related employee training course (2018)

In 2018, a total of 498 courses were offered independently by TECO business divisions or in accordance with the training plan. The average annual training hours per employee totaled 17.6 hours. Meanwhile, the Company continues to organize CSR-related courses. In 2018, the following courses were held: 13 CSR-related policy and regulation courses; 15 employees' legal rights and promotion-related courses; 12 employee healthcare and burnout prevention courses; 3 anti-corruption and employee code of conduct-related courses. 21 safe work environment-related courses; trainees included high, mid, and low-level executives as well as regular employees. CSR-related training and awareness were established in a top-down fashion.



Serial No.	Issues promoted or discussed in the course	Course title
1	CSR promotion	2018-TECO Sustainable Green Supply Chain Conference (Policy-Quality Control)/-1 Intake in 2018 (Chungli)
2		2018-TECO Sustainable Green Supply Chain Conference (Policy-Quality Control)/1-2 Intake in 2018 (Chungli)
3		2018-Innovative growth and sustainability strategies (policies)/1st term in 2018
4		2018-Status of corporate sustainable development and non-financial information disclosure (Policy-Board of Directors)/1st term in 2018
5		2018-Energy health checkup and guiding cases (policy-environmental safety)/2nd term in 2018 (Guanyin)
6		2018-Energy health checkup and guiding cases (policy-environmental safety)/3rd term in 2018 (Chungli)
7		2018-Energy health checkup and guiding cases (policy-environmental safety)/4th term in 2018 (Hukou)

Serial No.	Issues promoted or discussed in the course	Course title
8	CSR promotion	2018-Energy conservation and carbon reduction human resource training/1st term in 2018 (Nangang)
9		2018-Chinese National Association of Industry and Commerce, Taiwan (CNAIC)-Corporate management experience and suggestions about sustainable development of Taiwan's economy/1st term in 2018 (Taipei)
10		2018-C. K. Koo Forum-Pragmatic review on Taiwan's energy transformation policy (general education)/1st term in 2018 (Taipei)
11		2018-the Koken-Kai study group-Sustainability of Mitsui and Co., Ltd. (general education)/1st term in 2018
12		2018-the Koken-Kai study group-Focus of the amendments on Company Law and responsive measures adopted by enterprises (policy)/1st term in 2018 (Nangang)
13		2018-the Koken-Kai study group-Focus of compliance with labor laws and regulations to be known by corporate management/amendments to Labor Standard Law, labor inspection VS labor service management policy (general education)/1st term in 2018 (Taipei)
14	Safe Work Environment	2018-Requirements about safe use of cranes and ladders (PB)/1st term in 2018 (Hukou)
15		2018-Safety risk assessment (PB)/1st term in 2018 (service centers)
16		2018-Confined space operations education and training (policy-environmental safety)/1st term in 2018 (Chungli)
17		2018-Pallet trucks, powered pallet trucks and semi-electrical stackers education and training (SA)/1st term in 2018 (Hukou)
18		2018-Hydraulic aerial cage safety and health education and training (policy-environmental safety)/1st term in 2018 (Chungli)
19		2018-Stacker operators' training (HA)/1st term in 2018 (Guanyin)
20		Stacker operators' education and training (FA/GE/AIM)/1st term in 2018 (Chungli)
21		2018-Stacker operators' re-training (FA/GE)/1st term in 2018 (Chungli)
22		2018-Stacker operators' re-training (FA/GE)/2nd term in 2018 (Chungli)
23		2018-Stacker operators' re-training (FA/GE)/3rd term in 2018 (Chungli)
24		2018- Civil defense regiment fire drill (FA/GE)/1st term in 2018 (Chungli)
25		2018- Civil defense regiment fire drill (FA/GE)/2nd term in 2018 (Chungli)
26		2018-Self-Defense Fire Protection Grouping Training ended on June 30 (SA/PB/PD)*/1st term in 2018 (Hukou)
27		2018-Self-Defense Fire Protection Grouping Training ended on Dec. 31 (SA/PB/PD)*/1st term in 2018 (Hukou)

Serial No.	Issues promoted or discussed in the course	Course title
28	Safe Work Environment	2018-Fire Drill and Civil Defense Training (HA)/1st term in 2018
29		2018-Fire Drill and Civil Defense Training (HA)/2nd term in 2018
30		2018-Fire Training (PB)/1st term in 2018 (Guanyin II Plant)
31		2018-Fire Training (PB)/2nd term in 2018 (Guanyin II Plant)
32		Guide to fire system (PB)/1st term in 2018
33		2018-HA Kaohsiung Fire Prevention Lecture and Team Practical Drill (HA) ended on June 30, 2018/1st term in 2018 (Kaohsiung)
34		2018-HA and AOK Co., Ltd. Kaohsiung Fire Prevention Lecture and Team Practical Drill (HA) ended on Dec. 31, 2018/1st term in 2018
35	Legal rights and interests	2018-Promotion of amendments to Labor Standard Law (policy-HR)/12th term in 2018 (Nangang)
36		2018-Promotion of amendments to Labor Standard Law (policy-HR)/10th term in 2018 (Nangang)
37		2018-Promotion of amendments to Labor Standard Law (policy-HR)/11th term in 2018 (Nangang)
38		2018-Promotion of amendments to Labor Standard Law (policy-HR)/1st term in 2018 (Chungli)
39		2018-Promotion of amendments to Labor Standard Law (policy-HR)/2nd term in 2018 (Chungli)
40		2018-Promotion of amendments to Labor Standard Law (policy-HR)/3rd term in 2018 (Chungli)
41		2018-Promotion of amendments to Labor Standard Law (policy-HR)/4th term in 2018 (Chungli)
42		2018-Promotion of amendments to Labor Standard Law (policy-HR)/5th term in 2018 (Chungli)
43		2018-Promotion of amendments to Labor Standard Law (policy-HR)/6th term in 2018 (Guanyin)
44		2018-Promotion of amendments to Labor Standard Law (policy-HR)/7th term in 2018 (Guanyin)
45		2018-Promotion of amendments to Labor Standard Law (policy-HR)/8th term in 2018 (Hukou)
46		2018-Promotion of amendments to Labor Standard Law (policy-HR)/9th term in 2018 (Nangang)
47		2018-Laws and practices on income tax withholding and return (wealth management)/1st term in 2018 (Chungli)
48		2018-Update on important finance and tax laws and regulations (wealth management)/1st term in 2018 (Nangang)
49		2018-Introduction to Personal Information Protection Act-related issues (Policy-Legal Affairs)/1st term in 2018 (Nangang)

Serial No.	Issues promoted or discussed in the course	Course title
50	Health Care	2018-Health lectures (FA/GE)/1st term in 2018 (Chungli)
51		2018-Health lectures (HA)/1st term in 2018 (Guanyin)-Common musculoskeletal disorders
52		2018-Health lectures (HA)/2nd term in 2018 (Guanyin)-How to lose body fat effectively
53		2018-Health lecture - Ergonomics and lower back pain (general education)/1st term in 2018 (Nangang)
54		2018-Health lecture - Fast food junkie's health "food" choices/1st term in 2018 (Nangang)
55		2018-Health lectures - Healthy weight loss to get rid of metabolic syndrome (general education)/1st term in 2018 (Nangang)
56		2018-Health lectures - Silent health killer- lung adenocarcinoma (general education)/1st term in 2018 (Nangang)
57		2018-Health lectures - Work pressure and emerging occupational diseases (general education)/1st term in 2018 (Nangang)
58		2018-Diet lectures (SA/PB/PD)*/1st term in 2018 (Hukou)
59		2018-Diet sport courses (SA/PB/PD)*/1st term in 2018 (Hukou)
60		2018-Health lectures on how to get rid of metabolic syndrome easily and pressure relief (SA/PD/PB)*/1st term in 2018 (Hukou)
61	Anti-corruption	Advantages of sports (FA/GE)/1st term in 2018 (Chungli)
62		2018-Orientation training (general education)/1st term in 2018 (Nangang)
63		2018-Orientation training (general education)/2nd term in 2018 (Nangang)
64		2018-Orientation training (general education)/3rd term in 2018 (Nangang)



5.2 Human Resource Policy

◆ HR strategic theme

Plan compensation and rewards and job ranking framework to upgrade employees' productivity.

Plan the Group-wide HR wise employment mechanism

Promote the Group-wide functional resources integration

Upgrade workers' passion and contribution

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

TECO's diversified deployment has secured a strong presence in numerous industries including heavy machinery, electric control, home appliances, wind power, electronics and infrastructure. Over the past 6 decades, the Company has expanded into different industries and gained a firm foothold in Taiwan with operating bases spread all over the globe. This has created numerous unique challenges for TECO in the field of HR management. A diversified manpower resource strategy and approach is the key direction in response to global deployment and talent development. The current organization and manpower structure of TECO as of December 31, 2018, is as follows:

- The Company has 6 business units, 1 research institute, and 1 smart automation and biotech center, employing a total workforce of 2,357 persons. (2,410 persons in 2017)
- The educational background of TECO's employees is improving every year. Over 66.5% of all staff members have a college degree or higher, serving as the backbone for the sustainable development of the Company.
- **TECO employees' average age was 43.8 years old and average seniority 15.5 years.** The passing on of knowledge and expertise and cultivation and retention of key personnel represent paramount tasks in the field of talent development. (In 2017, TECO employees' average age was 43.5 years old and average seniority 15.3 years.)

TECO conducts the employee satisfaction survey, interview with various business units and assessment on their needs, and review the Company's strategies and internal/external conditions on an annual basis to research and draft its annual strategies. To satisfy the Group's need for strategic development, its strategies focus on the following four major categories in 2018: (1) Plan compensation and rewards and job ranking framework to upgrade employees' productivity; (2) Plan the Group-wide HR wise employment mechanism; (3) Promote the Group-wide functional resources integration; (4) Upgrade workers' passion and contribution. The goal is to fully develop and utilize available talent, ensure sustained operations and create a win-win situation for employees and the enterprise.

2017

- Scholarships are granted to help high school and vocational school talents to receive a university education. A total of 6 persons received the scholarship.
- Establishment of a weekly information sharing mechanism for employees to strengthen employee communications.
- In 2017, the retention rate after paternal leave was 82%.
- Received a certificate of appreciation from Thailand Trade and Economic Office (Taipei) in recognition of TECO's efforts in managing foreign worker and looking out for their welfare.
- Employee satisfaction is maintained above 80 points.
- Organized TECO "Adopt 666m² Rice Field" and "Donghui Club" corporate volunteer service. In 2017, a total of 1,440 hours of volunteer service hours were carried out.

2018

- Founded the TECO Academy to facilitate comprehensive talent training and development.
- Established an international talent cultivation system and Group-wide talent exchange mechanism.
- Continue to conduct employee surveys and maintain an employee satisfaction level of 80 points or higher.
- Offered the educational courses for energy conservation to the communities and local schools, thereby contributing 1,125 service man hours.
- age social engagement, accumulating over 784 volunteer service hours.

2019
and future
planning

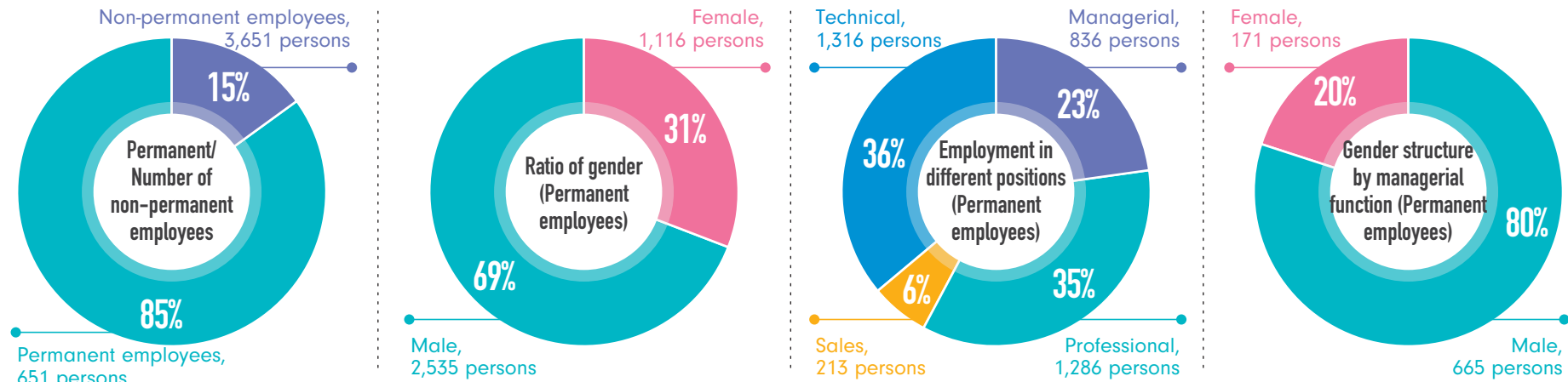
- TECO Academy will continue to promote and practice the training and heritage of management abilities and technical abilities.
- Promote the matrix organizational management system.
- Introduce and train the human resources engaged in key jobs.
- Continue to conduct employee surveys and maintain an employee satisfaction level of 80 points or higher.
- Organized energy conservation education in local schools and communities coupled with sustainable community development using the Company's expertise.
- Encourage social engagement, accumulating over 1,500 volunteer service hours.

Talent Structure and Hiring

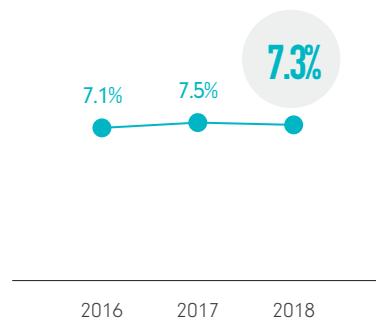
TECO Group has a workforce of 4,302 persons, consisting mainly of permanent employees (3,651 persons, accounting for about 85%). The following gender ratio, job position ratio, age and seniority distribution statistics are all based on permanent employees.

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

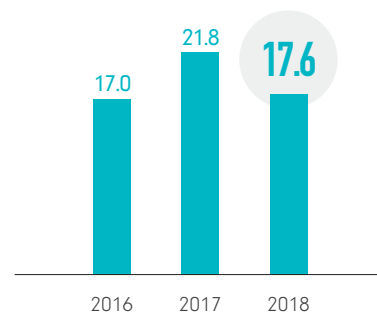
2018 manpower structure



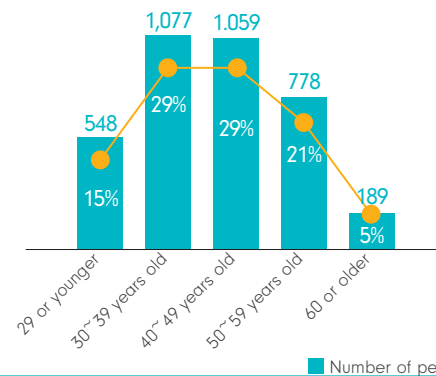
◆ TECO employee turnover rate



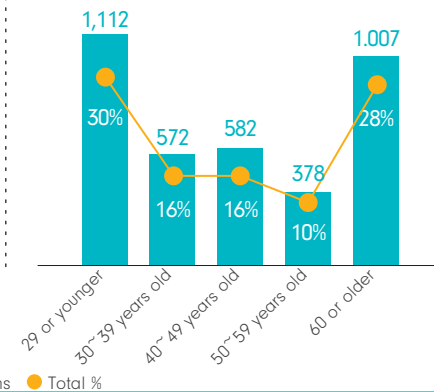
◆ Average training hours of TECO employees



◆ Age structure of permanent employees



◆ Seniority structure of permanent employees



5.3 Hiring Methods

Multiple recruitment channels and industry-academe collaboration

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

• **Internship program:** As of 2010, TECO has offered summer vacation internship opportunities to boost youth employment and enhance the competitiveness of adolescents after graduation. The Company hires 5~12 interns per year. Students from major colleges and universities are recruited to participate in these summer internship programs with the goal of cultivating suitable talent and provide adolescents with valuable knowledge and application expertise. The Company also hires interns of other nationalities including Germany, Hong Kong, Malaysia, and the Netherlands to create a learning environment characterized by an international outlook and multiculturalism.

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

• **Industry-academe collaboration:**

1. Scholarships for outstanding science and technology students: Vocational high school students who have won awards in national science and technology competitions are selected to receive university scholarships and summer internships. Meanwhile, the Company also helps them with their personal career development and learning development blueprint. When any student requires, the Company will invest its own resources to help the student grow. The goal is to transform these students into future managers of the Company (13 students are currently receiving this scholarship and the Company will continue to provide the scholarships in 2019).

2. Industry Internship and Industry-Academe Collaboration:

• The Company works with the College of Electrical Engineering and Computer Science (CEECS) of NTUST to train talents for the electrical engineering and computer science industry, and also provides the guidance from instructors from the industry and opportunities for industry internship, and offers scholarship to those who outperform. 5 persons have signed the contract this year, and started

their internship from 2019.

- Taipei City University of Science and Technology Internship Program: As of 2014, the Company offers 4-year internships for 4~7 Mechanical and Electrical Engineering students every year. So far, 12 interns have chosen to stay with the Company after graduation. The collaboration will be continued in 2019.
- 3. Automation intelligence master/doctoral professional talent training: in response to the Company's green values and vision toward "Energy Conservation, Emission Reduction, Smartness, Automation," the Company works with Intelligent Automation and Robotics Center of Tamkang University to carry out the five-year intelligence master/doctoral professional talents training program, and sponsors the fixed startup fees each year. In 2018, 1 person has signed the contract, who schedules to continue the cooperation in 2019.
- 4. Cooperation with schools: Cooperation with vocational high schools: The Company currently collaborates with Juang Jing Vocational High School, and Chung Shan Industrial and Commercial School. The Company offers 50 internship opportunities for students enrolled in these schools each quarter. Meanwhile, in response to the Government's New Southbound Policy, the Company works with Juang Jing Vocational High School to admit student participants who are nationals of South East Asian countries. In 2018, 19 student participants who were nationals of South East Asian countries were successfully matched to attend the internship. The program will be continued in 2019.
- 5. In order to promote energy conservation and emission reduction and propagate the knowledge about application of energy-saving products, the Company provided 29 students from the Electrical and Computer Engineering (ECE) Department of Tamkang University the access to visit TECO, and also shared the energy-saving high-performance motors and green driving system courses with the students.
- 6. In order to promote the energy conservation technology required to operate the plant equipment and help train the professional personnel required by the industrial promotion of energy conservation and carbon reduction, TECO works with the Foundation of Taiwan Industry Service to organize the "Production Industry Energy Conservation and Carbon Reduction Service Group" to facilitate the spreading of effect on application and practices of energy conservation and emission reduction. A total of 30 persons attended the Group in 2018.

7. In order to upgrade the practical experience of technicians in the processing zone, equipment operating workers, equipment maintenance workers in the application of green technology, TECO works with the Export Processing Zone Administration, MOEA to organize the "High-Efficiency Motor Energy Conservation Effect and Inverter Application Experience Sharing and Training Class," which enrolled a total of 70 trainees.



Students from Tamkang University paid the visit to TECO.



Production Industry Energy Conservation and Carbon Reduction Service

Priority given to internal recruitment of talent

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

Information security and care for underprivileged groups

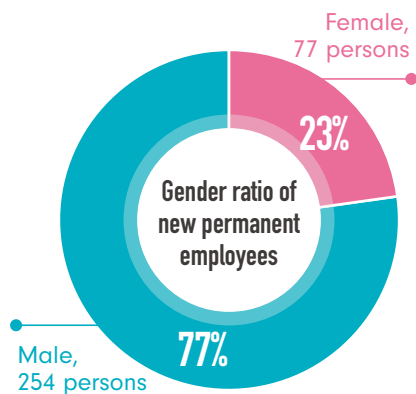
TECO safeguards the security of personal information provided by job seekers pursuant to the Personal Information Protection Act. Such information is not used for purposes other than the recruitment and selection process without the express consent of the job seekers. The Company's hiring policies are in strict compliance with the regulations set forth in the Labor Standards Act. The Company does not hire minors under the age of 15. Interns under the age of 16 receive comprehensive workplace and life guidance, and counseling. TECO provides suitable employment opportunities for workers with mental and physical disabilities and indigenous workers. The Company currently employs 36 disabled and 24 indigenous workers.

		Hiring of disabled workers	Hiring of indigenous workers	Total
2017	Number of persons	36	24	60
	Ratio	1.02%	1.53%	2.55%
2018	Number of persons	36	23	59
	Ratio	1.49%	0.95%	2.45%



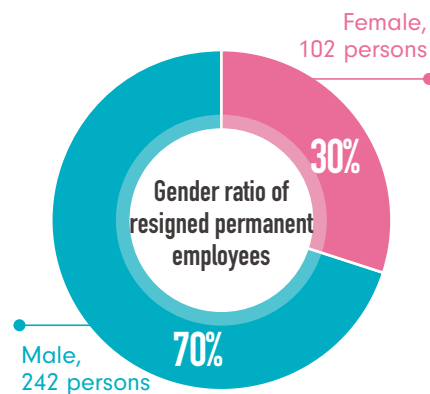
New employee structure (permanent employees)

In 2018, the Group hired 331 new permanent employees, which is equivalent to an employment rate of 9.07% compared to the number of the Group's permanent employees (3,651 persons).

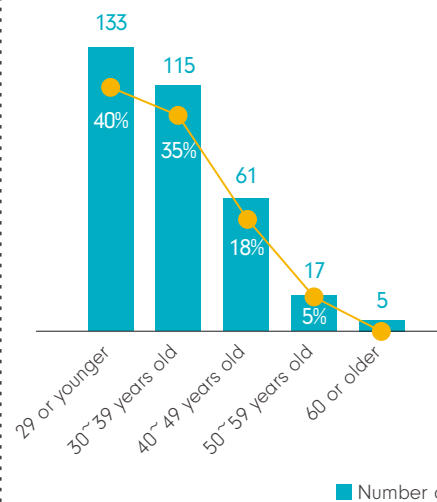


Resigned employee structure (permanent employees)

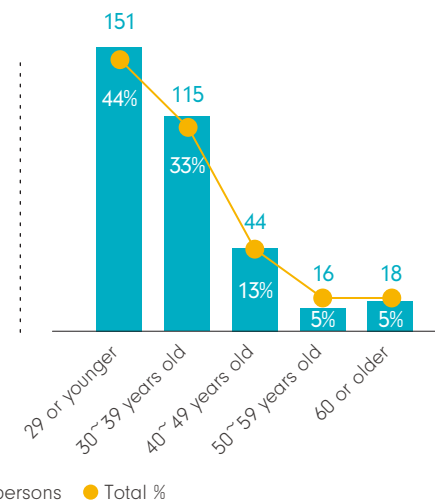
In 2018, the Group hired 344 new permanent employees, which is equivalent to a turnover rate of 9.42% compared to the number of the Group's permanent employees (3,651 persons).



◆ Age structure of new employees



◆ Age structure of resigned permanent employees



Compensation and Benefits

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



1.Competitive remuneration policy: The Company has formulated "Guidelines for Compensation Management", as the basis for salary determination and adjustment for employees. It also has a firm grasp of salary standards of same-industry businesses and regularly reviews the company's compensation policy, to facilitate recruitment and retention of exceptional talent. In addition, the company offers allowances in accordance with the special conditions of different work stations to recognize the efforts and commitment of its employees. Various bonuses for contributions in the field of sales, R&D, patents, proposals, and competency qualifications are available to motivate employees to apply themselves to their work and make valuable contributions. A complementary reward and compensation system is in place to retain outstanding talents for key positions. The company shares business achievements with its employees in the form of year-end bonuses and dividends to create compensation and benefit conditions that guarantee a worry-free life.

2.Raise based on annual performance in line with the market standards: A raise is awarded pursuant to the "Guidelines for Compensation Management" in consideration of market standards, living-cost indices and the Company's financial ability. Increments are based on the work performance of the previous year and come into effect on January 1 of every year. Performance-based increments have been implemented annually in the last three years. Base-level personnel ranked in the top 80% of evaluated employees is eligible for increments. Employees with exceptional performance are entitled to increments in excess of 3%.

◆ **Pay differential statistics, based on average salaries for male and female employees with different job grades and nature of duties are shown below:**

Job grade	Gender	Pay gap statistics				
		TECO	TECO Electro Devices	Wuxi TECO	Taian Technology (Wuxi)	TECO-Westinghouse
General staff	Male	1.04	1.08	1.14	1.2	1.12
	Female	1	1	1	1	1
Director	Male	1.03	0.88	1.09	1.18	1.17
	Female	1	1	1	1	1
Manager	Male	0.95	0.98	0.99	1.24	-
	Female	1	1	1	1	-
Factory manager, division chief or higher	Male	0.61	-	1	0.91	-
	Female	1	-	1	1	-

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

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

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

Comprehensive leave system

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

- **Special personal/sick leaves benefits:** Applicable to full-time employees with at least 3 months of service. Employees receive their full salary if personal and sick leaves so not exceed a total of 3 days per year.
- **Convalescent leave:** In consideration of the need to recuperate after hospitalization, employees are eligible to apply for paid convalescent leave of an equal length as their hospital stays (maximum 30 days per year). They receive half of their salary for the 30th to the 60th day.
- **Welfare leaves:** The Company offers welfare leaves to encourage its employees to engage in welfare activities and fulfill its responsibility as a corporate citizen. Employees are eligible for a total of 1 day of paid welfare leave per year without affecting their performance appraisal.

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

Preferential group insurance

All employees are eligible for free preferential group insurance. Life insurance, accident, medical, and critical illness coverage is superior to group insurance provided by other same-industry businesses. Employees also have the option of obtaining the same coverage at a preferential rate for their family members at their own expense (740 employee relatives were insured through this program in 2018). When employees face serious illness or accidents, this policy will cater to their pressing needs.

◆ Other benefits include

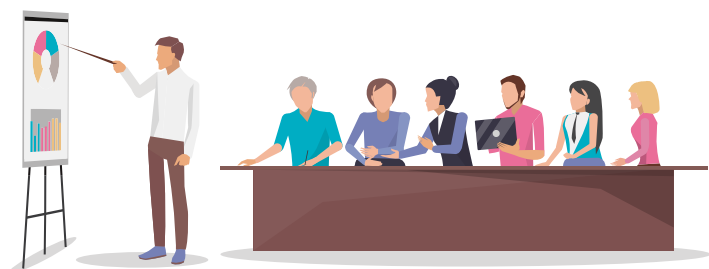
1. Staff canteen	7. Soothing massage service
2. Scholarships for children of employees	8. Cinema bookings
3. Staff trips with family members	9. Exclusive blazers for employees
4. Festival gifts/coupons	10. Diverse array of discount stores, group buying activities, New Year's goods bazaar
5. Wedding/ child birth bonus	11. Home appliance discounts
6. Birthday cake/gift coupon	



5.4 Talent Training and Career Development

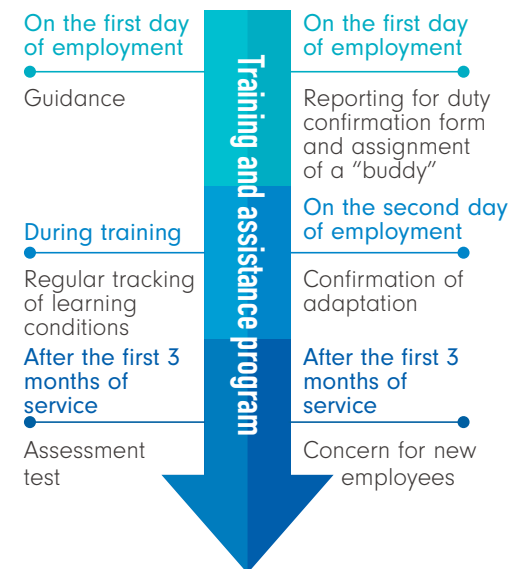
New employee orientation system

The company provides comprehensive training and care for new employees starting from their first day of employment to fulfill its responsibility in the field of talent cultivation and care. A systematic guidance system encompassing "initial support," "orientation training" and "settling-in assistance" is in place. In addition, an electronic tracking system has been adopted to strengthen the identification of employees with the company and enhance the quality of learning through systematic planning. This enables them to maximize their potential, acquire new abilities, and develop their careers.



Guidance system for TECO's new employees

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



Orientation training and induction ceremony for the Group's new employees

TECO has organized the orientation training for a total of 3 terms in 2018. The two-day courses for each term included TECO history and values, introduction to business units, basic competencies (administrative procedure/regulations & systems/time management), development of work attitude and visit to the plant's production lines, and the ethical corporate management and CSR-related issues were highlighted in the employees' code of ethics courses.

Additionally, in order to enable the Group's affiliates to have more chances to exchange with and learn from the new employees, the Company worked with the 7 affiliates of the Group, including Yatec Engineering Corporation, Creative Sensor Inc., Tecom Co., Ltd., Lien Chang Electronic Enterprise Co. Ltd., TECO Electro Devices, TECO Image Systems Co., Ltd., and Information Technology Total Services (ITTS) for the first time to organize the induction ceremony for the Group's new employees in 2018. The ceremony also invited the Group's senior management, Jwu-Sheng Hu, Vice President and General Director of Mechanical and Mechatronics Systems Research Laboratories, ITRI, and the college/university professors working with TECO to share the issues about the Group's culture and suggestions about career development to gather the consensus among new employees and help them adapted into TECO Group's work and life.

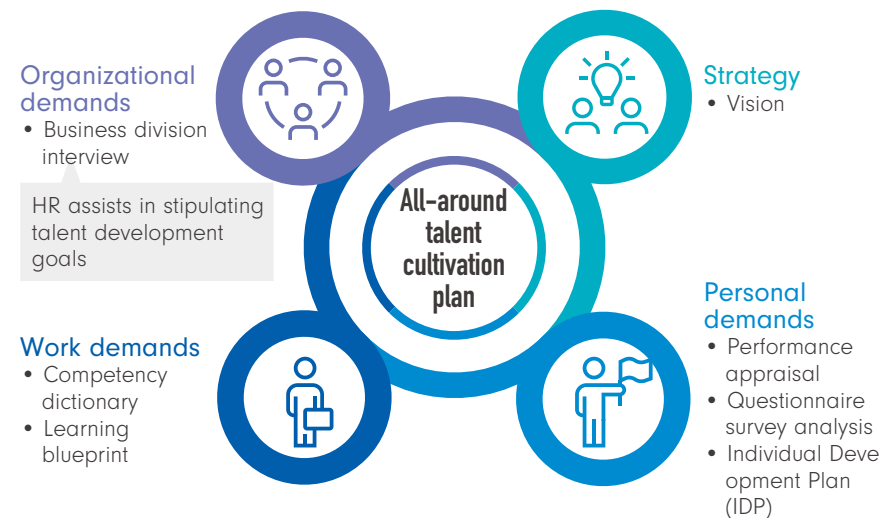


Comprehensive career development path

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

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

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



Key aspects of talent cultivation

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

In order to achieve the Company’s sustainability, it is necessary to upgrade and pass on the management’s and workers’ abilities. The new TECO Academy system is established to focus the training on integration of the existing training methods and resources, planning of the management science programs, technical programs and production skill evaluation, and key personnel training in 2018 and in the future:

A. Establishment of TECO Academy system

Management science programs:

Senior management’s reservation and training

- Completion of senior management’s training and BU strategy presentations at Overseas Affiliate Meetings.
- Arrange overseas visits by top-level executives to endow them with a better understanding of cutting-edge technology standards and practices worldwide.
- Train the management awareness and abilities required of potential senior management succession candidates: Organize the management elite class with the faculty from NCC College of Commerce. The topics include strategic thinking, business model and multinational business, etc.

Junior/middle management reservation and training

- Regular organization of management competency training including junior and middle management associate training classes, new officers’ training program, mentoring programs, benchmark learning, and talent cultivation projects to strengthen management skills of potential talent.
- Encourage potential talents’ voluntary learning of knowledge about management science and related trends & issues: Work with CommonWealth Magazine to implement the online educational resources of Leader Campus and make available the chances and environment for learning at anytime and anywhere.
- Organize the BU strategic thinking workshop, attended by the President, various BU’s assistant VPs, and potential talents altogether; also invite the young potential talents from various BUs to attend the annual strategic agreement meetings for the Group’s domestic and overseas companies to enable the young talents to learn about the strategic planning and arrangement issues together.

Junior/middle management associate training course

Confirmation of competency gaps of candidates	Enhancement of management competency	Inspection of competency enhancement results
<ul style="list-style-type: none">• Confirmation list.• 270-degree management competency evaluation pre-test.• Participation in subject competence pre-test.• Confirm skill enhancement items and formulate annual individual development plan.	<ul style="list-style-type: none">• Training course (mandatory) Middle: 8 courses lasting a total of 58 hours Junior: 7 courses lasting a total of 39 hours• Mentor guidance (optional): BU executives submit lists of employees who are required to participate in the guidance and skill enhancement program.	<ul style="list-style-type: none">• 270-degree management competency evaluation post-test• Formulation of action plans together with immediate supervisors and confirmation of implementation conditions.• Participation in subject competence post-test.• Participation in promotion appraisal meetings (promotion of mid-level managers)

Technical programs:

- Produce the educational blueprint for the five major technical categories covering motors, electric controls, appliances, power, and refrigeration and air conditioning; have the in-house experts specialized in the various areas take the initiative to create the teaching materials and question database and plan a system linking the program certification with the qualifications for promotion to enhance the Company’s objective basis for recruitment of talents and provide the technicians with a specific competence learning goal.

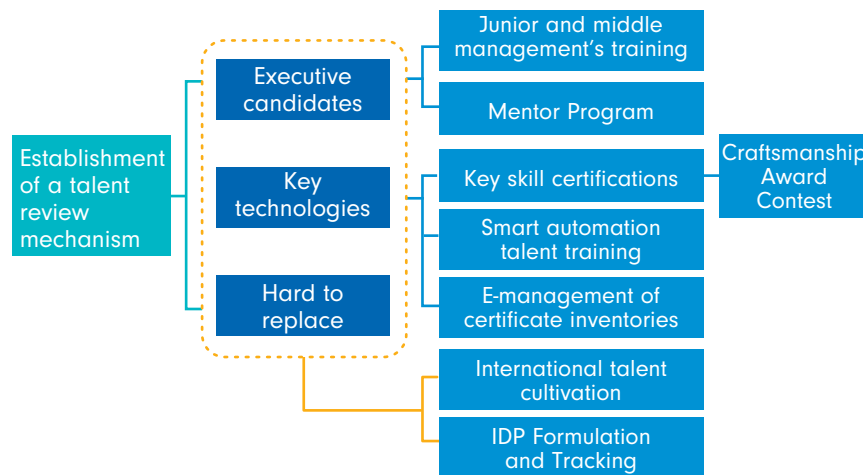
Key production skills:

- In response to the intelligence trend and the need for improvement and heritage of various plants’ production skills, the Company re-launches the inventory taking on various production lines’ key skills, and expects to link the key production skill inspection result with the qualifications for promotion of workers serving the functions about production to practice the opportunity for diversified career development.

B. Key personnel training

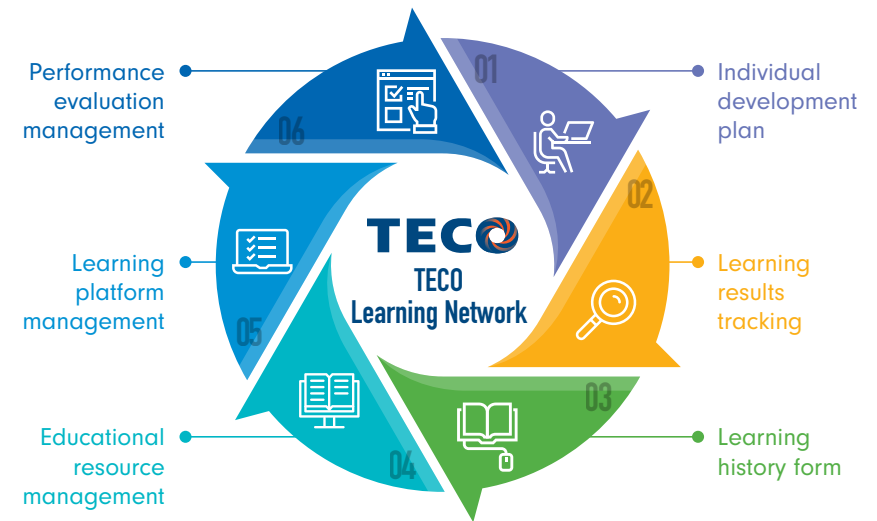
Cultivation of potential key personnel:

The Company has an internal system in place for "key personnel" of grades 5~8 or below to actively cultivate managerial candidates. Talent development plans are developed annually for key personnel. Key personnel accounts for 5% of the total staff ranking at grades 5~8 in 2018. About 50% of the key personnel have been selected for "grade promotions," "executive assignments," "rotation" or "overseas assignments" for the most recent three years. This ratio is significantly higher than that of the Company's overall ratio.



Comprehensive talent training performance tracking and improvement mechanism :

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



5.5 Employee Assistance and Work-Life Balance

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



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



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



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

Employee family care policy

The company shows concern and cares for families which are the main source of motivation for employees. In addition to student grants, scholarships, and family insurance, the Company also invites family members of employees to participate

in sports meets since 2014, in order to give them a chance to strive for glory by relying on team spirit and relaxing their minds. The Company also organizes various edutainment activities (e.g., family days, Moon Festival barbecues, etc.) and interacts with family members to increase their sense of identification with the Company and give them a better understanding of the work environments.



1. Family care program

- In addition to free preferential group insurance, employees also have the option of obtaining the same coverage at a preferential rate for their family members at their own expense. Coverage is superior to group insurance packages provided by other same-industry businesses. (740 employees’ family members were insured through this program in 2018.)
- Care for employees injured in the line of duty: for colleagues unfortunately injured or who fall seriously ill in the line of duty, the Company provides insurance claim consultation and assistance in related procedures. Furthermore, TECO regularly cares about its employees’ family conditions to offer them and their families peace of mind.
- The Company has created the “Mr. Shui-mu Chien Memorial Scholarship Regulations” to provide its employees’ children studying in senior (vocational) high schools with scholarships and study grants, thereby encouraging them to become academic achievers with good moral conduct. In 2018, 10 employees’ children received scholarships amounting to NT\$ 50,000.
- The Company has created the “Wanyi Scholarship Regulations” to provide its employees’ children studying in colleges/universities with scholarships and study grants, thereby encouraging them to become academic achievers with good moral conduct. In 2018, 2 employees’ children received scholarships amounting to NT\$ 40,000.
- The Company will provide employees with allowance or elegiac couplet in the event of the death of their parents, spouse or children, or when the employees are getting married or giving birth, in order to express TECO’s care. A total of NT\$2,126,000 were granted in 2018.
- When employees apply for unpaid parental leaves, the Company continues to provide labor and health insurance coverage and assists in the application for relevant allowances, as well as re-instatement.
- Mother-friendly environment: The Company was awarded a seal of approval by Taipei City for its breastfeeding room facilities in 2016.
- Employees can plan their starting and finishing hours from 07:50 to 18:10 in a flexible manner in accordance with the needs of their families without the need to submit an application.

2. Participation in the Company's activities by employee family members

- Model employee commendation: Employees and their family members are invited to participate in annual commendation ceremonies for model employees. The Company also plans staff trips to show its appreciation for their dedication, and to increase the sense of belonging of employees and their family members towards TECO. A total of 22 model employees was commended for their outstanding performance in 2018.
- 2018 sports competitions: The Company invited employees and their family members to participate in various competitions to promote harmonious family relationships. The Company organized the badminton competition in May 2018, the bowling competition in July 2018, the basketball competition in August 2018, the softball competition in October 2018, and the Company's sport games in November 2018.
- Family activities: In 2018, the Company organized a hiking trip, as well as handed out lanterns for the Lantern Festival and carnations for Mother's Day for its employees and their family members. A cake DIY activity was also held. The aim is to increase their sense of belonging towards TECO.

◆ Unpaid parental leave statistics

No. Items			Sub-total
A Number of persons qualified for unpaid parental leave in 2018	108	39	147
B Number of persons who applied for unpaid parental leave in 2018	2	11	13
C Number of persons who should be re-instated after unpaid parental leave in 2018	11	21	32
D Number of persons who were actually re-instated after unpaid parental leave in 2018	7	14	21
E Number of persons re-instated after unpaid parental leave in 2017	4	11	15
F Number of persons who has worked for one year after unpaid parental leave in 2017	2	10	12
G Reinstatement rate	64%	67%	66%
H Retention rate	50%	91%	80%

Description:

- Number of persons qualified for unpaid parental leave (A): Number of female or male employees who have applied for maternity leave or paternity leave within the last 3 years (2016/1/1~2018/12/31)
- Re-instatement rate formula (G): $D/C \times 100\%$
- Retention rate formula (H): $F/E \times 100\%$

3. Employees' health promotion

Healthy employees are more efficient and perform better at work. TECO has established infirmaries and medical stations in plant areas to safeguard the mental and physical health of its employees. The company strictly prohibits any form of forced or compulsory labor and utilizes medical services provided by hired professional nurses and physicians who visit the company on a weekly basis to guarantee the safety and health of its employees.

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

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

Main programs include:

- Enterprise massage service (requested for 1,356 counts in 2018)
- Concurrent emphasis on prevention and application: organization of preventive education and lectures (12 lectures with 436 participants were organized in 2018), planning of protective measures, assistance in the administration of regular health checks, regular tracking and health counseling for employees with health disorders, physical fitness tests, and aerobic exercise classes (90 employees registered for 3 courses offered, registration and participation rate of 100% in 2018).
- Health counseling for pregnant employees in interviews conducted in line with the "Health Protection Plan for Expectant Mothers.
- Based on the results of health checks conducted in the previous year (2017), health management and tracking is carried out for individuals with hypertension, high blood glucose, and high blood lipid.
- AED equipment has been installed in all office areas to meet emergency needs.

4. Life and social de

- Foreign worker care: Chungli Plant received a certificate of appreciation from the Thailand Trade and Economic Office (Taipei) in April 2017 in recognition of TECO's efforts in managing foreign workers and looking out for their welfare. The foreign workers and HR employment agency both recognized the Company's endeavors.
- Assist employees to resolve personal problems that may affect their work. For instance, TECO has provided a series of lectures and services such as inter-personal relationships, financial management and legal problems, etc. in order to help the employees to overcome these obstacles.
- Provision of diverse leave measures: TECO provides colleagues with flexible work hours and diverse leave mechanism, encouraging them to attain work-life balance through effective utilization of time.
- Increase the shopping convenience of employees: besides offering home appliances at discounted prices to its employees, the Company also provides information on group-buying or promotional offers every month to make its colleagues' lives more convenient.



5.6 Public Welfare Activity Highlights

Social welfare

In order to propagate the idea about energy conservation, TECO organized four energy conservation promotion forums in 2018, and practiced the idea about energy conservation and carbon reduction to schools and communities. The forums were attended by a total of 2,250 persons, contributing to 1,125 service man hours. Meanwhile, TECO organized TECO "Adopt 66m2 Rice Field" and "Donghui Club" corporate volunteer service, contributing to 784 volunteer service hours.

1. TECO Energy Conservation Promotion Forum: In order to fulfill the corporate social responsibility and care for communities, TECO hopes to contribute its expertise by promoting the knowledge about energy conservation and environmental protection at forums and also expects to plant the seeds of kindness, bring the innovative strength into the entire society and drive a good and positive cycle.

2. Social service activities:

Serial No.	Date	Promotion unit	Number of participants	Service hours
1	April 1	Hung Wu Senior Club in Guanyin Township, Taoyuan City	300	150
2	June 4	New Taipei City Li-Yuan Elementary School	1,350	675
3	September 16	Fuhua Village, Chungli District	300	150
4	October 20	Fude Village, Chungli District	300	150
Total			2,250	1,125

3. TECO Adopt 66m2 of Rice Field: In order to fulfill the corporate social responsibility, TECO organized the "TECO Adopt 66m2 of Rice Field" event, where the Company's colleagues participated in spring plowing, rice seedling transplantation and harvesting. A total of 77 persons accumulated 616 hours of volunteer service and harvested 1,500kg of rice. Some of the rice were donated for social welfare causes, while others were auctioned and the proceeds were donated to public welfare organizations.



4. Blood donation: In response to blood shortage throughout Taiwan, TECO has fulfilled its corporate social responsibility by initiating several employee blood drives. In 2018, 386 persons donated a total of 512 bags of blood.

Date	Plant areas	Number of persons	Number of donated blood bags (250cc)
January 23	Hukou	42	57
February 1	Chungli	89	103
June 14	Nangang	65	90
July 19	Chungli	93	119
August 30	Hukou	36	56
December 13	Nangang	61	87
Total		386	512



5. Social aid:

- Donation of 973 bags of rice (3kg-packaged) to TFCF
- Donation of rice totaling 600 kg to Chung Yi Social Welfare Foundation
- Donation of 108 serves of New Year's dish to Huashan Social Welfare Foundation
- Donation of 2,486 invoices and NT\$10,000 to Genesis Social Welfare Foundation
- Donation of one electronic synthesizer (valuing NT\$21,500) to the Syin-Lu Social Welfare Foundation
- Donation of NT\$15,300 earned from the bazaar in the flea market to Eden Social Welfare Foundation
- Donation of rice totaling 300kg and 4 electric water heaters to Catholic Angel Center for the Development of the Disabled
- Donation of 10 boxes of old shoes, 6 boxes of old clothes, and 4 boxes of old packs to Step 30 International Ministries.
- Adoption of a total of 10 juicy peach trees in the rural areas at the price of NT\$65,000
- Procurement of agricultural products at the price of NT\$23,100 to help disadvantaged farmers.
- A total of NT\$33,600 were earned from the rice bazaar.

6. Charitable year-end party: The Syin-Lu Social Welfare Foundation, Catholic Angel Center for the Development of the Disabled and Taiwan's new inhabitants Care Association were invited to participate in the year-end party shows. The Company donated NT\$15,000 to each of the three organizations.



Protect ocean



Oceans refer to one of the most important natural resources for Taiwan. This year, TECO added 14th goal, protection of oceans and aquatic ecosystem, into the SDGs. The Company's charitable activities added the beach cleaning allowed to be participated by employees directly. For the products, the Company also invested in the development of the power system for commercial vessels as one of the priorities, in order to have the oceans get away from oil contamination by motorization of the vessels. The Cijin ferries are already equipped with the electric motors produced by TECO.



TECO Group has achieved considerable engineering projects with respect to the motors applied to vessels and marine; therefore, it is capable to provide main propulsion motors, lateral propulsion motors, generators, and various auxiliary motor products for vessels. It was once applied to Taiwan's RV Ocean Researcher 5 propulsion system, Norwegian large-size ocean research ship, and the US army's aircraft carriers and destroyers. The ship motors developed by TECO have received the certificate issued by ABS and held complying with the manufacturing standards about the motors for strict purposes. The motors may rank the top class in the world, in terms of mechanical strength, safety and reliability, and also satisfy the needs for low-noise and low-vibration.



My Charity Bank

In order to centralize the power to provide more people with the chance to participate in more activities freely and to provide the activities with higher exposure, this year, TECO started to implement My Charity Bank and establish the charity service open point system across subsidiaries of the Group. Given this, the activities of TECO clubs, TECO Technology Foundation or the Group's subsidiaries may be managed and implemented uniformly, so that more TECO folks are able to participate in and experience the social services and accept the rewards therefor under the established organizational framework and base. Considering that the employees may receive different badges as rewards for their participation in the charity activities, more activities may arise therefor and the employees may be involved in the process of formulation of the Company's CSR policy.

- The employees may be rewarded with bonus points upon participation in any charity activities and may deposit the points into their "My Charity Bank." The bonus points to be distributed for each activity refer to the "counts of participation," in principle. One bonus point is rewarded per count of participation in the activity organized by the Company.
- Any individual worker who has accumulated more than 5 bonus points may be awarded one "CSR Practitioner" badge.
- Any individual worker who has accumulated more than 5 additional bonus points within one year upon receipt of said badge may be awarded one "CSR Advocate" badge.

"CSR Advocate" badge

- Post-personal story on the CSR official website.
- Allowed to propose motions or co-organize CSR activities and recruitment of volunteer workers
- Invited to participate in proposition of motions and amend the annual CSR development orientation and activities, prior to organization of any CSR Committee meeting.

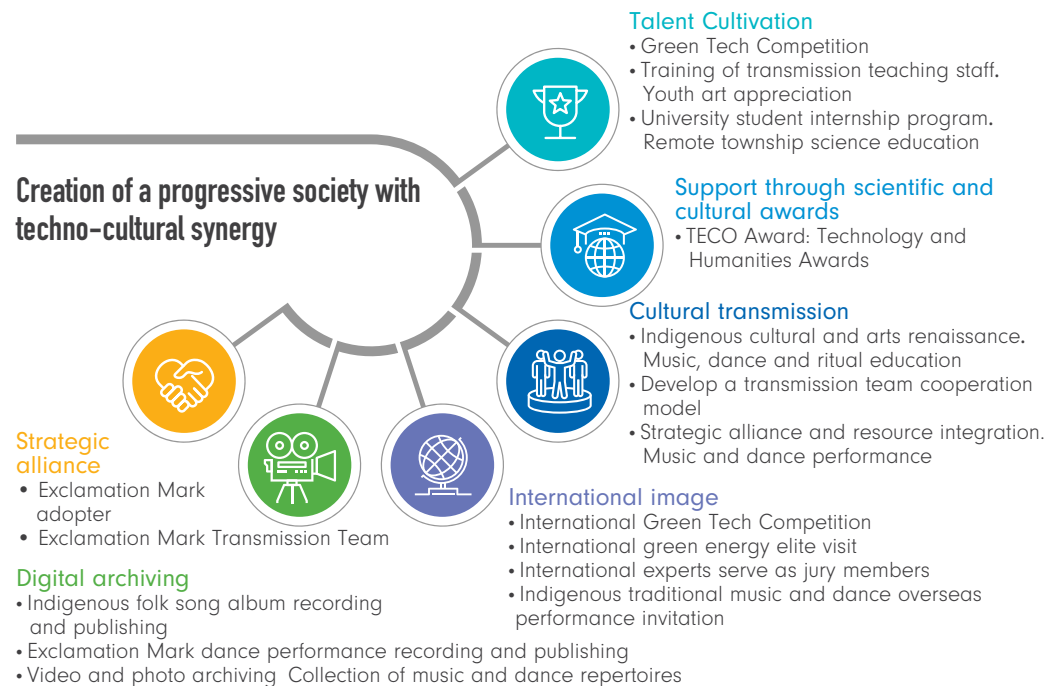
"CSR Practitioner" badge

- Top monthly CSR interview
- Public rewards honored within the Company



5.7 External Innovation and Indigenous Cultural Heritage Program

TECO insists that the management philosophy should be passed on from generation to generation and experience must be accumulated permanently. Meanwhile, it promises the maximum flexibility and wiggle room to the work teams. The Foundation is responsible for promoting service plans to create endless creative ideas and build the far-reaching effects of charity activities. For example, it took the initiative to promote the "Green Tech" International Competition to build its green energy-based international prestige successfully. Meanwhile, the "Exclamation Mark" project enabled the 34 teams of traditional tribal culture and art which are on the verge of extinction to have the chance to perform or compete in international shows or competitions and get famous overseas accordingly. The historical 139 winners of TECO awards are also the role models in Taiwan. All of these results signify TECO Technology Foundation's care and promises to the land of Taiwan, in order to keep upholding the spirit of "a progressive society with techno-cultural synergy" and invest the energy of sustainability in Taiwan's development.



25th TECO Award

Promotion of 139 social benchmarks

Since TECO Awards were established 25 years ago, the Awards have been continuing to discover elites and honor a total of 139 persons who have outstanding contributions in the areas of technology and humanities. Given the political economy of competition and rapid transformation of the social structure and industrial development, it is a tough moment for business management. Notwithstanding, TECO Group still affirmatively upholds its sustainability philosophy and continues fulfilling its corporate social responsibility. It also promises to continue supporting the Foundation's operation and working with the Foundation to boost the sustainability of the technology and humanities in Taiwan. The "TECO Awards" witness Taiwan's technology development at the very beginning and the current highly developed technology. Each winner is not only involved in the process of innovation of the technology industry and R&D, but also made significant contributions to the relevant area. For the four major areas of technology this year, two co-winners were honored in the areas of "Electromechanical engineering/IT/Communications" and "Agriculture/Bio-medicine," respectively, while one winner was honored in the areas of "Mechanical Engineering/Energy/Environment" and "Chemical Engineering/Materials," respectively. For the areas of "Drama/Arts," the Humanities awards were primarily honored to "those dedicated to passing on, teaching, performing, researching and innovating the cultures of drama and arts, creating the works telling abundant humanistic life and upgrading humanistic qualities and rendering far-reaching outstanding achievements and contributions in the area of drama and arts". The 7 winners of the 25th TECO Award all hold the key competitive technology leading the world trend. The talent bank built by "TECO Awards" for Taiwan are diversified and appear to be more amazing therefor.



Award winners

Field	Name	Current position	Comments
Electromechanical engineering/IT/Communications	Chen-Fu Chien	Chair Professor in the Department of Industrial Engineering and Engineering Management, National Tsing Hua University	Engaged in the thorough research on theories and technologies oriented toward smart manufacturing and multi-objective decision making for many years, developing the UNISON Decision Making Framework, big data analysis, resource scheduling optimization algorithm and the digital decision-making system thereof, and working hard to transfer the technology to the industries in Taiwan, thereby rendering remarkable contributions.
	Ker Ming-Dou	Distinguished Professor of the Institute of Electronics, National Chiao Tung University	Permanently engaged in research of ESD (Electrostatic Discharge) Protection and reliability design technology, and helping multiple domestic renowned semi-conductor manufacturers and integrated circuit layout design companies resolve related technical problems, thereby rendering remarkable contributions.
Mechanical engineering/Energy/Environment	Chih-Hung Chou	Chair Professor of Department of Electrical Engineering, National Kaohsiung University of Science and Technology	Dedicated to improving the optimization algorithm and researching AI application technology for a long term, and generating academic and forward-looking results recognized in the world. Using the best effort to help domestic traditional industries and SMEs build the smart production technology, thereby rendering remarkable contributions to upgrade the competitiveness.
	San-Yuan Chen	Chair Professor of Department of Materials Science and Engineering, National Chiao Tung University	Engaged in the R&D of new drug carriers permanently, taking the initiative to create the technology platform for the new dosage form of magnetic nano anti-cancer drugs, and licensing patents and transferring technology to multiple bio-tech companies, thereby becoming a role model for the development of new drugs in the multi-disciplinary areas of biomedical materials and nano technology.
Biomedicine/agriculture	Yang Chang-Hsien	Vice President of National Chung Hsing University, and also Chair Professor of Graduate Institute of Biotechnology, National Chung Hsing University	Transcending the international "Perianth Code (PI Code)" breakthrough theory, and analyzing the exclusive flower development mechanism of orchids, thereby being selected as the cover story and "spotlight of research" by some top journals. Creating the novel and unique "Phoenix Orchid" to upgrade the output value of flowers, thereby rendering remarkable contributions to the society.
	Steve Roffler	Research Fellow/Institute of Biomedical Sciences, Academia Sinica	Creating the remarkable immunization method to build the first PEG antibody in the world, applied to the polymers, such as proteins and peptides, and applied clinically by multiple biotech and pharmaceutical companies to produce protein medicines, thereby rendering significant contributions.
Drama and Arts	King Shih-Chieh	Actor	Engaged in the contemporary drama shows in Taiwan since 1991, as a founder in the development of the contemporary drama shows in Taiwan. Writing and directing works across traditional and contemporary dramas and setting a new model, and cast in many TV drama shows and movies with his outstanding acting skill, thereby becoming an icon of the contemporary Chinese performing artists.

More information about TECO Awards



2018 “Green Tech” International Creativity Competition

The environment in which we are living is suffering the problems about energy, water resources, environmental protection, medical treatment and safe disaster preparedness. To solve the challenges following one by one, we need creative and new ideas to build a better and more wonderful living space. From the global energy exhaustion, environmental sustainability and industrial development transformation, the Foundation sees the world trend and also experiences the responsibility to be borne by human beings. We keep fighting for energy conservation and sustainability of the earth, and also work with the various sectors in the society to facilitate the social progress and industrial development with forward-looking thoughts. In the recent years, the earth has kept getting warmer and warmer. The Foundation has organized the “Green Tech” Competition for 11 years consecutively. A total of 928 teams consisting of about 10 thousand faculty and students. So far, 86 teams have been expected to attend the main contest and 80 teams expected to attend the international contest. The total prize money amounts to NT\$22 million. If the investment in promotion of the initiative plan is included, the budget invested in the past 11 years will be over NT\$60 million. In 2018, the Competition was divided into the “main contest” and “international contest” exclusive for domestic and foreign college/university faculty and students. Professor Jyuo-Min, Shyu of National Tsing Hua University gathered the experts and scholars in various areas to form the review committee, including the former ministers and deputy ministers of Ministry of Science and Technology and Ministry of Economic Affairs. The Committee consists of outstanding members and operates with due diligence. The final admitted a total of 40 pieces of work which were held reflecting the most creative energy conservation and carbon reduction technology to compete for 16 awards and the prize more than NT\$2.2 million.

The international contest specially invited President of CPC Corporation, Taiwan, Lee Shun-Chin, to present the awards. Chairman Sophia Chiu of TECO also gave speech after the awards to the winning teams in the main contest were presented, indicating that the champion team in the main contest of 2015, the Graphene sponges technology team from National Tsing Hua University, became the first team enrolled into the strategic plan by Google in the academic sector of Taiwan; meanwhile, the Real-Time Detecting Device for the Pollutant of Heavy Metal in the Water researched and developed by the inter-school team consisting of the faculty and students from National Taiwan University and National Pingtung University of

Science and Technology, that won the Best Technology Award in 2017, was honored with the bronze medal by IENA in 2017; therefore, to commercialize these works should serve as the focus of the Competition. Such issues as robotics and automation which were already concerned by the Foundation more than one decade ago become the contemporary mainstream of technology.

Nowadays, hardware and software designs are both indispensable and equally important. For example, how to design the contemporary bionic robot works to make them execute work per the safety requirements and become human beings’ good partners. This is an issue reflecting the forward-looking performance of the Competition. All of the entries signify the economic issues and practical problems encountered by us for the time being. The advanced “Green Tech” Competition encourages young scientists to join the contest based on creative intelligence or any other themes, and transform creativity into entrepreneurship, so that the Competition may take some earlier arrangement for the economy of Taiwan and even the whole world.



- Supervisor: Ministry of Education
- Organizer: TECO Technology Foundation, and CPC Corporation, Taiwan
- Co-organizer: Industrial Technology Research Institute
- Sponsor: TECO Image Systems (TIS) Co., Ltd., Creative Sensor Inc., Friend of LEKO, and Fengyuan Education Foundation

◆ Award-winning works for main contest

Award	University	Department/Institute	Project title
Winner	National Sun Yat-sen University	Institute of Environmental Engineering	Soil and groundwater pollution omni-bearing green remediation technology and substrate development
Runner-up	National Taiwan University	Department of Mechanical Engineering Department of Engineering Science and Ocean Engineering	Taken - Visual molecular diagnosis about plant diseases
Second runner-up	National Taiwan University National Taiwan University of Science & Technology	Institute of Environmental Engineering Graduate Institute of Electrical Engineering	Low-energy consumption desalting and high-efficiency power recovery new generation capacitor deionization system
LEK Technical Award	National Cheng Kung University	Department of Chemical Engineering	Circulating economic module of pig manure and wastewater treatment by microalgae
Best Technology Award	National Chiao Tung University	Department of Photonics	Ultra-low power pure digital driver LCD
Best Technology Award by Creative Sensor Inc.	National Cheng Kung University	Department of Environmental Engineering	Transforming “scraps” into “materials” – Development of heat-resistant and energy-saving construction materials
Creativity Award	National Tsing Hua University	Department of Chemistry	Solar power biomass fuel fired machine for aircraft turning black oil into green gold
Humanities Award	National Tsing Hua University	Department of Materials Science and Engineering	Nano carbon tube applied to hybrid osmosis desalinated water system

◆ Award-winning works for main contest

Award-winning works for international contest	University	Department/Institute	Project title
The Gold Medalist	Hong Kong University of Science and Technology	Intelligent Building Technology and Management	Sinofloc – the Novel Cross-Link Flocculant for Sludge Utilization
The Silver Medalist	Peking University	School of Earth and Space Science	New Eco-Friendly Battery for the Future
The Bronze Medalist	Chung Yuan Christian University	Environmental Engineering	Marine Plastic Cleaner
LEKO Technical Award	Hong Kong University of Science and Technology	Department of Civil and Environmental Engineering	A Sustainable Approach to the Valorization of Waste Sludge as Commodities
Best Technology Award by TECO Image Systems	Fudan University	Department of Environmental Engineering	Fantastic Battery- Industrial Preparation of Ultra-High-Performance Silicon-Carbon Anode
Best Technology Award by Creative Sensor Inc.	Shanghai Jiao Tong University	School of Environmental Science and Engineering	Self Energy Supply Mobile Pyrolysis Machine for On-Site Conversion of Agricultural Straw to Bio-Fuel and Bio-Char
Best Originality Award	Fudan University	Laboratory of Advanced Materials Department of Chemistry	Towards A Cleaner Future: An Artificial Photosynthesis System Converting CO ₂ to Renewable Fuels
Humanism Award	Hong Kong University of Science and Technology	Integrated Systems and Design Department	Green Purifiers

Exclamation Mark - Indigenous Sustainable Education Program

After more than 6 decades of powering up Taiwan with its motors, "TECO" established the TECO Technology Foundation 25 years ago to support research and innovation in the field of technology, promote a technology-oriented humanistic society, and implement creativity education to foster competitiveness. At the same time, the "Exclamation Mark Sustainable Indigenous Education Program" helped strengthen the roots of indigenous culture and tradition. In 2013, the Foundation formed a strategic alliance and a platform for "transmission and education" by enlisting NPOs, enterprises, and individuals. All circles of society are encouraged to serve as "sponsors" for the Foundation's programs which aim to pass down traditional indigenous music, dance, rituals, and cultural values. Furthermore, the Foundation encourages and supports tribal communities in their efforts to develop bespoke education initiatives with an equal emphasis on "culture," "education," "people" and "ethnicity." Extended learning activities ensure ongoing cultivation and development of new talents, as well as continuing and disseminating the heritage of ethnic art and culture. The aim is to increase the development of knowledge and skills, and elevate competitiveness. As of 2018, approximately 19,700 children of 10 different tribes have received long-term support and services. The Foundation supports 41 folk song, dance, workmanship, creativity, and fitness troupes, generating astonishing results in the fields of "traditional culture and art, education, and ethnic sustainability" (the program was therefore named "Exclamation Mark").

驚嘆號
原住民族群永續教育計劃

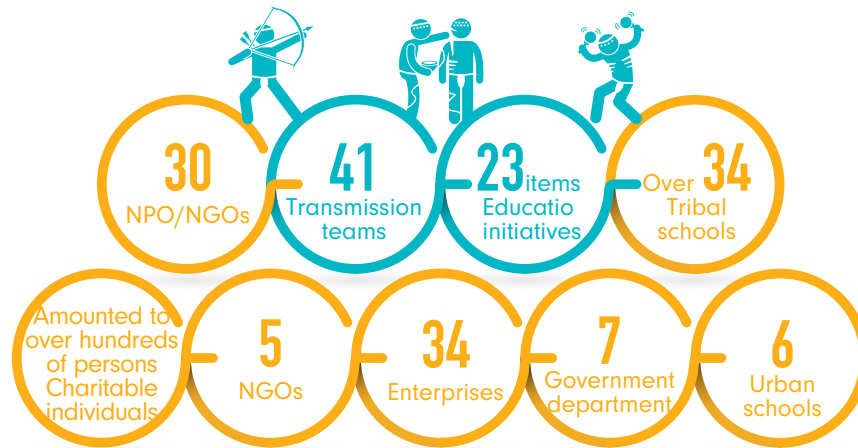
34 enterprises
35 NPOs/NGOs and private clubs
7 government departments and hundreds of charitable individuals
created 41 transmission teams and 23 education initiatives.
Raised 3,300 million each year to invest in 19,700 juveniles
engaged in executing the transmission.



Organization and alliance

1. Establishment of "Exclamation Mark Strategic Alliance":

- 30 NPOs/NGOs, 34 enterprises, philanthropists, and over 40 schools were invited to join the alliance.
- Strive for the support from government departments



2. Participation in the Lifelong Education and Learning Circle of the Ministry of Education: Enlistment of 11 foundations and joint application for subsidies totaling NT\$ 2.60 million from the Ministry of Education.

3. Maintenance of an equilibrium of supply and demand: The platform has a constant grasp of transmission demands of tribal communities and raises funds and resources for the "Exclamation Mark" program amounting to NT\$ 33 million on an annual basis.

4. Promotion and creation of performance opportunities: Pursuit of performance opportunities in Taiwan and abroad and joint sponsorship of performance activities.

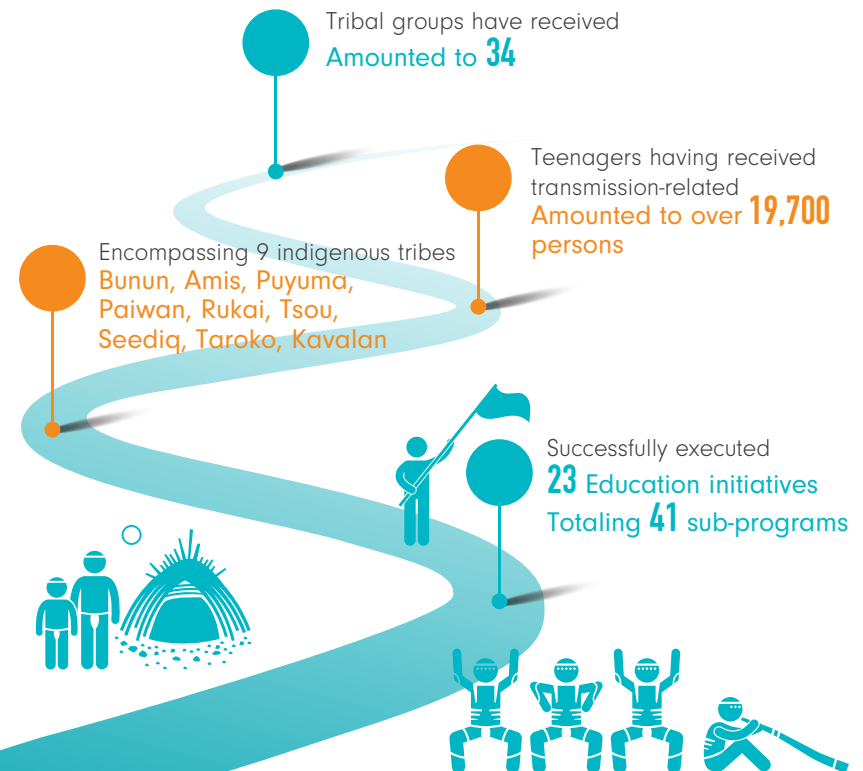
5. Hiring of „transmission“ teachers: Over 50 teachers are paid fixed salaries to support the transmission education in tribal communities. Work contents include the following:

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

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

7. Joint marketing:

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



Cultural transmission and creativity education

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

Tribal schools are centers of learning and sustainable development of tribal culture. However, these schools face various difficulties including a lack of qualified teachers, insufficient budget allocation by the departments of education of the city and county governments, and inconvenient traffic due to their location in remote areas. Schools are therefore forced to rely on external hiring of professional teachers for the development of educational initiatives and continue to face a shortage of educational resources. The goal of this program is therefore to give children a better understanding of the cultural connotations unique to their ethnic group (folk songs, dance and rituals) through education on such subjects as indigenous songs and dance and build up their self-confidence through performances. The transmission activities have gradually drawn the attention of teenagers (including junior high school, senior high school and university students), parents and village elders. They actively participate in the folk song/dance transmission program and therefore create a climate conducive to the passing down of culture and traditions in the whole community. The program also creates a stage for national and international performances by children. In 2018, a total of 33 teams spanning 6 municipalities supported cultural transmission. The number of units and individuals acting as sponsors exceeded 24. 1,717 individuals have participated in the cultural transmission program. A total of 326 folk songs and 66 dances resulted in 8,492 hours of cultural transmission, and raised a total of NT\$10,233,332.

◆ Scope and quantity of the team (including workmanship and physical fitness competition plans)

Transmission teams	Number of teams	Number of participants	Number of transmission hours	Number of songs	Number of dances
Traditional song team	19 teams	929 persons	4,862 hours	228 songs	33 dances
Traditional dance team	14 teams	533 persons	2,884 hours	98 songs	33 dances
Traditional workmanship team	1 team	17 persons	156 hours	-	-
Physical fitness competition team	3 teams	96 persons	526 hours	-	-
Creativity and Study Arts Learning Team	2 teams	20 persons	64 hours	-	-
Energy brunch	2 teams	122 persons	-	-	-
Total	41 teams	1,717 persons	8,492 hours	326 songs	66 dances

◆ International performances

2018 Migration Matters Festival, Sheffield
Date: 2018/06/19
Venue: Theatre Deli

2018 Chang Mu Performing Arts Festival, Seoul Korea
Date: 2018/08/29
Venue: Daehangno Arts Theater

The Theater was selected as one of Taiwan's quarterly teams for Edinburgh International Festival. It has won 30 rating stars, and also reported by The Guardian and Dancing Times.



TECO retained six indigenous trainers to pass on the indigenous language and cultures through singing songs and dancing in the tribe.

Link to tribal culture heritage videos



"Amazing Dance and Music" Opening Bloopers 2019



◆ 2018 domestic performances³

Se- quence	Performance name	Performance and transmission teams	Number of performers	Number of audiences
1	2018 Amazing Dance and Music - Taiwanese Indigenous Dance and Music Festival	<ul style="list-style-type: none"> • Jiaping Rainbow folk song group • Jihben Iralrak dance troupe • Shui Yuan Taroko traditional dance troupe • Qingye Rukai folk song chanting • National Hualien Industrial Vocational Senior High School indigenous folk dance troupe • Taiwu folk song performance 	232	4,750
2	Tree Valley Charity Concert	<ul style="list-style-type: none"> • Song of Shanmei Danayiku • Pasu Hohcubu ~ Laiji Village Tsoufolk song • Tjailjaking Paiwan book of rites cultural class • Tjaquvuquvulj Chiefdom young warrior group • Paiwan youth union 	107	503
3	"Green Tech" Competition award ceremony	<ul style="list-style-type: none"> • National Hualien Industrial Vocational Senior High School indigenous folk dance troupe 	20	221
4	Amazing Dance and Music - Hualien	<ul style="list-style-type: none"> • Yi Chang Elementary School drum array • Shui Yuan Taroko traditional dance troupe • Gufeng Village Bunun children's chorus • Xiulin Taroko music and dance troupe • Songpu Village Amis traditional dance troupe • Jingmei Taroko music and dance troupe • National Hualien Industrial Vocational Senior High School indigenous folk dance troupe 	172	831
5	Amazing Dance & Music - Pingtung	<ul style="list-style-type: none"> • Koushe Shakalan Village Paiwan cultural heritage troupe • Mudan South Paiwan folk song group • Paiwan Cavak Culture Arts Group • Jiaping Rainbow folk song group • Masilidj Paiwan folk song transmission team • Tjailjaking Paiwan book of rites cultural class • Chunri Sun folk song group 	202	977
Total of 5 domestic performances		21 performance groups	733 persons	7,282 persons

"Exclamation Mark" has organized the annual "Indigenous Children Night" and year-end performances to provide a professional stage for children from transmission teams, so that they can have a common goal to pursue. Every participating tribe has achieved outstanding results and endowed the event with educational value in the fields of transmission and dissemination. The "Exclamation Mark" program also continues to maintain audiovisual records for various performances, and the performance recordings serve as key materials for cultural transmission and foster the vibrant development of transmission education in tribal communities.

As of 2012, the "Exclamation Mark" program enlists Mr. Lee Che-Yi to re-arrange traditional indigenous folk songs, creating a precedent in folk songs accompanied by string orchestras. These arrangements represent a re-interpretation of the unique character of traditional folk songs and gradually build up positive energy and experience in joint performances with domestic and international orchestras. Teacher Che-Yi used his best efforts to invite Michele Paciulli, an Italian, to take part in the activity to ensure the highest quality recording and post-production. Support the heritage and development of tribal art and culture to enable the indigenous community to facilitate the vibrant development and preservation of non-literate tribal culture through audiovisual recordings.



06

Summary and Appendix

Let the World See Taiwan

TECO was nominated as “FTSE4Good TIP Taiwan ESG Index” this year. Therefore, it catches the global sustainable investment train formally. As the largest industrial motor producer in Taiwan, TECO is leading its suppliers in the supply chain to promote Taiwan’s industrial intelligence to the world. Last year, we helped our customers save the electricity by about 624 million kWh throughout the world. Each kWh of the electricity saved with our help should be identified as the contribution made by Taiwan’s industry to the world.

The 2018 TECO CSR Report is the 9th issue published by TECO since 2010 and the 7th issue verified by an external third-party organization. This year’s report analyzes and identifies material issues and secondary issues based on GRI Standards. These serve as important KPIs for related departments to facilitate reading by stakeholders, as well as give them a clearer understanding of developments pertaining to each material issue. The goal is to improve communication with stakeholders regarding concepts and approaches of TECO in the dimensions of governance, economy, environment, and society.

6.1 GRI Indicators Index

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 102: General Disclosures		
Core	102-1: Name of the organization	25
	102-2 Activities, brands, products and services	25
	102-3 Location of headquarters	25
	102-4 Location of operations	25
	102-5 Ownership and legal form	25
	102-6 Market served	25
	102-7 Size of the organization	70
	102-8 Information on employees and other workers	71
	102-9 Supply chain	57

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 102: General Disclosures		
Core	102-10 Significant changes to the organization and its supply chain	57
	102-11 Pre-cautionary principles or approaches	31
	102-12 External initiatives	36
	102-13 Membership of associations	36
	102-14 Statement from senior decision-maker	07
	102-15 Provide a description of key impacts, risks, and opportunities	16
	102-16 Values, principles, standards and norms of behavior	31
	102-18 Governance structure	27
	102-19 Delegation of authority and responsibility	29
	102-20 Senior management’s responsibility toward economy, environment and society	10
	102-22 Supreme governing body and formation of the committee thereof	27
	102-23 Chairman of the supreme governing body	27
	102-24 Nomination and selection of the supreme governing body members	28
	102-25 Conflict of interest	28
	102-26 Purpose of foundation, values and strategic roles of the supreme governing body	27
	102-32 Role played by the supreme governing body in the corporate sustainability report	27
	102-35 Compensation policy	28
	102-40 List of stakeholder groups	15
	102-41 Collective bargaining agreements	66
	102-42 Identifying and selecting stakeholders	15
	102-43 Approach to stakeholder communication	16
	102-44 Key topics and concerns raised	16

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 102: General Disclosures		
Core	102-45 Entities included in the consolidated financial statements	23
	102-46 Defining report content and topic boundaries	03
	102-47 List of material topics	18
	102-50 Reporting period	03
	102-51 Date of most recent report	93
	102-52 Reporting cycle	03
	102-53 Contact point for questions regarding the report	03
	102-54 Claims of reporting in accordance with the GRI standards	03
	102-55 GRI Content Index	93
GRI 201: Economic Performance		
Core	201-1 Direct economic value generated and distributed by the organization	23
	201-2 Financial implications and other risks and opportunities due to climate changes	31
GRI 203: Indirect Economic Impact		
Core	203-2 Significant Indirect Economic Impact	31
GRI 204: Procurement Practices		
All	204-1 Proportion of spending on local suppliers	57
GRI 205: Anti-corruption		
Core	205-2 Communication and training on anti-corruption policies and procedures	31
GRI 206: Anti-Competition		
All	206-1 Legal actions against anti-competition, anti-trust and monopoly practices	31

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 301: Materials		
Core	301-1 Materials used by weight or volume	46
	301-2 Applicable renewable materials	56
GRI 302: Energy		
All	302-1 Energy consumption within the organization	44
	302-2 Energy consumption outside the organization	43
	302-3 Energy intensity	43
	302-4 Reduction of energy consumption	56
	302-5 Reductions in energy requirements of products and services	56
GRI 305: Emissions		
Core	305-1 Direct (Scope 1) GHG emissions	43
	305-2 Energy Indirect (Scope 2) GHG emissions	43
	305-4 GHG emissions intensity	43
	305-5 GHG emission chart	42
	305-6 Emissions of Ozone-Depleting Substances (ODS)	47
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	47
GRI 306: Effluents and Waste		
Core	306-1 Water discharge by quality and destination	46
	306-2 Waste by type and disposal method	47
GRI 307: Environmental Compliance		
All	307-1 Violation of environmental laws and regulations	No violation
GRI 308: Supplier Environmental Assessment		
Core	308-1 New suppliers that were screened using environmental criteria	80

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 401: Employment		
All	401-1 New employee hires and employee turnover	74
	401-2 Benefits provided to full-time employees (excluding temporary or part-time employees)	76
	401-3 Parental leave	81
GRI 402: Labor/Management Relations		
All	402-1 Minimum notice periods regarding operational changes	66
GRI 403: Occupational Health and Safety		
Core	403-1 Occupational Health and Safety Management System	63
	403-2 Identification of hazards, risk assessment, and investigation on incidents	63
	403-3 Occupational health service	68
	403-9 Occupational disease and injury	65
GRI 404: Training and Education		
Core	404-1 Average hours of training per year per employee	71
	404-2 Programs for upgrading employee skills and transition assistance programs	77
GRI 405: Diversity and Equal Opportunity		
Core	405-1 Diversity of governance bodies and employees	75
GRI 412: Human rights evaluation		
Core	412-2 Employees' training about human rights policy or procedures	69
	412-3 Important investment agreements or contracts containing human rights clauses or on which the human rights review was already conducted	61
GRI 414: Supplier Social Assessment		
Core	414-1 New suppliers that were screened using social criteria	60

GRI Items/ Scope of Disclosure	Disclosure items	Page number
GRI 416: Customer Health and Safety		
All	416-1 Assessment of the health and safety impacts of products and service categories	52
	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services	No violation
GRI 417: Marketing and Labeling		
All	417-1 Requirements for product and service information and labeling	49
	417-2 Incidents of non-compliance concerning product and service information and labeling laws	No violation
	417-3 Incidents of non-compliance concerning marketing communications laws	No violation
GRI 419: Socioeconomic Compliance		
All	419-1 Non-compliance with laws and regulations in the social and economic area	64



6.2 TECO 2018 CSR Summary of Assured Items

No.	Target information	Applicable criteria	Page
1	<p>The sales of green energy-saving home appliances accounted for 49.99% of total revenue in 2018 (Note).</p> <p>Note: Energy-saving home appliances refer to the models satisfying any of the following circumstances:</p> <ul style="list-style-type: none"> • Home A/C and commercial A/C: To obtain class-1 under "Energy Efficiency Rating for Non-conducted air conditioner Products" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10504606420 dated December 28, 2016, or the Certificate of the Registration of Production Certification issued by TAF. • Refrigerator: To obtain class-1 under "Energy Efficiency Rating for Refrigerators" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601990 dated May 10, 2017. • Dehumidifier: To obtain class-1 under "Energy Efficiency Rating for Dehumidifiers" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601460 dated April 17, 2017. • Television: No more than the limit identified in the energy consumption standards promulgated Ministry of Economic Affairs (MOEA) in the attachment to its letter under Neng-Ji-Zi No. 10405003751 dated April 28, 2015. • Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Neng-Ji-Zi No. 10505001040 dated February 5, 2016. • Washing machine: To satisfy the "Gold" or "Normal" grade identified in the "Scope of Products Applicable to Water Efficiency Label and Specifications & Standards" attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Shui-Zi No. 10604602300 dated June 7, 2017. • Air-cooled chiller (commercial A/C): To satisfy the "Chiller Energy Performance Standard" published by Ministry of Economic Affairs (MOEA) in its letter under Jing-(90)-Neng-Zi No. 09004619170 dated September 12, 2001. 	<p>Ratio of the 2018 net sales of green energy-saving home appliances (Note) in the net operating revenue of TECO Home Appliance Division in 2018.</p> <p>Basis:</p> <p>Denominator: The net sales attributed to Home Appliance Division in 2018.</p> <p>The total sales revenue, NT\$5,550,668 (including recycling and disposal fees), referred to in the statement of operating revenue attached to the separate financial statement 2018, less the sales discount, sales return, and incentive pay to distributors.</p> <p>Nominator: The net sales of green energy-saving home appliance models which satisfied the standards governing the application for various labels published by the competent authority online on December 31, 2018 (accumulated revenue less the sales return, sales discount plus accumulated recycling and disposal fees less the incentive pay to distributors).</p> <p>Note: Energy-saving home appliances refer to the models satisfying any of the following circumstances:</p> <ul style="list-style-type: none"> • Home A/C and commercial A/C: To obtain class-1 under "Energy Efficiency Rating for Non-conducted air conditioner Products" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10504606420 dated December 28, 2016, or the Certificate of the Registration of Production Certification issued by TAF. • Refrigerator: To obtain class-1 under "Energy Efficiency Rating for Refrigerators" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601990 dated May 10, 2017. • Dehumidifier: To obtain class-1 under "Energy Efficiency Rating for Dehumidifiers" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Neng-Zi No. 10604601460 dated April 17, 2017. • Air-cooled chiller (commercial A/C): To satisfy the "Chiller Energy Performance Standard" published by Ministry of Economic Affairs (MOEA) in its letter under Jing-(90)-Neng-Zi No. 09004619170 dated September 12, 2001. • Television: No more than the limit identified in the energy consumption standards promulgated Ministry of Economic Affairs (MOEA) in the attachment to its letter under Neng-Ji-Zi No. 10405003751 dated April 28, 2015. • Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Neng-Ji-Zi No. 10505001040 dated February 5, 2016. • Washing machine: To satisfy the "Gold" or "Normal" grade identified in the "Scope of Products Applicable to Water Efficiency Label and Specifications & Standards" attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Jing-Shui-Zi No. 10604602300 dated June 7, 2017. • Air-cooled chiller (commercial A/C): To satisfy the "Chiller Energy Performance Standard" published by Ministry of Economic Affairs (MOEA) in its letter under Jing-(90)-Neng-Zi No. 09004619170 dated September 12, 2001. 	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No.	Target information	Applicable criteria	Page
2	In 2018, the sales of high performance energy-efficient motors below 300hP (224kW) (IE3+IE4) accounted for 62.51% and 37.08% of TECO's sales revenue and volume, respectively.	Total annual sales value and volume of IE3 and IE4 motors (classified in accordance with horsepower efficiency and power consumption standards of IEC 60034-30-1:2014) with capacity below 300HP, divided by annual sales value and volume of motors from the Business Division of Green Electric-Machinery.	P51
3	<p>Energy-saving statistics for sales of high performance energy-efficient motors with capacity below 300hP (224kW) in 2018 (power savings in MWh converted into GHG emission amount).</p> <ul style="list-style-type: none"> • Total power savings of 624,635.33 MWh • Total emission reduction: 332,930,632.88 MT CO₂e/Year <p>Calculations based on 5,000 operating hours per year; CO₂e figures based on power coefficient of 0.533 (kgCO₂e/kWh) announced by the Bureau of Energy, Ministry of Economic Affairs (MOEA) in 2018.</p>	<p>The IE3 category refers to IE3 motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014.</p> <p>The IE4 category refers to IE4 motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014.</p> <p>Power savings, expressed in kilowatts/hour, were calculated by multiplication of total annual sales volume of motors according to the above classification and total discrepancy (same horsepower) by the power consumption difference between said category and IE1 motors, assuming 5,000 operating hours per year.</p>	P51
4	<p>LNG consumption statistics for TECO and affiliated enterprises in 2018:</p> <ul style="list-style-type: none"> • TECO Electric and Machinery Co., Ltd. 711,630 m³ • TECO-Westinghouse (TWMC) 182,590 m³ • Wuxi TECO 295,740 m³ 	The 2018 natural gas consumption is calculated based on receipts issued by CPC Corporation, Taiwan, US Luminant Energy Company and CR Gas.	P44
5	<p>Annual power consumption statistics for TECO and affiliated enterprises in 2018</p> <ul style="list-style-type: none"> • TECO Electro Devices 1,315.36 MWh • Wuxi TECO 12,533.58 MWh • TECO-Westinghouse (TWMC) 15,509.14 MWh • Taian Technology (Wuxi) 4,215.78 MWh • TESEN Electronic Co., Ltd. 4,872.48 MWh • TECO Electric and Machinery Co., Ltd. 55,419.18 MWh 	The 2018 power consumption is calculated based on receipts issued by Taipower and US Constellation New Energy, Inc., and common invoices issued by Jiangsu Electric Power Company. Where TECO Electric and Machinery Co., Ltd., TESEN Electronic, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, and affiliated enterprises, or contractors have shared meters, power consumption is apportioned according to meter readings or mutually agreed upon proportions.	P44

6.3 Assurance Statement and Report



會計師有限確信報告

資會綜字第 19003067 號

東元電機股份有限公司 公鑒：

本事務所受東元電機股份有限公司（以下稱「貴公司」）之委任，對 貴公司選定 2018 年度企業社會責任報告書所報導之績效指標執行確信程序。本會計師業已確信竣事，並依據結果出具有限確信報告。

確信標的資訊與適用基準

有關 貴公司選定 2018 年度企業社會責任報告書所報導之績效指標（以下稱「確信標的資訊」）及其適用基準詳列於 貴公司 2018 年度企業社會責任報告書第 96 至 97 頁之「確信項目彙總表」。

管理階層之責任

貴公司管理階層之責任係依照適當基準編製企業社會責任報告書所報導之績效指標，且維持與績效指標編製有關之必要內部控制，以確保績效指標未存有導因於舞弊或錯誤之重大不實表達。

會計師之責任

本會計師係依照確信準則公報第一號「非屬歷史性財務資訊查核或核閱之確信案件」，對確信標的資訊執行確信工作，以發現前述資訊在所有重大方面是否有未依適用基準編製而須作修正之情事，並出具有限確信報告。

本會計師依照上述準則所執行之有限確信工作，包括辨認確信標的資訊可能發生重大不實表達之領域，以及針對前述領域設計及執行程序。因有限確信案件取得之確信程度明顯低於合理確信案件取得者，就有限確信案件所執行程序之性質及時間與適用於合理確信案件者不同，其範圍亦較小。

本會計師係依據所辨認之風險領域及重大性以決定實際執行確信工作之範圍，並依據本委任案件之特定情況設計及執行下列確信程序：對參與編製確信標的資訊之相關人員進行訪談，以瞭解編製前述資訊之流程、所應用之資訊系統（若適用），以及攸關之內部控制，以辨認重大不實表達之領域。

- 基於對上述事項之瞭解及所辨認之領域，對確信標的資訊進行分析性程序，如必要時，則選取樣本進行包括查詢、觀察、檢查及重新執行等測試，以取得有限確信之證據。

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
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此報告不對 2018 年度企業社會責任報告書整體及其相關內部控制設計或執行之有效性提供任何確信。

會計師之獨立性及品質管制規範

本會計師及本事務所已遵循會計師職業道德規範中有關獨立性及其他道德規範之規定，該規範之基本原則為正直、公正客觀、專業能力及盡專業上應有之注意、保密及專業態度。

本事務所適用審計準則公報第四十六號「會計師事務所之品質管制」，因此維持完備之品質管制制度，包含與遵循職業道德規範、專業準則及所適用法令相關之書面政策及程序。

先天限制

本案諸多確信項目涉及非財務資訊，相較於財務資訊之確信受有更多先天性之限制。對於資料之相關性、重大性及正確性等之質性解釋，則更取決於個別之假設與判斷。

有限確信結論

依據所執行之程序與所獲取之證據，本會計師並未發現確信標的資訊在所有重大方面未依適用基準編製而須作修正之情事。

其它事項

貴公司網站之維護係 貴公司管理階層之責任，對於確信報告於 貴公司網站公告後任何確信標的資訊或適用基準之變更，本會計師將不負就該等資訊重新執行確信工作之責任。

資誠聯合會計師事務所

會計師 李宜樺

李宜樺



2019年08月15日

Independent Limited Assurance Report

To TECO Electric and Machinery Co., Ltd.

We have been engaged by TECO Electric and Machinery Co., Ltd. ("TECO") to perform assurance procedures on the sustainability performance information identified by TECO and reported in the 2018 Corporate Sustainability Report (hereinafter referred to as the "CSR Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by TECO (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "TECO 2018 CSR Summary of Assured Items" on page 96 and 97 of the CSR Report. The scope of the aforementioned Subject Matter Information is set out in the "Report Scope and Boundaries" on page 3 of the CSR Report.

Management's Responsibilities

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

Our Responsibilities

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

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

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, information systems (if any), and the relevant internal controls relating to the

preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and

- Based on the above understanding and the areas identified, performed analytical procedures on the Subject Matter Information and, performed selective testing including inquiry, observation, inspection, and reperformance to obtain evidence for limited assurance.

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

Compliance of Independence and Quality Control Requirement

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

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

Inherent Limitations

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

Limited Assurance Conclusion

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

Other Matter

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

PricewaterhouseCoopers, Taiwan

Li, Yi-Huah

Partner

August 15, 2019

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

TECO 